

The GST journey has been transformative

Three years of GST have eased doing of business in many ways. But return filing can be simplified and number of rates reduced

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The historical Goods and Services Tax (GST) regime was rolled out on July 1, 2017, with the expectation that multiple central and state taxes would be subsumed in one tax, with the tagline of "One Nation One Tax". As it completes three years, it is evident that GST is the most transformative and far-reaching reform to India's indirect taxation system.

Trade and industry were relieved as state barriers lifted and ended the long queues of loaded trucks. Complying with multiple state VAT laws and their varied tax rates had made doing business complicated, especially when goods attracted provisions of MRP. Inconsistent state policies and arbitrariness of tax administrations multiplied disputes. Also, the cascading effect and assessment system consumed time and added to the cost.

Implementation of GST swept away all these problems with introduction of a rule-based single tax regime that worked in every corner of the country. This is particularly noteworthy given that large sections of the economy remained in

the informal segment with multiple tax rates at different levels.

The GST regime is also a testimony to cooperative federalism as it requires a complete consensus of all state governments on the rates to be levied. The GST Council has demonstrated its exemplary stand as the role model in the working of a federal relationship for resolving differences with maturity, moving beyond personal agendas and prejudices.

The three-year journey of the GST regime demonstrates the merits of this reform, never mind the initial hiccups in implementation. With the parity introduced by GST, the cascading effect of taxes is a thing of the past. Industry has largely well adapted to the new tax regime and its e-way bill system. The MSME sector, which needed some hand-holding to equip itself for the new regime, is now up to speed.

Persistent efforts of the Government in streamlining the GST law and actively building and maintaining consensus among the members of the GST Council have been commendable. The GST Council has achieved what no institution could ever achieve in the country, and has set the ball rolling for successfully



A milestone in economic reforms

introducing similar models for taking up other reforms such as on labour, land, health, and education, which require the Centre and the states to work together. The efforts of the Central Board of Indirect Taxes and Customs (CBIC) in providing training to officers, especially those in states, who were not well conversant with service tax law, is also highly commendable.

As with any new system, the GST regime has seen many challenges such as technical glitches, extensions, deferments, rate tweaks and simplifications of returns and compliances in the early days. Initially, taxpayers did find it a bit difficult to deal with GST compliances, mainly due to technical glitches or the

complexity, which is true of any transformative reform structure. While there were instances of anomaly in GST rates in a few areas, such as on branded food products and solar power generating systems, the government was quick to address these issues. The Government's response was also quick to address issues raised by industry from time to time.

Expand GSTN

The Goods and Services Tax Network (GSTN) is the technical backbone and the most important aspect of smooth GST compliance. The technology and administration were constantly updated. GSTN needs to be further expanded to cater to the needs of industry, keeping in view the tendency of taxpayers to file returns in the nick of time.

Comparing with the overall feel of the pre-GST era, both from a policy perspective and technological front, its attainments are many and laudable. Some further actions would help in ease of doing business and meet revenue targets. Multiple tax rates need to be merged into two or three slabs, keeping a minimum number of de-

merit products in the highest slab. Adopting a single centralised registration process for the entire country will lead to simplified and better tax compliance.

Some of the recommendations for a more effective GST regime include further simplification by merging multiple returns into one single return with simple formats, subsuming petroleum products, natural gas, electricity, alcohol and real estate under GST and implementation of zero rate rather than exemption would help in obtaining tax credit.

Revenue-neutral compliances such as payment of GST under the Reverse Charge Mechanism and on advance receipts should be abolished. Eligibility of input tax credit should be restricted to non-business purposes only.

No doubt, in times to come, GST will come out as a milestone achievement in the journey of economic reforms, revenue buoyancy and ease of doing business. GST will also speed up the formalisation of the economy, thereby leading to nation building and development.

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