

SPEECH BY SHRI RAJEEV CHANDRASEKHAR, MP

DURING THE DISCUSSION ON GOODS AND SERVICES BILL

IN PARLIAMENT ON 5TH APRIL 2017

Sir, thank you for giving me this opportunity to speak on the historic GST bills – CGST, IGST and the Compensation.

We have finally reached the last lap of the most significant Indirect taxation reform in Independent India. I congratulate the PM, Finance Minister and all the state govt ministers who worked together in national interest to make this reform a reality. I congratulate the Government for going beyond the broad idea of GST and addressing the real issues and concerns of the states that were wary of this reform – by addressing the issues of Compensation etc.

Except for the political football that was played with GST for many sessions of Parliament, this reform could have been sooner and saved many billions of dollars.

My friend Derek talked about disruptions in parliament, I respectfully will clarify that disrupting parliament to save the country lakhs of crores from a Scam is different from disrupting the parliament and causing delays to the GST that cause the economy lakhs of crores of revenue loss. Because the delay in the GST has cost us Rs. 1.3 lakhs crore in one fiscal year alone considering the potential 1-2% GDP growth due to GST

Personally for me, it is one of those moments in my Parliamentary career where I am proud to have contributed by advocating this reform and also serving in the Parliamentary select committee formed for GST.

Sir, as I had said during my speech on the **Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014**, indirect taxes impact every Indian, rich or poor and every business, big and small. Indirect taxes form, the backbone of our economic model given the low direct taxes coverage. Given our low tax-GDP ratio and the low direct tax coverage, the indirect taxes are very important, and reforming and simplifying them therefore, becomes very important to making the lives of consumers, citizens and

businesses easier. With GST the intimidating task of complying with and paying 14 to 16 different taxes will now stand reduced to a State GST and a Central GST. This effect of the GST reform is a big deal for all businesses and consumers especially small businesses for whom the cost and effort of compliance with complex and often corruption ridden inter-state trade is intimidating and discouraging. This reduction in the cost of compliance is not trivial will also bring down the cost and increase the ease of doing business, directly benefiting small and big businesses. The creation of one Indian market will in turn create better competition and efficiency in our economy and benefit consumers of goods and services around the country

By reducing the cascading effect of various taxes, it also reduces costs both to consumers and producers. With easier compliance, will also come expansion of the tax base. With expansion of tax base will come increased revenues to the government for its welfare and social spending needs. All these will finally contribute to transforming our economy to one which is more efficient and competitive—an important criterion in an increasingly competitive world. As I had said before, the GST also is a consumer and business friendly tax regime because it is heavily invested in technology—GST network will also be a platform for compliance and filing—thus marking another reform milestone, i.e. a new approach to tax administration without the inspector raj that consumers and businesses have grown to loath and detest.

The entire rationale for the GST rests on it being pro-consumer and pro-small business. There are five broad GST slabs: 0 (the exempted category), 5%, 12%, 18%, and 28%; there will be also cesses—to finance possible compensation to the states—would be levied on certain demerit goods (tobacco and related products, aerated beverages, luxury cars etc). I would appeal to Finance Minister to relook at the list of products in the 28% slab and remove those that impact the Salaried and Poor class. I am sure that over time, and I believe very rapidly, as compliance increases there will be argument for GST will moderate to a much lower and affordable rate of tax. And that is pretty much the way indirect taxes in this country should go — affordable with a wider base and better compliance.

There will be the usual carping about the so-called imperfections of the current GST – specifically targeting the exclusions and the multiple slab rates.

Yes I accept this is not the perfect GST – but that perfection isn't necessarily consistent with consensus building and also, every tax reform and indeed economic reform has been an evolution of an idea or law. There will be a process of evolution and improvement as GST lays its roots and expands. We can even think of what is unthinkable today – that maybe in future as states become more

confident about GST that even GSTs dual structure—the SGST and the CGST, this is could be streamlined into one single tax in the future.

Going ahead as we race towards the deadline of 1st July, the readiness of the technology backbone of the goods and services tax network (GSTN) and the tax administration structures become critical. There's also the question of advocacy and preparing businesses with regard to the new GST and its compliance requirements. The government's objective must be to make this transition from the current taxation regime as smooth and orderly as possible—both for itself and for businesses and consumers. The government must ramp up its advertising/advocacy campaign soon after legislation is passed—aimed at businesses, to be GST-ready and apprising them of the significant changes to the entire indirect tax system. So far, 74 per cent of the VAT assesses have migrated to the GSTN portal, while only 28 per cent of the excise and service tax assesses have enrolled for the new regime. Which is good progress and I am positive that the enrollment would be completed before July 1.

The GST is a vital and important part of the transforming India agenda. The next few months of execution will determine, to a large part, its success and make this historical indirect taxation reform a real game changer in the progress and growth of our economy.

Thank you

Jai Hind