

Good and simple tax: on the GST regime

India's goods and services tax regime is nearing the end of its first full quarter since roll-out this July. Revenue collections from the first month appear robust, with just 70% of eligible taxpayers bringing in 95,000 crore. At this rate, the total tally could well surge close to 1.2 lakh crore. This would be significantly higher than the 91,000 crore indirect tax target for the Centre and the States on an overall basis. This initial trend will need to be corroborated by inflows for subsequent months, but with many more taxpayers registering in August, the GST appears to have begun well as far as the exchequer is concerned. If revenues remain healthy, the government would, over time, get the necessary fiscal room to rationalise multiple GST rates into fewer slabs and possibly lower levies as a stimulus. However, for businesses the going has been far from smooth, with firms of all sizes across sectors struggling to file their first set of returns under the GST due to significant glitches in the GST Network, its information technology backbone, and issues of connectivity. The government has extended the deadline for GST returns for the first month twice, with GSTR-3 now required to be submitted as late as November 10. A group of Central and State ministers has been tasked with resolving the GSTN's challenges. To inspire confidence, this group must act not only expeditiously but also transparently — especially with regard to the GSTN's operational capacity.

GST countdown

However, as it stands now the delay in filing returns for the first, and therefore subsequent, months means that taxpayers expecting a refund from the authorities on taxes already paid (for example, by exporters) will end up waiting for almost four months (for the period of July alone). This is bound to crimp their working capital availability and create an unjust burden on their finances, impacting their ability to scale up production ahead of the high-turnover festive season. The problem is most acute for exporters, for whom the Council has now formed a special committee under the Revenue Secretary. Provided there are no further setbacks on these timelines, these procedural problems need to be resolved as soon as possible for industry to be comfortable with this switch-over. Amid all this, the GST Council has already changed the announced tax rates on over 100 products and services within about 75 days of the roll-out. An ever-changing policy landscape is hardly conducive for attracting investment. The fact that industrial output grew just 1.2% in July may not be a coincidence. Clearly, a lot of things were not thought through or tested (such as the GSTN) when the government opted for a July 1 launch for GST instead of the September 16 date that the constitutional changes made last year allowed. Admitting to the errors of judgment so far is essential for a genuine course correction.

Rajasthan's ordinance shields the corrupt, threatens the media and whistle-blowers

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com