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**India Economic Conclave 2020 organized by The Bengal Chamber at The Park on 15<sup>th</sup> January 2020**

## GST flaws laid bare

**A STAFF REPORTER**

**Calcutta:** The goods and service tax (GST) has proved to be a “messy and disruptive” reform in the short term, according to Ashok Lahiri, member of the Fifteenth Finance Commission.

At a Bengal Chamber of Commerce event on Wednesday, Lahiri said the GST Network, the backbone of indirect tax, was not ready at the time of launch.

“The GST Network, set up in March 2013, was not fully ready when the GST was launched on July 1, 2017. Further, barely six weeks before the launch of the GST, the rates were not decided and the specific rules needed to enforce central GST, state GST



**Ashok Lahiri in Calcutta on Wednesday**

and integrated GST laws were not settled,” Lahiri said, while speaking on why policies fall short of what they promise in terms of outcome.

He said even as the rates were being finalised, the compensation to the states on the revenue shortfall was already decided. Two-and-a-half months before the launch of

the GST, what was decided as part of the grand bargain was the GST (Compensation of States) Act, 2017, Lahiri said. The act promised to compensate the states for five years for any shortfall in revenue compared with the actual revenues of 2015-16, to be increased 14 per cent annually.

“While the GST will prove to be a game changing reform over the medium to long run, in the short run, it has proved to be messy and disruptive and poor in revenue performance,” said Lahiri.

He added that even though India did not “rush” into implementing the GST, there was a problem with policies being often hurriedly formulated in a few weeks or months before the elections.