



By KP Shashidharan

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GST: ‘Gabbar Singh tax’ or ‘good and simple tax’?

When the NDA Government led by Prime Minister Narendra Modi rolled out the destination-based GST, the mother of all indirect tax reforms of independent India, eulogizing it as “good, simple tax”, Congress President Rahul Gandhi ridiculed it as “Gabbar Singh tax”. Truth is hidden in between the two extreme super hyperbolic forms of the rhetoric.

The GST is not a unilaterally imposed tax reform. It was enacted after following the constitutional enactment with proper legislative procedures and with the consent of the States. The objective is clear to have a one-tax rate, one market in India for goods and services. The GST Council is sorting out problems arising while the implementation of the GST was also initiated by the former UPA Government. The GST is an example of a judicious remix of “cooperative federalism” and “competitive federalism”.

Is the tryst with the tax destiny of India can be compared with the extortion of the most monstrous villain ever created in Hindi cinema by any responsible politician of the country, especially the great grandson of India’s first destiny scripting legendary PM? Is the implementation of the GST absolutely faulty and has the present Government made a mess of India’s growth story? As the former Finance Minister categorically states in his Sunday Indian Express column, the GST is a good idea and 160 countries adopted the tax system with local variations. The basic principle of a one-rate tax structure is ideal. It is a critical issue, but will it be prudent, feasible and possible to adopt at one go a single-rate GST in India at this juncture? Complexities are many, for transition from many taxes to a uniform GST. The former FM said, “Nothing about the GST introduced on July 1, 2017, was right”. True, issues must be resolved. The hardship of SME and MSME businessmen must be resolved.

The problems of the transition period are constantly reviewed, monitored and resolved by the GST Council. The advice of business associations and tax practitioners must be examined, adapted and adopted where required. The GST Council chaired by the present Finance Minister as a think - tank body is there to correct the anomalies. The drafting and implementation of laws are done by competent civil servants, ably aided and collaborated by the legal expertise available in the Ministry of Law. Can business houses be given the responsibility of drafting policy and rules for the country? Civil servants may not have “risked a rupee of their own money in starting or supporting a business”. Can the expertise gained by those who do business for maximum profit and minimum tax with tax management, and in some

cases tax evasion, be the undiluted wisdom for government policy formulation? Do businessmen have a congruence of the objectives? Will there be no conflict of interests? Will the former FM adopt such a policy if he were in charge of implementation of the GST? Is it so that the present FM is doing nothing to rectify the difficulties caused inadvertently in the implementation of the GST?

Any major reforms are bound to become an economic and “political problem”. The government machinery is actively involved in “fixing” the problems as is evident from the number of changes made and deferments and waivers granted since the GST was implemented. Of course, there will be an adequate number of meetings of the GST Council to “fix” problems as and when they are reported to it. Is it bad for the country’s business community, trade and consumers? As observed in the article, there can be a reduction of rates, prescription of rates, exemptions, waivers, and extensions of time, as required to resolve the problems, besides a needed amendment to the GST Rules. What’s wrong with all that? The Government is proactive in correcting what went wrong and in deferment of complicated provisions. The pros and cons of adopting the “multiple rate structure”, the HSN classification, the exclusions like electricity and petroleum products, the cascading effect, the “pay first, refund later” rule and the “diarchic control” will be examined comprehensively to make a needed overhauling of the GST regime to ease business doing in India. The benefits of the reforms can be expected to accelerate the GDP growth rate in the near future.

Can Indian politicians ever assess any critical issue faced by the country objectively based on facts and evidence in a non-partisan, citizen-centric and problem resolution mode for a better public policy outcome and good governance? Criticizing tooth and nail anything and at everything at any point and at every opportunity seldom does any good to the country’s decadent political structure or for the multitude of marginalized jobless poor persons in this country.

Constructive deliberations and a divergent spectrum of views are good for better implementation of policies. Multiple tax rates are not ideal. Fine tuning is going on. Should a complex tax reform be a subject of ridicule? Can Indian politicians ever think for the country and its people, beyond themselves and their prejudiced partisan agenda? One must not forget that the Prime Minister represents 1.3 billion Indians, including those who sit in the opposition. ■

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