

# GST In Modi's New India

*This revolutionary tax reform will yield greater revenues and accelerate economic growth*

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Introduction of Goods and Services Tax (GST) heralds India's emergence as an economic union seven decades after we became an independent political nation. A late night Parliament session befitted this historic moment. Though Prime Minister Narendra Modi is the principal driving force behind GST, this epoch-making reform reflects the collective will of 135 crore people represented in our sovereign Parliament and state legislatures.

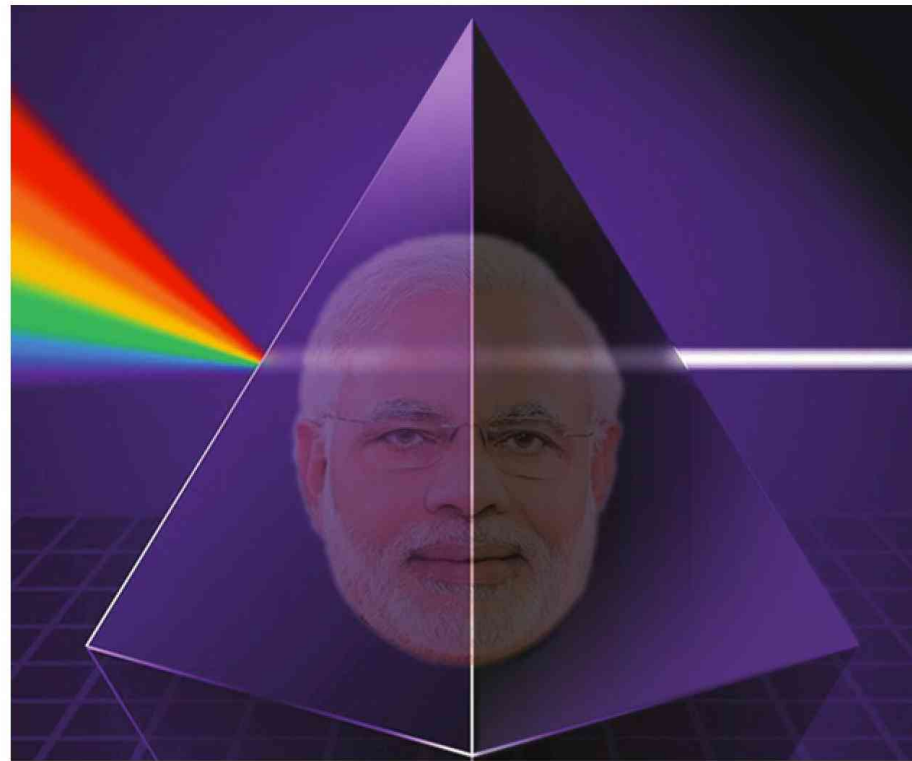
By deciding to give the special overnight Parliament session a miss, Congress and some other parties have insulted this collective will of our people. Under Modi, India has already emerged as a global economic powerhouse. The latest testimony for this is President Donald Trump's ungrudging praise of Modi last week for making India the fastest growing large economy in the world.

GST manifests Modi's determination to accelerate economic growth onto a faster trajectory to make up for the lost opportunities of the previous decades. In 1980, the Indian and Chinese economies were of the same size in purchasing power parity terms. While China's economy galloped rapidly, India's economy has lagged behind due to the faulty economic policies pursued by Prime Ministers Indira Gandhi, Rajiv Gandhi and the united front governments.

The 1991 economic reforms by the Narasimha Rao government were a revival therapy obligated by a massive economic collapse. By contrast, Modi is pushing a huge tax reform at a time when the economy is doing well and tax collections are at their peak levels.

Those who complain that Modi is pushing too many changes too fast are ignoring the mandate for change that he got after 10 years of unbridled corruption in the Manmohan Singh government. Modi was not elected to let things stay as they were. Transparency and clean administration are hallmarks of three years of Modi's governance.

GST is one such epoch-making



transformation. Unlike many of his predecessors, Modi has people's support for his transformational agenda.

He has actually expanded his political constituency through good governance. He has awakened the conscience of the people when he urged them to give up subsidies they can do without. Over one crore people surrendered LPG subsidy in response to his 'Give Up' call. Swachh Bharat has now become a nationwide people's movement.

Smaller countries like Venezuela witnessed large scale protests and disturbances when they implemented demonetisation. In our country, few protests were held even as people faced hardships. Be it demonetisation, implementation of benami transactions act, mandatory linking of Aadhaar with income tax returns, you name it and people are backing it.

The louder the protest of tax cheats and suspect politicians, the greater is people's support for Modi. We cannot prosper as a nation unless we become a tax

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compliant society and curb tax evasion.

Till now, paying taxes voluntarily was considered an act of stupidity and tax evasion was a normal way of conducting business. Economic greatness of a country cannot be built on such weak moral foundations and unethical business practices.

GST will reduce tax evasion greatly. The parallel economy that accounts for over one-fifth of our GDP will be brought into the tax network. This will yield substantially higher revenues to

governments and make scarce resources available for public spending.

Modi makes reforms people-friendly. For instance, GST will be a big boon to farmers. All essential agricultural commodities have been put in 0% tax bracket.

Hitherto, various state taxes on these commodities ranged between 5% and 20% in different states. By agreeing to compensate the states for these losses, the Modi government has offered a big bonanza to farmers.

By waiving taxes on agricultural commodities, the Modi government has passed on an estimated benefit of over Rs 2 lakh crore to farmers and consumers over a five year period. This will largely benefit farmers by way of better prices for produce.

The poor have been completely insulated from any adverse impact of GST. All the food and non-food items consumed by the poor have been pegged at 0% or 5% tax slab. GST will surely benefit these sections and will mean more money in their pockets.

Congress party is opposing GST by saying that all goods should be taxed at one rate of 18%. In a country with massive income disparities, how can goods consumed by the poor and masses be taxed at the same level as those consumed by the rich?

The Congress party's criticism is highly unjustified and reeks of an anti-poor mentality. Differential rate structure where the burden of taxes on the goods and services consumed by the rich is passed on to the rich denotes economic justice. As it is, for the rich who evade taxes, GST, an indirect tax, is the best way to make them pay.

GST will end market distortions as India becomes a single market, and ensure a transparent, effective tax system that is likely to result in higher revenues for governments. It will accelerate economic growth over the next few years and contribute to better employment opportunities.

As the nation makes this transition, let us celebrate this proud moment. Happy journey into New India!

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