

One GST rate not possible, next reform later: Jaitley

After we are able to improve the compliance levels, the other stage of reform will begin, says FM

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Finance minister Arun Jaitley today said it is not possible to have one GST rate as the country has vast disparities, but assured investors that the government will undertake further reforms after improvement in tax compliance standards.

A single rate of GST in India can't work at the moment due to vast disparities in the country's society, he said while replying to queries from the audience at the India-Korea Summit here.

The next stage of reforms will start once India becomes a significant tax compliant society, Mr Jaitley said.

After we are able to improve the compliance levels, the other stage of reform will begin.

For example, we have two standard rates and in the long-run I do see them merging into one. For that to happen it will take some reasonable time that is when the compliance levels start moving up,

GST REFORMS

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ARUN JAITLEY
UNION FINANCE MINISTER

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said the minister.

On the compliance burden of the GST, Mr Jaitley said it was a little heavy but the process would ease on account of the initiatives being undertaken by the revenue department.

At the moment we are coming out (with norms). It is almost in the final stages of its preparation, where compliances are going to be made simpler itself, Mr Jaitley said.

The second factor is that

in a society like India where you still have a significant population which is below poverty line or still deprived, a single rate in India can't work at the moment, he said.

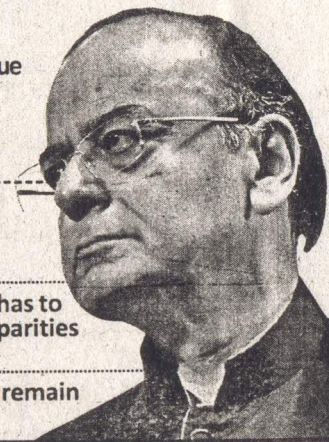
He said that the reason behind India starting off with multiple rates was that the country had 17 taxes and 23 cesses which were amalgamated into the GST.

He pointed out that the 28 per cent tax bracket has been significantly thinned and argued that a luxury good

can't be taxed at 5 per cent and there has to be a differential rate in a society with economic disparities like in India.

Answering questions on the banking sector, the minister admitted that banks have become a little more cautious in the last few years as they have been on the receiving end of some of their clients.

Addressing the Summit organised by CII, he said there is a sea change in the attitude of states also, owing to competition with each other.



Growth potential: India's economy has the potential to achieve a growth rate of more than 7-8 per cent in view of policy changes, accompanied by a supportive global environment, the finance minister said.

He observed that over the next 10-20 years India will continue to remain one of the fastest growing economies in the world.

India has demonstrated in the last few years that it has, even in a global environment of adversity, a potential to self correct itself, to continue to take difficult decisions if necessary and maintain a high growth trajectory, Mr Jaitley said.

He said the country has been able to blend its economic decisions along with political acceptability to the extent that there is now a huge support, almost bordering on impatience, where the people want India to reform and grow much faster.

Mr Jaitley said the government's decision-making has made doing business in India much easier.