

Don't talk, listen

Government is not paying heed to people's concerns on GST. It is too important a reform to be left to whims of jingoistic politicians



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THERE IS A disturbing lack of clarity in the minds of those tasked with defending the BJP's vision of the Goods and Services Tax. Most talking heads on television, when asked to defend the different rates (eight at last count), arbitrary classifications (like sharply increased taxes on glucose biscuits or products for the differently-abled) or multiple and confusing compliances (37 filings for a business in one state) revert with one of two answers.

One, the Congress was a part of the GST Council. It should have objected then. Two, the concerns are overstated, despite the scores of independent professionals raising them. And finally, they argue that given time, this vision of the GST will indeed yield the desired results (which have now been quietly pared down from an originally promised 2 percentage point addition to the GDP to close to .75 to 1 percentage point).

Both of these *ad-hominem* arguments fail to address the questions being asked. This then leads to the worrying conclusion that the government itself, for whom these proxies speak, has no convincing answers.

In this new era, there is a higher burden on any party in the Opposition to prove that its criticisms are not merely obstructive. The Congress has welcomed this standard and has expressed, in detail, its concerns over the GST at various stages — be it at the stage of the constitutional amendment, the GST Council or during the introduction of the GST laws in Parliament. The government has at those moments assured the Congress that its concerns would be taken on board and the Congress has responsibly supported a law of which it is the original author, regardless of the BJP's abiding desire to rewrite history.

However, it is important to record three major apprehensions that currently persist with regard to the new GST, leading to disquiet, confusion and agitation.

One, the rates continue to be very high across a spectrum of goods and services. One may recall Rahul Gandhi's insistence on capping the rate at a maximum of 18 per cent and protecting it from arbitrary increases by way of a constitutional amendment. The wisdom of that criticism has been illustrated in these past two weeks with the government tinkering with the rates on an almost daily basis. This also implies that insufficient thought went into the notification of these rates if they can so easily be moved around. It is the consumer who will suffer.

Two, there are several classifications which defy reason. The government has effectively become the arbitrator of what the middle class can aspire to and what, for them, is a luxury. Washing machines and refrigerators are taxed higher as luxury items. Shampoos and soft drinks as well. Our own young leaders have been campaigning tirelessly with the finance minister to remove taxes on essentials such as tampons and sanitary pads, which for some perverse reason are treated as semi-luxury items. The 5 per

cent tax on products for the differently-abled like braille paper, typewriters and wheelchairs further demonstrates a remarkable absence of sensitivity. The stated commitment towards the "divyang" was, as with everything else, superficial since there was no tax levied on these goods earlier (since 2006). In sum, there is a grave lack of clarity.

Similar is the insensitivity in taxing agriculture while paying lip service to the cause of farmers. Firstly, fertiliser was taxed at 12 per cent and only after a vehement protest by the Congress, it has been reduced to 5 per cent. This is despite the fact that most states had no tax on fertiliser earlier. While tractors and other agriculture appliances are being taxed at 12 per cent, it is ironical that tractor tyres and tubes, engines and other parts are being taxed at 28 per cent. In another twist, a tax rate of 28 per cent has been imposed on pesticides and 18 per cent on construction of cold storage for preservation of vegetables, fruits and foodgrains. There is some bizarre logic to this entire scheme, which is incomprehensible.

Three, instead of building capacity and addressing the shortcomings of the GST Network as flagged by supportive chambers of commerce (ASSOCHAM), the government is focused on establishing the Anti-Profitsteering Authority with the draft rules having been introduced on June 20. Intended to ensure that manufacturers pass on the benefits of the GST to the consumer, the Anti-Profitsteering Authority bears within it the potential of being a new mechanism for tax terrorism. Instead of providing the methodology for calculating the difference in prices before and after GST (like by its Australian counterpart) the rules simply imbue the authority with wide-ranging powers, which include levying penal consequences of fines and jail terms besides cancellation of GST registration. Seen in light of the overarching powers of search and seizure given to tax authorities earlier this year, these point to a larger and more nefarious objective.

These are just three of a large series of unanswered questions. The BJP government's insensitivity to criticism can be gauged from its indifference to a continuing all-India agitation by cloth manufacturers, traders and shopkeepers, which has already caused an estimated loss of close to Rs 40,000 crore. Man-made fibre and yarn is taxed at 18 per cent while the end product of fabric is taxed at 5 per cent. This can only have one sequence. Nearly 80 per cent of textile trade is with medium, small, micro and non-integrated textile players. This will be a death knell for them while ensuring that the big fish survive. Similarly, all services will see an increase of 3 to 5 per cent in taxation across the spectrum, while several businesses are still awaiting guidance on the filing of inward and outward remittances.

There are voices who seek to paint any opposition or apprehensions in binary terms of national and anti-national. Long after these servile voices have faded, the Congress shall continue its vigil against a government bent on wrecking all institutional and administrative mechanisms put in place by its predecessors. This is simply too important a reform to be left to the whims of jingoistic politicians. Unless this government starts listening instead of loudly advertising empty slogans, it will be lost.

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