

# Business Standard

## Vijay Kelkar says single GST rate easy to administer

GST Council has already decided on the four-rate structure for indirect tax regime, besides a cess

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Former finance secretary Vijay Kelkar on Friday advocated a single rate for the Goods and Services Tax (GST) as that would it simpler to

administer.

The GST Council has already decided on the four-rate structure for the indirect tax regime, besides a cess.

Giving an example, he said it was better to first build a single-rate GST with a low rate, achieve full mastery of this, and then consider more complex possibilities such as high rates and multiple rates.

Delivering the C D Deshmukh lecture, organised by the National Council of Applied Economic Research, Kelkar said policymaking was required to address market failure, improve efficiency and equity in the society. With regard to taxation, he said it should be stable and simple, giving investors confidence to invest.

A task force constituted by the 13th Finance Commission, headed by Kelkar, had recommended that all goods and services should be taxed at the single GST rate of 12 per cent. It could be split as 5 per cent for the central GST and seven per cent for the state GST.

The GST Council, comprising finance minister, minister of state for revenue and state representatives, particularly their finance ministers, have already agreed on four GST rates — 5 per cent, 12 per cent, 18 per

cent and 28 per cent — besides a cess above the peak rate on luxury and demerit goods such as tobacco. The item-wise rate will be finalised by committee of officers.

Kelkar said simplicity was the first mantra of policymaking. Right sequencing is another important pillar of policy making.

Citing example, he said exchange rate reform preceded trade reforms during the liberalisation and it succeeded. The third dimension of sequencing was in the construction of state capacity, Kelkar said.

“We should walk before we can run. Our first objective should be to establish easy objectives for state capacity, and fully succeed in building this state capacity. Only after this is done we should try for a more complex problem,” he said.

Highlighting the value of criticism in policymaking, he said, “As policymakers, we develop a point of view. We should be humble and recognise that many times, we will be wrong.” This makes it useful to engage with our critics. “In every society, there is an under supply of criticism,” he said, adding criticising the government imposes costs upon the critic.

“The gains from criticism are diffused; the entire society benefits from the criticism. The self-interest of the critic leads him to ignore the gains for society at large, and thus to under supply criticism,” he said.

Ruing the absence of credible data for policymaking, Kelkar said, “Our ability to undertake rational analysis, and to undertake post-mortem of policy initiatives, is bounded by our availability of information.”

A particularly disappointing feature of the Indian statistical environment is that in addition to having limited data, some of our standard public data sources are also flawed, he said.

“We are thus forced to first evaluate the soundness of each public data source before commencing to use it. It is not as simple as blindly accepting all data from official government sources. Each of us needs to commit considerable resources to evaluating the soundness of various kinds of statistics that are available in our field,” he said.