

**PRESS RELEASE**

Text of the letter sent by **Selvi J Jayalithaa, Hon'ble Chief Minister of Tamil Nadu** to all non-Congress Chief Ministers on 18.8.2011 regarding the Constitution (115<sup>th</sup> Amendment) Bill, 2011 is reproduced below:-

"As you are aware, the Government of India has introduced the Constitution (115<sup>th</sup> Amendment) Bill, 2011, on Goods and Services Tax (GST) in the Budget Session of Parliament. The Bill has been referred to the Parliamentary Standing Committee on Finance, whose Chairman has requested the States to offer their views/suggestions on the proposed Amendment Bill.

While the Government of Tamil Nadu has sent its views/suggestions to the Chairman, Parliamentary Standing Committee on Finance, in view of the far reaching implications of the Amendment Bill on the fiscal autonomy of the States, I have also addressed the Hon'ble Prime Minister of India in this regard (copy enclosed).

As we all know, Sales Tax / VAT is the only major source of revenue for the States, while the Union Government has many sources of income. The Government of India is attempting to stealthily encroach upon even this single buoyant source of revenue for the State Governments in the name of indirect tax reforms.

At a point when many States continue to raise many pertinent and critical issues like tax structure, convergence of tax rates, compensation mechanism, etc. during the discussions in the Empowered Committee of State Finance / Taxation ministers, to our shock and dismay, the Government of India has chosen to introduce the Amendment Bill in Parliament without addressing any of them.

The Bill includes provisions like the GST Council and GST Dispute Settlement Authority which, if brought into force, will erode the legislative and fiscal powers of the States. There are many issues related to GST that I have highlighted in my letter to the Prime Minister, which need to be addressed and a broad consensus arrived at, failing which the States will be trapped in a bottomless pit, with the GST regime being thrust upon them, through the passage of the Bill in Parliament.

Though the States have the power to withhold their consent to bring the Amendment into force as the Government of India will require ratification by the majority of the States, this clandestine and sinister attempt on its part needs to be opposed vehemently at the Bill stage itself.

I, therefore, suggest that we may take up the matter with the Government of India in a co-ordinated manner to impress upon the Centre that the fiscal autonomy of the States should not be compromised in any way."

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Issued by: Commissioner, Information-Public Relations, Chennai - 9

Dated: 22.8.2011