

GST: Pranab Da prefers to ride horses of optimism!

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economy has been doing much better than the most of the Asian and virtually the entire European economies. Our economic recovery has been magically fast and tangible for both the industry as well as the job-seekers. But the political cauldron has persistently been boiling over a large 'Spectrum' of issues. The entire political firmament looks so despairingly fragmented today that even the bare talk of some futuristic structural change in the economy may sound like putting the cart before the horse! Most of us do think that the present time is not even a reasonable time to talk about a new fiscal system for goods and services. What makes it look more distant and unrealistic is the fact that only in the last Column, it was reported that the Goods and Services Tax (GST) is **'almost'** dead so far as the Indian States are concerned.

True, pessimists are usually right if we go by Thomas L Friedman but all the great changes in the world have been accomplished only by the optimists. And our Finance Minister, Mr Pranab Mukherjee, may not succeed in inspiring the disciples of stentorianism but does represent the miniscule population of die hard disciples of optimism. Most history makers were initially spurned by the forces of statusquoism but they never gave up hope and stopped making efforts for a democratic way out. And, thus, they changed the course of the winds of change in the direction they wanted to control and command for betterment of a society. This is what Mr Mukherjee seems to be trying hard if one goes by his latest statement on GST. Let's lip his words to understand the correct nuances:

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On our part, with a view to evolve a consensus we have revised our position to accommodate the concerns of the State Governments. The Central Government is willing to consider a phased approach for the introduction of GST. In a departure from our earlier stand, as a transitory measure, we are also willing to accept a dual rate structure that could eventually lead to a ¶model GST regime¶. This ideal structure, as I have earlier said would be to adopt a single rate which is common for goods and services. A consensus is a must for implementation of the GST. The Centre has and will continue to take into account the concerns of the States and will work towards forging a common ground for introducing and implementing of this major tax reform.”

In this one paragraph of his long speech, he revealed everything which is needed to revive the democratic process of dialogue, consensus and fusion of thoughts for the larger interest of the common taxpayers and the economy. Unlike many of the States which mixed up political issues with the economic ones to add fuel to the already boiling cauldron, Mr Mukherjee has displayed the rare elements of **'dogmatism for reconstructionism'**. He represents the entire Indian economy, and thus, has the larger right vis-a-vis a State to be more stubborn about some of his stands taken in the past. But like a true democrat he has been loosening up more and more space for accommodating the diverse interest of bigger and smaller states. Even as the Empowered Committee of State Finance Ministers has failed to arrive at any consensus over the Draft Constitutional Bill at its last meeting in New Delhi, Mr Mukherjee has once again shown strong propensity to accommodate more debatably unreasonable demands from the States.

While speaking at the CAG Conference two days back, Mr Mukherjee said that the Union Government was willing to consider a **"phased approach"** for the introduction of GST. What did he mean by **'phased approach'**

? It has indeed triggered a debate in the media. In some sections of the media, it has been interpreted as the same approach which was adopted for the introduction of VAT System. But **TIOL** would like to disagree with such a connotation as it is, leave aside the empirical aspects, **even conceptually not possible** to implement GST in a few States along with the Centre and **leave others to join the bandwagon later. Why?** GST is a destination-based system. What will happen to goods moving from a GST State to a non-GST State? How will the tax be collected in the case of inter-state movements? What the Finance Minister probably meant was the phased introduction of disputed goods and services. There has been a long list of goods and services which the States have been seeking to keep them out of the GST system. Even Centre has been keen to keep items like Petrol, Diesel, natural gas etc outside the GST loop. However, the 'phased approach' expression **does call for a clarification** from the Finance Minister.

The other ambiguity which may be noticed in the FM's speech is about the transitory measure. What is there which he hinted at by saying that the Centre has been 'willing to accept as a dual rate structure'. Did he hint at two rates for the Goods as well as Services? - One for the essential goods and services like supply of electricity and the other for standard goods and services. Given the fact that he has already talked about the **'Fusion Theory'** of rates in July [See [The Cob\(Web\)](#)]

] where he proposed two rates for the goods - 6% for the essential goods and 10% for others and 8% for the services and they are proposed to be merging at 8% over a period of three years, what other dual rate structure he has referred to. **This also calls for his clarification.**

Anyway, even if he has put old wine in a new bottle, he has unmistakably displayed his optimism to succeed and ride the GST horse within the remaining period of the present Government. Mr Mukherjee talked about the phased approach and the dual rate structure finally leading to a 'Model GST Regime'. If we recall what Paracelsus said - "**Man is not man as yet**"

. Similarly, the proposed GST may not be a flawless GST as yet because its time has not come. However, it is certainly wiser to embrace even the imperfect GST with all its foibles. Mr Mukherjee has made it clear that no matter what compensation States may demand he has been willing to accept that provided they agree to ride the GST-cart with him.

Let's hope Mr Mukherjee's optimism finds a match in the Empowered Committee on GST soon enough to prevent the complete derailment of the GST-cart. And it cannot be done by the efforts of the Centre alone. The major beneficiary of this reform, the industry and trade, has to play a more pro-active role and build pressure on the States to join the GST caravan. Unless local traders' associations and taxpayers' bodies along with national umbrella forums mount sustained pressure, the inevitable is bound to be delayed. And if that happens, it would hurt the economy where it really pains!