

ACROSS THE AISLE



P CHIDAMBARAM

The worst tendencies of the Indian State and politics and business have found their way into the design of the GST that was launched yesterday. Many of the flaws in the design were the result of forced political compromise. It seems to me too much has been compromised and for reasons that are not apparent

# Get Set for Turbulence

NOTHING IS more exhilarating than the promise of change, especially if it will be a change for the better. When it was first announced, the Goods and Services Tax held that promise. It still could be a harbinger of a change for the better but, on a consideration of all the aspects, it seems to me the GST that came into effect yesterday is an imperfect tax that will usher in a long period of turbulence.

As an idea, GST is unexceptionable. The Constitution of India (Art 301) promised a common market for India. However, the tax systems of our governments ensured that the country remained divided and fragmented. Inter-state barriers were erected, taxes were collected and evaded, rent-seeking flourished, and trade and commerce suffered.

## VAT AND GST ARE MAJOR REFORMS

The Value Added Tax was the first comprehensive measure to bring uniformity in the tax systems of the states, but it was a state-level reform. Central tax laws (excise and service tax) and the principal state tax law (VAT) remained apart. Together, they imposed a heavy tax burden upon businesses, apart from the huge cost of complying with multiple taxes.

Once VAT was implemented throughout the country, the next logical step was GST. I seized the opportunity in 2006 to announce that it was

our goal to implement GST by 2010. Delayed by seven years (does the Finance Minister remember who delayed it?), GST came into effect yesterday. I welcome GST but I wish that its launch was not surrounded by so many infirmities and uncertainties.

The positive aspects of GST need to be emphasised: One tax will subsume many taxes. It will capture nearly all commercial transactions above a certain threshold. It will eliminate cascading of the taxes levied at different stages of the value chain. It will enlarge the tax bases. Once these virtues were acknowledged by all states, every effort should have been made to forge agreement on the crucial aspects of GST. In the absence of such an agreement, and because of a forced compromise, we are starting with a very imperfect GST.

## THE DESIGN FLAWS

■ GST should have been one standard tax rate (with a concessional rate and a demerit rate), but it is not. We have rates of 0, 25, 3, 5, 12, 18, 28 and many higher rates depending upon the cesses that may be imposed on so-called sin goods.

■ GST should have been under one unified tax authority, but it is not. There will be a diarchy. States and the Centre will divide the tax bases into 90:10 (for turnover under Rs 15 million) and 50:50 (for turnover over Rs 15 million). I suppose a lottery will decide whether

one's tax authority will be the state government or the Central government!

■ GST should have stipulated fewer returns, but it does not. By the most charitable count, a business must file three returns a month and an annual return (total 37). If the business is a multi-state business, and the tax authority is the state government, that number must be multiplied by the number of states in which the business is located.

■ GST should have eliminated classification disputes, but it does not. Fitment rates were changed many times. We saw interest group advocacy in full play. There will be disputes. Mr Veerappa Moily asked, 'Is KitKat chocolate or biscuit?', because chocolates and biscuits suffer different rates. I suppose the Supreme Court will be requested to answer such questions in due course!

■ GST should have reduced the discretion of the tax administrator, but it does not. On the contrary, draconian powers have been conferred on the 'Anti-profiteering Authority'. Whoever conceived of the bizarre idea has no knowledge of economics or business or markets or competition. A century of experience on economic regulation has passed him/her by. He/she is a holdover from a dirigiste regime that believed that the government knows best and it is the government's right and duty to tell business what it should sell and at what price.

## TRIAL RUN WOULD HAVE HELPED

GST should have been given a trial run of two months before it was finally rolled out, but it was not. Every tax official who will administer GST at the state or central level should have been directed to spend two weeks working in the office of a small or medium business and actually 'filing' mock returns and 'paying' the calculated tax. During the trial period, the GST Network (GSTN) should have been tested in actual conditions and the glitches, if any, removed. The trial run would have boosted the confidence of businesses that they would be able to cope with the new regime. Of course that would have meant a short deferral of the final rollout of GST, but a stubborn government refused to pay heed to well-intentioned advice from many quarters.

The worst tendencies of the Indian State and politics and business have found their way into the design of the GST that was launched yesterday. Many of the flaws in the design were the result of forced political compromise. It seems to me too much has been compromised and for reasons that are not apparent.

Anyway, we have a baby. It is not a bonny baby, it has some birth defects, it must be carefully nurtured, but it is our baby and let me therefore welcome the new baby.

