The Tribune

October 26, 2016

GST to enhance ease of doing business, says Assocham

Biz talk

- Sunil Kanoria
President, Assocham
talks to Sanjeev Sharma

By unifying all Indian states and Union Territories into a common market, GST will exponentially enhance the 'ease of doing business' for them and this can unleash India's huge domestic potential, says Sunil Kanoria, President, Assocham.

"With GST, the cascading effect of tax-on-tax on goods and services will be taken care of by subsuming existing indirect taxes. It will bring in a lot of certainty on the indirect tax front and this will provide a fillip to new investments, especially foreign investments"

Q: What are the implications of the GST rollout for the economy?

A: The cascading effect of tax-on-tax on goods and services will be taken care of by subsuming existing indirect taxes. It will bring in a lot of certainty on the indirect tax front and this will provide a fillip to new investments, especially foreign investments.

By unifying all Indian states and UTs into a common market, GST will exponentially enhance the 'ease of doing business' for them and this can unleash India's huge domestic potential.

Q: There are apprehensions that it will increase inflation in the near term. What are your views?

A: Yes, there is a likelihood of inflation flaring up temporarily once GST is rolled out. However, with the tax-on-tax cascading effect being taken care of, the prices will soon stabilise.

Q: How do you view the advancement of the Union Budget and merger of Rail Budget?

A: It is a practical move and will help bringing in better planning and utilisation of resources.

Q: What is the perspective on the NPAs plaguing the banking system?

A: Addressing the stressed assets/NPA problem of Indian banking system is of paramount importance. Banks' inability to resume lending activity is emerging as a major constraint and may prevent India from capitalising on the window of opportunity that has opened up due to global conditions. At this stage, the priority should be on how to capitalise our banks well, to work out how best we can resolve the stressed assets problem and how best we can make our banking systems robust so that their operational efficiency improves.

Q: What is the reason that private sector investment is not picking up?

A: Our economy is in a phase where the consumption continues to grow whereas the production continues to be muted. This reflects the excess capacity that has already been built up. Until and unless this capacity gets saturated, private investment is unlikely to pick up.

Q: What is the outlook for the economy?

A: I am upbeat about the prospects of the economy. The progress made on the GST and the Insolvency & Bankruptcy Code fronts needs to be lauded. The governments, both at the Centre and the states, are serious about reforms and are willing to co-operate in order to drive growth. The NDA government has adopted an implementation-focused approach in respect of the various programmes it has announced and I find the state governments are willing to be part of those by rising above political differences. This indeed bodes well for the growth of the economy.

ASSOCHAM IN THE NEWS

The Financial Express October 26, 2016

Economy to grow at 8% in FY17, GST from April 1: Das

fe Bureau

New Delhi, Oct 25: Asserting that the goods and service tax (GST) regime will be ushered in from April 1 next year, economic affairs secretary Shaktikanta Das on Tuesday said the recent series of reforms would help the economy grow at close to 8% in FY17 with the farm sector clocking 4-4.5% growth.

India's economy grew at a lower-than-expected 7.1% in the June quarter — the lowest expansion in six quarters — as a 19% year-on-year jump in government consumption and near removal of the drag on growth from foreign trade were more than reined in by a fall in investments.

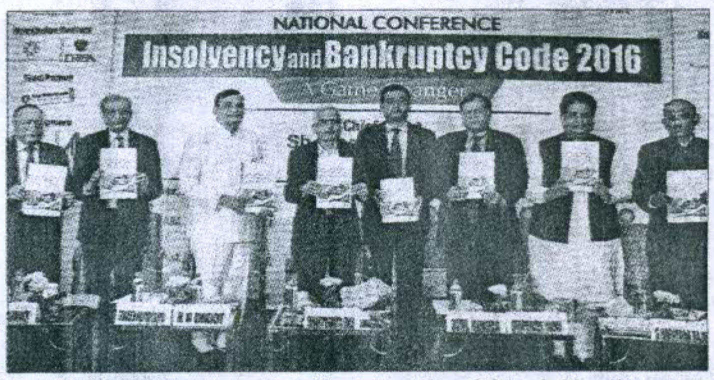
The GDP had grown 7.9% in Q4FY16 and 7.6% in FY16. Farm and allied sector growth (based on gross value addition) grew by 1.2% in FY16 as compared to a contraction of 0.2% in FY15.

"We have an economy which had recorded 7.6% growth (in FY16). Thanks to good agriculture where we expect growth to be upwards of 4% ..and it could be even 4.5%... we are looking at (GDP) growth of close to 8% (in FY17)," Das said at an event organised by industry body Assocham here.

Das's optimism emanates from a normal and evenly dispersed monsoon after two years of deficient rains that hurt growth.

"The GST will happen, bankruptcy law has happened. Both these pieces of legislation together with amendments to the arbitration law, debt recovery tribunal and company laws have potential to create a very vibrant and dynamic economy," he said.

The GST Council headed by finance minister Arun Jaitley has already held two-three rounds of meetings to finalise the details of the new tax regime, including tax rates. The Centre has proposed a multi-tier structure for GST: 6% on essential items, 12% and 18% standard rates on most of the goods and services while a peak rate of 26% has been proposed for demerit goods. Gold is proposed to be taxed at 4%.



