

Editorial

Tuesday, January 9, 2018

Of PM and our CM

Oratory Skill and convincing personality is not everything people expects

Excellent oratory skill with convincing personality is perhaps the most important requisite quality of a public leader. But the other important qualities that people expect are sincerity, simplicity, accountability and dedication in rendering his or her service for the people, who elected them to lead the society. Well India now has a leader - Prime Minister Narendra Modi is one among the best among all public leaders. His oratory skills and convincing personality has made his position gone up day after another. Yet when it comes to his sincerity and commitment, there are many which needs to be questioned. The essence of patriotism that runs to the veins of Prime Minister Narendra Modi, sometimes made his administration mono-centric, which makes people feel that - Has he forgotten that India is a nation of diverse community?

The preamble of the Indian constitution which proclaims the solemn resolution of the people of India to constitute India into a "Sovereign socialist secular democratic republic", sometimes appeared to be at stake with the Prime Minister taking up no action against some of his *parivar* leaders who had deliberated anti-speech in public platform. On the other hand, Narendra Modi's serious concerns about outdated legislations which were framed by British colonial rulers to suppress the people of the country. September 28, 2014- Prime Minister Narendra Modi, while delivering speech at Madison Square Garden, New York, US, had stated that his government will scrap all outdated laws framed by British colonial rulers. Controversial Armed Forces (Special Powers) Act, 1958, an ordinance used by British rulers - a very controversial act, which also divide the citizens of the country into two types - one, which can be shoot at sight on mere suspicion and the other, who enjoy full freedom guaranteed under the constitution of India. It is at this point that sometime the sincerity of the Prime minister need to be questioned. A word of a leader should not be for mere applause from the public and it should not be with dubious meaning which can be interpreted. How come Prime Minister Narendra Modi still fails to express a single word on this outdated act, at which a lady had even undergone 16 years of fast-unto-death protest for repeal of the act. If the Prime Minister and his government think that AFSPA is a legislation still required for the country, then why is this act only for some selective region despite the fact that this act can be utilized at other places which have similar problems?

Back here in our little state called Manipur, Chief Minister N. Biren Singh too is not that less than when it comes to the skill of delivering speech and convincing the people. The first thing, which the people of the state need to appreciate N. Biren Singh, is his government's commitment under the motto "Go to Hill". What is worrisome is the number of package he announced during his visit to the hill districts of the state. As of now no package announced are implemented.

Second thing which people from across the state appreciate is his seriousness to deal with the menace of corruption. Well and good, the intention is clear. Setting up of Special Investigation Team led by 5 IAS officers to investigate irregularities to the appointment of staffs in 15 government departments and opening up of Anti-Corruption Cell shows Chief Minister N. Biren Singh's intention on the issue of corruption. But it is almost 10 months now; no action expected by the people is seen taking up. Everybody knows what had happened and keeping quite on the matter is nothing but a matter on the sincerity and accountability of his government.

On January 7, this year, N. Biren Singh, while delivering his speech had stated a beautiful quotes. And the same words was posted at social networking site- facebook. The post read - "Meeobana sibada karisu pude.. Eina siba dasu karisu puri, lemhouriba punsi sida esagi kanaba haiba pumnamak thadokuna meeyangi mateng pangani". Which literary means - human being takes nothing when he dies, I will also carry nothing when I die, rest of my life will be dedicated for the people of the state without making anything for my own.

Everybody appreciates these few words but which carries thousand meaning.

During June uprising in 2001, no-journalist walking under him will be able to forget, how N. Biren Singh took the peoples' issue more important than his family. Then, Chief Minister N. Biren Singh was the editor of 'Naharogi Thoudang'. A telephone call about his son and daughter missing from school and home when Manipur was in flame did not disturb him from performing his duty forgetting the worries of his family. Finally a staff understanding his problem went in search of his two children and brought them back somewhere from Paona Keithel, where people were agitating.

Points bringing here is to remind N. Biren Singh about his dedication to his work as an editor. Now He is in the top post in the state. Nobody can say whether he still possess the spirit or not.

The oratory skill and the convincing personality is perhaps his inborn gift. But the promises and his assurance to clean the society are still yet to be seen. Even as you are not taking anything when you left for heavenly abode, let the people remember you and let Manipur pray you as one of the greatest leader of the state for the good deed you do for the people of the state.

