Implications of GST

What is the issue?

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- Since its launch last year, India’s Goods and Services Tax (GST) regime has evolved significantly.
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- While its positive impacts are starting to be felt, the need for rationalising its multiple tax slabs remains.
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What has the GST regime been administered?

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- The initial teething troubles for the implementation of GST was tremendous, but the administrative machinery has handled the same really well.
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- GST council, which is chaired by the Union Finance Minister and has representation from all states, has also proved accommodative and flexible.
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- **Flexibility -** Significantly, deadlines for filing returns were extended to help the masses get a hang of the format, procedures and the GST Network.
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- Matching of invoices for granting tax credits, has also been kept on hold for fear of adding to taxpayer’s transition pains.
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- **Business Concerns -** Government had also been careful to address industry anxieties about the multiple tax rates, which was making compliance hard.
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- In this context, the number of goods under the 28% bracket has been

brought down to 50 from around 200 at the start.
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- The government has also made its intention clear that it envisions a fewer tax slabs (5 to 3 slabs) in the future as revenue starts to goes up.
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How has it impacted revenues?

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- Despite its glitches and snarls, the new tax has taken firm root and is altering the economic landscape positively.
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- Over 4.5 million entities have entered the tax net, many of which would have so far been part of the cash-driven, informal economy.
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- Thus, GST has significantly expanded the indirect tax net, which might also positively impact the direct tax base.
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- Significantly, clear buoyancy in revenue after a wobbly initial trend is already perceptible, and monthly revenue targets are exceeding estimated sums.
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- Government was eyeing about Rs. 90,000 crores a month to make up for the revenues earned under the earlier regime (& for compensating some states).
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- But interestingly, Finance Ministry has recently expressed confidence that collections would touch as much as Rs. 110,000 crore per month in this year.
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What is the way forward?

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- Surge in revenues must allay the fiscal concerns of the Centre and the States, and nudge policy-makers towards further rationalising the GST structure.
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- It is also imperative that rates aren’t tinkered with too often and pricing

disputes aren’t a default option under anti-profiteering norms for industry.
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- GST Council must now pursue a time-bound approach to execute plans already announced - such as an e-wallet for exporters and a simpler return form.
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- Besides, there must be a road map to bring excluded products like - petroleum, real estate, electricity, alcohol — into the GST net.
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- This reform still has miles to go, and the government must stare down the temptation to take populist steps ahead of general elections.
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Source: The Hindu

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