

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1123

ANSWERED ON:28.11.2014

GST IMPLEMENTATION

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Will the Minister of FINANCE be pleased to state:

- (a) whether an international financial agency has said that implementation of the Goods and the Service Tax (GST) is the most critical reform needed for Indian manufacturing;
- (b) if so, the details thereof and reaction of the Government thereon;
- (c) the details of present status of implementation of GST, State-wise and name of States not agreed for GST alongwith the reasons therefor; and
- (d) the steps taken/being taken by the Government to implement the GST that will eliminate inefficient tax-cascading and go a long way in boosting the manufacturing sector in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA JI)

(a) Yes, Madam.

(b) The latest India Development Update of the World Bank published in October, 2014 has mentioned that the implementation of the GST, combined with dismantling of inter-state check-posts, is the most crucial reform that could improve competitiveness of India's manufacturing sector.

(c) It is proposed to introduce GST in the country in April 2016. The various aspects of GST design are being discussed in the Empowered Committee of State Finance Ministers so that there is broad consensus regarding modalities of its implementation.

(d) GST has been so designed that credit of taxes paid at every stage of value addition from the point of manufacture to the point of consumptions, can be availed at the next stage. GST is essentially a tax on value addition, and there is seamless transfer of input tax credit across the value chain. GST will simplify and harmonise the indirect tax regime in the country, It is expected to reduce cost of production and inflation in the economy, thereby making the Indian trade and industry more competitive, domestically as well as internationally. It is also expected that introduction of GST will foster a common or seamless Indian market and contribute significantly to the growth of the economy. Further, GST will broaden the tax base, and result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one stage to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders.