

# 1 yr of GST: Still much room for improvement

**I**t may be too early to quantify the success of the Goods and Services Tax, launched with fanfare and much criticism on June 30-July 1 midnight last year. It would be fair to say, however, that it was a partial success. It was to subsume around 17 indirect taxes, but this didn't benefit the common man to the extent envisaged as merchants/traders didn't pass on the benefits of raw material costs, etc to consumers. This is a failure on the government's part. One must also note that inflation, instead of decreasing, is rising, and the Reserve Bank levied a quarter per cent rate hike in its latest monetary policy to control this.

The goal of "one nation, one tax" seems a pipedream. There were four slabs: the highest at 28 per cent and the lowest at five per cent. The World Bank notes that 28 per cent is the second highest among 115 nations that have GST, and the highest in Asia. This affects exporters adversely as emerging markets, which are India's competitors, have much lower rates. India is also among five nations that have four rates — Italy, Luxembourg, Pakistan and Ghana are the others. To some extent, different rates are understandable as India's population is not homogenous, particularly in economic wealth. But four is still too many, making it one of the most complex taxes to administer. There's still confusion over compliance. To this extent, Arun Jaitley must share some blame as he introduced it in a hurry in July 2017, instead of the original date fixed for September. The country was still reeling from the senseless demonetisation move, and together with the half-baked GST, these two "reforms" pushed GDP down by two per cent that year.

**The highest 28 per cent slab on so-called 'sin' goods appears counter-productive. Perhaps Mr Modi, who waxed eloquent in praise of the benefits of GST in his 'Mann ki Baat' on Sunday, should have quantified the benefits...**

The highest 28 per cent slab on so-called "sin" goods appears counter-productive. Perhaps Prime Minister Narendra Modi, who waxed eloquent in praise of the benefits of GST in his "Mann ki Baat" on

Sunday, should have quantified the benefits as he did over giving LPG units to rural women.

The GST was to bring in a huge population into the tax net, and according to the figures available, the indirect taxpayer base has increased by over 50 per cent, with 3.4 million businessmen coming into the tax-paying bracket.

Small traders and small and medium industries were hit hard by this tax. They did not have the resources and ability to compute these taxes properly; thus it was only chartered accountants and lawyers who made money on their miseries. Even the collections through GST, which was to amount to over ₹1 lakh crores in revenue, did not materialise. These are still in the ₹95,000-97,000-crore range. One can only hope that the second year will see an improved GST.