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FIFTH COLUMN



TAVLEEN SINGH

# Good speech, but not enough

THERE is a sad sort of irony in the Prime Minister's choice of the Sabarmati Ashram to finally speak out last week against vigilante killings in the name of cow protection. Does he not know that the Mahatma is not a hero in the 'new' India? No sooner did he finish his speech than angry voices filled the realms of social media. In shrill tones they denounced Gandhiji for being a symbol of an 'impotent' India. In their view, that impotent India is a country that belongs in the past. They mocked Narendra Modi for speaking of non-violence in the ashram of a man whose non-violence they blame for hundreds of thousands of Hindus being massacred by Muslims when India was partitioned. So not only is Gandhi no hero in the new India, he is a symbol of weakness.

It is possible that the Mahatma was never a hero in the eyes of those whose voices are heard loudest today, but it is only in the past three years that they have dared to say this out loud. Violence is the mood of the new India and the armed men who wander our highways in search of Muslims to kill are today's heroes. Videos of victims being beaten to death with iron rods and stones are circulated proudly by the killers, who seem to believe that the only way to keep Muslims in check is to show them what will happen if they forget their place.

So even as the Prime Minister spoke out clearly against killing people on the excuse of protecting cows, news of another lynching came from Jharkhand. A man identified as Alimuddin Ansari was beaten to death near Ranchi because he was transporting meat in his van. Videos of the lynching show his killers pushing him to the ground and holding his terrified face up in front of the camera for a few last shots before beating him to death. His van was burned afterwards so nobody will ever know if the meat he was transporting was beef or not. In all the lynching videos, the killers are young men who appear to take great pride in their violence. They see what they do as valour, that is why they film every detail despite the danger of providing the police with incriminating evidence.

The Prime Minister said last week that nobody had the right to take the law into his own hands. So what he needs to do now is investigate why it is mostly in states ruled by BJP chief ministers that we have seen so many incidents of cow vigilantism. Could it be that the rule of law is no longer respected or feared in these states because of some secret pact that allows killers to believe that they can get away with murder? Or could it be that law enforcement in India has always permitted political criminals to get away with crimes that ordinary criminals would be jailed for?

Beef vigilantes do not see themselves as ordinary criminals, although many of them may well be just ordinary killers. They see themselves as part of a political movement to save India from being ruled once more by Muslims. They pay close attention to speeches made by men like Syed Salahuddin and Hafiz Saeed in our neighbouring Islamic republic and they take their words seriously. These gentlemen routinely make it clear that their ultimate aim is to bring Islamic rule back in India. And then to confirm the worst fears of today's Hindutva warriors, there is the worldwide jihad. Every time there is a new act of jihadist terrorism somewhere in the world, a hysteria gets whipped up against our own Muslims, as if they are somehow guilty just by being Muslim.

So although it is very good that the Prime Minister has condemned cow vigilantism in such clear terms, it may not make as much difference as some of us may have hoped. On a personal level, I have often criticised him in this column for not speaking out loudly and clearly against every lynching, but now I find myself wondering if it will make any difference at all. What will make a difference is strict law enforcement, especially in states ruled by BJP chief ministers. It is not enough to arrest the killers and release them on bail quietly as soon as the media loses interest. If there can be special fast track courts for terrorists and rapists, there can and should be special courts for cow vigilantes.

It is no longer enough to say, as our political leaders love saying, that the law will take its own course. In India, this is a very long, slow course indeed. This is why the rule of law in our ancient land is such a tenuous thing that killers do not fear it.

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INSIDE TRACK



COOMI KAPOOR

## FLYING PHOBIA

Union Minister of Water Resources Uma Bharti has a fear of flying and avoids taking flights whenever she can. Within the country she generally travels by train or road. Recently, Prime Minister Narendra Modi asked Bharti to fly to Tel Aviv as part of the preparations for his trip to Israel on July 4. Five Central ministers visited Israel to prepare the groundwork and finalise joint agreements. Bharti suggested to the PMO that the secretary in the Ministry of Water Resources should go in her place. But the suggestion was vetoed, since it was a ministerial-level delegation. On the day of the flight, three officials and two state government ministers were set to board the aircraft. Bharti's staff had got her boarding card issued and checked in four pieces of luggage. But Bharti did not show up. She was on her way to the airport when she suddenly told the driver to take her to All India Institute of Medical Sciences instead as she was having difficulty breathing.

## NOT INHUMAN: PM

Nancy Pelosi, leader of the Democrats in the US House of Representatives, headed an Indo-US delegation which met Prime Minister Narendra Modi in May. Pelosi raised what she considered a violation of human rights — Major Leetul Gogoi tying a Kashmiri artisan to an Army jeep, so as to ward off protesters. Modi disagreed, arguing that the major had, in fact, saved a number of lives by his action. The mob was pelting stones and turning increasingly violent, he said, adding that the Army convoy which was entrusted with maintaining law and order during a by-election in Srinagar would not have been spared but for Gogoi's "brainwave".

