Making GSTN Government-owned

Why in news?

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The finance ministry considers converting the Goods and Services Tax Network (GSTN) into a government-owned company.

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What is the GSTN at present?

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- The GSTN is a not-for-profit organisation at present.
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- It provides the technological support to the GST.
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- The government holds a 49% stake, with Centre and states share of 24.5% each.
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- The balance 51% is held by five non-government institutions.
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- These are LIC Housing Finance, HDFC, HDFC Bank, ICICI Bank and NSE Strategic Investment Co Ltd.
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What is rationale behind the recent proposal?

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- The Goods and Services Tax Network handles massive amounts of data.
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- It deals with crucial data sets such as indirect tax returns and refunds.
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- By now, over 10 million businesses have already registered on the GSTN portal.
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- GSTN is apparently a repository of sensitive data on business entities

nationwide.
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- It is of strategic importance to the country.
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- The government is thus concerned about the safety and security of “sensitive” data.
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- It thus considers limiting the ownership to the government.
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Is the logic valid?

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- The implicit assumption here is that data is safer with a government company than with private sector entity.
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- This seems to be illogical as there is no evidence as yet that safety of data is in any way related to the ownership of the GSTN.
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- The government and private entities do not function under different data security norms.
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- Moreover, government’s own data security systems do not have an appreciable track record.
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- Evidently, several government websites have been routinely hacked.
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- The controversy over leaks in Aadhaar data further undermines the confidence in government’s ability to be a safe custodian of data.
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- Moreover, changing the ownership will likely hurt the freedom and efficiency with which the GSTN needs to work.
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- This is especially significant given the fast-paced demands of businesses.
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What is the way forward?

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- In any case, the government already enjoys strategic control over the GSTN

due to its 49% stake.
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- Also, as per rules, the quorum for a board meeting requires that at least half of the government-nominated directors be present.
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- Notably, most large government information technology related projects have been given to private software firms in the past.
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- Given all these and the fact that the GST regime is, at last, settling down, the government should only build on this stability, and not risk it.
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Source: Business Standard

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