

Kelkar for 12% GST, sharing one-sixth tax with 'third tier'

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VIJAY KELKAR, former Finance Commission Chairman, on Tuesday proposed a single GST rate of 12 per cent, with CGST and SGST of 6 per cent each, and both Centre and State sharing one-sixth of this with the 3rd Tier – elected local bodies.

Given growing urbanization and the increasing role of the cities in maintaining the country's growth momentum, an adequate fiscal base for the cities can alone ensure the supply of required public goods such as urban mobility, solid waste management and public health, he said.

"Such a measure will also generate considerable amount of fiscal resources with high buoyancy. For instance, this year alone it can generate more than Rs 2 lakh crores," Kelkar said while delivering the Prof. Sukhamoy Chakravarty Memorial Lecture on 'Towards India's New Fiscal Federalism'.

"To provide the necessary fiscal base for the 3rd Tier (elected local bodies), I would strongly urge to make Constitutional Amendment to enable both states and the Centre to share an equal percentage of their GST, i.e., of SGST and CGST with the 3rd Tier," he said.

"This would enable providing a fiscal base of not less than 1 per cent of GDP to the 3rd Tier in a predictable manner. These large fiscal resources will be growing by



more than 10 per cent every year. Such strengthening of the fiscal base can give a major boost for improving greatly the urban infrastructure and strengthen our cities as powerful engine of growth," he said.

The former Union Finance Secretary also said, "It is important to create an independent Secretariat manned by experts to assist the GST Council through their analysis, research papers, etc. This will lead the GST Council debates and decisions to be knowledge-based and thus better informed." "It is also necessary to have at least some of the sessions of the GST Council open like our Parliamentary sessions. This would enhance transparency and accountability of the GST Council," Kelkar said.

According to Kelkar, in order to make the NITI Aayog more effective, it is essential to ensure that the institution is at the "High Table" of decision making of the government. "This means the Vice Chairman of the new NITI Aayog will need to be a permanent invitee of the Cabinet Committee on Economic Affairs," he said.

