

GST: A new era of taxation

India's midnight tryst with the Goods and Services Tax (GST) opens a brand new era of taxation. The multiple taxes, like sales tax, octroi, central excise, additional excise duty, service tax, VAT and entertainment tax, etc., will be thrown in the dustbin of history. They have existed almost since India's first "tryst with destiny" as Prime Minister Jawaharlal Nehru called India's Independence from the British on the midnight of August 14-15, 1947. India will become more aligned with the system of one nation, one tax that prevails in advanced economies like that of the European Union.

There is some scepticism about the one nation, one tax that will unify India's \$2 trillion economy and 1.3 billion people in 29 states and six Union Territories, as there are four slabs of taxes. This has to be so, considering the vast disparity in the earnings of different sections of the population. India's richest man for instance earns ₹15 crore a year and the minimum wage fixed by the Seventh Pay Commission is ₹18,000 per month or ₹2.16 lakh annually for government employees. The GST document, that runs into 213 pages, is expected to, as Union finance minister Arun Jaitley said, "spur growth, competitiveness, indirect tax simplification and greater

The GST document, that runs into 213 pages, is expected to, as Union finance minister Arun Jaitley said, 'spur growth, competitiveness, indirect tax simplification and greater transparency'

transparency". More transparency means curbing corruption if not eradicating it completely. Eradication of corruption was one of the most significant and attractive election promises of Prime Minister Narendra Modi and was even enshrined in the BJP's manifesto. However, this virtuous intent is a suspect as real estate and alcohol, that are two of the most lucrative black money generators, have been left out of the GST net. Perhaps the government will reconsider this specially since it is said that many bureaucrats and politicians have their unaccounted money invested in the real estate sector and therefore could have had a vested interest while architecting the contours of GST.

There are expected concerns of millions of small traders or mom-and-pop/*kirana* stores as they have never paid taxes and where they did give receipts they were usually *kachcha* receipts. But these concerns are being addressed by the government as also trade bodies that are doing everything to educate people about GST. There are also several anomalies, like in the case of sports goods that have rubber content and are both taxed differently; or the case of exporters who say that if the tax on imported raw materials is to be refunded, then why tax them in the first place. Perhaps the government could look into these and make the necessary changes if concerns are genuine.

Barring these few niggling factors, the new era has to be welcomed as it certainly is one of the most significant reforms since Independence or at least since the economy was liberalised in the early '90s.

But perhaps the thoughts uppermost on the taxpayer's mind on the midnight of June 30 will be on Mr Jaitley's position that as more people are brought into the tax net the burden of taxes on the tax paying citizens will be reduced. Many tax free cheers to this.