



[REDACTED]

**Minutes of the 19<sup>th</sup> GST Council Meeting held on 17<sup>th</sup> July, 2017**

The nineteenth Meeting of the GST Council (hereinafter referred to as 'the Council') was held on 17 July, 2017 through video conference in Prime Minister's Office, New Delhi, under the Chairpersonship of the Hon'ble Union Finance Minister, Shri Arun Jaitley. The list of the Hon'ble Members of the Council who attended the meeting is at **Annexure 1**. The list of officers of the Centre, the States, the GST Council and the Goods and Services Tax Network (GSTN) who attended the meeting is at **Annexure 2**.

2. The following agenda items were listed for discussion in the 19<sup>th</sup> Meeting of the Council: -

1. Confirmation of the Minutes of the 18<sup>th</sup> GST Council Meeting held on 30 June 2017.
2. Change in the rate of Compensation Cess.
3. Date of the next meeting of the GST Council.

3. In his opening remarks, the Hon'ble Chairperson welcomed all the Members to the 19<sup>th</sup> Council Meeting. He observed that though officers of the GST Implementation Committee (GIC) had been authorised to take decisions on issues of urgent nature, as the present agenda item was very important, it was appropriate to place it before the Council by calling this urgent meeting of the Council.

**Discussion on Agenda Items:**

**Agenda Item 1: Confirmation of the Minutes of the 18<sup>th</sup> GST Council Meeting held on 30 June, 2017**

4. The Hon'ble Chairperson observed that discussion on the draft Minutes of the 18<sup>th</sup> Meeting of the Council could be taken up either in this meeting or in the next meeting of the Council. He expressed his preference for taking up discussion on the Minutes in the next regular meeting of the Council as this would facilitate a more detailed discussion. The Hon'ble Ministers from Maharashtra, Karnataka and West Bengal supported this proposal. The Council agreed to take up discussion on the draft Minutes of the 18<sup>th</sup> Meeting of the Council in the next (i.e. 20<sup>th</sup>) Meeting of the Council.

4.1. For **Agenda Item 1**, the Council agreed to take up discussion on the draft Minutes of the 18<sup>th</sup> Council meeting (held on 30 June, 2017) in its next regular meeting (i.e. the 20<sup>th</sup> Meeting of the Council).

**Agenda Item 2: Change in the rate of Compensation Cess**

5. The Hon'ble Chairperson stated that the meeting of the Council was convened essentially to discuss an increase in the rate of compensation cess for cigarettes. He explained that earlier, the rate of compensation cess for cigarettes had been fixed at 5% plus a specific rate per thousand cigarettes for different lengths of filter and non-filter cigarettes. He informed that when these rates had been put into implementation, it came to light that the method of calibrating the rate of cess did not take into consideration the cascading of taxes of the earlier

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regime as VAT was charged on the value inclusive of the Central Excise duty. This had resulted in lowering of the total tax incidence on cigarettes in the GST regime as compared to the total taxes in the pre-GST regime. He observed that effect of this could be a windfall profit for tobacco companies to the tune of about Rs. 5,000 crore per annum. He added that if the reduced incidence of tax was passed on to the customers, it would lead to reduction in price of cigarettes, which was also not desirable for a 'sin' product. He stated that the proposed increase in the rate of compensation cess on cigarettes was meant to address this anomaly and this was likely to yield additional annual revenue to the exchequer of about Rs. 5,000 crore. He stated that keeping this in view, it was proposed to increase the rate of compensation cess for non-filter and filter cigarettes ranging from Rs.485 per thousand to Rs.792 per thousand, and for one category of cigarettes i.e. filter cigarettes of length exceeding 75 mm, to increase the rate of compensation cess by 31% as the specific duty component for this category was already at the scheduled ceiling rate whereas for the *ad valorem* component, the scheduled ceiling rate was 290%. The Hon'ble Chairperson invited views of the Hon'ble Members on this proposal.

