



# Union Finance Minister writes a letter to the Chief Minister of Jammu & Kashmir.

## Shri Jaitley urges CM Membooba Mufti Sayeed to implement GST in the State.

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The Union Finance Minister Sh. Arun Jaitley today has written a letter to the Chief Minister of the State of Jammu and Kashmir, Membooba Mufti Sayeed urging for introduction of the goods and services tax in Jammu and Kashmir from 1st July, 2017 along with the rest of the States.

The Finance Minister observed that Jammu and Kashmir had actively participated in the GST Council meetings and had meaningfully contributed to framing of the various laws and rules for GST. He thanked the Chief Minister for having hosted the Fourteenth meeting of the GST Council held in Srinagar on 18-19th May, 2017 where some very crucial decisions relating to GST including decisions on majority of the tax rates were taken.

In his letter the Finance Minister has further mentioned that as per Article 370 of the Constitution, amendments made in Constitution of India are applicable to the State of Jammu and Kashmir with the concurrence of the Government of the State, as the President may by order specify. He urged the Chief Minister to send the concurrence of the State, with any modifications as considered necessary keeping in view the special constitutional position of the State of Jammu and Kashmir, on the Constitution (One Hundred and First Amendment) Act, 2016 for the order of the President.

Further, in his letter the Finance Minister also brought to the notice of the Chief Minister that in case the State of Jammu and Kashmir is not able to introduce GST from 1st July, 2017, it may lead to following adverse impact :

(a) A general increase in prices in the State of all goods being purchased from other States and

(b) Increase in the price of all goods being sold from the State of Jammu and Kashmir to other States which shall have an adverse impact on domestic industry in the State.

The Finance Minister pointed out that this is so because the goods and services tax is a destination based tax. To ensure this an Integrated goods and services tax (IGST) shall be levied on all supplies of goods and services made in course of inter State trade or commerce. Under GST, any dealer of goods or service purchasing such supplies from any other State pays IGST to the seller but is able to take credit of this IGST so paid in subsequent sales. The Finance Minister has mentioned that if the State of Jammu and Kashmir does not join GST on 1st July, 2017, for all purchases made by the State from other States after 1st July the dealer shall not be able to take credit of this IGST which shall get embedded into the price of purchased good or service, leading to cascading of tax and increase in price of the said good or service for the final consumers in Jammu and Kashmir.

Similarly, in case of goods or services sold from Jammu and Kashmir to other States, the buyer in State purchasing from Jammu and Kashmir shall not be able to take credit of the local taxes paid to dealer making the sale, which shall increase his cost of purchase through embedding of such taxes in the price. This shall put the trade and industry in the State of Jammu and Kashmir at a competitive disadvantage.

The Finance Minister has finally urged the Chief Minister to take all necessary steps to introduce GST in Jammu and Kashmir on 1st July, as any delay in the same would create a disadvantage for both, the consumers and the industry of the State in the intervening period.

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