

Prime Minister Narendra Modi : Constitution (One Hundred and Twenty Second Amendment) Bill, 2014 - Goods and Services Tax (08-08-2016)

Today is the 8th of August. The bugle of August revolution blew on the 8th of August when Mahatma Gandhi mobilized the nation with his mantra of Angrej Bharat Chhodo (Quit India) and a lot of atrocities were committed on the freedom fighters on the 9th of August. Today, on the 8th of August we are completing 75 years of that event. While remembering those freedom fighters, today on the 8th of August, we all the MPs in both the houses of Parliament are collectively going to take an extremely important step in the direction of freedom from tax terrorism.

Some are aware about what the tax situation in our country was. A tax matter reached the Supreme Court. The issue was whether to consider coconut as a fruit or a vegetable? Coconut should be taxed as a fruit or it should be exempted from tax considering it a vegetable? And the matter went up to the Supreme Court. This is good enough to understand about the ups and downs of our old way of taxation. This time I've got up to convey my thanks to all the political parties and all the governments run by them.

We are going to take a decision which will involve the Rajya Sabha, Lok Sabha and 29 states from which representatives of as many as 90 political parties have come here by winning elections. We have come to this stage after a comprehensive deliberation by all of them. After some time we will vote for a final decision. And that is why it's true that someone gives birth but someone else raises that child. Someone else gave birth to Lord Krishna but he was raised by someone else. But it is equally true that this is not a victory of any political party or any government. It's a victory of the high traditions of Indian democracy. It's a victory of all the political parties. And it is due to contribution of previous governments and the present government and therefore, I don't think that there is a need to debate on who won or who lost.

And therefore the meaning of GST is: Great Step by Team India, GST means - Great Step towards Transformation, GST means - Great Step towards Transparency and that is why we are passing through a new system.

Ek Bharat – Shreshtha Bharat – it's a dream of all of us. Ek Bharat, when we look at Railways then we get the feeling of one India. When we look at Post offices we get the feeling of one India. When we look at our all India civil services we get the scent of one India. When we look at IPC, CrPC we recognise one India. When we talk about Bharat-Net, Digital India and Sagar Mala, all these projects are for one India and they strengthen this feeling and in that context today we have been including GST as a pearl in the same thread that strengthens the feeling of one India. It's not just a tax system. All the states and centre have collectively developed a system under which all the states - be it the smallest ones or the biggest ones - they all feel that it is their own system. It's something that strengthens one India and in that context I consider it very important.

Sometimes there was a lot of skepticism over GST. When I was a chief minister then I also had a lot of questions. And I had discussed the issue with Pranab Mukherjee Saheb several times. And it was easier for me to address the issues related to GST after having seen it from the perspective of a chief minister. That experienced came in handy for me. And because of that those issues of states that we were not able to address; some of the things were not able to come to the fore because they disappear from the sight; and all these things after such a long and collective deliberations; and it's not like that it was only my contribution; it has everybody's contribution. We have succeeded in removing a lot of shortcomings. And it's a result of collective deliberations. But it is also true that at least humans can't have this kind of arrogance that: we are perfect, there will be no shortcoming, there will be no problem in future. And that is why so many brains those who have made effort, who have participated in the exercise and they have tried to make it better. And there will be result of those efforts. And today the country is experiencing this thing that one platform, one view, one path and one destination, we have experienced this formula in this entire exercise of GST. And therefore it is true that this bill could have faced problem in the Rajya Sabha due to numerical strength of the parties. It's also true that states have a lack of confidence in the centre and it was because of their own experiences. And the biggest requirement for this thing was creation of mutual trust between states and the centre. The biggest requirement was that decision should not be taken on the basis of majority. And we do not want this thing in any case and I have already stated in this house that democracy is not all about the number game. It's a game of consent. It's a game of consent. And when this consent will be accorded in future as well and we have continued to discuss this thing. Today, our Maulavi Saheb took offence on this thing that this house has been called a junior house. Those people who use this kind of words, they will certainly get your message. It's difficult to say whether they will mend their ways or not but the message will certainly reach them. However, when I had invited respected Sonia Ji for discussion, when I had invited respected Manmohan Singh Ji; one from the Lok Sabha and one from the Rajya Sabha then I had discussed the issue of GST by giving equal importance to both. And therefore it has been our effort that an attempt has been made to accept the suggestions of everyone. And we are aware that an atmosphere of unprecedented consent was created. And the power that is created out of it that power is a big virtue for a State. We all are associated with different political ideologies. Politics is there in our minds and in our discussions. And it's reflection at some point is very natural. However, during this entire discussion of GST we saw that none of us treated that holy thing as an issue for doing politics. It became a national platform that national interests are supreme.