Name changed

I, the undersigned, **Narengbam Noninibala** of Keishangthong Moirang Ningthou Leirak, Imphal West, Pin - 795001, Manipur, do hereby declare that, I have wholly renounced, relinquished and abandoned the use of old name **Narengbam Nonibala Devi**, as I have assumed my new name **Narengbam Noninibala**.

Sd/-

Narengbam Noninibala

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Can Budget 2018 Set the Road Map to Make GST a Truly 'Good and Simple Tax'?

By Rajul Awasthi

While the nitty-gritties of GST work are handled by the council, slippage in revenues are a result of poor design, which is why a road map for reforming the GST is needed.

I don't envy finance minister Arun Jaitley. The fiscal situation is looking rather grim, with the fiscal deficit target amount for the entire year having already been exceeded by 12 percentage points, with a full quarter of the fiscal year still to go. Goods and Services Tax (GST) revenues, in particular, have been disappointing, with monthly collections down to the Rs 80,000 crore mark from about Rs 95,000 crore in the initial few months. The situation on the direct taxes front appears to be better in the sense that they may just about meet their targets, but there is little chance that a part of the slippage in GST revenues could be compensated by the income and corporate tax collections. Non-tax revenues such as proceeds from disinvestment will need to play a far greater role if the fiscal deficit target of 3.2% of GDP is still to be met. There are loud rumours that the target could slip this year.

One of the key reasons the GST revenue uptake has been slipping is clearly the fact that to assuage small businesses (voters), a large number of commodities were moved from the 28% bracket to the 18% bracket, and in some cases, even lower tax brackets. In fact, as many as 178 items were moved from the 28% to the 18% slab in the GST council meeting of November 10, 2017. In addition, six items were moved from the 18% tax slab to 5% tax slab, eight items were moved from the 12% tax slab to 5% tax slab and six items were moved from the 5% tax slab to zero percent tax. All of these changes certainly have had a negative impact on revenues from GST.

These ad hoc adjustments had to be made because the GST law was so poorly designed in the first place. Several experts, including the government's own chief economic advisor, had opined that the top rate

be kept at a reasonable level, that there not be a large number of rate slabs, that commodities like petroleum, real estate be kept in the GST net and that small businesses be kept out. None of the advice was taken. We have ended up with a hugely complex, difficult to administer and even more difficult-to-comply-with GST.

But apart from the ad hoc reduction of rates, compliance issues have also had a big role to play in the declining collections. The fact is, when the GST rate is high, there is an equally high incentive to evade the tax. There is a concrete example from the European Union (EU). Until 2015, Romania had a high VAT rate of 24%, applicable on the vast majority of goods and services. At that time when Romania had this rate - one of the highest in the EU - its VAT gap, i.e., the amount of VAT lost due to non-compliance, was the highest in the EU at 41.1%. Romania cut the VAT rate to 19% from January 1, 2017. This rate cut followed the 2016 reduction from 24% to 20%. Romania had originally hiked VAT from 19% to 24% in 2010 at the height of the global financial crisis.

In India, not only is the rate of 28% inordinately high, the overall structure of the GST design is overly complex with a number of tax rates. Apart from the standard zero rate on exports, the Indian GST has several other rate slabs: 0.25%, 5%, 12%, 18%, 28%. The zero rate applies not just on exports but on a host of other products such as food items and handicrafts. With this sort of a complex structure, there is always an incentive to try to game the system by looking for loopholes in the law or other means to reduce the amount of GST payable. Even though GST is an indirect tax and in theory, its incidence ought to pass through to the final consumer, the fact is producers and service providers know that if they can succeed in lowering the tax liability, they can offer their goods or services at more competitive prices to consumers.

Apart from gaming the system, non-compliance is also taking the form of outright under-declaration of sales turnover. The rumour is that many retailers are under-declaring as much as 40% of their sales.

One of the ways the administration is planning to deal with this is to subject all interstate transfers of goods to e-way bills, i.e., trucks must carry these e-way bills with them as they cross state borders and then be subject to random checks. First, this will still do nothing to deal with the problem of undeclared services. Moreover, I wonder if this will not reintroduce the old practice of border check posts and long queues at state borders which the GST sought to eliminate. A more effective way may be to introduce real-time online data sharing with the tax administration, as several countries in Europe have done.

