

GST : Will really be simplified taxation struct

Current Scenario

The Govt. of India has proposed phased approach for GST implementation. This very approach shows lack of preparedness and confidence of the Govt. in achieving desired results under GST. In the three tier phasing approach, it is proposed to have 20% standard rate in first year reduced to 18% in second year and finally have single rate of 16%. The Citizens of India have not forgotten a similar assurance of phasing out CST and bringing it to '0' in 3rd year of VAT regime. However, the fact remains that under one condition or the other, the Govt. has failed to bring down CST at 0% in spite of giving assurance to the nation through annual budget speech and also on different occasions.

The charging 20% rate in first year will be a setback to domestic small scale industry as well as to the traders. At present the Excise is levied at ex- factory gate price. The effective burden of Excise on the consumer is not much. However, after GST consumer will have to pay Excise and Service tax on the prices at which they are purchasing the goods. Thus it is estimated that the consumer will have to pay 6% to 7% extra on all excisable commodities after GST have been implemented.

The govt. has lost the faith of people in maintaining its commitments. People feel that Govt's lucrative proposal of bringing down rate of GST at 16% is just a marketing idea . to make people agree to GST and then under one reason or the other maintain high rate of tax. If the govt. wants to run the country as a welfare state it should be bold enough to come with final GST once for all.

The Govt. proposes uniform exemption threshold for GST for the traders having annual turnover of Rs. 10 lakhs. With uncontrollable double digit inflation year after year, this turnover limit of Rs. 10 lakhs is absolutely negligible. The traders feel that exemption threshold limit should be fixed around Rs. 50 lakhs to do justice to the small traders.

The exemption list containing 99 items should cover all the goods which are of daily consumption. This list should be prepared by taking suggestions from people across the country.

The Central and State taxes like Excise, Service Tax and VAT is proposed to be subsumed under GST. The traders demand that all the taxes levied by Central, State and Local Govt. should be subsumed in GST. Accordingly Octroi, Stamp Duty, Entry Tax, Entertainment Tax, Property Tax etc. should all be subsumed in GST.

The Govt. is proposing a special purpose vehicle called GST N (N) to monitor proper compliance under GST. Shri Nandan Nilekani chairman of Unique Identification Authority of India has assured that the infrastructure for GST will be ready by Feb 2010. GST is proposed from 1st April 2011. When will the traders know the details of the software required for it? When will India take training on the practical working of GST is a big question which is troubling the traders of India. It is known fact that all compliances under GST will be computer based. The traders are not yet computer friendly. How Govt gets itself satisfied that moffusil trader will do complete and correct compliance timely is a big question.

The way things on GST has been moving since last more than 4 years, it is apprehended that suddenly on night of 31st March 2011, Govt. through an ordinance may implement GST.. Can India, specially those traders who are doing business in moffisil areas will be able to cope up with such a sudden enforcement of law. As seen during implementation of VAT, govt. announced huge budget for education and training of traders but in actual practice it was seen that the law was marketed through huge hoardings and lucrative slogans. There was lack of education and training to masses.

The GST tax rate as announced recently has shaken the confidence of the trading community which was earlier supporting the implementation of GST in India since the tax structure announced is seems to be a broken piece of tax structure instead of a unified taxation system as was declared in the first discussion paper released by the Government few months ago.

The CAIT has demanded that instead of a fractured GST, the Government should come out with a unified GST tax rate structure as promised in the first Discussion Paper. The different levels of taxes will entail much paper work which an ordinary trader will not be able to comply with. It has also demanded that before introduction of any Bill in Parliament, the GST issue must be discussed with stakeholders threadbare.

Accordingly CAIT demands that:

The CAIT has strongly raised the GST rate structure and other issues with Dr. Asim Das Gupta, Chairman, Empowered Committee of State Finance Ministers in a meeting held at Writers Building, State Secretariat, Kolkata. After great deal of discussion, Dr. Dasgupta said that:

- a. The GST rate structure announced by the Union Government is a proposal which should be discussed with stake holders.
- b. The second Discussion Paper on the GST should be released soon for taking views of the trade and industry on proposed GST taxation structure
- c. The traders constitute a vital part of the GST taxation system and its successful implementation across the Country, therefore, their importance should not be negated.
- d. The Empowered Committee is duly empowered to formulate a taxation structure under GST which will surely rationalize and simplify the taxation structure and will promote self compliance among the trading community including the small traders .Therefore simple taxation system should be drafted.