

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4599
ANSWERED ON:23.12.2005
INTEGRATED GOODS AND SERVICES TAX
Chitthan Shri N.S.V.;Sugavanam Shri E.G.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government is proposing to introduce Integrated Goods and Services Tax;
- (b) if so, the details thereof; and
- (c) the time by which it will be taken into effect?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (c): As per the provisions of the Constitution, the Central Government is empowered to levy tax on manufacture of goods (CENVAT), whereas the State Governments have the powers to levy tax on purchase or sale of goods within a State (State Sales Tax/VAT). Tax on inter-State sale of goods is levied by the Central Government in the form of Central Sales Tax (CST), but the same is collected and appropriated by the States concerned. Tax on Services is levied and collected by the Central Government (except for few specified services for which the States have powers to levy tax), but the same is shared with the States. Thus, integration of all the Central and States taxes into an integrated GST would require a constitutional amendment. Moreover, a number of other issues would require to be settled in consultation with the States, before any effective move can be made towards an integrated GST. Thus, there is no prospect of implementation of an integrated GST in the immediate future.