

GOODS & SERVICES TAX (GST) AND INDIAN TRADE – A Note

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The multi level taxes on goods and services in the present regime leads to distortion and inefficiency in tax administration and raises compliance issue, therefore, a **Goods and Services Tax (GST) on all commodities and services** is most suitable taxation system for a growth oriented and developing economy of India. The Kelkar Committee has elaborately discussed the GST after going into the depth of all pros and cons of GST. The Kelkar report can be termed as a '**guiding bible**' to enforce GST in India. It is suggested that since the ultimate goal of indirect tax reform is to have a single goods and services tax(GST), an immediate need is to publicise the final roadmap of GST. The Central Government should also constitute a '**Work Task Force**' comprising of officials and representatives of trade and industry for smooth and effective transition of GST in India.

The present taxation system is fraught with various anomalies, disparities and variations in terms of rate of taxes and even the definitions of a product or services varies from state to state, the charging sections are not uniform and even no uniformity is maintained in procedure and documentation. Tax compliance has become expensive and difficult for an honest tax payer because of multiple levels of taxes and services. Too many tax levies create distortions, difficulties in administering too many rates and leads to discretion and contribute to complexities. Absence of accountability on the part of tax administration is another factor which is lacking too much in present taxation system.

The domestic trade of the country is fighting hard for its survival. The introduction of FDI in retail trade is a major threat to small traders. Hoards of tax and other trade laws out of which most of them become outdated in the present business scenario is another area which is creating lot many problems to the traders. Rampant corruption in tax departments and red-tapism has become the order of the day. Discretionary and blanket powers to officials often lead to harassment and victimization of traders. On the other hand, higher rate of taxes and its multiplicity tends to generate a feeling of tax evasion amongst traders. Several barriers like Road permits, Entry Forms and Toll tax posts are major hindrances to smooth inter-state trade in India. Unfortunately, the domestic trade which contributes handsomely to the total revenue of Union Government and State Governments, has never given any priority by any Government post independence which has lead to a sense of 'distrust' among trade and Government which is indeed a sorry state of affairs in a developing economy. A major overhaul of the trade and tax system is the need of the hour.

In a Federal Country like India it takes time to unify the taxation system which has to be streamlining to a great extent to make it compatible to the tax regime. Under GST system voluntary compliance is the essence of success and for this purpose in-depth study of the present position of business and its style of functioning is all the more important whereas nature of future system to be adopted is also needs to be studied at length. The relative sections of the system i.e. the officials, traders and industry needs to be prepared by way of imparting required education through workshops, seminars and conferences. Even the consumers are also to be targeted to understand that obtaining Cash Memos and Service vouchers is very important. The intricacies of laws will have to be removed to make it a 'trade and revenue friendly' system.

The integration of services with goods under GST system will lead to lowering cost of manufacture in India, which should also be one prime focus area to concentrate upon. The Government must clear its intent and should keen to embark upon in levying GST to improve the tax to GDP ratio, expand the taxpayer base, increase compliance and make tax administration more efficient and more transparent which is badly effected due to multiplicity of tax and multiple level of administration. It will be good for the Government to undertake measures to reinvigorate efforts to improve tax administration and disposal of contentious issues rather than making tall claims of hike in GDP. The success of any tax reform is always evaluated by its penetration and its acceptance by the trade and industry and public at large. On both these counts, the imposition of GST in place of present taxes on goods and services is likely to achieve the objective.

Bringing greater transparency in tax system and removing inequities amongst different taxpayers and bleaching 'gray economy' is a challenging task. Under the present scenario, it has become all the more necessary to have a Single tax on all goods and services. It would encourage voluntary tax compliance, discourage tax evasion, reduce compliance and transaction cost and improves the tax to GDP ratio. It will encourage expansion of tax base, rationalize tax structure and will improve efficiency of tax administration. Truly unified domestic common market is the ultimate object of tax reform process which can be achieved by simplifying the tax system and for this abolition of too many levels of tax slabs and integration of services under one umbrella.