



Policies & Perspectives



VIVEKANANDA INTERNATIONAL FOUNDATION

There are many ways to understand the significance of the implementation of the Goods and Services Tax (GST) regime in the country. Given that the GST is essentially a dramatic overhaul of the indirect tax system, the most favoured approach to appreciating it would be economic. While this is not a flawed one — indeed, many would argue that it is the only accurate one — reducing the policy to a mere economic exercise would be missing the larger political point that both the Union Government and its critics have made. To re-arrange an oft-quoted phrase: GST is too important an issue to be left to economists.

To understand the argument and take it further, let us begin with the following: First, the Modi Government rang in the formal arrival of the GST from Parliament, no less. Second, both President Pranab Mukherjee and Prime Minister Narendra Modi, simultaneously, pressed buttons to officially usher in the policy. Three, a special session of Parliament was convened on late night of June 30 to bring in the GST from midnight July 1. Four, no Government policy has ever been given effect through a joint special sitting of Parliament. And five, it's also never happened before, that a midnight session of Parliament had been convened to launch a Government programme.

Taking off from the last point, midnight sessions have been celebratory in nature. On August 14-15, 1947, the Constituent Assembly of India had met (in what is now the Central Hall of Parliament where the GST was launched), on the eve of the country's independence. Jawaharlal Nehru's famous 'tryst with destiny' speech — now having entered the books of history and often quoted in many contexts, for it was truly remarkable for its literally value — was delivered then. A midnight session was convened on August 14-15, 1972, to celebrate the nation's 25 years of independence. On August 9, 1992, there was yet another session at a similar hour to mark 50 years of the Quit India movement. And on August 14-15, 1997, Parliament sat again at midnight to celebrate the golden jubilee of India's independence.

Why then did the Government of Narendra Modi deviate from convention and establish a new trend? At a more general level, those that are upset by the deviation have failed to grasp, even after three years, that this regime is known to do things differently and upset conventional apple-carts. They have been grappling to understand the novelty and haven't made much progress. The list of their woes is long — Modi's foreign policy, his de-monetisation decision, surgical strikes, revamp of social sector schemes with the introduction of technology, the spread of Aadhaar, the massive programme to link people through the banking system, dismantling of the Planning Commission of India, and more. Individually and cumulatively, these measures have left the critics befuddled and disoriented, and their sense of confusion has got further heightened with a string of electoral victories that the ruling Bharatiya Janata Party has registered in the wake of such initiatives, leaving them holding the crumbs the voters considered fit to give. Still, despite its track record for unconventionality, the Government's decision to convene a midnight session of Parliament for the GST's



launch took many by surprise. In the eventuality, millions were glued to their television sets to see and hear the Prime Minister speak; and the idiot box was switched off only after hearing him out.

The question remains unanswered: Why did the Modi dispensation decide on this high-profile approach? Governments routinely launch policies and programmes, some with a bit of tamasha and others in a sedate manner. The Modi regime too has initiated several programmes such as Swachh Bharat, Digital India and Make in India, through well-publicised, high-profile events — often even with song and dance programmes. The Prime Minister himself addressed the nation to announce the demonetisation decision, giving the move added gravity and credibility. So, here are a few probable reasons for the Government to have brought in the GST regime via Parliament's special session at the stroke of midnight.

The first is that the Government wanted to sell the GST to the people as the second most important step towards national integration — the other being the integration of princely states into the Indian Union under the stewardship of Sardar Vallabhbhai Patel. The 'one nation, one tax', as per the Government's spin, readily signifies the 'oneness' of India not just culturally and geographically, but also economically. As part of this view, it was ridiculous that the same product or service should be priced differently in different parts of the same country — leading to all sorts of confusion for both manufacturer and buyer and resulting in irregularities of many kinds. Therefore, since the GST unites the nation economically, it's a unity that is fit to be celebrated in no less a manner than through the thumps of desks in Parliament. The Prime Minister added the necessary bit of drama to the occasion when he remarked, "At the midnight hour, we are all set to to decide the future journey of this country... 1.25 billion people are witness to this historic event." He added that there was no better place to start this new journey than from the Central Hall of Parliament. He naturally also invoked Sardar's Patel's unification of India.

The second reason was the Modi regime's desire to involve President Mukherjee in the celebration. Mukherjee had been the first, as Finance Minister in the Congress-led UPA regime, to moot the common tax idea. Recalling that, the President said recently, "The introduction of the GST is a momentous occasion for the country. But it is also a momentous occasion for me personally. I had introduced the Constitutional Amendment Bill in 2009 as the Finance Minister." President Mukherjee added that it had been his "privilege" to give his assent to the 101st Amendment to the Constitution which paved the way for the GST's eventual rollout. In keeping with the stature of the President's post, the Government believed that the best forum to get him to be part of the launch was Parliament, and its Central Hall. And while the country's President is not a partisan politician, President Mukherjee's long association with the Congress did reflect in the Government's decision to involve him and give the event a non-partisan colour.

