

Welcome Pragmatism From GST Council

Come September, India will have GST in earnest

The new goods and services tax (GST) will be officially launched on the midnight of June 30 and July 1, but businesses will rightly have two-and-a-half months to comply with the new tax system. Easing compliance is one way to improve industry's preparedness for the transition without an official postponement of GST. The GST Council has been pragmatic to give businesses more time to file their returns in the first two months. Penalties and late fees will be waived during this period, effectively pushing the deadline to September 15. Assessee will only need to file a simplified return based on self-assessment of their tax dues and input tax credit due to them. Self-assessment will help foster compliance — this was done when the Centre first introduced service tax in 1994.

Businesses have also been asked not to panic and rush for migration — they will have a month's time to get their GST identification number. The idea is to assuage businesses, especially the smaller ones, that are ill-prepared for the transition. Companies need time to prepare their accounting systems to draw up an invoice that fully conforms to the requirements of the new tax. This is welcome pragmatism, indeed. The IT infrastructure should be fully functional. The Centre and states must also tie up all the loose ends. The GST Council, for example, has deferred the implementation of the crucial e-way bill to track intra-state and inter-state movement of goods. Reportedly, states will continue with their own system till rules are cleared for an e-way bill to be generated on the portal of GST Network (GSTN), the nodal body to which all producers and suppliers of goods and services will file their tax payments. This means trucks will be stopped at border check posts, leading to undue delays in the movement of goods — and corruption and inspector raj.

The GST Council must swiftly clear the rules for an e-way bill. The anti-profiteering mechanism, with a separate authority to keep a check on the pricing policy of producers, is way too cumbersome. The Competition Commission of India should be allowed to do the job instead.

A Very Political Choice for President

The BJP could have come out with a worse choice for President of the country. Ram Nath Kovind might be relatively obscure outside the BJP's Dalit circles, but has no obvious disqualification to hold the highest office of the land. He is a self-made man, a trained lawyer, has a long political track record, most of it as a member or fellow traveller of the BJP, and now has gubernatorial experience, having served as governor of Bihar. He is at least as qualified to be President as Pratibha Patil was, when the UPA came up with her name out of nowhere.

Prime Minister Narendra Modi's pick for President has been quintessentially political. He already had mustered sufficient numbers, tying up support from regional parties with the kind of carrot-and-stick combination that the leader of the ruling party at the Centre is in a position to deploy. With the numbers in the bag, there was no need for the BJP to go in for a compromise candidate who would be supported by the Opposition as well. The charade of consultation with the Opposition, as an astute Opposition leader put it, was meant to elicit unilateral cooperation rather than arrive at a consensus candidate. Kovind's choice is clearly designed to shore up the BJP's Dalit support base, which needs some shoring up after anti-BJP mobilisation among Dalits following a series of developments ranging from Rohith Vemula's suicide at Hyderabad University to the thrashing of Dalits in Una and the recent attacks on Dalits in Saharanpur.

However, the reality is that tokenist politics has run its course in India. The Congress derived marginal benefit in terms of electoral support by putting up K R Narayanan as President. The BJP has to demonstrate that its policies actually empower Dalits to secure their backing. People, in general, are tiring of tokens. They are looking for substance, not symbols.

Co-opting popular literature and TV could rekindle interest in humanities

Off Pedestals, Into the Game of Thrones

Literary scholars will probably perceive echoes of many ancient European myths and legends in the storylines of Game of Thrones; less erudite people would probably see the reverse: echoes of A Song of Fire and Ice by George R R Martin and its TV avatar in any epic medieval European tales that they may suddenly stumble upon. So, it is clever of at least some scholars to step off their high intellectual pedestals to entice more people into their esoteric world by co-opting the book and super-hit serial into course material, just as surveys reveal a waning interest in humanities subjects. Most recently, Harvard University has announced a medieval history course titled 'The Real Game of Thrones: From Modern Myths to Medieval Models', Glasgow University notified a pair of six-hour events next month titled 'Game of Thrones and Philosophy: Politics, Power and War' examining philosophical ideas implicit in the saga's struggles and conquest, and UC Berkeley has offered 'The Linguistics of Game of Thrones and the Art of Language Invention'.

Popular literature and TV shows have been used by academia in the west before, including Harry Potter and Homer Simpson. But historical fiction as source material is relatively rare. Indian universities could perhaps consider doing likewise, to attract millennials back to humanities subjects as well.