5.1. The Hon'ble Minister from Maharashtra supported the proposal. He observed that if cigarette price got reduced, this would affect the health of the Country's youth and the GST Council should not encourage this. He suggested to further increase the rate of compensation cess on cigarettes. The Hon'ble Ministers from Assam, Bihar, Chhattisgarh, Gujarat, Kerala, Karnataka, Madhya Pradesh, Manipur, Mizoram, Odisha, Punjab, Rajasthan, Tamil Nadu, Telangana, Uttarakhand, Uttar Pradesh and West Bengal supported the proposal to increase the rate of compensation cess on cigarettes contained in the agenda note. The Hon'ble Chief Minister of Puducherry also supported the proposal and sought a clarification as to whether this increase in the rate would come into effect prospectively or retrospectively. The Hon'ble Chairperson clarified that it would come into effect prospectively with effect from 12.00 a.m. that night i.e. from 18 July, 2017.

5.2. The Hon'ble Minister from Jammu & Kashmir supported the proposal. He further suggested to use this opportunity to rationalise the rate structure for cigarettes so as to have only two rates of tax for filter and non-filter cigarettes and to do away with the classification of rates based on the length of cigarettes. The Hon'ble Chairperson stated that this proposal could be considered at a later date but at this juncture, it would be advisable to retain the same description of cigarettes for the rate structure.

5.3. The Hon'ble Minister from Goa expressed his support for increasing the rate of compensation cess on cigarettes. He supported the proposal of the Hon'ble Minister from Jammu & Kashmir to rationalise the rate structure of cigarettes. He also suggested to further increase the rate of compensation cess on cigarettes in order to increase the annual revenue from tobacco by about Rs. 6,000 crore per annum instead of the presently projected increase of Rs. 5,000 crore per annum. The Hon'ble Minister from Madhya Pradesh also suggested that if possible, the rate of compensation cess on cigarettes could be further increased. The Hon'ble Chairperson observed that at this stage, it was important to restore the original structure of tax on cigarettes in order to avoid windfall profit to the tobacco companies. The Hon'ble Minister from Uttarakhand suggested that the rate of tax for tariff item 8703 (applicable to luxury cars like BMW) should also be increased. The Hon'ble Minister from Haryana supported the proposal to increase the rate of compensation cess on cigarettes and suggested that a similar anomaly in respect of the rate of tax on high-end luxury cars also needed to be looked into.

  
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5.4. The officers representing the States of Andhra Pradesh, Arunachal Pradesh, Delhi, Himachal Pradesh, Jharkhand, Sikkim and Tripura also supported the proposal to increase the rate of compensation cess on cigarettes. The Hon'ble Chairperson thanked the Hon'ble Ministers and officers for their support to the proposal to increase the rate of compensation cess on cigarettes.

5.5. For **Agenda Item 2**, the Council approved the following increase in the rate of compensation cess on cigarettes: -

HSN Code	Increase in Compensation Cess Rates on Cigarettes	From	To
<b>Non- filter</b>			
2402 20 10	Not exceeding 65 mm	5% + Rs.1591 per thousand	5% + Rs. <b>2076</b> per thousand
2402 20 20	Exceeding 65 mm but not 70 mm	5% + Rs.2876 per thousand	5% + Rs. <b>3668</b> per thousand
<b>Filter</b>			
2402 20 30	Not exceeding 65 mm	5% + Rs.1591 per thousand	5% + Rs. <b>2076</b> per thousand
2402 20 40	Exceeding 65 mm but not 70 mm	5% + Rs.2126 per thousand	5% + Rs. <b>2747</b> per thousand
2402 20 50	Exceeding 70 mm but not 75 mm	5% + Rs.2876 per thousand	5% + Rs. <b>3668</b> per thousand
2402 20 90	Others	5% + Rs.4170 per thousand	<b>36%</b> + Rs.4170 per thousand

**Other issues:**

6. The Hon'ble Ministers requested the Hon'ble Chairperson to also give an opportunity to raise certain other important issues. The Hon'ble Chairperson agreed to the same.

