



C O L U M N  
AJAY SHRIRAM

# ALL THAT'S CHANGING

"There is a clear incentive for everyone to be within the tax regime"

**T**HE LONG AWAITED GST has finally arrived! The build up and hype around this reform has been unprecedented, but then such events happen once in a life time. Here are a few points that make this reform so unique.

First, GST reflects the maturity of the country's political class that put aside all differences for the economic benefit of its citizens. The complexity of the legislative work was enormous both at the centre and

the state, but the fact that it was steered successfully through this maze is nothing short of a miracle. The government of India authorities need to be appreciated. The outreach undertaken by them through town hall meetings, advertisements and one-on-one clarifications has been reassuring, even to the skeptics.

The second big change I see happening is the blurring of the line between large and small players, formal and informal sector, businesses that comply with the law and businesses that don't. In a manner of speaking, with GST, we are all in it together! There is a clear incentive for everyone to be within the tax regime simply to stay competitive. Businesses that do not conform will not obtain inputs credits. On the other hand, if a trader/retailer does not pass on the benefits accruing because of input credit, the original supplier/manufacturer will nudge its trade partners to reduce prices due to competitive pressures. It is not just one nation, one tax, it is the integration of several layers in our society.

Thirdly, I believe GST will substantially reduce the interface between the tax payer and tax authorities because all entries are on a digital platform. It will be a big boost for digital India.

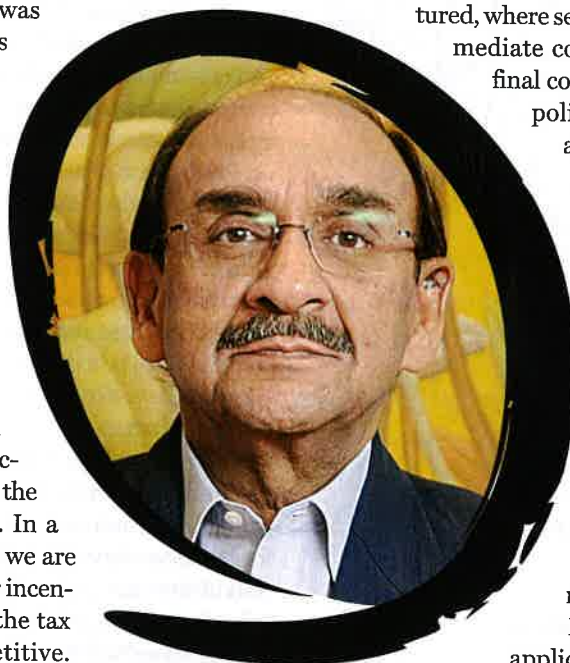
Fourth, one of the spillover benefits of GST that has gone somewhat unnoticed is the introduction of HSN (harmo-

nised system nomenclature). This is in line with international best practices and is less susceptible to interpretations regarding product/service classification. So all governments and all business within India and overseas will talk in the same language. With every transaction in the country being captured on a uniform basis, there will be immense data to analyse the Indian economy. Economists can understand exactly where products are manufactured, where services are rendered, who the intermediate consumers are and where are the final consumers. Based on such analyses, policy makers can identify the gaps and frame suitable measures.

Fifth, since the demand for GST had come from Industry, it is imperative that the business community adopts the new regime sincerely and ensures full compliance. In fact, it is incumbent upon large companies and industry associations who have the bandwidth to understand and implement GST, to extend a helping hand to small enterprises. This will ensure transparency and integrity of the supply chain.

Finally, after declaring the rates applicable to different categories, it is apparent that the fear of inflationary impact on account of GST was unfounded. If at all, prices are expected to remain stable or decline.

In conclusion, I think we can all take pride in the collective effort that has gone behind making GST a reality. The openness shown by the government that teething troubles will be ironed out based on feedback, is encouraging. As GST implementation proceeds, the benefits envisaged in terms of gross domestic product growth, lowering of logistic costs, and widening of tax base (and therefore lower rates) will begin to emerge. **BW**



*The author is Chairman & Sr. Managing Director, DCM Shriram Ltd.*