Before Modi meets Trump, it's important to know which issues are of prime concern for India

When in Washington, Desi



Ashok Malik

Unless than a week, Prime Minister Narendra Modi will travel to Washington to meet US President Donald Trump. This will be one of his most challenging diplomatic missions yet. Globally, a variety of actors are still coming to terms with the Trump phenomenon and the Trump disruption.

Trump has accentuated protectionist trends that, to be fair, were forming in the US even before he entered the Oval Office. He has driven a knife into the multilateral system. He is spoiling for a fight with traditional European powers such as Germany and France. On responding to Islamist ideologies incubated in the Arabian Peninsula or to the rise of China, he has opportunistically gone back on campaign positions when it has suited him.

It is important to understand which of these issues concern India and which are less relevant to it. If one considers the heads of government who have so far visited Trump or engaged with him, the most anxious have been either close US allies — Japan, South Korea, the big European powers — or strategic adversaries, such as China. The first have been dependent on an American security cover. Trump's demand that these countries pay for their security, and the perception that he may just do convenient deals with Beijing and Moscow, has rattled many allies.

Adversaries like China, as well as possible targets of Candidate (as opposed to President) Trump such as Saudi Arabia, are unsure of where the new administration's policy positions will settle. They have tried to buy safety by promising investments, purchasing military equipment and offering inducements to Trump's immediate circle, including his son-in-law Jared Kushner, who is both an international businessman and a diplomatic adviser.

India and Modi fit into neither box. The US is not a security guarantor in India's immediate neighbourhood, and neither is Modi desperate for Trump's approval. New Delhi was justifiably upset by the manner in which Trump walked out of the Paris climate change agreement, especially his characterisation of India as an unscrupulous negotiator. This was a dishonest charge, because India had played straight and the prime minister had invested heavily in Paris.

When the Hurlyburly's Done Having said that, the overall argument on the multilateral system that the Americans and Europeans are having is not really India's bother. India is under-represented at multilateral high tables, as they exist. Any reordering, whatever its motivations, can throw up opportunities for India.

In the Gulf too, Trump's reckless lighting of Shia-Sunni/Iran-Saudi fires does not behave a big power. But that too is not India's war. It can even provide tactical instruments to India. Of course, all this is dependent on India playing its cards well and continuing to modernise its economy. Trump is peripheral to both processes.

Modi and Trump are going to disagree on trade, with the US president making noise about market access.



Alex... sorry, Priyanka matters

India has a trade surplus with the US. While this is minuscule compared to the US trade deficit with China (or even with Japan or Germany), the rhetoric has not spared India.

There have been some suggestions from the Trump camp that Modi can make amends by placing a large military order, say, for F-16 planes, and both mollify the White House and persuade it to agree to technology transfer. Such ideas are unrealistic to the point of being silly.

The Indian system — unlike, for example, the Saudi system — simply doesn't allow Modi the space to undertake such chequebook diplomacy. Neither does the Indian PM feel the need to curry favour with Trump.

On trade, at best he can offer a mutual transactionalism wherein both countries are mindful of each other's limitations. There is some business that can be done in clean-coal technology and gas, both of which are energy areas that interest Trump and India could use.

Modi is unlikely to raise H-1B visas, and neither should he allow himself to be influenced by media and opposition alarmism on this score. The liberal H-1B regime is past its sell-by date. The most ruthless cut in the visa

cap, from 195,000 down to 80,000, came in December 2004, at the height of President George W Bush's honeymoon with the Manmohan Singh government. President Barack Obama made H-1B visas more expensive. Trump's 'immigration reform' is part of a longer-term backlash in US society that India has to adjust to.

The World's Mine Oyster

Finally, it would be prudent to compare this visit with Modi's trip to the US in September 2014 to meet Obama. Unlike then, there is no Madison Square Garden and no razzmatazz. Unlike then, Modi does not have to introduce himself to the world stage. He has less to prove and his political commitment and credentials in regard to the US relationship have long been established.

In the last three years, the international narrative about Modi has changed enormously, even if domestic critics cussedly refuse to see this. In 2014, he was a newcomer and an unknown. In 2017, he is regarded as a mature leader, almost an elder statesman in global fora, who retains robust voter support as well. That is an unusual mix in today's world. Trump cannot disregard it easily.

On trade, PM Narendra Modi can offer US President Donald Trump mutual transactionalism wherein both countries are mindful of each other's limitations

FOREIGN POLICY

Wake Up, Smell the Green Tea



Pinaki Bhattacharya

A besieged US President Donald Trump is not planning to host Prime Minister Narendra Modi to his Mar-a-Lago resort, after all. In fact, the word from New Delhi describes the impending Modi trip as a "no frills" visit. One can expect 'no thrills', too. On the contrary, Modi's first visit to meet Trump is supposed to be all business and no play.

