

# COMMENTS

## Posers on GST left unanswered



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In the Budget, the finance minister expectedly spoke about GST being a great indirect tax reform to be implemented soon.

It was, therefore, hoped that he would give certain directions showing the convergence of central excise and service tax with GST. That would have prepared everyone for the new tax regime.

Certain technical issues relating to GST are yet to be finalised. These include identification of goods and services that would fall under different

tax rates. There was no such proposal. Further he could have given relief to service tax payers by enhancing the threshold to ₹20 lakh.

However, there were a few changes in customs and central excise. Customs duty was either reduced or removed for some components and raw materials so as to give a fillip to the government's two laudable concepts: Make in India and Digital India.

As in every Budget, excise duty on tobacco and cigarettes has been increased. Besides excise relief has been extended to certain goods relating to Digital India and less power consuming items like LEDs. For service tax, the changes have been nominal. These are welcome steps.

## A fine balancing act



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The Budget tries to achieve the fine balance between macro-fiscal aspects by targeting higher GDP growth and marginally relaxing of the fiscal deficit target. It focuses on growth with employment and for this, it would rely largely on MSMEs, infrastructure, housing, and agriculture. For this, it increases both public investments and credit supply.

On the taxes side, since the Goods and Services Tax (GST) is expected to be implemented from July 1, there were few measures on the indirect taxes side.

However, on the direct tax, reduction in rate to 5 per cent for the ₹2.5-5 lakh income group should expand the tax base and bring in new assesses into the tax net. However, it brings in instability in tax rates as it will be now 5, 20 and 30 per cent, respectively. Special focus is on improving public expenditure efficiency through JAM trinity that could enhance public delivery mechanism and achieve good and transparent governance.

As demonetisation has crippled the private consumption demand, effort was to increase more allocation to agriculture and rural sector. Together, public expenditure has been increased by about ₹16,800 crore. While this may not be sufficient to enhance demand in the rural area, with increasing states' role, there could be some success.