
Congress manifesto promises GST by 2010! - Is it hinting at restoration of higher excise duty and service tax rate?

TIOL - COB(WEB) - 128

MARCH 26, 2009

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INDIA is heading for the 15th Lok Sabha

Polls. And it's time for all political parties - national as well as regional - to release their well-embellished manifestos. Though very few voters read them word by word, they do provide an insight into the sincerity of a political party about what they promise in them. It also reveals the vision of a political party to some of the national issues - that is another matter that most parties exuberantly prefer to be oblivious of their contents post-results.

Nonetheless a quick tour of half a dozen manifestos, including that of Indian National Congress and BJP, reveals an interesting mindset of our politicians to various contentious national issues and future roadmap for development of the economy. So far as BJP is concerned, it has laid undue emphasis on its 'IT Vision'. In the absence of its official stand on other issues, the only document which is available for comment today is their 'IT Vision'. First, BJP seems to be focussing only on literate urban voters who understand the importance of IT in their day to day life. That is how it has made tall promises about broadband connectivity and telecom revolution! True, it also promises IT-related jobs to rural population but it nowhere talks about

how would more than 12 million rural folks overnight become qualified for technical IT jobs?

In fact such promises have been made against the ground reality that even commercial entities in the metros subscribing to expensive packages of broadband connectivity often find the service and speed of broadband woefully inadequate.

Let's now move to the Indian National Congress which harps on its long history of 125 years of governance. Although it has hugely devoted a major part of its manifesto to what it achieved as part of the UPA

Government but it has not touched major socio-economic issues crippling the country and the ways to overcome them. It has laid undue emphasis on continuity of the policies implemented by the outgoing Government.

So far as taxation is concerned, it has barely made a passing reference to implementation of GST

from April 1, 2010. First, it has embarrassingly accumulated all the credit for introducing the VAT system in the country - showing no respect for the spirit of federalism and the cooperation given by various States ruled by different political parties. It seems to be in a haste to monopolise the credit for anything good done in the country whether at Central or State-level!

Anyway, while talking about the GST

, its manifesto promises abolition of the prevailing Central Excise, Service Tax, VAT, entertainment tax and luxury tax. Let's presume that the Congress Party comes into power and decides to implement GST.

Does it mean that it is going to first raise the Central Excise Duty to 14% and service tax to 12%? Or, it would simply abolish these taxes and switch over to 16% GST rate? Given the fact that there is no consensus even on the basic edifice of this tax system whether it would be a single GST regime or dual system,

how can any sensible political party which can boast of long tenures of governance, talk about introducing a new tax system without applying its mind to the present state of the economy and also the fiscal health of the States? Is India indeed ready for a new system? The success of GST is going to depend on the **efficient credit system**.

Are all our States tax machineries fully computerised? Are those tax information exchanges which the former Finance Minister, Mr P Chidambaram, used to talk about, in place? Will a manufacturer dispatching his goods from TN

for a buyer in Delhi be able to avail the credit for taxes paid? There are N-number of questions lurking in the air without any concrete answers at this stage. But our Congress Party, unmindful of the deteriorating health of the economy, talks about abolishing present set of taxes! What really gives them this sort of confidence? Is it the accumulated wisdom of long governance-experience or the belief that **manifestoes are a piece of discardable documents?**

So far as regional and other political parties are concerned, they have shown little concern for the cause of development and continue to focus on a vote-bank architecture, built on bricks like backward castes, OBCs, SCs, STs and reservation for women. There is no novelty in their thoughts or is it the **abject ignorance** about the possible nexus of politics with economics of the country?

However, there is one exception in CPM

which seems to have indeed taken pain to shape up its election manifesto. Having talked about the poverty of politics in the country and its role as a supporter of the UPA Government, it has clearly delineated its demand for immediate relief package for the economy and a long-term economic and other reforms

. For immediate relief it has promised packages for adversely affected sectors like textile, leather, gems & jewellery, handicrafts, cashew, software and IT.

On fiscal front, it has promised **income tax relief for salaried employees, pensioners and senior citizens.**

To put a full stop to the growing army of employable unemployed, it has promised moratorium on job cuts and invocation of labour laws to prevent lay-offs and retrenchment.

For resource mobilisation, it wants to effectively tax speculative capital gains by restoring long-term capital gains tax and a hike in the STT

; no more tax sops to corporate sector; a **massive hunt against black money, especially those stashed in Swiss Banks and other offshore tax havens.**

It also talks about increasing wealth tax for the super-rich and introduction of inheritance tax. Interestingly, it also promises steps

to plug the Mauritius route of tax leakage and a complete overhaul of Double Taxation Avoidance Agreements with Mauritius and other countries.

True, none, especially the FIIs, stock-brokers and the corporate sector, expects the CPM

to come into power but they would continue to play a vital role in the formation of the new coalition government. And, given their well-calibrated views on tax havens, black money and review of DTAAAs

, it may not portend well for a large segment of taxpayers who make millions through these routes at the cost of common taxpayers. Let's hope India gets a type of new government which could address some of the deeply-rooted ills of our fiscal system, which no Government in the past has ever taken substantive steps to find a solution for. For instance, the issue of black money or laundered money has never been taken seriously by any Govt in the past. However, at this juncture when the entire developed world has aligned their efforts to break the backbone of offshore financial centres, promoting fiscal opacity in the name of bank secrecy, India gets a new Government which could also join this global campaign. But there are brighter chances that it may just remain a wishful thinking!