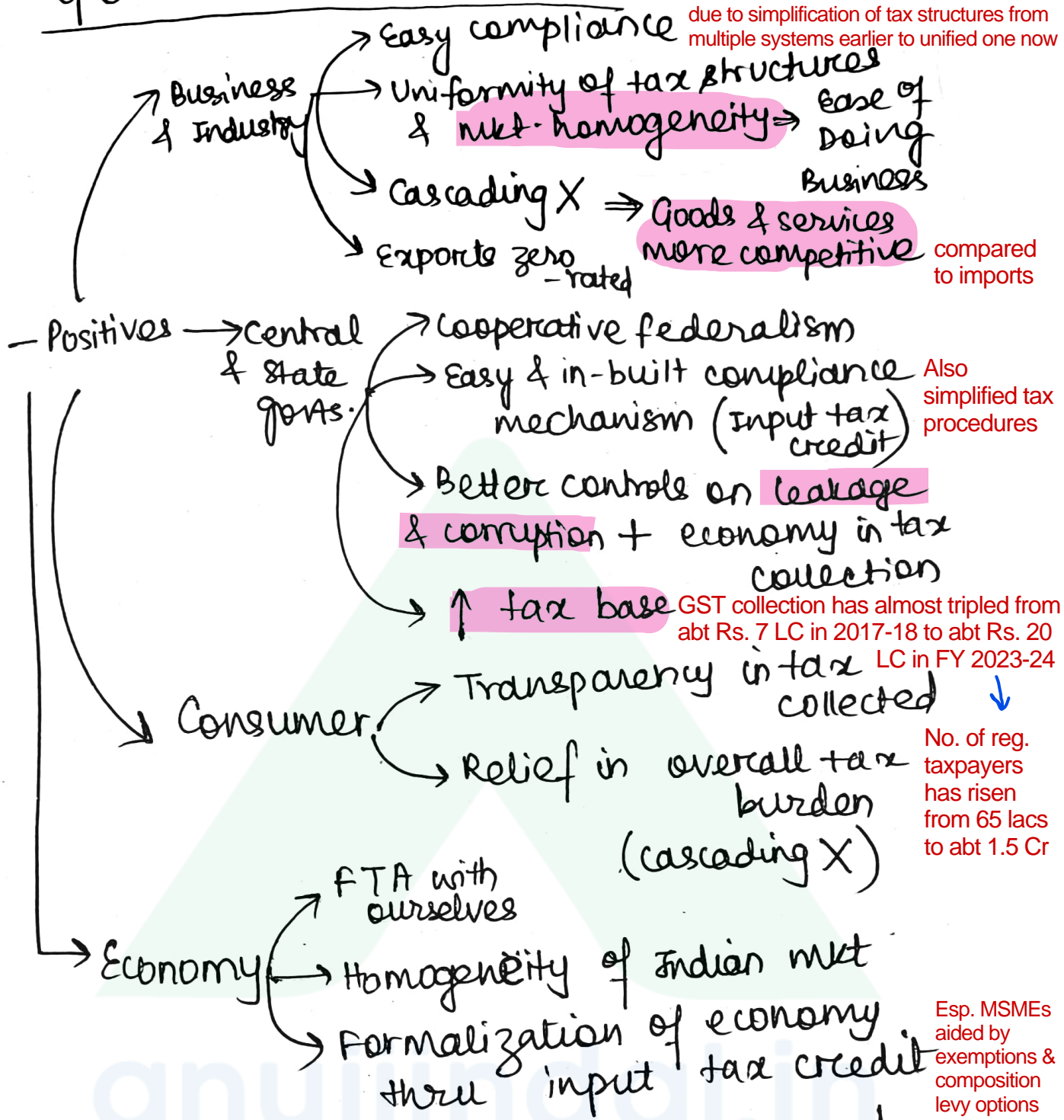


GST: Hits & Misses



Verdict: Successful model of cooperative Federalism

how?

Inverted duty structure still remains in GST

Loss to exchequer ←

Incentivizes raw material export & finished goods import ←

Multiple slabs (0%, 5%, 12%, 18%, 28%) + cesses on top + arbitrary classifications & exemptions ⇒ complicated + disputes + long litigation + pending refunds Violates Laffer curve

Also, 3% slab (gold, silver etc.)

Shortcomings

annual turnover etc. ←

→ Tug of war b/w extremes: Many 0 to 5% ⇒ Many 28%

→ Exemptions: Alcohol, petroleum, electricity, real estate etc. eg. No input tax credit benefits to electricity ⇒ cost addn to industries

→ Tussle in GST council + Centre delays dues to states

→ <40 lacs exemption exploited to show less revenue & escape GST

- Reforms needed (Need for GST 2.0)

(GST 2.0), which address the issues mentioned above

① Rate rationalization → Reduce no. of slabs
→ Proposal to merge 12% & 18% slabs to something in b/w

② Include fuel in GST → Take states on board

↳ while GST has ↑ spectacularly, but not that much in % of GDP

(6.23% in 2017 to 6.83% in 2023-24)

↳ Due to non-inclusion of crucial tax bases

③ GST Appellate Tribunal → strengthen it to reduce litigation time

Std. suggestion → Prescribe stds. to ↓ conflicting rulings

④ Streamline ITC claims → Expand time-window for claim
→ compliance not done by vendor
⇒ recipient of supply faces reversal of credit
⇒ correct this

⑤ Tax evasion → focus on sectors like online gaming, casinos, insurance & other service sectors (most evasion)

These are highest tax evading sectors as per Directorate of GST Intelligence (DGGI). Fraudulent Input Tax Credits have also been cited as a major cause by DGGI.