

# Editorial

Imphal, Friday, August 5, 2016

## Road to unity

72 percent of the population of the country lives in the villages and rural areas. The situation is a little opposite in Manipur with about 90 percent of the state's population scrambling for space in the valley comprising about 10 percent of total area of the state. The situation appears rather tragic when one learns that of the 10 percent staying in far flung places of the state, almost half of them have great difficulty connecting with the state capital. We have heard heart-wrenching stories about how half of the people from Tipaimukh have never been to Imphal, not because of lack of desire, but for the fact that the road, or what has been passed off for a road for so long, is taken only by those who absolutely must have to go to Imphal. The Imphal-Jiri road is always in the news, with pictures to try and drive home the unsavoury ground reality that is still being experienced by the commuters and hundreds of transport trucks on a daily basis. The importance of roads in ushering in progress and development of a place has been so frequently written about, but still remains a topic that needs more writing and reporting about. Rural Road connectivity is a key component of rural development by promoting access to economic and social services and thereby generating increased agricultural incomes and productive employment opportunities. It is also a key ingredient in ensuring poverty reduction. In fact road connectivity is the most important project that should precede any other socially or economically progressive plans or infrastructural developmental activities. Roads connect not only vehicles but also hearts. One of the factors for the lingering suspicions and hesitations being felt amongst the various communities living in the state which has so far posed a stumbling block to the efforts of bringing about a consensus in various vital social issues has been the utter lack of cooperation and coordination amongst the communities. This is basically the fallout of the absence of decent roads which would have made frequent and easier access to different places possible. When people from different communities and walks of life comes together more frequently, ideas and perceptions gets accepted more readily and positively. In fact increasing interaction amongst the different communities is vital to foster healthy arguments and also to address differences which otherwise would lead to cynicism, suspicions and objections.

For now, the state government has been proactively engaging in providing lip-service and verbiage without anything much to show for it when it comes to matters regarding expansion of road connectivity in the state, let alone repairing or upgrading the existing ones to be able to withstand the vagaries of nature. In stark contrast to the promises of the state government, conditions of roads in the state, even in the capital has been deteriorating except for a few select ones which has been bestowed unofficial special status for reasons best known only to the high and mighty. If every other efforts of the state government to usher in inclusive progress is to take shape, the people needs to be united first, and only an improved connectivity and roadways can open new roads, figuratively and practically speaking, can make it happen.

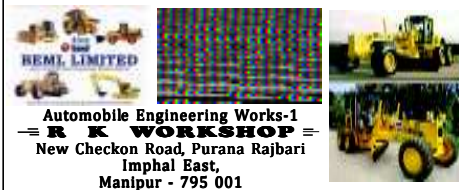
## Woman among 3 Naxals killed in police encounter

**PTI Raipur, Aug 5:** Three Naxals, including a woman, were today killed in a fierce gun-battle with security personnel in a dense forest pocket in Chhattisgarh's Dantewada district, police said. The encounter occurred early this morning in the forests of Kachehat area when a team of state's District Reserve Group (DRG) was out on an anti-Naxal operation in the region. Dantewada Superintendent of Police Kamlochan Kashyap told PTI. Based on inputs, a team of DRG had launched the operation in Faraspal's interiors forests, located

on Dantewada-Bijapur border, around 450 kms from here. A group of armed Naxals opened indiscriminate fire on the security personnel close to Kachehat village following which an encounter broke out between the two sides, he said. Bodies of three cadres, including a female, clad in 'uniform' were later found. Besides, two 315 bore revolvers, a muzzle loading gun, some daily use items and two bags were also recovered from the spot, he said. A thorough search of the area is underway and more details are awaited, the SP added.

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# GST – A game-changer for India

By : **Prakash Chawla**

The 122<sup>nd</sup> Amendment to the Constitution will go down in India's political-economic history as a watershed, as it is about to give the country the most progressive tax reforms till date in the form of Goods and Services Tax (GST) which should make life easier for the trade and industry and more importantly reduce the cost of goods and services for the consumer, without compromising on the revenues of either the Centre or the States. In fact, the GST should lead to a tax buoyancy and push to the Gross Domestic Product between 1-1.5 per cent with clearance of the cob web of taxes.

The excitement among the industry, trade and investors is justified. By a single measure, India would move up the World Bank ranking of ease of doing business by several notches. It is true the GST Bill has been pending for over a decade but the fact that the NDA Government has been able to build a wide political consensus on, what has been the most contentious issue, has conveyed a huge positive signal to the rest of the world that India enjoys a broad political support for the economic reforms, crucial for over a billion people.

### What is GST?

It is a plethora indirect taxes which contribute to bulk of revenues of the states and just about half of the tax kitty of about Rs 16 lakh crore of the Central Government. While direct taxes like the personal income tax concern a small fraction of the population, the indirect taxes affect every Indian. Since the indirect taxes are on consumption, rich and poor, both have to pay the same amount.

