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Sticking to GST deadline sends out a signal of confidence, but teething issues could arise

On the midnight of June 30, Prime Minister Narendra Modi will announce the historic shift to an altogether new tax regime, GST. The Centre has sought to convey that it is serious about deadlines and not given to vacillation. It has set aside numerous requests from trade and industry to defer the introduction of GST, exuding confidence in its preparedness. It is perhaps of the view — and there is more than a grain of truth in it — that the uncertainties being voiced would amplify themselves if the launch date is deferred. Apprehensive producers and distributors have put the entire economy on pause. The prevailing slowdown could worsen if their wait-and-watch attitude continues for long. Better then to sort out glitches as and when they crop up rather than undermine confidence in the new system even before it is up and running. The Prime Minister is expected to provide the assurance that trade and industry are looking for, while spelling out the big picture on what GST is all about. In the current climate of apprehension, it must not be forgotten that GST will ease the conduct of business by ushering uniform tax rates for goods and services across regions. It has taken 17 years to get here, even as governments and political formations in power kept changing — a process that suggests an across-the-board consensus on creating an investor-friendly, vibrant economy.

Yet, GST has somehow failed to evoke confidence on the ground. While explaining its details is no easy task, the prevailing confusion among producers, distributors and consumers points to a communications failure. It is ironic that the new regime, meant to convenience business, is being perceived as a headache by a vocal section of traders and small businesses. There is no clarity on how unsold stocks will be accounted for. Besides, there is a knowledge and confidence deficit on how, when and whether input credit can be claimed. Add to this, are doubts over whether the untested GST Network will survive an estimated 3.5 billion transactions a month. Existing assesseees are finding it cumbersome to migrate to GST. It hasn't helped that the server is constantly 'under maintenance', raising doubts over whether it will survive frenetic uploads later. These are minor troubles, but could trigger disputes over taxes levied and credit claimed.

There is also a lurking fear that the taxman may wield needless clout. This stems from the GSTN's attempts to track whether a transaction has actually been settled or paid for, in an attempt to crack down on bogus invoices. This is better tracked by creating a special cell. The mandate of the anti-profiteering cell is also not clear. Such issues need to be sorted out. The onus is on the Prime Minister to show that when he talks of 'minimum government, maximum governance', he means business.

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