

# Possibility of 3 instead of 4 GST rates a useful debate: Subramanian

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CHIEF ECONOMIC Adviser Arvind Subramanian Wednesday said that it is not possible for the diverse Indian economy to have one uniform Goods and Services Tax (GST) across the country. The useful debate, in fact, can be whether there can be three GST rates instead of the present four rates with the possibility of reevaluating the 28 per cent rate, he said at the India Policy Forum 2018, organised by The National Council of Applied Economic Research.

"Over time we will see simplification. Once revenues stabilise, 28 per cent rate can be reevaluated. We can also relook censes," he said. While the system is stabilising, the task now is to simplify the direct tax system and to increase the taxpayer base, he said.

Subramanian said implementation of GST, Insolvency and Bankruptcy Code (IBC) and effective public provisioning of private goods such as toilets and banks accounts have been key achievements of the government. While early recognition of the twin balance sheet challenges helped in containing the non performing assets in the banking system, future capital infusions in banks should be linked to reforms, he said.

He said there are mainly two kinds of state-owned banks, fundamentally unviable banks and the other set of banks that are moving towards viability. The unviable banks are shrinking their business and doing narrow banking, while the viable banks

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will help support growth. He highlighted the need for moving towards a private sector ownership of banks for a new set of reasons — such as public sector banks being handicapped in many ways in terms of recruitment, and public to private sector lending being very toxic.

While pitching for private ownership of banks, the CEA said it is difficult to amend the Bank Nationalisation Act because of political reasons. The legislation bars the government from reducing its stake in PSU banks below 51 per cent. The government is planning to reduce its stake below 50 per cent in IDBI Bank, which is not governed by the Bank Nationalisation Act.

Bank Nationalisation Act is the original sin and overtime originals sins become lasting virtues, Subramanian said.

To a query on employment situation in the country, he said: "I honestly don't know what is happening to employment" because we don't have reliable, consistent data for many years.

Subramanian, who will be leaving the CEA post in a few weeks, said that his job as the government adviser has been supremely satisfying and he is going to have withdrawal symptoms.