Editorial

Imphal, Friday, June 30, 2017

Connectivity matters in GST implementation

The nation is all set to roll out the new tax regime Goods and Services Tax (GST) from midnight today. Much has been debated about the merits and demerits of the new tax regime. Some big companies particularly those in textile trades are not happy but overall many applause the new move of the center. Big states which are having multiple factories and companies seems to be not happy but for smaller states like Manipur which lacks Industries and factories have reason to be smile, because the new tax regime will be benefitted to consumer state.

From midnight today, all form of taxes including VAT will be abolished and there will be no check post in Highways for tax entries. These will reduce the inconveniences of transporters. State Government will be benefitted from every goods that are being consumed by the state. Another advantage of the GST for the state of Manipur is that the government may be able to control the quality of the goods transported in the state. With the implementation of the GST regime any wholesalers, retailers that are not registered in the GST will not be able to procure their goods. So, systematic procurement of goods will be necessary once the GST come into force that means wholesalers or retailers will show more concerned to the quality of the goods.

In the recent days there are some apprehensions among the handloom weavers as well as those running fermented fish with the coming of the GST. But it has been clearly stated that in handloom products GST will not be applied until the products are materialised. For those doing the Fermented fish business the GST will benefit them in the long run.

Even though GST is more like a boon for consumer state like Manipur, various factors might sabotage the implementation process. One biggest challenges face by the Taxation authority is the connectivity issue as well as lack of proper knowledge about internet among the retailers and the wholesalers. All process of GST will be done in internet only and there will be no paper work. For submitting documents a wholesaler or the retailer or those running industries need high internet connectivity which is not available in the state of Manipur due to negligence from the part of BSNL. There are other networks like airtel, vodaphone etc. but all these networks depends on BSNL. The irregularities in the network by the BSNL authority are one apprehension on the success of GST.

There is also likely that the revenue of the state decline with the implementation of the GST, but a provision in the GST which assures assistance from the Center if in case the revenue is reduced solved the matters.

The nation is ready, the state is ready let's hope the BSNL too is ready for successful implementation of the GST.

Govt asks Congress to reconsider its decision of boycotting GST launch

New Delhi, June 30: *Information and Broadcasting Minister Venkaiah Naidu has hoped that Congress will reconsider its decision of boycotting the launch of the GST.*

Talking to media in New Delhi today, Mr Naidu said, GST launch is not a party function and the opposition party should come and be the part of this historic event.

On a query, the Minister said, nobody needs to worry about GST as it would be beneficial for everyone.

Yesterday, the Congress said that it will boycott the GST launch function in the Central Hall of Parliament convened by the government.

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GST primer: Individuals, businesses, here's what the new tax regime means for you

By: Ganesh Kumar Radha Udayakumar
Courtesy IANS

The significance of Saturday's roll out of the GST can be understood from its launch at a midnight session of Parliament, in a repeat of the joint midnight sitting of both Houses to ring in India's Independence on August 15, 1947.

The idea of a pan-India Goods and Services Tax (GST) unifying the Indian market was a vision that guided the nationalist bourgeoisie in joining the Gandhian struggle to liberate India from the British.

SINGLE NATIONAL TAX

From July 1, GST will replace around a dozen central and state taxes into a single national tax. The movement of goods will become much simpler across the country and may become cheaper replacing the current system, where a product is taxed multiple times and at different rates. At the state level, the taxes that GST will subsume include state cesses and surcharges, luxury tax, state VAT, purchase tax, central sales tax, taxes on advertisements, entertainment tax, all forms of entry tax, and taxes on lotteries and betting.

Central taxes being replaced by GST are service tax, special additional customs duties (SAD), additional Excise duties on goods of special importance, central excise, additional customs duties, excise on medicinal and toilet preparations), additional excise duties on textiles and textile products, and cesses and surcharges.

FIRST POINT OF TRANSACTION

GST will be levied at the first point of transaction in sales of goods and services, while the liability to pay the tax will arise at the time of supply. All forms of "supply" of goods and services such as sale, transfer, barter, exchange, license, rental, lease and import of services of goods and services made for a consideration will attract GST.

GST would be payable on "transaction value", being the price actually paid or payable, and would include all expenses in relation to sale, such as packing and commission. GST would be applicable depending on whether a transaction is "intra-state" or "inter-state" and there are separate provisions to help an assessee determine the place of supply for goods and services.

