

Remove additional tax in GST, need flexibility issues: Rangarajan

The proposed 1 per cent additional tax on inter-state sales is against the spirit of Goods and Services Tax (GST) and that should not be implemented, former RBI Governor C Rangarajan said.

"I think GST is a good measure. Certainly that 1 per cent tax, that was contemplated, goes against the spirit of GST, and that should not be implemented," Rangarajan told PTI here.

Finance Minister Arun Jaitley had last week hinted at accepting Congress' stand on scrapping 1 per cent additional tax, but said that their demand for incorporating the GST rate in the Constitution Bill was not agreeable.

Congress has been stalling the passage of GST Bill over its demand for a simple GST regime where states do not have powers to levy additional tax over a 18 per cent tax rate, which should form part of the Constitutional Amendment Bill.

At an industry meet on GST, Jaitley had said the 1 per cent additional tax on inter-state sales was proposed as manufacturing states like Gujarat and Tamil Nadu were of the opinion that they, having spent money on putting up infrastructure, would lose on revenue as GST is more of a destination tax.

Referring to the stand-off on GST, Rangarajan, who was also the former Chairman of the Prime Minister's Economic Advisory Council, said: "But on other issues, I think there should be some amount of flexibility, and we should also take note that whatever compromise is worked out is acceptable to the states also. The states may not like too rigid a formulation."

Asked if enough is being done to unearth black money, Rangarajan said while one thing is to bring it back, the other is to prevent black money accumulation.

"I think as we move towards less and less controls and as the fiscal system gets stabilised at a reasonable level...the opportunity or the scope for creation of black money will be less," Rangarajan said.

On the country's GDP growth, Rangarajan said the economy as a whole would do slightly better than last year.

"Perhaps the growth rate in the current fiscal ending March 31, 2016, will be around 7.5 per cent. That's my estimate," he said.

As for the country's exports continuing to fall for the 12th month in a row in November, he noted that India also benefited from lower imports.

"When you look at total value of exports, the decline is very strong. But if you exclude oil, the non-oil export is also showing a decline, but not severe a decline as the overall exports, because on the import side we are gained by the fall in the oil prices," Rangarajan pointed out.

"The export of oil products from India has also suffered because of fall in the value. Much depends upon how the world economy picks up. I would still think that the current account deficit will still be manageable.

"Export growth may come down or may be moderated, but at the same time we have the benefit of lower imports because the oil imports...the value of oil imports is coming down very fast because oil prices have gone below (USD) 50 (a barrel)," he said.

"But the non-oil exports will depend upon a large extent on how the world economy behaves," Rangarajan added.

(Economic Times)