

Agenda Note for amendments to draft Goods and Services Tax (Compensation to the States) Bill, 2016.

The GST Council in its 10th Meeting held on 18 February 2017 at Udaipur had approved the draft Goods and Services Tax (Compensation to the States) Bill, 2017. Thereafter, the GST Council in its 11th Meeting held on 4 March 2017 recommended the draft Central Goods and Services Tax Bill and Integrated Goods and Services Tax Bill.

2. In light of the final draft of Central Goods and Services Tax Bill and Integrated Goods and Services Tax Bill recommended by the GST Council and for incorporating decisions of GST Council, certain consequential changes have been incorporated in the draft Goods and Services Tax (Compensation to the States) Bill, 2017. Further to provide for ceiling of rate for imposition of cess on supply of goods and services, changes have been made in Section 8 of the draft Bill.

3. The Council may consider and approve the amendments in draft Goods and Services Tax (Compensation to the States) Bill, 2017.

2(1) "State" shall include –

- (i) for the purposes of sections 3, 4, 5, 6 and 7, the States as defined under the Central Goods and Services Tax Act and the Union territories with Legislature mentioned in the First Schedule to the Constitution; and
- (ii) for the purposes of sections 8, 9, 10, ~~and 11~~, 12, 13 and 14 the States as defined under the Central Goods and Services Tax Act, and Union territories defined under the Union Territories Goods and Services Tax Act;

7. CALCULATION AND RELEASE OF COMPENSATION.

(3)(b) the actual revenue collected by a State in any financial year during the transition period would be the actual revenue from State tax collected by the State and net of refunds given by the said State under Chapters XI and ~~XXVII~~ of the State Goods and Services Tax Act, the integrated goods and services tax apportioned to that State, and any collection of taxes on account of the taxes levied by the respective State under the Acts specified in sub-section (4) of section 5, net of refunds of such taxes, as certified by the Comptroller and Auditor General of India;

the actual revenue collected by a State till the end of relevant two months period in any financial year during the transition period would be the actual revenue from State tax collected by the State, net of refunds given by the State under Chapters XI and ~~XXVII~~ of the State Goods and Services Tax Act, the integrated goods and services tax apportioned to that State, as certified by the Principal Chief Controller of Accounts of the Central Board of Excise and Customs, and any collection of taxes on account of the taxes levied by the respective State under the Acts specified in sub-section (4) of section 5, net of refunds of such taxes;

8. LEVY AND COLLECTION OF CESS.

- (1) There shall be levied a cess on such intra-State supplies of goods or services or both, as provided for in section ~~97~~ of the Central Goods and Services Tax Act, and such inter-State supplies of goods or services or both as provided for in section 5 of the Integrated Goods and Services Tax Act, and collected in such manner as may be prescribed, on the recommendations of the Council, for the purposes of providing compensation to the States for loss of revenue arising on account of implementation of the goods and services tax with effect from the date from which the provisions of Central Goods and Services Tax Act is brought into force, for a period of five years or for such period as may be prescribed on the recommendation of the Council:

Provided that no such cess shall be leviable on supplies made by a taxable person who has decided to opt for composition levy under section ~~108~~ of the Central Goods and Services Tax Act.

- (2) The cess shall be levied on such supplies of goods or services as are specified in column (2) of the Schedule to this Act, on the basis of value, quantity or on such basis as may be recommended by the Council, at such rate not exceeding the rate set forth in the corresponding entry in column (4) of the Schedule— per cent as may be notified by as the Central Government may by notification in the Official Gazette specify:

Provided that where the cess is chargeable on any supply of goods or services or both with reference to their value, for each such supply the value shall be determined under section 15 of the Central Goods and Services Tax Act for all intra-State and inter-State supply of goods or services or both:

Provided further that the cess on goods imported into India shall be levied and collected in accordance with the provisions of section 3 of the Customs Tariff Act, 1975 at the point when duties of customs are levied on the said goods under section 12 of the Customs Act, 1962, on a value determined under the Customs Tariff Act, 1975.

10. CREDITING PROCEEDS OF CESS TO FUND.

The proceeds of the cess leviable under section 8 and such other ~~revenues-amounts~~ as may be recommended by the Council, shall be credited to a non-lapsable Fund known as the Goods and Services Tax Compensation Fund, which shall form part of the public account of India and shall be utilized for purposes specified in the said section

THE SCHEDULE

Notes

1. In this Schedule, reference to a “tariff item”, “heading”, “sub-heading” and “Chapter”, wherever they occur, shall mean respectively a tariff item, heading, sub-heading and Chapter in the First Schedule to the Customs Tariff Act, 1975 (Act No.51 of 1975)
2. The rules for the interpretation of the First Schedule to the Customs Tariff Act, 1975 (Act No.51 of 1975), the Section and Chapter Notes and the General Explanatory Notes of the First Schedule shall, so far as may be, apply to the interpretation of this Schedule.

S. No.	Description of supply	Tariff item, heading, sub-heading, Chapter, of goods or service, as the case may be	The maximum rate at which GST Compensation Cess may be collected
(1)	(2)	(3)	(4)
1.	Pan Masala	2106 90 20	135% ad valorem
2.	Tobacco and manufactured tobacco substitutes, including tobacco products	24	Rs.4170 per thousand sticks or 290% ad valorem or a combination thereof
3.	Coal; briquettes, ovoids and similar solid fuels manufactured from coal; Lignite, whether or not agglomerated, excluding jet; Peat (including peat litter), whether or not agglomerated	2701, 2702 or 2703	Rs.400 per tonne
4.	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured	2202 10	15% ad valorem
5.	Motor cars and other motor vehicles principally designed for the transport of persons (other than motor vehicles for the transport of ten or more persons, including the driver), including station wagons and racing cars	8703	15% ad valorem
6.	All other supplies		15% ad valorem