Traders, manufacturers and restaurants with turnover of up to Rs 75 lakh can avail themselves of the composition scheme. While those with less than Rs 20 lakh turnover are not required to register, traders with Rs 75 lakh turnover will have to pay 1 per cent tax, manufacturers will have to pay 2 per cent while restaurant businesses will have to pay 5 per cent if they opt to go for the Composition Scheme under GST.

All the states have enacted their own State GST laws, except Jammu and Kashmir. The Union finance minister has urged the state to join the new indirect tax regime so as not to incur losses on taxation.

There are four tax slabs of 5, 12, 18 and 28 per cent, plus a levy on cesses on luxury items like cars, aerated drinks and tobacco products to compensate states for any revenue losses in the first five years. An overwhelming 81 per cent of items will attract tax of 18 per cent or below. Only 19 per cent of items will be taxed at the highest rate of 28 per cent.

In addition, there are 55 different kinds of cesses imposed on products varying from 1 per cent to 290 per cent. Many of the so-called "sin goods" come under the cess category, including cigarettes, pan masala and tobacco but also included are aerated water, cars, motorcycles and yachts. The cesses are being imposed to compensate the states for any revenue loss for the first five years of implementation of GST. The GST Council has suggested cess on aerated drinks and luxury automobiles at 15 per cent and on cigarettes at 290 per cent.

INPUT TAX CREDIT

Goods and services providers will get the benefit of input tax credit for the goods used, effectively making the real incidence of taxation lower than the headline taxation rate.

The GST regime has been simplified with assessees being required only to enter the sales invoice, with the subsequent returns getting auto-populated on the the GST Network (GSTN). The Council has allowed businesses a relaxation of time for the first two months (July-August) for filing their return in order to mitigate the teething troubles in the running of the GSTN digital system.

The Council has also postponed applying the Tax Deducted at Source (TDS) and Tax Collection at Source (TCS) provisions for the time being for two categories —e-commerce companies and government agencies.

While the government expects buoyancy in revenue collection with better compliance under the GST, the effective rate of indirect taxes under the new regime regime still remains unclear.

According to the Central Board of Excise and Customs (CBEC) taxes were likely to increase a bit from the current level.

GST will lead to lower transportation and distribution costs and so logistics companies stand to gain.

Among items of mass consumption like textiles, sarees and readymade apparel are expected to get more expensive under GST. Five per cent GST will be levied on garments and apparel of up to Rs 1,000, beyond which they will be taxed at 12 per cent.

Besides, synthetic and other manmade fibres will attract a higher tax of 18 per cent while other natural fibres (except silk and jute) will be taxed at 5 per cent, which will also impact the cost of sarees.

Gold, which is an item dear to Indians, will be taxed at 2 per cent.

Exporters stand to benefit as export taxation under GST is zero per cent, while they will also get input credit. GST has to be paid initially but the input credit on raw materials can be claimed by way of refunds. The downside to this is that an exporter's money would be blocked because of the gap between the payment of GST and its refund.

Petroleum, including oil and gas, is a strategic sector that is still not under GST, while the industry has been pushing for its inclusion so as not to be deprived of the benefits of input credit. The matter is pending before the GST Council.

Dadabhai Naoroji: The man who brought statistics into politics

By: Priyadarshi Dutta (PIB)

Dadabhai Naoroji (1825-1917) – one of the makers of modern India-passed away on June 30, 1917. His death centenary is an apt occasion to revisit his legacy. Two features of his long and distinguished career stand out prominently a) sustained advocacy of Indian cause abroad and b) use of statistics to shape public discourse. He was the first Indian to be elected to the House of Commons (1892). He formulated the famous drain-of-wealth theory, which became India's cornerstone argument against the British rule. In his late years, he was the first to give expression to the demand for *Swaraj* from platform of Indian National Congress (1906). He served the cause of India's political emancipation for six decades.

Born in Bombay (now Mumbai) in a poor Parsi family, he began his career as a teacher of mathematics and natural philosophy at Elphinstone Institute (later Elphinstone College). He was the first Indian to become a full professor. As a member of the Students Literary and Scientific Society formed in the Institute, he acted as a pioneer of women's education. He was an active member of the Bombay Association (1852), the first association in the western India to consider political issues. Its meetings were held in the hall of the Institute. In 1851, he founded *Rast Goftar* (Truth Teller), a Gujarati fortnightly with a Persian name. It was a progressive journal educating readers on duties of citizenship.

