**Syllabus subtopic:** Functions and responsibilities of the Union and the States, issues and challenges pertaining to the federal structure, devolution of powers and finances up to local levels and challenges therein.

**Prelims focus:** about salient features of GST, GST Council: structure and mandate

**Mains focus:** concerns of the states regarding delays in compensation payments and the challenges faced by the govt. in GST collections

**News:** The Centre released Rs. 35,298 crore to the States in Goods and Services Tax (GST) compensation on Monday, just two days before a crucial meeting of the GST Council.

**Background**

The decision comes at a time when several States had urged the Centre to transfer the compensation payments, which have been pending for several months, with the Punjab government warning that it was prepared to take the issue to the Supreme Court.

**Why was there a delay in transfer?**

The delay was because GST collections had been lower than expected.

While the government had budgeted for Rs. 6,63,343 crore in GST collections for the current fiscal, 2019-20, it had garnered only about 50% of its budget estimate in the first eight months.

**Concerns raised by the states**

States have expressed apprehensions about not getting their compensation on time or at all, with some alleging that they had to incur debts to meet the expenses predicated on GST compensation monies.

While the Congress government in Punjab had threatened to take the Centre to court, Chhattisgarh Chief Minister Bhupesh Baghel had asked the Centre to
About GST Council:

The GST Council is set to hold its next meeting on December 18.

1. It is a constitutional body for making recommendations to the Union and State Government on issues related to Goods and Service Tax.
2. It is chaired by the Union Finance Minister and other members are the Union State Minister of Revenue or Finance and Ministers in-charge of Finance or Taxation of all the States.

Composition

As per Article 279A of the amended Constitution, the GST Council which will be a joint forum of the Centre and the States, shall consist of the following members: –

1. Union Finance Minister - Chairperson;
2. Union Minister of State in charge of Revenue or Finance - Member;
3. Minister in charge of Finance or Taxation or any other
4. Minister nominated by each State Government - Members.

Mandate of GST Council

It shall make recommendations to the Union and the States on:

1. the taxes, cesses and surcharges levied by the Union, the States and the local bodies which may be subsumed in the goods and services tax;
2. the goods and services that may be subjected to, or exempted from the goods and services tax;
3. model Goods and Services Tax Laws, principles of levy, apportionment of Goods and Services Tax levied on supplies in the course of inter-State trade or commerce under article 269A and the principles that govern the place of supply;
4. the threshold limit of turnover below which goods and services may be exempted from goods and services tax;
5. the rates including floor rates with bands of goods and services tax;
6. any special rate or rates for a specified period, to raise additional resources during any natural calamity or disaster;
7. special provision with respect to the States of Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim,
Tripura, Himachal Pradesh and Uttarakhand; and
8. any other matter relating to the goods and services tax, as the Council may decide.
9. It shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel.
10. While discharging the functions conferred by this article, the Goods and Services Tax Council shall be guided by the need for a harmonized structure of goods and services tax and for the development of a harmonized national market for goods and services.
11. **One-half of the total number of Members** of the Goods and Services Tax Council shall constitute the **quorum** at its meetings.

**How does the council take a decision on any tax issue?**

Every decision of the Goods and Services Tax Council shall be taken at a meeting, by a **majority of not less than three-fourths of the weighted votes of the members present and voting**, in accordance with the following principles-

1. the vote of the Central Government shall have a weightage of one third of the total votes cast, and
2. the votes of all the State Governments taken together shall have a weightage of two-thirds of the total votes cast, in that meeting.

**Will absenteeism of any state or vacancy/ies halt the decision of the council?**

No act or proceedings of the Goods and Services Tax Council shall be invalid merely by reason of—

1. any vacancy in, or any defect in, the constitution of the Council; or
2. any defect in the appointment of a person as a Member of the Council; or
3. any procedural irregularity of the Council not affecting the merits of the case.

**Is there any provision for resolving the issues arising among the different parties of the council?**

The Goods and Services Tax Council shall establish a mechanism to adjudicate any dispute —
1. between the Government of India and one or more States; or
2. between the Government of India and any State or States on one side and
   one or more other States on the other side; or
3. between two or more States, arising out of the recommendations of the
   Council or implementation thereof.