It is one of the brightest aspects of Indian democracy. Policy for nation is above politics. We collectively agreed on this. That does not mean that nobody will have a problem with what has been proposed. It's not necessary that there will be no complaints. There could be some people sitting here who might think that this would have been better than that. It would have been better if a comma would have been put in place of that full stop. These things will be there and this is the strength of democracy. Despite that all of us have made an effort to take it forward.

We see a lot of potential for increasing the ease of doing things due to this GST. Today, we know that filling of various kinds of forms in every state is such a long and cumbersome process. And the cross checking of those forms by the government officials will also become uniform. It's going to have a direct impact on the tax history, processing of taxes and tax rates. It's going to send a very clear message. The most salient feature

of the GST is that the consumer is king, this clear message is going to be conveyed. Ultimately consumer is a king and it's a big thing in itself that a legal system makes the consumer a king, it's a big contribution in itself.

It's my understanding that today there are about 7 to 11 different tax systems in the country and every business be it a small or a large one it will have to deal with them. By GST, these 7 to 12-13 complex tax systems will be abolished. It will lead to simplification and will benefit small businesses and consumers will benefit the most. The GST guarantees the protection of small manufacturers. These small businesses are a big source of strength in driving our economy. The more we protect them the more it will be beneficial for us. We are aware that there are different drivers for speeding up the economic growth.

In my view, there are five things that are essential for smooth running of the economy and if we should focus on these five things - man, machine, material, money and minute (time). If we move forward with the optimum utilization of these things we will not need to look for new avenues. Today, we see long queues before octroi booths at the state borders. It's estimated that the mechanized vehicles in our country have been able to utilise only 40% of their capacity and remaining 60% capacity remains unutilised as they are required to stop or halt at some or other places.

Recently an agency engaged in the research on economic problems revealed in its survey report that our country has to suffer a loss of Rs. 1.40 lakh crores just because these vehicles get stuck. When GST comes, all these hurdles will be removed and if there are other kind of hurdles then those will be removed in due course. It will also benefit the environment. The vehicles that stop at the booths burn petrol and diesel, it results in delay in supply of goods from one place to another, all these things are going to become very convenient. And because of that our huge petroleum imports from foreign countries will also come down. And in a way our states are not like that all of them have all the means at their disposal. All the states are inter-dependant on each other. Some states are required to take one commodity from other state and supply other commodities to some other states only then they are able to manage their affairs. And our present system creates a lot of hurdles in that. This system will help in solving those problems and it will increase the income of these states.

Today, due to this system it is guaranteed that the income of those states will increase which are considered backward states in our country. And if these states want to provide budget for sports, for the sports sector, if they want to invest into infrastructure then because of this new system whatever increase will be there in their revenues, these states are going to be immensely benefit because of the ensuing increase in the income. It's true that for the country's development the first thing we should do is to bring eastern part of India immediately at par with the kind of development that we see in the western part of the country. Otherwise this imbalance in development may create hurdles in rapid development of the country which is necessary to scale new heights. Due to GST these states have got a new opportunity and today I'd call upon these states to take maximum advantage of it after its implementation. Whatever revenue that will be collected to them if it is used for strengthening the basic things of the state then we will be able to realise those dreams very soon that our country has for itself. It's true that there are some problems before the manufacturing states due to GST. Consuming States are going to get more benefits. However, the government of India has made a provision to compensate them through GST only in this new GST tax system. And it's going to benefit the states and it is going to solve their problems.