Another major problem has been the high compliance burdens faced by small businesses. To ease this burden, the GST law provides for a "composition scheme" where eligible small businesses with sales turnovers up to Rs 1 crore can pay a flat rate of tax on their turnovers. Recent reports suggest that as many as 15 lakh small businesses have registered under this scheme, and about six lakh of them have filed returns and paid tax under it. The total amount of tax collected under this scheme is a paltry amount of Rs 251 crore, and officials are reported to believe there is widespread under-reporting. As I have said in earlier pieces, there is really no merit in forcing lakhs of small businesses with turnovers as low as Rs 20 lakh a year to register for the GST. The revenue collected from them will be very small and the compliance burdens imposed on them relatively very high. It is time to reconsider the threshold limit and revise it upwards to Rs 1 crore.

My recommendation for a tax regime for small businesses is the following: the GST threshold be fixed at Rs 1 crore, with a provision for voluntary registration for

smaller businesses; for income tax to continue with section 44AD but bring the ceiling limit back to Rs 1 crore in line with the GST threshold; allow this presumptive taxation only for those taxpayers who are not registered for GST; and, introduce a flat fee in the nature of a "business permit" of Rs 10,000 a year for businesses with a turnover between Rs 20 lakh to Rs 1 crore to be collected by state governments.

Data taken from the Report on the Revenue Neutral Rate and Structure of Rates for the Goods and Services Tax, 2015, Ministry of Finance, indicates that the vast majority of potential GST revenue would come from the top two brackets - "above Rs 100 crore" and "between Rs 10 crore and Rs 100 crore". These two brackets have only 2.2% of taxpayers, but would potentially contribute over 80% of tax revenues. The distribution is highly skewed. In the table in the report, the number of small businesses with turnovers below Rs 1 crore is 8,11,026, which is as much as 86% of all potential taxpayers, however, their total turnover amounts to just 3.4%, which is also likely to be their share in GST tax revenue.

Now, we know that GST rates are decided by the GST Council, headed by the Union finance minister and comprising representatives of all states, and so it is not possible for Jaitley to directly introduce proposals in the Budget for 2018-19 which would be enacted in the Finance Act, 2018-19. However, it would be excellent if the finance minister presented a road map for reforming the GST with a view to reducing its complexities and making it a truly "good and simple tax".

Both the minister and his secretary have at various times in the last couple of months indicated their willingness to go in the direction of a simpler GST with a three-rate structure, with a top rate of 18%. This would be most welcome, and I believe would increase voluntary compliance by reducing incentives to evade. *Courtesy The Wire.in*

National & International News

Jet Airways crew arrested for smuggling forex: DRI

PTI

New Delhi, Jan. 9: A female flight attendant of Jet Airways has been arrested by the Directorate of Revenue Intelligence (DRI) for allegedly trying to smuggle out \$4,80,200 out of the country, according to an official statement. The accused was intercepted by DRI officials when she was on a flight to Hong Kong yesterday, it said. The DRI officials found \$4,80,200 (approximately Rs 3.21 crore) wrapped in foil in her possession, the statement said. On investigation, it was found that she was working with an agent, named Amit Malhotra, a resident of Vivek Vihar area here, a senior DRI official said. He said that Amit Malhotra

was following a modus operandi of using crew members for smuggling of forex. "Malhotra would collect money from some bullion dealers in Delhi and send it via some air hostess to select foreign destinations. The money was being used for purchasing gold abroad. The gold would then be sent to India illegally," the official said. Malhotra had befriended the Jet Airways crew six months ago during a flight to India, he said. The DRI suspected the role of some other crew members of Jet Airways in smuggling out forex, the official said. "Malhotra has been illegally smuggling forex for the past over one year. There are some other crew members involved in the case. We

are also trying to find out the details of bullion dealers involved in this syndicate," he said. Both

Malhotra and the Jet Airways crew member have been arrested, the official said.

Koreas start first official talks in two years

AFP

Seoul, Jan 9: North and South Korea began their first official talks in more than two years today, focussing on the forthcoming Winter Olympics after months of tensions over Pyongyang's nuclear weapons programme.

The talks in Panmunjom, the truce village in the Demilitarized Zone that divides the peninsula, came after the North's leader Kim Jong-Un indicated in his New Year's speech that he could send a delegation to

next month's Games in Pyeongchang in the South. Seoul responded with an offer of a high-level dialogue, and last week the hotline between the neighbours was restored after being suspended for almost two years.

Seoul's five-member delegation, led by unification minister Cho Myoung-Gyon, travelled to Panmunjom in a convoy of vehicles, passing a group of well-wishers holding a banner at a checkpoint leading towards the DMZ.

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