

Tweaking the GST Module

What is the issue?

\n\n

\n

- The complexity of the GST process is hindering collections and diminishing potential economic benefits.

\n

- Certain reforms are needed to make the overall tax regime better.

\n

\n\n

What are the recent trends in GST collections?

\n\n

\n

- A member of the GST Council estimated a “shortfall” in the April-June quarter of this year at Rs. 43,000 crore, which is a cause for concern.

\n

- Further, lower number of returns have been filed under the Central GST (CGST), compared to the number filed under the State GST (SGST).

\n

- As both SGST and the CGST are applied at the same rate on the identical tax base, their revenue streams should’ve ideally been equal.

\n

- But the former has been yielding more revenue than the latter consistently over the past several months, which is indicative of a lapse.

\n

- Also, since the beginning of this financial year (April), both CGST and SGST collections dropped and Integrated GST (IGST) collections are going up.

\n

\n\n

What are the issues plaguing the current setup?

\n\n

\n

- Insecure about loss of fiscal autonomy, the States succeeded in pressing a

GST that is made of two types of levies, the CGST and the SGST.

\n

- The GST is being levied at the point of consumption, not the factory gate, unlike many of the levies it had subsumed.
- Given the limited territorial jurisdictions of States, the collection of the SGST poses a problem every time goods and services get sold outside its borders.
- The solution that has been worked out to overcome this problem is the “Integrated GST”, which is imposed on inter-State sales.
- Currently, an IGST alone that is equal to the total of CGST & SGST is levied for inter-state trade, and makes a clumsy apparatus for accounting.
- Notably, even the exporters who are zero rated for tax actually pay IGST and then get their refunds later.

\n

\n\n

What is the way ahead?

\n\n

\n

- The recommendation for introducing a GST had first come in 2004 from a task force formed by the Vajpayee government under economist Vijay Kelkar.
- The Modi government has consulted Mr. Kelkar on the GST, but has not accepted his recommendations on an alternative IGST system.
- By these, the IGST would be simplified as a substitute for SGST in inter-State supplies, and exporters, will not be subjected to the IGST.
- Here, it is to be noted that Collections are not necessarily proof of the success or failure of an indirect tax and it is more about its economic spill-over.
- The complexity of the GST is making compliance difficult and is diminishing the potential benefits, which needs to be fixed.

\n

\n\n

\n\n

Source: The Hindu

\n\n

\n