Presently, the Constitution gives

mandate to the Centre and the States to levy indirect taxes ranging from excise duty, customs, service tax, Valued Added Tax or sales tax, entertainment tax, octroi, entry tax, purchase tax, luxury tax and different surcharges. Both the Centre and the States have their own official machineries to collect these taxes. But for Central excise and VAT, most of the taxes get calculated on a base which itself has been subjected to taxation at some or the other stage of manufacturing value chain. So, it is a tax on tax making goods and services rather expensive for the ultimate consumer while making life hard for the trade and industry. The most visible example of inefficiencies of the system can be seen at inter-state borders with long queues of trucks being subjected to different kind of tax inspection and payment of octroi and entry tax, blocking traffic on the highways for hours together. With the roll out of the GST, expected from April 1, 2017, all these taxes would be subsumed into a single tax for the consumer. The Centre would levy and collect Central Goods and Services Tax (CGST), and States would levy and collect the State Goods and Services Tax (SGST) on all transactions within a State. The input tax credit of CGST would be available for discharging the CGST liability on the output at each stage. Similarly, the credit of SGST paid on inputs would be allowed for paying the SGST on output. Services and goods would be subjected to taxes only on value addition at each stage, thus bringing down the overall tax burden for the consumers.

**From manufacturing to destination**  
As against the present system where the taxes like excise and Central sales

tax are levied on manufacturing at the factory gate or on inter-state movement of goods, the GST involves taxation at the destination level. This could mean gains for the consuming state and loss for the manufacturing state. This is why the state with a good manufacturing base like Tamil Nadu was opposed to the GST and consuming states like Bihar, West Bengal and Odisha favoured the same. But, the GST Bill provides for fully compensating the losses to the states for five years. The earlier provision of additional one per cent levy for the losing states has now been done away with.

### Impact on inflation

Analysts feel that in the short term, there could be some impact on prices of services which now attract an average service tax of around 14 per cent only at the Central level. However, in the case of manufactured products like automobile, the standard GST could be much lower than the combined present effect of excise and state levies. However, in the medium to long term, this should play out. On the whole, GST should be anti-dote to inflation and would thus be people-friendly along with trade / industry friendly. It would also bring in a lot of unorganized sector of the economy within the mainstream.

### GST Rate

There would be about three rates – Standard rate in the form of X which will cover bulk of the items, X-minus for the items of mass consumption and X-plus for the luxury goods or the so-called "sin goods". In the Constitutional Amendment, there is no mention of the GST rates, which would be decided by the GST Council comprising of Union Finance Minister as the Chairman

and Finance ministers of the states. Any decision of the GST Council would require three-fourth approval of the Council. The states would have two-third of the voting powers and the Centre one-third. The Congress Party has demanded a ceiling of 18 per cent on GST standard rate while the government is called upon to ensure the revenue neutral rate (RNR). Any major deviation from RNR could be counter-productive either for inflation or for fiscal prudence. Getting the right RNR both for the Centre and the states would be a major challenge.

### Left out

Petroleum products and alcoholic beverages have been left out of the GST, for now, on concerns of the states which feared these major revenue heads could not be bargained for. For the sake of wider political consensus, these heads have been left for the future reforms.

### What Next?

After approval of Parliament, the GST Bill would go for ratification by at least half the states. The process is expected to be completed very soon. Afterwards, Parliament will have to again pass two enabling bills – one for the Central GST and the other for the Integrated GST. Besides, the state legislatures will have to pass the enabling law of State GST. In the meantime, work on the central IT backbone being prepared by a non-profit organisation is being done on a war-footing for the possible roll out from the next financial year.

### (Courtesy PIB Feature)

*Prakash Chawla is a senior journalist and commentator. He mostly writes on political-economy and global economic issues.*

## National & International News

### Curfew extended to more areas in Kashmir

**PTI Srinagar, Aug 5:** Curfew was extended to more areas of Kashmir today to thwart a planned march by separatists to Hazratbal shrine here even as normal life in the Valley remained paralysed for the 28th consecutive day. "Curfew has been imposed in entire Srinagar district in view of the call for march by some elements to Hazratbal. "Curfew has also been imposed in Ganderbal, Budgam, Anantnag town, Awantipora, Kulgam town, Baramulla district excluding Sopore, Shopian town, Kaloosa in Bandipora and parts of Handwara," a police official said. He said restrictions on assembly of