6.1. The Hon'ble Minister from West Bengal stated that notification on cross-empowerment of officers for division of the tax payers between the Centre and the State tax administration had not been issued yet which was creating confusion amongst the tax payers as to which tax authority to go to. He suggested to address this issue immediately. He highlighted certain other issues like an applicant's reply with regard to queries on application for registration not being visible; online appeal mechanism relating to registration having not become operational; HSN (Harmonised System of Nomenclature) Code of a few products creating confusion such as for sweets (*mishti*). He explained that chocolate *sandesh* did not find an entry under the HSN Code and there was an apprehension that it could be classified as chocolate attracting a tax rate of 28%. He stated that as *chena* was exempt, *mishtit* should also be exempt instead of taxing it at the rate of 5%, especially keeping in view the confusion regarding its HSN classification. He stated that if this was not acceptable, then some other solution needed to be found. He added that in the notification relating to taxation of the real estate sector, the reference to abatement for the value of land was mentioned in the end whereas it should be mentioned in the beginning of the notification.




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6.2. The Hon'ble Minister from Kerala stated that some tax rates needed to be fine-tuned. He further observed that presently reduction in the rate of tax was very rarely being passed on to the consumers and observed that at least for the next batch of goods coming out of factories, it should be ensured that the companies reduce the maximum retail price (MRP) and certain action might need to be taken in this regard. He observed that several companies had not yet updated their billing software to make it GST compliant on the basis of destination principle. This was resulting in intra-State transactions being wrongly shown as inter-State transactions and this needed to be addressed.

6.3. The Hon'ble Chief Minister of Puducherry stated that there were two or three very important issues to be addressed urgently. He observed that about 20 to 25 lakh persons were involved in fire cracker manufacturing in Tamil Nadu and parts of Puducherry. Fire crackers attracted only 2% tax earlier whereas now it was taxed at the rate of 28% and input tax credit was available only to the extent of about 2% to 3%. He observed that this had led to large scale smuggling of crackers which was killing the local industry. He also observed that making of matches was a cottage industry where matches were made by hand and tax on it was badly hurting this industry and affecting employment. He further stated that tax on non-airconditioned restaurants at the rate of 12% was badly pinching the pockets of the ordinary people. He also suggested to exempt tax on fishing net.

6.4. The Hon'ble Deputy Chief Minister of Gujarat stated that there were many anomalies in the description and the tax rate of products and these needed to be addressed early. He stated that there were several other small issues which needed to be discussed and solution found at an early date. The Hon'ble Minister from Telangana stated that there was a confusion as to how to apply the tax on works contract where the work had commenced before the implementation of GST and this needed to be clarified early. The Hon'ble Minister from Uttarakhand stated that there was no clarification or notification regarding the 58% reimbursement for area-based exemption scheme and due to this, the industry was unable to determine its MRP and was facing difficulty in supplying the goods to the market.

6.5. Shri D. Sambasiva Rao, Special Chief Secretary, Andhra Pradesh, suggested to reduce the rate of tax on works contractors, tractors and renting of rooms by *Tirumala Tirupati Devasthanam* (TTD). He stated that what TTD did was not in the nature of business and that it should be exempt from GST. He added that they had sought some clarifications for ensuring uniform implementation of certain GST procedures. He suggested to hold video conference once a week so that contentious issues could be clarified. The Hon'ble Minister from Karnataka stated that he would like to take up the issue of *copra* and desiccated coconut. The Hon'ble Minister from Odisha stated that *sal* leaf, *siali* leaf and *sabai* grass were exempted under VAT and Central Excise and therefore no tax should have been imposed on them under GST but it appeared that these goods were chargeable to tax at the rate of 5%. He observed that that these items were collected from forest by the tribal people and they either sold them as such or made *sabai* ropes, *sabai* baskets and other articles from them and sold them in the market. He therefore suggested to exempt these goods from tax under GST as it was a livelihood issue for the tribal people. The Hon'ble Minister from Rajasthan stated that there was strike in the Marble and Granite *Mandi* and of marble statue makers. He requested the Hon'ble Chairperson to organize a meeting of the Fitment Committee at the earliest, so that the issues regarding tax rate could be finalized in the meeting of the Council scheduled on 5 August, 2017.

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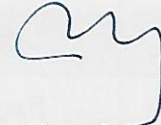
6.6. The Hon'ble Minister from Bihar stated that notifications should be issued by the Centre and the States simultaneously and that the States were having difficulty in ensuring this. The Hon'ble Minister from Maharashtra stated that the last date for migration of the tax payers earlier registered under VAT to the Composition scheme was 22 July, 2017, which was causing difficulty and suggested that this date should be extended. He also observed that the correct HSN entry for Extra Neutral Alcohol should be clarified at an early date.

