

GST SIMPLIFICATION WILL PROVIDE IMPETUS TO GROWTH

The Government is carving out the final shape to the main classifications, rules and regulations to draft rules for specified goods and services tax and also exemption list. There is need to ensure that essential commodities of daily use by the common man are exempted and does not get included in the GST, which will otherwise have cascading effect and impact consumers adversely. The rules in regard with input credit valuation and exemptions and tax credit should be simplified and be hassle free; or else there will be hiccups in its implementation.

The exemption of Rs. 20 Lacs threshold should be increased to Rs. 50 Lacs in view of inflation since Rs. 20 Lacs threshold will bring many of the small units and small businesses within the purview of tax rendering some businesses economically unviable and pushing them out of business. Special rate structure for goods and services may be set at 5%, 12% and 18% and the same should be capped at 18%. Even with these rates there will be no loss of revenue as many units which are presently not paying tax will now come within the ambit of the GST system. The GST structure will remove the cumbersome procedures and complexities which deterred many units from paying taxes. Similar was the case with the implementation of VAT and MODVAT which raised doubts about the loss of revenue but the Centre and State could collect more revenue with the implementation of VAT and MODVAT. Likewise with the progressive reduction of the basic corporate tax rate, more businesses have now come within the ambit of the tax system bringing in more revenue for the Centre and States.

Surcharge by States on petrol and other products without a ceiling will lead to cascading effects on businesses. Unless GST is simplified the objective of uniform taxation will be defeated. World over average charge of GST is 14.9% and not more than 18%. If we start with high rate from now, State and Central exchequer being in deficit, India will become high taxation country, which will dissuade the investors and impact the manufacturing and service sector thereby retarding growth. Consequently, it will hamper the much needed boost to 'Make in India', 'Skill India', 'Digital India', 'Startup India' and Employment generation which is need of the hour.

In spite of all efforts we are seeing layoffs in manufacturing and service sectors. There is need to simplify and rationalize tax structure as it will not be out of place to mention that several provisions of the Direct and Indirect Tax which exist today are very archaic, cumbersome and pose severe hindrance in the way of growth.

No doubt there is need for the Government to tighten laws, but for the few evaders the laws cannot be made so complicated which will have impact the overall business, industry and the services community which will have to face the brunt of it.

No doubt it is difficult for the Government to identify and segregate the honest tax payers and it is rather difficult to monitor at all levels and provide the much needed attention which may be required from time to time to avoid issues faced by the industries and business men. At the same time, it is difficult to knock the door of the Government for redressal. However, it need hardly be emphasized that lower taxation and simplification will bring in more revenue as against cumbersome and strict laws which will only deter people from paying taxes.