

GST will reduce tax burden by 25%, won't be inflationary: Haryana Finance Minister

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ABHIMANYU SINGH SINDHU, Haryana Finance Minister

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INDIA

The government has made another firm push to get more support for the Goods and Services Tax. The amendments to the Constitution (One Hundred Twenty-Second Amendment) Bill to accommodate some of the demands of the States and Opposition parties have been approved by the Cabinet. And this comes at a time when the BJP is yet to get the assurance from 2/3 of lawmakers in the Rajya Sabha as the Indian National Congress is yet to come on board.

There are also doubts about what is going to happen once the tax is introduced, in terms of its impact both on industry as well as inflation, because some believe the GST is not quite the magic wand for both growth and goods supply as it is made out to be. Speaking to *Bloomberg TV India*, Haryana Finance Minister Abhimanyu Singh Sindhu says the GST rate should not be fixed in the Constitution amendment. GST will help lower tax burden 20-25 per cent and won't be inflationary, he said. Excerpts:

What is the latest situation after the Empowered Committee of State Finance Ministers' forward move towards GST?

The Empowered Committee of State Finance Ministers met Finance Minister Arun Jaitley on Tuesday in Delhi. The environment in which the meeting was held was cooperative over the entire issue of GST, so that the Bill can be passed in Rajya Sabha and the GST can become a reality.

All States, without an exception, were keen that the GST come into force as soon as possible. We all aspire that in April 2017, GST must come into force. Various issues were discussed between the State ministers and the Union Finance Minister. And I believe that most of the issues will get resolved because the overall spirit is that the GST must come into force as soon as possible.

What key issues have not been resolved or are yet to be resolved? Will they have any impact on the passage and consideration of the Bill in Rajya Sabha next week?

From the stand point of the States, and as the Empowered Committee is the representative of the States in the entire matter, I don't think there is any issue which is pending now or which is to be resolved. And if at all there is something, which the Finance Minister or the Government of India needs to interact with the States and get some response or any suggestions, it may come up during the discussions at the government-level between different political parties. We, the State Finance Ministers, have empowered our Chairman Amit Mitra to discuss with the Centre on behalf of the Empowered Committee.

One of the concerns is the surrender of fiscal autonomy by States to the Union government. And there is also a concern on the fact that if the rate is not mentioned in the Constitutional Amendment Bill, what happens if some States have a different view. Could you please comment on that?

There is no such issue. We never discussed about surrendering the fiscal autonomy because there is no idea of surrendering involved here. In fact, the Centre and the States are bringing their taxation under this uniform tax structure that is called the GST. So, there is no surrender of powers of either the Centre or the States.

Rather I would like to put it as the Chief Economic Advisor said, there will be pooling of the powers of the States as well as the Centre in the GST Council, which will be represented by the State as well as the Centre. And both the Centre as well as the States will have equal powers deciding on the risks on the issues pertaining to the GST, which may come up. So let it be very clear that there is no surrender of any kind of autonomy of the State nor is there any dilution of the federal structure, as such, in the proposed GST Council structure.

If there is no cap in the Constitutional Amendment Bill — we are now being told that the rate cap will be dealt with separately in the GST Act — what will be the final GST rate? There are some inflationary concerns, too. What will happen to the finalisation of the GST rates and where will it be written down?

The States were of the view that this kind of rate fixation cannot be part of the Constitution. You cannot fix a rate structure in the Constitution and it is not required, too. There has been no such precedence across the world.

Also, there is no real requirement of putting a figure even in the GST Act. The only consensus that emerged in the State Finance Ministers' meeting was, let the spirit and sense of the House be put in the preamble of the GST Act in terms of protecting the interest of the States as far as revenue trends are concerned in the next five years or in the future.

Similarly, the State and the Central governments are also concerned about the possible impact on the common man in terms of inflation. In any case, the GST expert committee also said the reality is that the overall taxation rate will be reduced by at least 20-25 per cent. There is no possibility of an inflationary pressure because of the introduction of GST.

(This article was published on July 28, 2016)

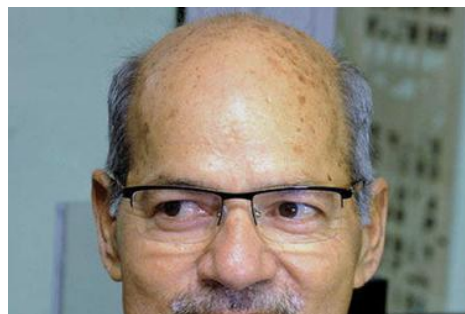
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