

THE HINDU BusinessLine

'Those who resist tax compliance are the only ones protesting GST'

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Apprehensions regarding the July 1 GST roll-out has resulted in strikes across States, in segments ranging from textiles, grains and spices, to furniture and marble. The ruling BJP is busy addressing these concerns through consultations with different trade bodies, as well as instructive sessions for professionals. Gopal Krishna Agarwal, the BJP national spokesperson on economic issues, says the anxiety is largely owing to misapprehensions about the new tax regime. In an interview with *BusinessLine*, Agarwal said the demonetisation experience had shown there is popular sentiment for a corruption-free economy, where opposition to a tax-compliant regime would be transient. Excerpts:

You don't seem to have convinced vast sections of the industry about various aspects of the GST: ranging from the timing, various fitment rates, the increased compliance requirements. How do you plan to address the issue?

Conceptually, no one has a problem with the GST. It does away with the multiplicity of tax structures, subsuming 18 Central, State and local taxes. It results in a reduction of indirect taxes for the consumer, creates ease of doing business by online registration, filling of returns and assessment, and creating 'one-tax, one-market'. This is not just an economic measure; it is social reform, by ushering in a more transparent, tax-compliant society. For the consumer, it

would reduce prices of manufactured goods; for the government it would mean increased tax collection and fiscal consolidation and creation of a simpler system to administer.

But clearly, there are problems. Has there been an institutional response from the BJP to address concerns.

The apprehension is with regard to its implementation. People are worried about how they will be registered, how they will avail of the input tax credits, the anti-profiteering clause and how the benefits of reduced taxes shall be passed on to the consumers. These are concerns that are being addressed through processes of instructions and consultation.

For businessmen who are already registered, the migration is simple and online. They then have only to capture the transaction carefully at the point of supply with full details. The returns, input tax credit, etc will be automatically extrapolated by the GST Network. Small traders with a turnover of up to ₹20 lakh are exempt from GST.

On July 1, the Centre has invited 15,000 chartered accountants for a discussion on the GST and launch of a new course. Prime Minister Narendra Modi will be there as will be Finance Minister Arun Jaitley and Revenue Secretary Hasmukh Adhia. The event will be simultaneously held at State Capitals. I, too, am travelling to many places for awareness programmes. There will be many regional meetings with trade bodies and professionals.

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GOPAL KRISHNA AGARWAL
BJP National Spokesperson
(economic issues)



Politically, are you worried about the level of discontent among traders and small industry? They are your traditional constituency.

Apprehensions about the GST are misplaced. Traders, manufacturers and small eateries with turnover between ₹20 lakh and ₹75 lakh have the Composite Scheme option. They only have to pay 1-2 per cent GST, and not avail input tax credit; it benefits the small and medium enterprises. If their turnover is over ₹75 lakh, then they are not small traders anyway.

We are trying to benefit the consumer through anti-profiteering, which basically translates into tax benefits being transferred to them. And there is a separate authority for this.

Similarly, the Centre would have a better system to administer, besides having a wider tax net. People who are protesting — and of course, the Congress and the Opposition would fuel these fires — are those who are unaware or do not want the country to move towards tax compliance. That has been the problem with our economy — an overwhelming percentage of transactions are outside the system. That is why over 58 per cent of the nation's wealth is being captured by only one per cent people.

So you believe it will have the same level of support as demonetisation?

People supported us because by now there is an understanding that there were two types of leakages — in the tax collection system, and in the delivery mechanism. We have plugged delivery system leakages through direct transfer of subsidies to intended beneficiaries by linking the Jan Dhan Scheme through Aadhaar numbers and mobiles. The second leakage will be plugged through GST — when all business transactions will move through a formal system and the basic cost of a product will be checked.

Some people are comparing GST with Sales Tax only. What is being misconstrued is that GST subsumes other taxes. When GST is higher than Sales Tax, as in the case of real estate (4 per cent sales tax earlier, and about 12 per cent GST now); if floor rates are not reworked, considering input tax credit on steel and cement, etc which was not available earlier, the consumers may be taken for a ride. The anti-profiteering clause kicks in here and the benefits get transferred to the consumer.