

## **There is an urgent need for more transparency in bringing about GST, a major tax reform initiative**

**New Delhi, 12 November 2014:** It is disturbing to note that a Panel set up by the Empowered Committee of State Finance Ministers has proposed Revenue Neutral Rates (RNRs) aggregating to nearly 27% for the proposed Goods and Service Tax (GST). In the absence of access to the Report of the Panel it is difficult to appreciate the findings of the Panel which has recommended a Central component of 12.77% and the State component at 13.91% for the GST. Considering that the Kelkar Committee on Fiscal Consolidation had recommended a rate of 14% and the Task Force appointed by the Thirteenth Finance Commission had suggested a rate of 12%, *prima facie* the proposed rates appear to be highly excessive. Even the National Institute of Public Finance and Policy is reported to have suggested a rate between 12% and 20%. A GST rate close to 27% would cripple the trade and industry besides burdening the consumers. It will entirely negate the perceived advantages of GST.

Though the aforesaid rate is yet to be ratified, the findings of the Panel set up by the Standing Committee should be immediately made public so that these can be analysed by the stakeholders to determine whether the outcomes are based on reliable data and a rational analysis.

There is an urgent need for more transparency in bringing about this path breaking tax reform. The first discussion paper on GST was published in November, 2009. The trade and industry so far has not been updated on the status of various aspects of proposed GST like threshold limits, rates, items under the Negative List, GST compliance, the IT infrastructure, the administrative structure etc. Government should come out with a paper on the latest status of the proposed GST incorporating the decisions which have been finalized between the Central Government and the States. As a beginning, the reports of the Panels set up by the Empowered Committee on various aspects of GST should be placed in public domain and an opportunity be provided to the industry to submit its views.

\*\*\*\*\*

**FICCI MEDIA DIVISION**