In 1855, he resigned from his professorial job; and relocated to Britain to set up a mercantile firm. The company he founded in partnership with Muncherji Hormmusji and Kharshedji Rustamji Cama was the first Indian firm to operate in Britain. Through this commercial venture, Dadabhai had hoped to make Britain confident about Indian entrepreneurship. But having a fastidious sense of ethics, he could not long survive in that commercial environment. In 1859, he opened his own mercantile firm in London viz. Dadabhai Naoroji & Co in partnership with Jamshedji Palanji Kapadia and Pestanji Ratanji Colah. He established it beyond doubt that ethical values and business acumen could co-exist. He wanted Indian businessmen to learn from the methods and devices of their British counterparts.

But politics was his true calling. In 1867, he founded the East Indian Association. It was a political advocacy group for India having both British and Indians on its membership roll. It was the first political organization with members from different provinces of India. Two young law students viz. W.C. Bonnerji (1844-1906) and Pherozeshah M. Mehta (1845-1915) became his disciples. In their mature years both served as the President of Indian National Congress (estd.1885).

Dadabhai read the paper '*England's Duties to India*' before a pre-dominantly British audience at East India Association on May 2, 1867. It was in that paper he accused of Britain siphoning off wealth from India. An extract reads-

"In the shape of "home charges" alone there has been a transfer of about 100 millions of pounds sterling, exclusive of interest on public debt, from the wealth of India to that of England since 1829, during the last thirty-six years only. The total territorial charges in India since 1829 have been about 820 millions. Supposing that out of the latter sum only one-eighth represents the sum remitted to England by Europeans in Government service for maintenance of relatives and families, for education of children, for savings made at the time of retiring, the sums expended by them for purchases of English articles for their own consumption, and also sums paid in India for Government stores of English produce and manufacturers-there is then another 100 millions added to the wealth of England".

Where from he got those statistics in the paper? These were based on Parliamentary Returns of Indian Accounts. He also relied upon the Second Customs Report, 1858. His speeches were tinged with such mathematical data. But he knew that audience could lose patience with figures. But a reader can revisit them as often he/she wants. Thus his essays were laced with heavy statistics. His speeches were lucid.

Dadabhai turned price rise, wages, taxation, tariff, rents, lending rates, agricultural output, industrial production data, import & export figures and currency exchange rates into political talking points. He tried to establish that British rule had led to economic ruination of India. It had steeply increased the poverty. He argued that such a malevolent policy militated against British principles themselves. Therefore, he named his magnum opus '*Poverty and Un-British Rule in India*' (1901).

Dadabhai himself was not satisfied with the method of collection of statistics by the provincial governments. In the paper titled '*Poverty of India*', read before the Bombay Branch of East Indian Association of 1876, he pointed at statistical fallacies and means to improve them. He went into nitty-gritty of acreage, crop production, prices, domestic consumption pattern, imports and exports. It requires a great deal of imagination, thorough collection of figures and meticulous data crunching to establish how British rule was impoverishing India. Dadabahi was actually laying down the path for future leaders. The opinion of a lawmaker with grasp over figures, as much over facts, carries greater credibility.

The other important legacy of Dadabhai was advocacy of India's cause abroad. He did it through the East Indian Association. He then espoused the Indian cause in the British Parliament. He was the first Indian to be elected to the House of Commons. He represented the Central Finsbury constituency as a candidate of Liberal party between 1892 and 1895. He twice served as the President of Indian National Congress (1886 and 1893) besides representing India at International Congress of Social Democrats at Amsterdam in 1905. He permanently returned to India from Britain in 1908 at the ripe age of 83. He passed away in Bombay on June 30, 1917 leaving a weighty bequest of experience and achievements behind.

National and International News

British PM Theresa May wins 1st confidence vote in House of Commons

England, Jun 30: British Prime Minister, Theresa May has won her first confidence vote by a narrow margin in the House of Commons on her parliamentary agenda set out in the Queen's Speech. The MPs voted 323 to 309 yesterday to approve last week's Queen's Speech, which laid out the government's plans for the next two years. Ms May's Conservative minority government has secured lawmakers' backing for its legislative plans, but only after making a last-minute concession on abortion funding to stave off defeat.The Conservative Party lost its parliamentary majority in a June 8 general election and was forced to strike a deal with Northern Ireland's Democratic Unionist Party to win passage of its legislative proposals in the Commons.

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