There are issues galore. The first on the agenda, however much many Indian policy wonks want it to be put on the backburner and treat it as an anachronism-in-the-making, is the reduction in H-1B visas that has put India's IT companies in a pickle. Then there is the question of trade, where the US has to play second fiddle to China. Last but not the least, there is terrorism.

The Indian strategic community had one heart-stopping moment when the new US permanent repre-

sentative to the United Nations Nikki Haley had talked about the US playing an 'activist role' in the Kashmir issue. Soon enough, reports about Haley being asked to clear her statements by the US State Department before taking the floor at the UN General Assembly or the UN Security Council made their appearance.

So, one can argue that New Delhi maintains some leverage over the new US administration despite sweeping personnel changes in most of the important departments of the US administration. Flowing from there, while the Indian PM is scheduled to meet Trump on June 26, the agenda of the Trump-Modi summit has not been made public yet. Pakistan will be on the minds of the two leaders. Will Afghanistan be on the table?

Narendra Modi may have one or two things to say about that. He can also talk about China's Belt Road Initiative (BRI) set to criss-cross Afghanistan before it enters Pakistan.

During the latter half of Barack Obama's administration — and during insistent push-forwards by Afghan President Ashraf Ghani and Chief Executive Abdullah Abdullah — India was being wooed by Kabul to get involved with greater strategic might in Afghanistan. One should keep



Stand up and be counted

in mind that Obama's retrenchment of US forces in Afghanistan, and pivot-out of the West Asia-Gulf region into the deep waters of the Indo-Pacific, constituted a big strategic move. That is now being reversed by Trump.

As Trump repivots back into West Asia, and the US reconnects its umbilical cord with big oil-producing countries like Saudi Arabia and Bahrain, more active Islamist terrorism seems ready to emerge on the horizon. On its part, New Delhi seems to have pulled back a little from its deep courtship with the US leadership. Russian President Vladimir Putin

caused heartache to Indian policymakers when Moscow declared that it would hold military exercises with Pakistan for the first time. That caused Modi to hoof to St Petersburg where the two leaders met at the 18th India-Russia Annual Summit. This, before signalling that the India-Russia relationship of special strategic partners has become more transactional, highlighted by the signing of the agreement between the two countries for the development of fifth-generation fighter aircraft. This was after India had skipped the Belt and Road Summit, which Russia partnered with host China in May.

India seemed oblivious of the new alternative (read: non-US) world order that was being shaped. South Block and Modi's advisers failed to realise that BRI was not just about economy and infrastructure but also about reordering of relations in social and cultural terms.

This ham-handed approach in dealing with the new Big Powers have a cost. Whether India can incur that cost is to be watched in Washington next week. If the current re-hyphenation of India and Pakistan being conducted is worth watching, it is because the power doing the re-hyphenating is no longer the US, but China.

GOODS & SERVICES TAX

The Employee-Employer Waltz



Waman Parkhi

"How would you treat a car given to employees for their use under GST (goods and services tax)?" a tax head of a car company asked me. "Why should it be such a big problem?" I wondered. Until I realised the nuances of such a transaction.

Is the car capitalised in the books of the company? Is it registered in the company's or employee's name? As per the company's HR policy, is the employee allowed personal use of the car? If yes, is there any way to identify that personal use? Are there different entitlements, different models or variants of cars specified for each level in the organisational hierarchy? And many more queries.

Very often, we believe the employer-employee relationship to be beyond the purview of indirect tax. The company, we figure, is only a juridical person and operates through the acts of its employees. So, the employee and the company should not be treated as different persons to charge tax on every transaction between them. But some of the entries in the GST law tend to defy this logic.

Schedule 3 of the Central GST (CGST) Act 2017 deals with activities or transactions that shall not be treated as supply. One entry specifies "services provided by an employee to the employer in the course of, or in relation to his employment". So, the consideration paid by an employer to the employee — i.e., salary paid for rendering services in the course of employment — would not be taxable under GST.

But what all can be treated as services in the context of employment? Will components covered in the cost-to-company (CTC) of an employee — house rent allowance, dearness allowance, etc — not attract GST, since this

would be pure consideration to an employee for his employment? Also, what would be the treatment of, say, club fees reimbursed over and above the CTC? If an employee of an IT company acts as a DJ at an office party and gets paid for the service, would it not be services rendered in the course of his employment? Would the same be treated as a service liable to GST?