Economic affairs secretary Shaktikanta Das (fourth from left) and other dignitaries at an Assocham event in New Delhi on Tuesday

Separately, the Centre has suggested imposing a cess on demerit goods to fund compensation to states under the new regime for any loss of revenue, a move opposed by some states, though there has been sort of an agreement on keeping the clean energy cess in the GST regime and having a new impost on tobacco.

Das expressed confidence that the revenue-neutral rate structure would be decided in the council's meeting next month. Dismissing criticism, he said the rate structure has been prepared on a very practical basis. "The rate has to be necessarily revenue-neutral. One cannot have a rate structure where governments run into huge deficit... Therefore, GST rates are worked out in such a manner that bulk of commodities are under the standard rate, which is 18%," he said.

Besides GST, the other big reform is the Insolvency and Bankruptcy Code 2016, which got Parliament nod in May. It is touted as a big reform initiative to improve the ease of doing business by helping speed up unlocking of distressed corporate assets and boosting creditors' ability to recover debts before they are truly sunk. "The law ministry, the legislative department are also working on finalising the regulation. We expect therefore the entire bankruptcy and insolvency law will become operational by end of December," Das said.

Separately, the government has floated a draft Financial Resolution and Deposit Insurance (FRDI) Bill for resolution of failed financial institutions."It's our endeavour to introduce the Bill as early as possible in Parliament. We are trying to introduce it in the Winter Session," he said. The FRDI Bill, together with the Insolvency and Bankruptcy Code, when enacted, will provide a comprehensive resolution mechanism for the economy.

The Hindu Business Line

October 26, 2016

GST rate structure issues to be resolved by next month, says Shaktikanta Das

Proposal to levy additional cess on certain luxury items unlikely to be dropped

Economic Affairs Secretary Shaktikanta Das (right) and Past President of Assocham RN Dhoot at a conference in New Delhi on Tuesday KAMAL NARANG

OUR BUREAU
New Delhi, October 25

The crucial rate structure for the proposed GST system — billed as the biggest ever tax reform undertaken in independent India —is expected to be firmed up by the first fortnight of next month, Economic Affairs Secretary Shaktikanta Das said.

The Centre and the States are now considering introducing four rate structure — 6 per cent, 12 per cent, 18 per cent and 26 per cent — for the proposed dual GST system.

The rate structure has been prepared on a practical basis, he said at an Assocham event here on Tuesday.

However, the controversial proposal to levy an additional cess on luxury items may stay although some States have opposed its levy, Das said.

"The matter (proposal to levy cess on certain luxury items) is under discussion in GST council," Das said when asked about the cess.

Virtually supporting the proposal to levy cess, Das pointed out that Centre may have to go in for more borrowing to fund the fiscal deficit if the cess proposal was to be dropped.

Industry has been stoutly opposing introduction of new cess on luxury items — considered ostensibly to help fund the GST revenue loss compensation for States. Their contention is that introduction will be cascading as no set off will be available for this levy with GST payable on output items.

Das also said that the Centre does not expect the need to compensate States (for revenue loss from GST implementation) beyond three years. This is even as the Centre has assured the States that compensation would be provided for five years.

Low-cost economy

Das said the Centre was determined to implement GST from April 1 next year and that the States too are equally committed to introduce it from this date.

"GST will happen. Insolvency has happened. Both together will bring dynamism and has the potential to transform the way Indian economy functions. Our endeavour is to make India a low-cost economy through the instrumentality of GST," he said.

The current thinking is to bring items with effective indirect tax rates (States and Centre combined) of 15-21 per cent under the 18 per cent tax rate (combined for CGST and SGST); those between 21 and 31 per cent within the ambit of 26 per cent; those items between 9 and 15 per cent under the fold of 12 per cent rate and those attracting 3-9 per cent to come under the 6 per cent rate.

Das also asserted that discussions in certain quarters that proposed GST regime will be inflationary is entirely misplaced.

He expressed confidence that the rate structure issues will get resolved in the next meeting of GST Council slated for first week of November. "I think in may be one or two more sittings, it should come to a conclusion."

Rate structure

Das said the GST rate structure has been worked out in such a manner that the bulk of commodities are under the standard rate of 18 per cent and the essential items which are very important and are used by large section of people have been kept at six per cent.

He elaborated that currently central excise is at 12.5 per cent, state VAT (value added tax) is about 14-14.5 per cent and together they are about 26-27 per cent and in certain goods it is at 30 per cent.

"In GST, the peak rate is much lower than the current rate and the peak rate is only for demerit goods and for certain luxury items, while bulk of items/goods are in the 18 per cent bracket," Das said.

"So the GST will bring down the prices. GST will facilitate logistics cost also to go down because the waiting time in the various check-posts by trucks on an average is as much as 48 hours, which makes costs of logistics higher," he said.

"With the GST coming in, check-posts going, our logistics cost will come down, o we are looking at more moderate level of taxes."