## AUSPICIOUS RITUALS

BJP president Amit Shah, on the advice of his three favourite astrologers from Gujarat, fixed the time for presidential candidate Ram Nath Kovind to file his nomination papers on June 23 at 11.56 am. This also suited the superstitious alliance partners from the South, who wanted Kovind to avoid the "inauspicious

OUT OF MY MIND



MEGHNAD DESAI

DURING the Janata Party government of 1977-1980, came the first possibility of a Dalit (Harijan as the Congress used to say) politician becoming prime minister. Babu Jagjivan Ram's chance was denied by Charan Singh, a Jat leader of the Bharatiya Lok Dal and a power in the coalition.

Jagjivan Ram, one of the most senior leaders of the Congress and an 'untouch-

eous *Rahukaalam*" period. C Ramesh, a Telugu Desam Party MP, placed *angavastams* on the shoulders of Kovind and Shah. The *angavastams* were supposed to carry Lord Balaji's blessings from the Tirupati temple.

## PALACE TO CASTLE

With Pranab Mukherjee to retire soon, what happens to Omita Paul, the powerful secretary to the President? Unlike others on the President's staff who will have to get used to less palatial quarters, Paul, the wife of K K Paul, the Governor of Uttarakhand, will have two magnificent mansions to occupy as first lady of the state — Uttarakhand is one of the very few states with two Raj Bhawans. One in Dehradun, a large colonial building, formerly a circuit house, and the other in Nainital, a Scottish castle on 205 acres, which also includes a golf course and swimming pool.

## BJP'S CHALLENGE

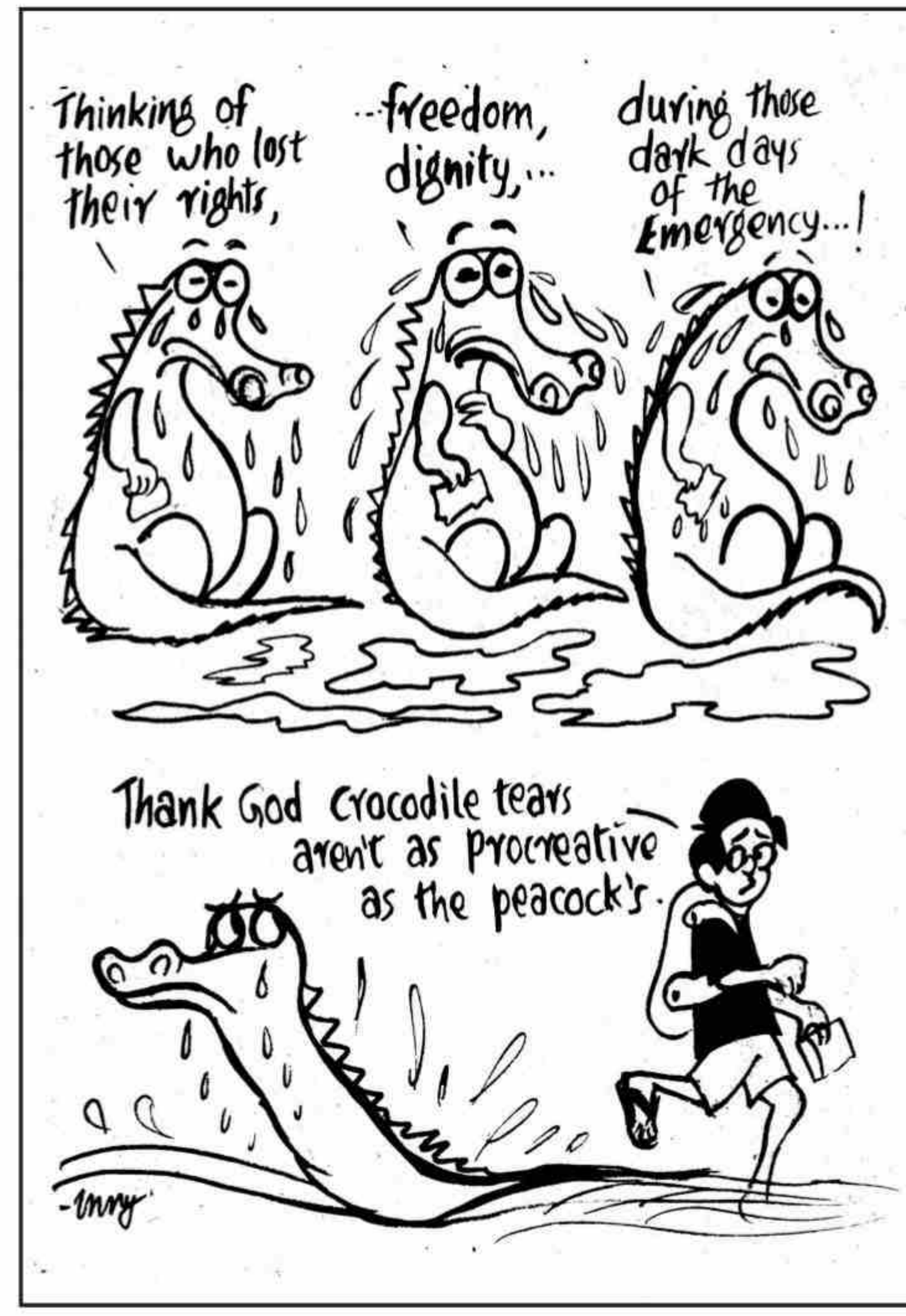
For the BJP, one of the biggest electoral challenges next year would be whether it can actually wrest the tiny state of Tripura from the firm grip of the CPM. Popular Chief Minister Manik Sarkar has been in power there since 1998. The BJP does not have a single member in the present Assembly and yet the party has aspirations of outright victory. The BJP general secretary and in-charge of the Northeast, Ram Madhav, is optimistic. Party president Amit Shah has visited Tripura thrice and the BJP has planned for all its big guns, from the Prime Minister downwards, to campaign in the state. The BJP is encouraged by the large number of Congress and TMC legislators and workers who are moving towards it, and the party is emerging as the real opposition.

