

PRESS RELEASE

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Randeep Singh Surjewala, Media Incharge, AICC has issued the following statement to the press today:-

Entire spirit, direction and purpose of the GST Bill introduced by Congress-UPA was – ‘Single, Transparent and Uncomplicated Taxation on Goods and Services’ & ‘Reduction of Prices’. This mammoth opportunity is being lost due to sheer incompetence of a panic stricken Modi government driven by adhocism and lost in chaos of its own making. Post-Demonetization disaster, a possible ‘good fortune’ of adding 2% to India’s GDP is being converted into ‘misfortune’ by sheer ineptitude and amateurish handling of the most important tax-reform.

In classical BJP style of ‘we know it all’, they first refused to acknowledge the clutter, confusion and cost to economy by botching up the GST conception and implementation. Reality dawned with the massive economic downslide. While we welcome the interim relief to certain sections, government has utterly failed to address structural issues of GST reform through fair and transparent consultations.

Mockery of GST – Messing up the Architecture & Multiple Tax Slabs

1. ‘One Nation, One Tax’ has become ‘One Nation, Seven Taxes’ or more, i.e. 0.25%, 3%, 5%, 12%, 18%, 28% and 40%. **Indian GST Rate is now the highest in the entire world.** Even the Chief Economic Advisor to this government had recommended the GST rate of 15% to 15.25% as the revenue neutral rate. In addition, States have the discretion to impose more taxes over and above the GST. A case in point being the entertainment tax imposed by Tamil Nadu and registration tax imposed by Maharashtra. PM and FM have failed to address this principal structural flaw.

A single GST would have meant a Standard Rate as well as Standard Plus Rate (on demerit goods) and a Standard Minus Rate (on merit goods). A Congress government would have worked towards this module, besides capping the GST at 18%.

2. Prime Minister/Finance Minister and Government have still not laid down any road map nor given any indication of bringing **Petro Products, Electricity and Real Estate within the ambit of GST**, repeatedly emphasized by Congress Party and all the experts. It may be worth noting that GoI continues to earn a bonanza tax of Rs.2,73,000 crore annually from cumbersome petro taxes alone.

3. **‘Adjournment’ & ‘Deferment’, rather than ‘Decision’, appear to be the ‘way forward’ for this government.** Implementation of TDS (Tax Deduction at Source) and TCS (Tax Collection at Source) has been postponed till 31.03.2018. Reverse Charge Mechanism (RCM) requiring the purchaser to deposit GST on affecting purchase from a GST unregistered individual/entity has also been postponed till 31.03.2018. ‘E-Way Bill’ concept has been deferred to 01.04.2018 as the architecture and technology is still under conception. As tax refund system virtually collapsed with outstanding tax refund demand of Rs.65,000 crore in July, 2017 alone and exporters in peril, export exemption has been extended/postponed to 31.03.2018 until the conception and implementation of an ‘E-Wallet System’. All these are soft promises being made today with the ‘Damocles Sword’ continuing to hang in absence of a clear decision.

4. Even the enhancement of annual aggregate turnover for **‘Composition Scheme’ from Rs.75 lakh to Rs.1 crore is far from satisfactory to bring the requisite relief to small & medium businesses.** Pre-GST turnover limit under Central excise was Rs.1.5 crore as fixed in the year 2006. Inflation adjusted, the limit would be at least Rs.3 crore. Also, this limit was for goods alone, while GST includes both goods and services. This would put a large number of ‘small scale industries’ within the ambit of GST making the compliance much more cumbersome and difficult.

Agriculture Taxed – Anti-Farmer BJP exposed.

Reeling under the lack of market driven MSP and cycle of indebtedness, no relief has been given to the farmer and agriculture sector from burden of taxes. Fertilizers, which attracted 1.03% of Central excise earlier, are now being taxed under GST at 5%. Tractor and all other agricultural implements have been taxed at 12% with tyres, tubes and transmission parts being taxed at 28%. Despite the reduction, pumps meant for drawing water, including submersible pumps, deep tube wells and diesel engines, are still taxed at 18%. Pesticides, essential pre-requisite for agriculture, are taxed at 18%. Even the cold storages and food grain handling systems are being taxed at 18%. Non-grant of any relief to this sector, which is the biggest employment generator, reflects inherent prejudice of Modi government.

Textiles, second biggest still plagued by Duty Distortion

Textiles, second biggest employment generator after agriculture, continues to face deep stress owing to distorted duty structure threatening to wipe out the living subsistence of millions, of traders, cloth merchants, micro, small and medium businesses. After a nationwide protest, duty on manmade fiber has been reduced from 18% to 12% yesterday. What Modi government does not realize is that while the fiber is taxed at 12%, the end-product, i.e. fabric, attracts a tax of 5%. This is threatening the livelihood and profitability of non-integrated textile players of manmade fiber (70% of total), while helping the big fish in textiles sector to make huge profits. What is deeply shocking is that while Indian fabrics manufacturers will pay such high taxes, import of fabrics from countries like China, Bangladesh, Sri Lanka etc. is permitted at 5% only, which will further erode the viability of India's textiles sector.

Massive Taxation on goods of mass consumption continues unabated

No relief has been given to the common man. Modi government's circumspect motives in taxing all aspects of 'Roti, Kapda and Makaan' continue unabated. A sample list is placed below:-

Items	Tax under GST
Shampoos, Deodrants	28%
ACs/TV/Washing Machines	28%
Furnitures	28%
Computer/Multi-functional Printers	28%
Movie tickets above Rs.100/-	28%
EMI on Vehicles	28%
Chess Board/Yoga Mat	28%
Food & Beverages	18%
Payments through Credit Cards & all Banking services	18%
Insurance Premium & Financial Services, Telephone	18%
Helmets	18%
Coaching Classes, Educational Institutes	18%
Tour & Travel	18%
IceCream/HairOil/Toothpaste/Soap/Soups/Corn Flakes	18%
Photo-voltaic Cell	18%
Dialysis/Blood Test/X Ray/Ultrasound etc	12% to 18%
Tea/Coffee/Butter/Biscuit/Curd/Sweets/Juices	12% to 28%
Sanitary Napkins/Tampons for Women	12%

Overall, a vision less government drunk with arrogance is wasting a golden opportunity of putting India on a growth trajectory.