One year after: the GST anniversary

Since its midnight launch on July 1 last year, India's Goods and Services Tax regime has evolved significantly. There have been serious implementation issues, but also the administrative will and flexibility to address most of these, with the Centre and States working together in the GST Council. After its initial days were marred by stuttering IT systems, the deadline for filing returns was pushed forward till most taxpayers got a hang of the system and the GST Network could augment its capacity. Industry had anxieties about the multiple tax rates, ranging from zero to 28%, with a cess on demerit goods. But gradually, the number of goods under the 28% bracket has been brought down to 50 from around 200. A unique component envisaged in India's GST regime, matching of invoices for granting tax credits, has been kept on hold for fear of adding to taxpayers' transition pains. Despite its glitches and snarls, the new tax has taken firm root and is altering the economic landscape positively. The strongest sign of this is the entry of over 4.5 million entities in the country's tax net, many of which would have so far been part of the cash-driven, informal economy. This expansion of the tax net will also help increase direct tax collections.

At Sunday's GST Day celebrations, Prime Minister **Narendra Modi ruled out a single tax rate** but hinted at lower rates for more items. He was reacting to criticism about the flawed implementation of the One Nation, One Tax concept. Rhetoric aside, there is a clear buoyancy in revenue after a wobbly initial trend. The government was eyeing a little over 90,000 crore a month to make up for the revenues earned under the earlier regime and to compensate States for any losses due to the GST. Finance Minister Piyush Goyal is confident that the average monthly collections this year **could touch 110,000 crore**. This surge must allay the fiscal concerns of the Centre and the States, and nudge policy-makers towards further rationalising the GST structure. If not a single rate, there is certainly room for collapsing at least two of the current rates. It is also imperative that rates not be tinkered with too often and pricing disputes not be a default option under anti-profiteering norms for industry. If cement, as a critical infrastructure input, must be taxed lower than 28%, then decide a rate and stick to it. In its second year, the GST Council must pursue a time-bound approach to execute plans already announced to ease taxpayers' woes, such as an e-wallet for exporters and a simpler return form. Besides, there must be a road map to bring excluded products — petroleum, real estate, electricity, alcohol — into the GST net. 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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