## WINDING DOWN

Ever since Ram Nath Kovind's name was announced as the NDA candidate, President Pranab Mukherjee has started cutting down on official trips and has even cancelled some engagements. Mukherjee had put off his visit to Hyderabad in June and three programmes scheduled for July have been cancelled. A stickler for the rule book, Mukherjee feels that now that the election process for his successor has been set in motion, he should begin winding down. He plans to spend much of his last days as President in Rashtrapati Bhavan. Mukherjee will be hosting a series of farewell lunches and dinners, including for senior political leaders, the entire Supreme Court bench, all UPSC members, and the chiefs of the Armed Forces.

## ROUGH CUT

E.P. UNNY



# The last frontier

able' from Bihar, never became prime minister.

It says something about how far India has travelled in the last 40 years that in the presidential election, his daughter Meira Kumar is competing with Ram Nath Kovind as a rival. Two Dalit candidates for the highest post would have been unimaginable even 25 years ago.

Here we are with a certainty of a Dalit president. India has come a long way. How did it happen? It took relentless organising of the Dalit vote by Kanshi Ram, who must be honoured as one of the most influential political leaders of post-Independence India, for us to have come this far.

Make no mistake, if Babasaheb

Ambedkar is being honoured by all parties, if Dalit candidates are sought after, it is because the Dalit vote bank is a formidable one. With 18 per cent of the population, Dalits are one of the largest minorities.

Universal adult franchise and secret ballot at elections have proved to be the most transformative elements of the process, which is revolutionising an old hierarchical society into one where all citizens will be equal to each other. We are not there yet, but we can get there.

Many further boundaries remain to be crossed. The most obvious is the position of Muslims as a minority. Whatever the slogan of secularism did, it did not relieve the deep social and eco-

nomic deprivation of the Muslims, as the Sachar panel report demonstrated.

Muslims are not a homogenous community as Dalits are despite the many *jatis* among them. Muslims in the Hindi heartland are different from those in the South or in the Northeast.

A single Muslim party would be a novel if not a shocking idea to many Indians, not just the Hindutva supporters. The Congress was too possessive of its hold on the Muslim vote to allow such a party to thrive. Nor have any of the other 'secular' parties encouraged the consolidation of the Muslim vote. Muslims have had to rely on agents to represent them.

The Dalits learnt long ago not to trust

the Congress. Muslims have gone off the Congress since the Babri Masjid demolition. Other parties, the Samajwadi Party, for one, have divided up the Muslim vote among themselves. The Muslim vote is fragmented. But there will never be permanent improvement in the status of Muslims till they have a single party. India needs a Kanshi Ram for Muslims.

The last frontier is women. Their neglect is a matter of everyday scandalous news in the media. The proposal for reservation of seats for women has been safely stored in the deep underground.

It is unlikely but a women's party may yet be the only way to achieve equality.