

GST Network will soon become a 100% govt-owned company

Post-conversion, Centre will hold 50%; States will hold balance stake on a pro-rata basis

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The Goods and Services Tax Network - Special Purpose Vehicle (GSTN-SPV) will cease to be a private company and morph into a 100 per cent government-owned entity.

The GST Council, headed by Union Finance Minister Arun Jaitley, approved a proposal for the conversion at its 27th meeting here on Friday.

GSTN is the IT backbone of the unified indirect tax system. Currently, the Centre and State Governments hold 24.5 per cent stake each in GSTN; non-governmental institutions hold the other 51 per cent.

These institutions include HDFC, HDFC Bank, ICICI Bank, NSE Strategic Investment Co and LIC Housing Finance Ltd.

Following the GSTN's metamorphosis, the Centre will hold 50 per cent, and the remaining

stake will be held by States governments on a pro rata basis.

A Finance Ministry statement said the GST Council decided that the entire 51 per cent stake held by the non-governmental institutions in GSTN — amounting to ₹5.1 crore — will be acquired equally by the Centre and the States governments.

The GSTN board will initiate the process.

Staff recruitment

The GSTN board will be allowed to retain the existing staff on the same terms for five years, the statement added.

It will also have the flexibility to hire people on contract on terms similar to those it uses at present to hire regular employees.

GSTN was created as a private limited, not-for-profit company under Section 25 of the Companies Act, 1956, by the government

Key decisions of 27th GST Council meet

- GSTN to be made 100 per cent state-owned entity
- New single-return mechanism to be implemented in three phases
- Input tax credit for buyers to be delinked from tax payment by sellers
- No automatic reversal of credit
- Sugar cess levy proposal deferred; GoM to look into it
- GST concession on digital payment deferred; GoM to look into it

It was agreed that the 51% held by private entities (in GSTN) should be taken over by the government and, eventually, the Central government will hold 50% and State governments will hold 50%

— Arun Jaitley
Finance Minister



on March 28, 2013 to provide shared IT infrastructure and services to the Centre and the State governments, taxpayers and other stakeholders for the implementation of the GST.

Although the government is not the majority equity holder in the company, GSTN, through various mechanisms, is under the strategic control of the Centre.

IT-driven processes

The majority of the GST processes — including registration,

filing of returns, payment of taxes and processing of refunds — is IT-driven.

GSTN handles the invoice data of lakhs of business entities, including data on exports and imports.

Considering its functions, the GST Council felt it ought to be converted into a fully government-owned company.

Finance Secretary Hasmukh Adhia said a formal process for conversion will be placed before the Union Cabinet.

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