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Lower taxes

The GST council on Dec 22 should focus on easing the tax burden on common man

CHANAKYA, philosopher, economist, jurist and royal advisor, writes in arth shastra rulers need to tax judiciously to mobilise revenues and deployed it for socio-economic development. This dictum is relevant for today's India in more than one ways. Lower tax rates invariably lead to higher compliance and better revenue growth.

Prime minister Narendra Modi's assertion on Tuesday that 99 per cent of over 1,200 goods and services will attract 18 per cent or less goods and services tax (GST) is what a liberal and progressive economy like ours aspires for. It will also show the way to the all-powerful GST council, which is scheduled to meet on Saturday, to rationalise taxes on a number of items that continue to be in higher tax brackets.

The government's plan of leaving only a handful sin goods or luxury items in the highest 28 per cent tax bracket also indicates the confidence with which it is approaching tax reforms and reorganising rates structure.

From 226 items in July 2017, the basket of products that attract the 28 per cent GST levy has been pruned to 35 as on date. And further compressing this list to a dozen will certainly augur well for the Indian economy.

As hinted, if 22 items were to be taken out of the 28 per cent tax bracket, it will help accelerate economic growth in a big way in the next one-year. It will create fresh demand for products like air conditioners, dishwashers, digital cameras, set-top boxes for televisions, computer monitors and film projectors. Cheaper cement, tyres and automobile parts will surely lead to demand-led growth in the economy. A 28 per cent tax on automobile tyres impacts common man because ultimately he has to shell out the tax.

At the same time, lowering the tax on farm equipment like irrigation sprinklers, which are in the 18 per cent bracket, could provide huge relief to the rural economy and farmers.

More such items linked with agriculture, food, food processing and animal husbandry industries need to be identified for imposition of a lower 12 per cent GST.

In fact, the government should have waken up earlier and pushed for lower GST rates to put the economy on a high growth trajectory before the next general elections, likely in early part of 2019.

Though the GST council's composition will undergo an alteration following change of governments in Madhya Pradesh, Rajasthan and Chhattisgarh after the recent elections, there should be no obstacles to shifting goods and services from high to low brackets. Coupled with lower rates, the big way forward is to simplify the levy, especially in semi-urban and rural markets that are struggling to come to terms with the postulated single-tax regime.

Apart from streamlining procedures, the GST council should address issues like glitches and delay in implementing e-way bills. Unless all stakeholders – consumers, businesses, governments and regulators – act with unity of purpose, this cannot be achieved. Even today GST laws violations are rampant in several states. Similarly, GST commissioners have turned into new demi-gods for businesses and consumers and are twisting rules and regulations with their own fudged logic.

GST, which was tom-tommed as 'one nation, one tax', ironically has five tax slabs of 0 per cent, 8, 12, 18 and 28 per cent with daily essential items attracting nil tax rates and luxury, sin and some white goods at the highest tax slab.

The industry as well as consumers has been eagerly looking forward to pruning of the goods in the 28 per cent category. Thus, the overall focus on the December 22 council meet should be to lessen the GST burden on common man without compromising the government revenue collections.

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