

GST will improve our competitiveness

The economy will benefit as the tax is ushering in higher transparency, lowering transaction costs and improving compliance

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Once again, the GST Council has made important modifications to the GST regime that will reinforce its growth potency. By raising thresholds, lowering frequency of returns and including services under the composition scheme, the Council has boosted 'ease of doing business' for small enterprises.

India's reform journey took a huge leap forward with introduction of the GST. Bringing together Central and State governments and integrating numerous indirect taxes, GST is a far-reaching tax system and, as such, it is only to be expected that its full rollout would require an adjustment period.

Undeniable gains

GST has finally transformed India into one unified marketplace. For the first time, manufactured goods and services are on the same tax platform and all products and services are subject to the same tax rates throughout the country.

GST dismantled inter-State tax barriers for seamless transportation. Artificial distortions in the

supply chain, as for example, creating depots in all States to avoid central sales tax, are behind us now. India successfully managed to get two GSTs to flow together in a unique structure which has not been seen in other countries.

Average monthly revenues have been on the uptrend over the last 18 months.

The number of returns filed has gone up from 3.76 million for August 2017 to 7.2 million in December 2018.

This reflects a rising culture of compliance. Manufacturers and traders who had remained out of the tax net now find it advantageous to be part of the formal supply chain under GST. Today, about 11.7 million enterprises are registered, with over five million of these being new registrations.

Under the composition scheme where smaller enterprises pay as per fixed tax rates, another 1.8 million have signed up.

The recent decisions of the GST Council are likely to cut the number of enterprises covered under GST from April; however, this is outweighed by the relief provided to these small units.



Much gain in store

The rising coverage is despite the fact that adhering to GST means large-scale change in processes, formats of invoices, tax accounting and coordination up and down the supply chain.

Encouragingly, many operational issues have been addressed on a real-time basis by the GST Council of State finance ministers chaired by the Union Finance Minister. Over 32 meetings, they have considered detailed inputs from industry and provided workable

solutions. These have greatly raised confidence in the system.

Input tax credit refunds are generally quick and regular, streamlining the whole supply chain. Initial technical issues on the GST Network are also largely resolved.

Deferment of GSTR 2 and introduction of the simplified new return filing model have brought in efficiency. Special drives have addressed delays in refund of IGST on exports and accumulated input tax credits due to inverted tax structure.

For consumers, the overall benefits have been significant. Tax rates have been continuously reduced on key items, leaving only about 30 items in the highest bracket and most mass consumption goods in the lower categories.

Elimination of cascading taxation and lower logistics costs have stabilised prices. Further, consumer protection through anti-profiteering provisions has ensured that the benefits of input tax credit or reduction in tax rates are passed on to the consumers.

As the entire ecosystem becomes accustomed to this regime, an efficient business environment will

emerge with higher transparency, lower transaction costs and better compliance.

Some tweaks needed

Going forward, some provisions of the GST laws need to be simplified and inconsistencies should be removed. Petroleum products, alcohol, electricity and real estate may be brought under GST ambit for providing seamless input tax credit across sectors. The number of rates too can be reduced to just three slabs, standard rates on items of mass consumption, demerit goods in the highest tax category, and certain items at a lower slab.

The government is already working on these issues and in time to come, GST would not only benefit businesses and consumers but also strengthen India's competitiveness in the global marketplace. On the whole, GST is moving towards a stable compliance environment, buoyancy in tax revenues, expansion of tax base and formalisation of the economy, achieving its vision as a transformative tax.

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