

GST time



The tortuous process for the rollout of the new tax regime under the Goods and Services Tax (GST) bill appears set to come to a happy end after all. After earlier deadlines went by as the tangle between the government and the Opposition continued, the legislation, which is billed as the most momentous and far-reaching piece of economic legislation since Independence, is expected to roll out on 1 July.

At the conclusion of the 12th GST council meeting on Thursday, Finance Minister Arun Jaitley said the council had now granted its approval to all the five legislation, clearing the way for these bills to be tabled in Parliament and the state assemblies. The council, in its earlier meetings, had given its nod to the Central GST law, the integrated GST law (dealing with inter-State trade) and the bill to compensate States for revenue losses arising from the transition to GST. Four of the proposed laws (except the State GST bill) will now be tabled together in the Lok Sabha after getting the Union Cabinet's approval. The State GST bill will need to be approved by the State legislatures too to become law. A smooth sailing can now be safely predicted.

It is a matter of relief that it is accepted on all hands that GST has the potential to add up to 2 percentage points to the GDP, usher in transparency, reduce the tax burden while increasing tax revenue. The passage of these bills will remove tax barriers across States, and subsume a host of indirect taxes levied by the Centre and the States including excise duty, service tax, value-added tax, entertainment tax, entry tax and luxury tax.

It is heartening that the differences between the Treasury benches and the Opposition have been sorted out through a mature process of give and take and that a unified market is on the anvil. The fact that GST will harmonise 11 State and Central levies into a single national sales tax is a big movement towards a unified market. The GST council also agreed to cap the cess on various so-called

demerit (or sin and luxury) goods in the legislation.

These cess rates are an enabling provision and the actual tax incidence could be lower, depending on the decision of the GST council. All in all, a gigantic exercise has been completed and one can only keep one's fingers crossed that there would no last minute glitches.