6.7. The Hon'ble Chairperson observed that the suggestions of the Hon'ble Ministers should be given in writing in the next two to three days, which could be considered by the Fitment Committee.

**Agenda Item 3: Date for the next meeting:**

7. The Hon'ble Chairperson stated that as already decided during the 18<sup>th</sup> meeting of the Council (held on 30 June, 2017), the next meeting of the Council would be held on 5 August, 2017. The Hon'ble Members agreed to this suggestion.

8. The meeting ended with a vote of thanks to the Chair.



(Arun Jaitley)  
Chairperson, GST Council

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## Annexure – 1

### List of Ministers who attended the 19<sup>th</sup> GST Council Meeting on 17 July 2017

<u>S No</u>	<u>State/Centre</u>	<u>Name of the Minister</u>	<u>Charge</u>
1	Govt. of India	Shri ArunJaitley	Finance Minister
2	Govt. of India	Shri Santosh Kumar Gangwar	Minister of State (Finance)
3	Puducherry	Shri V. Narayanasamy	Chief Minister
4	Gujarat	Shri Nitinbhai Patel	Deputy Chief Minister
5	Manipur	Shri YumnamJoykumar Singh	Deputy Chief Minister
6	Assam	Shri HimantaBiswaSarma	Finance Minister
7	Bihar	Shri Bijendra Prasad Yadav	Minister - Commercial Taxes & Energy
8	Chhattisgarh	Shri Amar Agrawal	Finance Minister
9	Goa	Shri MauvinGodinho	Minister – Panchayat
10	Haryana	Captain Abhimanyu	Minister - Excise & Taxation
11	Jammu & Kashmir	Dr.HaseebDrabu	Finance Minister
12	Karnataka	Shri Krishna Byregowda	Minister – Agriculture
13	Kerala	Dr. Thomas Isaac	Finance Minister
14	Madhya Pradesh	Shri Jayant Malaiya	Finance Minister
15	Maharashtra	Shri SudhirMungantiwar	Finance Minister
16	Mizoram	Shri Lalsawta	Minister – Taxation
17	Odisha	Shri Shashi BhusanBehera	Finance Minister
18	Punjab	Shri Manpreet Singh Badal	Finance Minister
19	Rajasthan	Shri Rajpal Singh Shekhawat	Minister, Industries
20	Tamil Nadu	Shri D. Jayakumar	Minister - Fisheries, Finance, Personnel & Admin. Reforms
21	Telangana	Shri EtelaRajender	Finance Minister
22	Uttar Pradesh	Shri Rajesh Agrawal	Finance Minister
23	Uttarakhand	Shri Prakash Pant	Finance Minister
24	West Bengal	Dr. Amit Mitra	Finance Minister

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**Annexure – 2****List of Officials who attended the 19<sup>th</sup> GST Council Meeting on 17 July 2017**

<b>S No</b>	<b>Organization</b>	<b>Name of the Officer</b>	<b>Charge</b>
1	Govt. of India	Dr. Hasmukh Adhia	Revenue Secretary
2	Govt. of India	Ms. Vanaja N. Sarna	Chairman, CBEC
3	Govt. of India	Shri Mahender Singh	Member (GST), CBEC
4	Govt. of India	Shri B.N. Sharma	Additional Secretary, Dept. of Revenue
5	Govt. of India	Shri Alok Shukla	Joint Secretary (TRU), Dept. of Revenue
6	Govt. of India	Shri Upender Gupta	Commissioner (GST Policy), CBEC
7	Govt. of India	Shri Amitabh Kumar	Joint Secretary (TRU), Dept. of Revenue
8	Govt. of India	Shri Hemant Jain	OSD to MoS (Finance)
9	Govt. of India	Shri Paras Sankhla	OSD to FM
10	GST Council	Shri Arun Goyal	Additional Secretary
11	GST Council	Shri Shashank Priya	Joint Secretary
12	GST Council	Shri Dheeraj Rastogi	Joint Secretary
13	GST Council	Shri Gauri Shankar Sinha	Joint Commissioner
14	GST Council	Shri Kaushik TG	Asst. Commissioner
15	GSTN	Shri Navin Kumar	Chairman
16	GSTN	Shri Prakash Kumar	CEO
17	Andhra Pradesh	Shri D. Sambasiva Rao	Special Chief Secretary
18	Andhra Pradesh	Shri J. Syamala Rao	Commissioner, Commercial Taxes
19	Andhra Pradesh	Shri T. Ramesh Babu	Additional Commissioner, Commercial Taxes
20	Andhra Pradesh	Shri D. Venkateswara Rao	OSD
21	Arunachal Pradesh	Shri Marnya Ete	Commissioner, Commercial Taxes
22	Arunachal Pradesh	Shri Tapas Dutta	Asst. Commissioner, Commercial Taxes

