GST - Promise and Reality

What is the issue?

\n\n

The shift from "one country, one tax" to four tax rates could dilute possible gains on GDP.

\n\n

What are the pros of GST?

\n\n

\n
- The 13th Finance Commission put out that the GST could have a single rate of 12%, to make it revenue-neutral.
\n
- The logic was that **a single-rate tax would eliminate classification disputes, simplify tax administration** and make life easier for the taxpayer.
\n
- GST would incorporate central and state excise and sales taxes, and also local taxes like octroi and stamp duties.
\n
- Thereby making it possible to get rid of inter-state barriers to trade, the halting of trucks at state borders, and other inefficiencies in the system.
\n
- GST would also make tax evasion more difficult, plug holes in the tax collection system, and therefore yield the same revenue at a lower level of tax, thereby helping also to tackle black money.
\n
- It is said that GST would boost the GDP by 2–2.5% and exports by 10–14%.
\n
- The other claim was that a GST, by eliminating tax on tax (i.e. cascading taxes through the production chain) would reduce costs, and therefore prices throughout the economy.
\n

\n\n

What is the issue with tax slabs?

\n\n

\n
- The “one country, one tax” promise has given way to four tax rates, in addition to a zero rate and cesses over and above the peak rate.
\n
- **Key items such as petroleum and alcohol are out of the net,** to be taxed separately.
\n
- The 12% single rate has given way to a modal (i.e. most common) rate of 18%, with other rates above and below it.
\n
- Of the 1,211 items listed, 62% are to be taxed at the higher slabs of 18% and 28%, along with additional cesses, and another 17% of the list at the originally proposed 12%.
\n
- Barely a fifth of the total will attract tax at the lowest slab of five% or be exempted (primarily agricultural products).
\n
- Services, too, will attract multiple tax rates, with 18% once again the standard rate — a clear increase from the present, instead of a reduction.
\n
- Some stamp duties may now continue. So it is not one tax, and not one rate.
\n
- Milk and milk products will attract zero tax or tax at different rates, depending on whether it is plain milk, buttermilk, curd, flavoured milk, condensed milk, unbranded cottage cheese, packaged cheese, butter, and so on.
\n
- Travel is to be taxed, but not religious travel; so who is to determine whether a trip to a holy city is for a religious purpose, or for business.
\n

\n\n

\n\n

Source: Indian Express

\n