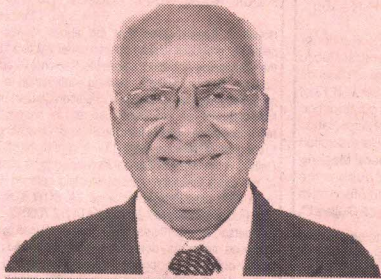


It took 3 decades and many hands



EXIM MATTERS

T N C RAJAGOPALAN

The new goods and services tax (GST) regime is the culmination of a process that began in 1985, with the introduction of the Modvat (Modified Value Added Tax) scheme for a few items by V P Singh, the then finance minister (FM). Prior to that, a scheme of set-off was available in a very restricted way. The Modvat provisions for credit were part of the central excise rules.

In 1994, the capital goods credit scheme was introduced by Manmohan Singh, the then FM. He also started the process of levying service tax, on three services, the same year. Over a period, the Modvat scheme was extended to cover all items, barring a few; the central excise rules were suitably modified. The

service tax net was also enlarged.

It was Yashwant Sinha who brought about significant changes in the central excise laws -- introducing new valuation rules in 2000, new central excise rules in 2001 and replacing the Modvat scheme and capital goods credit scheme with the Cenvat (Central Value Added Tax) scheme. He also allowed credit for tax paid on input services, for payment of tax on output services.

A significant step was taken by P Chidambaram in 2004. He allowed inter-sectoral credit i.e allowing manufacturers to take credit for tax paid on input services and service providers to take credit for duty paid on inputs and capital goods.

He also carried forward the initiative of Yashwant Sinha and brought all states on board to replace sales tax with Value Added Tax. He initiated the process of transition to the GST regime by setting up an empowered committee that had all state FMs. The first discussion paper on GST from this panel was put out in 2009 and formed the basis for all further progress in the evolution of these laws, that now take effect from July 1.

Meantime, the list of services on which service tax is leviable went on expanding. And, in 2012, Pranab Mukherjee, then then FM, introduced

the negative list regime -- levying service tax on all services except those on the latter list. He also enlisted Nandan Nilekeni to build the information technology platform -- GST Network - that will be critical for the new tax's implementation.

The present regime decided on suitable compromises to bring in the Constitutional amendment and forge the needed consensus among FMs of states and Centre to ensure passage of the legislations and convergence on rules, tax rates and exemptions. Before bringing in the GST laws, Arun Jaitley and his team engaged in widespread consultation with all stakeholders

Domain experts like L K Jha, Raja Chelliah, Amaresh Bagchi, Govinda Rao and Vijay Kelkar headed committees that gave critical inputs for most indirect tax reforms. So did Asim Dasgupta, Sushil Modi, Amit Mitra and K M Mani, who as heads of the Committee of State FMs played very important roles in bringing about consensus on many issues.

So, even as we celebrate the advent of GST, let us thankfully acknowledge the outstanding contribution of these key persons, and many others in the background, who have made it possible.

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