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<b>S No</b>	<b>Organization</b>	<b>Name of the Officer</b>	<b>Charge</b>
23	Assam	Shri V.B. Pyarelal	Additional Chief Secretary
24	Assam	Dr. Ravi Kota	Principal Secretary, Finance
25	Assam	Shri Anurag Goel	Commissioner, Commercial Taxes
26	Bihar	Ms. Sujata Chaturvedi	Principal Secretary & Commissioner, Commercial Taxes
27	Bihar	Shri Arun Kumar Mishra	Additional Secretary, Commercial Taxes
28	Bihar	Shri Ajitabh Mishra	Asst. Commissioner, Commercial Taxes
29	Chhattisgarh	Ms. Sangeetha P	Commissioner, Commercial Taxes
30	Delhi	Shri H. Rajesh Prasad	Commissioner, VAT
31	Delhi	Shri Anand Tiwari	Additional Commissioner, Commercial Taxes
32	Goa	Shri DaulatHawaldar	Secretary, Finance
33	Goa	Shri Michael D'Souza	Additional Secretary, Finance
34	Goa	Shri DipakBandeekar	Commissioner, Commercial Taxes
35	Gujarat	Shri Anil Mukim	Additional Chief Secretary
36	Gujarat	Dr. P.D. Vaghela	Commissioner, Commercial Taxes
37	Gujarat	Shri Sanjeev Kumar	Secretary, Economic Affairs
38	Gujarat	Ms. ArtiKanwar	Special Commissioner, Commercial Taxes
39	Gujarat	Shri RiddheshRaval	Deputy Commissioner, Commercial Taxes
40	Haryana	Shri Sanjeev Kaushal	Additional Chief Secretary
41	Haryana	Shri ShyamalMisra	Excise & Taxation Commissioner
42	Haryana	Ms. AshimaBrar	Special Excise & Taxation Commissioner
43	Haryana	Shri Vidyasagar	Additional Excise & Taxation Commissioner
44	Jammu & Kashmir	Shri NavinChoudhary	Commissioner Secretary, Finance
45	Jammu & Kashmir	Shri P.I. Khateeb	Commissioner, Commercial Taxes

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<u>S No</u>	<u>Organization</u>	<u>Name of the Officer</u>	<u>Charge</u>
46	Jammu & Kashmir	Shri P.K. Bhat	Additional Commissioner, Commercial Taxes
47	Jharkhand	Shri K.K. Khandelwal	Principal Secretary
48	Jharkhand	Shri S.K. Prasad	Joint Commissioner, Commercial Taxes
49	Jharkhand	Shri Pradeep Kumar	Deputy Commissioner, Commercial Taxes
50	Jharkhand	Shri K.K. Mishra	Deputy Commissioner, Commercial Taxes
51	Karnataka	Shri Ritvik Pandey	Commissioner, Commercial Taxes
52	Kerala	Dr.RajanKhobragade	Commissioner, Commercial Taxes
53	Kerala	Shri MinhajAlam	Secretary, Taxes
54	Kerala	Shri Balamurali	Joint Commissioner, Commercial Taxes
55	Madhya Pradesh	Shri Manoj Shrivastva	Principal Secretary, Commercial Taxes
56	Madhya Pradesh	Shri Raghwendra Kumar Singh	Commissioner, Commercial Taxes
57	Madhya Pradesh	Shri Sudip Gupta	Deputy Commissioner, Commercial Taxes
58	Maharashtra	Shri D.K. Jain	Principal Secretary, Finance
59	Maharashtra	Shri Parag Jain	Special Commissioner, Commercial Taxes
60	Maharashtra	Shri Rajendra Bhagat	Deputy Secretary, Finance
61	Maharashtra	Shri DhananjayAkhade	Joint Commissioner, Commercial Taxes
62	Manipur	Shri Hrisheekesh Modal	Commissioner, Commercial Taxes
63	Manipur	Shri Y. Indrakumar	Superintendent
64	Mizoram	Shri Vanlalchhuanga	Secretary, Taxation
65	Mizoram	Shri L.H. Rosanga	Commissioner, Commercial Taxes
66	Mizoram	Shri C. Vanlalchhuana	Asst. Commissioner, Commercial Taxes
67	Nagaland	Shri WochamoOdyuo	Additional Commissioner, Commercial Taxes

