

GST - Council playing possum over key issues but 'cwm' of pain swelling!

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AFTER a bout of severe vertigo and intricate tapering tantrums last fiscal, the Indian economy has recovered impressively if one goes by the loud-speaking statistics of the first quarter. Wow! Over 20 per cent growth rate! The IMF's succinct comment is - India will have fastest economic growth rate in the current fiscal. Such an optimism is colossally mirrored by the robust growth rate in the GST collections. Apart from the domestic transactions, the import trend appears to be turbocharged - out of Rs 56000 Cr IGST collections, import accounts for close to 27000 Crore. Revival of the import sector is akin to vanishing of the bad hangover of lethargy in the economy!

If one asks statistical sleuths to interpret the current data they would conclude that the disruption caused by buggy economic algorithms is now over for India! However, the searing growth may taper off if the looming Third Wave of COVID-19 makes the 'landfall' during the festive seasons of October and November. Though it may not prove to be a gutsy hurricane but still may puncture the emerging 'metaverse' of optimism and hugely upset the helmsmanship in the Ministry of Finance. However, we may leave behind the looming house of horrors and also possible errors in our strategy to grasp the nettle and hope against hope that the present vaccination drive may prove to be a 'diluent' against the severity of the impending tide of infections!

Let me now swirl from the good news of robust GST collections in the month of August to some of the thorniest issues wobbling the GST cart in India. While addressing the media persons after the last GST Council meeting, the Union Finance Minister had loudly hinted at an exclusive meeting to discuss the future roadmap of the compensation to the States and extension of the levy of compensation cess as demanded by many State Finance Ministers at the last meeting. It was widely fathomed that such a compensation jaw-jaw may take place in the month of August. But, not even a whisper is heard about the next Council meeting though many futuristic agenda items were bombastically talked about at the CII meeting.

Extension of compensation to States beyond the stipulated period of five years in July 2022 is a sensitive and heart-pounding issue not only for the States but also a large segment of taxpayers. However, painful canyons exist between the expectations of the States and the taxpayers - diametrically opposite and algebraically intriguing! States, walloped by the COVID-19 and having suffered rude revenue deficits, are keen to see extension of the Cess for a few more years or the Centre, in lieu of no fresh lease of life to Compensation Cess, may compensate them by plucking some revenue from the Helix Nebula - the source of solar system! In contrast, the taxpayers who have been whingeing and moaning such a back-breaking tax right from the day one, have been pausing their breath to see it through its expiry date - July 2022!

However, they know for sure against their flickering hope that the compensation is a minefield which is, in all likelihood, going to burst their bubble of optimism as fiscal 'jihadists' from States are not going to let the 'lollipop' jump out of the window and disappear from the tariff bucket so soon! Having assessed the potential of this issue to cause rumpion and kerfuffle on the floor, the North Block appears to be preferring allegation of dementia rather than inspiring zeal to 'kill' the issue with an acceptable solution! Anyway, an eerie calm prevails behind the storm-in-the-making wall!

Another issue which has been hanging fire for pretty long time and is now widely seen as an unresolvable riddle, is that of constitution of the GST Appellate Tribunal. What has compelled the Centre to put it on the back burner? Why has the Centre been playing 'squint-eyed' to the repeated **diktat** of the High Courts on this issue? Does it really believe that it is still not needed in the prevailing litigious GST eco-system?

Plus ca change!

Does the GST Council also believe that the tribunal is an avoidable 'cannabis' for the taxpayers who can manage to do with the existing structure of Advance Ruling authorities?

Why is that even time-bound orders of courts also fail to hustle the Council into taking a call? Going by the prevailing mood in the policy corridors, it appears that no de-escalation is on the cards even at the next GST Council meeting which is perhaps in the offing! I sincerely hope that the Council would stop treating it as a cornucopia of sadistic pleasures and act as a warehouse of concerned policy makers towards the pain of the taxpayers and take a firm decision. With all the issues of appointment of Judicial and Technical members being settled by the

Apex Court and certain miscellaneous petitions being tossed out, there is no legitimate reason to play possum over the constitution of the Tribunal. Time has come to erase the vestiges of 'fiscal apartheid' and respond to the taxpayers' desperate call! Exhausted and without hope, the taxpayers perhaps need to gird for a long haul!

In a similar logical spirit, the Council is also warranted to decide the fate of the Authority for Anti-Profiteering. This forum was designed to serve certain specific purposes when the GST cart was put on the tarmac road! And it did serve the cause it was created for! Now, it has turned fiction-esque! It has outlived its utility! And key decision-makers are acutely aware of it - then, why pretend for a rude awakening? It has no Members and just the Chairman who is struggling to keep padlock on its shutters at arm's length! If the Centre believes that there are fair cases pending, then why not to appoint Members to expedite the same? Ideally, rather than pumping a new life in it, a formal decision needs to be taken by the Council to put it under the scalpel so that further litigation and writ-chokehold could be bookended!

Another important issue which has emerged as a band of vast nebular clouds is that of inverted duty structure. There are about 13 items which continue to suffer such suffocating 'fiscal gas'! The Council has taken up four of them at its various meetings and suggested changes in the tax rates to cap the growing 'bottle' of fiscal pains for the two. Two more items may be taken up at the next meeting. The rest may do some star-gazing for a favourable constellation of stars to smile to get rid of such a 'bile'! Ideally, inverted duty structure is a glaring and ugly distortion of the GST tax system. Such a devil has been incidentally deliberately palanquin-ed from the Central Excise regime.

It is a killing fiscal yoke but was gleefully funnelled by the policy-makers from the previous regime to roil the GST turf! Had the Council followed a clear-eyed policy, it would have been discarded long back but a dust-storm of political bloviating and filibustering always put a layer of additional shutter on their eyes and the vexatious issue continued. Many goods including fertiliser suffer from such a 'coronical' malady!

This brings us to the most torrid and perhaps asteroidal issue of bringing petroleum products, ATF and natural gas under the GST regime. Energy is a common input for the entire economy but no ITC is available and it has a deadly nexus with the inflationary pressure on the economy. However, for the States and also the Centre, they are milch cows to be milked liberally and thuggishly! However, seeds of radioactive hope flowered when the Prime Minister recently talked about backing a proposal to bring petroleum products under GST. An ordinally delayed piece of action! However, conflicting signals surfaced as pillars of political geo-storms when the BJP leader Sushil Modi said that it is not possible for the next 10 years as States mop up about Rs two lakh crore revenue from these lavishly consumed goods and they would call for compensation in lieu of their inclusion in the GST. The same sentiment was orchestrated in the Parliament when the Union Finance Minister uttered that there is no talk of such a move and only the Council can take a call. True, the Council can but the Centre needs to shepherd the Council members to open at least the first chapter with ATF and natural gas before the GST produces enough 'gas' to placate any possible opposition to such a proposal. The Union of India needs to deploy a few tricks from the 'nudge theory' before the Council members chow down the proposal. The alchemy has to change to realise the first milestone. Once ATF is in, natural gas may be the second milestone, followed by other petro goods. The Council members need to gauge the contamination caused by the delay and do need to find a solution to the swelling cwm of pain for the economy!