The third is the Government's sense of confidence that the GST will be good for the country and that its impact will begin to be positively felt when the 2019 Lok Sabha election draws close. Thus, anticipating success, the Modi regime decided to pull no punches in its launch. The confidence derives from past experiences in de-monetisation, surgical strikes etc. The Modi regime clearly views the high-



profile launch as a strong move that will fetch political results in the months to come. In de-monetisation's case, it successfully sold the decision to the people as a means to rein in back-money hoarders and tax evaders. The GST is being marketed as a tax regime where the manufacturer or the seller cannot anymore indulge in illegalities, where tax collections will go higher, and following which the additional money flowing into the public exchequer will be used for social sector schemes. And, like in the case of de-monetisation, the Government will emphasise that those who have nothing to hide need not fear the GST. Besides, the new tax system will lead to, after a few hiccups perhaps, simplifications in meeting tax obligations — a boon to the nation's large trading community which generally backs the BJP. Using simple mathematics, the Government will explain that while the prices of some products and services may inch a bit higher, there will be other products and services where the consumer has to pay a lower price than he did before the GST system kicked in.

The fourth reason for the high visibility launch was the Government's decision to ride on the 'Modi factor'. Make no mistake: The GST's credibility rides on the Prime Minister's credibility. It's perhaps this reason why the highlight of the midnight session of Parliament was not the country's Finance Minister Arun Jaitley, who steered the new tax regime through the various ups and downs and through the 18 momentous meetings of the GST Council formed to finalise the nitty-gritty of the scheme — rightly billed as the biggest tax reform so far in independent India — but Modi. A comparison with de-monetisation again would be in order here. Right from the time he announced the recall of high-value currency notes in his address to the nation on November 8 last year to the three months or so of upheaval when the common man faced immense hardships in banks, the Prime Minister's assurances of a good result kept the spirit of the people high. They trusted him when he said that things would normalise soon, and that the inconvenience was a price to be paid for breaking the backbone of black money in the country. And so, we had person after person, standing for long hours in queues outside banks, waiting to withdraw or deposit his legal money, endorsing Modi's assurances and playing down his problems. Opposition parties did everything they could to reverse this faith — from issuing condemnatory statements to arousing public anger over de-monetisation and using it as an electoral issue to organising public protests on streets etc. But none worked and the BJP registered wins in important State elections.

Now too, those like the Congress, the Trinamool Congress, the Rashtriya Janata Dal and the Left parties, have been raving and ranting against the GST launch. Their opposition ranges from the timing of the launch to the manner in which it has been launched to defects in the GST regime which they claim have not been addressed. In a bid to amplify their opposition, these parties also boycotted the special session of Parliament. But the Prime Minister took the sails out of their wind when he appreciated the role of all parties and leaders who had made the GST possible. Still, the Opposition has not given up and is gearing to place as many obstacles as it can towards its effective implementation. For starters, the States the Congress rules — though they are few and could get fewer in the months to come — could show laxity in making the GST a reality and thus, through this deviousness, show up the new tax system's 'failure'.



But the Opposition's ploy is unlikely to be considered credible by the people. In the first place, the GST concept came during the Congress's rule, and so that party has lost the moral right to oppose it. The second is that the provisions of the GST, including tax slabs, rates and launch date (of July 1) had been discussed and decided upon by the GST Council which comprises representatives of all States and different parties and whose concurrence was needed. It's true that there were some differences over certain provisions, but they were carried through with the help of consensus. Where consensus proved elusive, the provisions were accordingly amended. In either case, thus, the Opposition has little reason to object today. The Congress's claim that the GST is flawed, the Trinamool Congress's allegation that it would lead to 'Inspector Raj', and the Left's claim that it didn't take care of the common man — are all spurious and after-thoughts. These laments become all the more laughable when one recalls that the Trinamool Congress had most vocally supported the constitutional amendment in Parliament, which brought in the GST system; and a Left leader had once headed the GST Council which finalised the provisions.

The bare fact is that the objection to the GST has been purely political — like the opposition to demonetisation and to the more recent BJP-led NDA's presidential choice was. Like in the two cases, GST became a means for the Congress to demonstrate opposition unity. But here too the Congress lost the plot. Barring four major opposition parties, none boycotted the midnight session — not even the Nationalist Congress Party, the Janata Dal (Secular) and the Janata Dal (United), which are supposed to be part of the anti-BJP Congress-led camp. Incidentally, neither the Nitish Kumar-led Janata Dal (United) nor the Sharda Pawar-led Nationalist Congress Party had condemned the demonetisation decision; indeed, Nitish Kumar had broken ranks with his alliance partners and openly supported demonetisation. In the midst of the GST controversy, the Bihar Chief Minister tersely remarked, in response to a senior central Congress leader's criticism of his decision to favour the GST regime, that he neither took directives from anyone nor did he belong to any camp. Clearly, therefore, opposition unity has failed yet again.

Having emerged victorious in the political tussle, at least for now, the BJP-helmed NDA Government at the Centre must ensure effective, and as hassle-free as possible, implementation of the GST regime. Problems are certain to crop up, and the Opposition can be expected to underline them over and over again. Success rests on quick redressal mechanisms. The country cannot afford a failed GST — both from the political and the economic perspective.

(The writer is Opinion Editor of The Pioneer, senior political commentator and public affairs analyst)



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Vivekananda International Foundation

3, San Martin Marg, Chanakyapuri, New Delhi - 110021

Phone No: +91-011-24121764, +91-011-24106698

Fax No: +91-011-43115450

E-mail: info@vifindia.org

www.vifindia.org

 @vifindia