four or more persons in rest of the Valley as a precautionary measure to maintain law and order. Security forces have been deployed in strength in sensitive and vulnerable areas to maintain law and order. Normal life in the Valley remained affected for the 28th consecutive day due to the curbs imposed by the authorities and separatist sponsored strike against the death of civilians in clashes between protesters and security forces following the killing of Hizbul Majahideen commander Burhan Wani in an encounter July 8. Schools, colleges, business establishments, petrol pumps banks and private offices remained closed

while public transport remained off roads. Attendance in government offices was also thin, the official said. For the last couple of days, many shops and business establishments open after sundown after the separatists announced relaxation in the agitation programme to allow people to buy essentials in view of the prolonged shut down. Mobile internet services continued to remain snapped in the entire Valley where the outgoing facility on prepaid connections is barred. The separatist, who have extended the shutdown call in Kashmir till August 12, have demanded that mainstream politicians resign from their parties

and posts. They have called for blocking routes to Civil Secretariat here and other government offices in districts to "ensure that no employee is able to join the duty". "A poster letter asking pro-India politicians and their workers including panchs and sarpanchs to resign from their parties and positions to be pasted on the gates of their homes," the agitation calendar, issued jointly by the separatist camp, said. 51 persons were killed in the violence and 5,500 injured. Police had launched a massive crackdown against "hooligans and miscreants" in Kashmir, arresting nearly 500 youths from across the Valley.

### Pakistani chopper crashes in Afghanistan, occupants feared held by Taliban

**PTI Islamabad, Aug. 5:** A Pakistani government helicopter on Friday crash-landed in Afghanistan, with seven people on-board including one Russian, feared to have been taken hostages by the Taliban, official said. The Russian-made chopper, owned by the provincial government of Punjab, was on its way to Russia on routine maintenance when it suffered unknown technical glitch and had to force land in Azra district of restive Logar province. "We believe that it was our chopper but we need confirmation from the Afghan government," said an official of Punjab government told PTI. The official could not confirm the whereabouts of the seven people who were in the chopper. However, he said, it included one Russian engineer and six Pakistanis, including four former army personnel. There were conflicting reports about the fate of the chopper as some reports suggested that it was set on fire by Taliban while others

said that it caught fire while landing. Foreign Office said in a statement that helicopter owned by the Punjab government took off at 8.45 am (local time) for Russia. "We are trying to ascertain if it was the same helicopter which went down in Afghanistan," FO said in a statement. Afghan media reported through government sources that it was a Pakistani helicopter and that all those on board were captured by Taliban and transported to unknown location. A spokesman for Pakistani embassy in Kabul confirmed the crash, but did not provide any details on the fate of the passengers. Taliban spokesman Zabiullah Mujahid said that so far he has no information about the incident. Pakistan Army uses Russian-made Mi-17 choppers, several of which have crashed in the recent past. Seven people including two foreign ambassadors were killed in May last year when a Mi-17 army helicopter crashed at a holiday resort in the mountains of Gilgit.

### Egypt Army kills ISIS group leader in Sinai

**PTI Cairo, Aug. 5:** The leader of an Islamic State (ISIS) affiliated group in Egypt's restive Sinai province and 45 other militants have been killed in an army operation, officials said on Friday. Abu Doaa el-Ansari, the leader of the Sinai-based militant group - Ansar Beit el-Maqdes - and 45 other militants, including some of his senior aides, were killed in el-Arish city of North Sinai in an operation by Egypt's armed forces, army spokesperson Brigadier General Mohamed Samir said in a statement on Facebook. Many others were injured in the army raid while it destroyed depots where weapons, ammunition and explosives were stashed, Samir said. Ansar Beit el-Maqdes had pledged allegiance to ISIS in 2014. The group has also claimed responsibility for downing the Russian airliner carrying holidaymakers from an Egyptian resort last year, that killed all 224 people on board. Egypt's North Sinai, which borders Israel and the Gaza Strip, has witnessed many violent attacks by militants in the last few years, particularly since the January 2011 revolution that toppled ex-president Hosni Mubarak. The attacks targeting police and military

personnel increased after the ouster of Islamist ex-president Mohamed Morsi in 2013 following massive protests against his rule. Over 700 security personnel have been reported killed since then. The military has launched security operations in the area, arrested suspects and demolished houses that belong to terrorists, including those facilitating tunnels leading to the Gaza Strip.

### Heavy Rain in Mumbai; Road, Rail, Air Traffic Hit

**Mumbai, Aug 5:** Heavy rains since morning flooded many parts of Mumbai, disrupting rail and road traffic as well as flights, officials said. The downpour led to waterlogging in parts of south and central Mumbai as well as eastern and western suburbs, leading to major traffic jams in the morning peak hour. Traffic crawled at a snail's pace on major thoroughfares like Eastern Express and Western Express highways and major north-south roads, delaying tens of thousands. Suburban train services on Western Railway, Central Railway and Harbour Line ran 15-30 minutes late.