The GST law complicates the employer-employee relationship further by way of Entry 2 in Schedule 1 of the CGST Act. "Supply of goods/services made without a consideration between related persons, when made in the course or furtherance of business, would be taxable." Further, the law deems the employer and employee to be related persons. So, even if there is no consideration for the goods/services provided to an employee, the supply could still attract tax. Would this mean that laptops provided to employees would get covered, as these are provided in the furtherance of business? Well, they shouldn't.

Why? Because there must exist an element of 'supply' in the transaction. Supply mostly occurs when someone loses possession or ownership or both. Barring exceptions, typically this test holds good. When a laptop is given to an employee, he gets its possession, which he retains till he is in employment. But would that qualify as a supply? If it does, then even the workstation allotted to the employee

must qualify as one. This makes the scenario absurd.

However, all things are not as black and white. If we take the example of free coffee from a vending machine provided to an employee, the answer may not be so simple.

Another twist in the tale is that the proviso to Entry 2 in Schedule 2 excludes from the definition of 'supply' gifts up to ₹50,000 provided to an employee in a financial year. Hence, gifts above ₹50,000 would be liable to GST and a company would be required to keep a record of gifts provided to each employee. But would showing appreciation in the form of cash rewards or vouchers — as opposed to a gold coin, for instance — be considered as a gift? Or would it be considered for services of employment provided by the employee?

The employee and employer relationship revolves around many such examples. It is the play of words like 'in furtherance of', 'in relation to' and 'in the course of' that makes the difference. So, it is necessary to understand each transaction and view it under the lens of the GST law. Sometimes it may be prudent to tweak the HR policies and CTC structures, so as to make the compliance under GST simpler. Who said tax managers and tax consultants would lose relevance under GST?

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Enlighten Everyone

ANIL K RAJVANSHI

Does an enlightened individual need to remain caged in the body? Why not get liberated from the physical? For seven days, the Buddha grappled with this dilemma. In the end, he decided that there was nothing personal about enlightenment — the knowledge should be shared with all for the benefit of humankind. He spent the next 50 years doing just that and all those who listened to him benefited greatly.

It is necessary for all of us to discover truth but once we find it, it should be shared freely. The desire to share our discoveries with the world is usually fuelled by greed for fame or money. Very few are selfless enough to share their discoveries freely for common benefit. Even philanthropists are guided by the desire to become famous.

The desire to be loved and adored by other humans is the basic desire since it reinforces the work, direction and path of an individual. When a person feels secure, he becomes humble and the desire to get fame, name or money goes away or is greatly reduced. Then his desire to tell the truth comes from pure selflessness. Even those in search of the ultimate truth are initially not averse to fame — but later, this greed for fame gets subsumed by the greater urge for truth-realisation.

However, as long as greed does not dominate, it is a necessary engine of development, for producing inventions and finding the truth. The best way to keep greed in check is to cultivate from early on the habit of deep thought. This will help remove psychological knots and create all-round happiness.

Chat Room

Growing Distress in Our Farms

Apropos 'Just Ease Their Doing Business' by Nidhi Nath Srinivas (June 19), six 'I's are necessary to make the farmers come out of distress: insurance, investment, independence, infrastructure, institutionalised funding and information. As more than 80% farmers are small or marginal and are susceptible to unforeseen eventualities, they require insurance on their produce. They are dependent on the mandi system, MSP or middlemen for pricing of farm produce. Tight rules of farm loan disbursement by banks further the habit of informal costlier debt, leading them to suicide. There is a need to encourage farming as a profession rather than merely a livelihood.

SANJAY TIWARI
Hisar

Get Going, Band of Brothers

Pakistan defeated India in the ICC Champions' Trophy final and that's it. Let us be sporting and give full marks to the Pakistanis for their stupendous performance whereby they pulverised our bowling and made



our batting look much-hyped. Their body language on the field depicted desire and hunger to win, whereas that of our players was of complacency and overconfidence. While this triumph will be a shot in the arm for Pakistani cricket, this has to be a wake-up call for India. There are no underdogs.

RAMESH N HASLEGAR
Mumbai

Kohl, Europe's Binding Agent

In the passing away of Helmut Kohl, the ex-Chancellor of Germany, we have lost a quintessential unifier when divisiveness is getting rife globally. Decades of pangs of the East-West divide in Germany must have had deep impressions on Kohl that made him not only a proponent of German unification but on a larger scale, that of Europe. Yet, within his lifetime, he has seen Brexit. Sadly, his tall vision could not be replicated by any other leader.

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