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<b>S No</b>	<b>Organization</b>	<b>Name of the Officer</b>	<b>Charge</b>
68	Odisha	Shri TuhinKanta Pandey	Principal Secretary (Finance)
69	Odisha	Shri Saswat Mishra	Commissioner, Commercial Taxes
70	Odisha	Shri N.K. Routray	Additional Secretary (Finance)
71	Odisha	Shri SahadevSahoo	Joint Commissioner, Commercial Taxes
72	Puducherry	Shri D. Srinivas	Commissioner, Commercial Taxes
73	Punjab	Shri Anurag Agarwal	Financial Commissioner, Taxation
74	Punjab	Shri V.P. Singh	Excise & Taxation Commissioner
75	Punjab	Shri Rajiv Gupta	Advisor (GST)
76	Punjab	Shri Pawan Garg	Deputy Excise & Taxation Commissioner
77	Rajasthan	Shri D.B. Gupta	Additional Chief Secretary, Finance
78	Rajasthan	Shri Praveen Gupta	Secretary, Finance
79	Rajasthan	Shri Alok Gupta	Commissioner, Commercial Taxes
80	Sikkim	Shri M.G. Kiran	Principal Secretary, Finance
81	Sikkim	Ms. Dipa Basnet	Secretary, Commercial Taxes
82	Sikkim	Shri PremDhoj Rai	Joint Commissioner, Commercial Taxes
83	Sikkim	Shri Manoj Rai	Joint Commissioner, Commercial Taxes
84	Tamil Nadu	Dr. C. Chandramouli	Additional Chief Secretary
85	Tamil Nadu	Shri K. Gnanasekaran	Additional Commissioner (Commercial Taxes)
86	Tamil Nadu	Shri M. Balaji	Joint Commissioner (LTU)
87	Telangana	Shri Somesh Kumar	Principal Secretary (Revenue)
88	Telangana	Shri Anil Kumar	Commissioner, Commercial Taxes
89	Telangana	Shri LaxminarayanJannu	Joint Commissioner (Policy)
90	Tripura	Shri M. Nagaraju	Principal Secretary (Finance)

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<u>S No</u>	<u>Organization</u>	<u>Name of the Officer</u>	<u>Charge</u>
91	Tripura	Dr.Brahmneet Kaur	Commissioner, Commercial Taxes
92	Tripura	Shri Ashin Barman	Nodal Officer (GST)
93	Uttar Pradesh	Shri R.K. Tiwari	Additional Chief Secretary
94	Uttar Pradesh	Shri Mukesh Kumar Meshram	Commissioner, Commercial Taxes
95	Uttar Pradesh	Shri Vivek Kumar	Additional Commissioner (Commercial Taxes)
96	Uttarakhand	Shri SridharbabuAddanki	Commissioner, Commercial Taxes
97	Uttarakhand	Shri Piyush Kumar	Additional Commissioner (Commercial Taxes)
98	Uttarakhand	Shri Vipin Chand	Additional Commissioner (Commercial Taxes)
99	West Bengal	Shri H.C. Dwivedi	Principal Secretary, Finance
100	West Bengal	Ms. SmarakiMahapatra	Commissioner, Commercial Taxes
101	West Bengal	Shri Khalid Anwar	Senior Joint Commissioner, Commercial Taxes