Some times there is tension between the centre and states. It is either over the natural resources or over property. 'What have you given us during this long time or we should get this or that.' Due to this system there will be transparency. How much money is being collected from the centre and the states? How much revenue is being collected to the exchequer? This thing will be known both to the centre and to states as well and also under what rules the money will be apportioned. And because of that; in a federal structure the most important thing is trust. And this system is going to act as a very big catalytic agent for creating that trust which is going to strengthen India's federal structure. And whatever tax will be collected it will be known to both. And it's going to help a lot. It would have been better had Kharge Ji examined some points of the deal in detail. Perhaps, when it was formulated he could not see it properly. But, I want tell him. This is such a GST bill that all the things that are used by poor people have been kept out of this tax system. Nearly 55% of items that result in consumer inflation such as food and essential drugs have been kept out of the ambit of the GST.

How some things will become beneficial for us due to this system? We all are aware that our country always had a fiscal or revenue deficit. Suppose even if a state was debt ridden even then it used to go on and then all of us collectively went towards FRBM law. The states also accepted that thing for financial discipline. The centre also applied pressure. And in a way, in our country an attempt has been made to restore a balance between revenue and deficit. And it has brought a healthy change, a positive change in the economy and economic health of the state.

This government has taken an important legal decision. And it's very important as I'm saying a legal decision. There is a big debate in our country over the differences between the thinking of the government and the Reserve Bank. And the issues of growth and inflation have always been looked through the same prism and it always happens that if the interest rates would be like this because there is inflation and there will be no investment if the interest rates will be at certain level. And investment will not come then what! We have come here by listening all these things.

This is for the first time this government has legally conveyed to the Reserve Bank that now the inflation must be stabilized at 4%, two per cent plus or minus. We have legally conveyed this thing to them and it will be applicable till 2021. And because of this thing it is going to become the responsibility of all the institutions related to financial sector. This is for the first time that this thing has been done through a law. And I think that in the coming days its benefit will be that whatever money bulk we have, I'm confident that the responsibility to use that bulk for the development will become greater and atmosphere will change. It's true that we have been fighting with the poverty since independence. And when someone says that 65% people are below the poverty line then we know that we have got this thing in legacy. However, one will have to accept both good and bad things as if we get something good in legacy then there will be some bad things as well. However, how this poverty in the country became our responsibility? But all of us have a desire to fight this poverty, all the people sitting here, either this side or that side, have a desire to fight poverty. Methods could be different. Economic Empowerment of the poor and educational empowerment of the poor: these are the two things through which we can create an army of poor that will swallow the poverty by becoming the self dependent itself to eradicate the

poverty. And GST can emerge as a platform for creating this kind of atmosphere. And because of this thing it could also be used in our fight against the poverty. We are aware that what kind of problems small businesses face when they try to borrow loan from banks. We are trying to bring about changes in these old habits. But how these several years old habits will change even though we have been working very hard? If a small time businessman goes to a bank to borrow money then they will ask for so many documents, or they will raise questions on documents and eventually they will reject it by questioning those documents. But they will lend money to their favourite people. But due to the GST the certified details of every business will be available in real time. And when he will furnish that data before a bank and when a bank will have no power to discriminate then whosoever needs to borrow money will be able to borrow money, this kind of proof is going to be available with a common man, with the poorest of the poor. Due to those proofs, any person doing small businesses like a milk seller, tea vendor or a barber or a paper hawker or any other small business, with the help of that proof he can get things done and therefore technology is the biggest strength of GST and because of it real time data will be available. And when real time data is available then people will not face any problem in furnishing that data as a proof of their strength, their capacity. And because of that he can take advantage of those things.

And when funds are available through this tax system it also creates some kind of competition. A possibility of competition in manufacturing sector is being created. And when there is a competition in the manufacturing sector then economic activity picks up the pace it generates employment opportunities for new people. And because of an increase in the flow of money due to this system there will be full opportunity to increase the employment potential due to this system. In our country, GSDP ratio has always had a question mark from the point of view to increase the investment. And because of this system this question mark will be removed for forever. And because of this the states will also be able to rapidly speed up development of their infrastructure sector as they will take their own decisions.

Sometimes we say a lot of things about the corruption. However, in order to eradicate the corruption we need to equally strengthen the legal framework. We can't take forward such important things by believing that people will only act in the proper manner. If the framework is proper then even the dishonest people are compelled to act in a proper manner.

Because of this GST, all the tricks that are used to evade taxes; we know that these two terms – genuine bill and fake bill – they are very popular among the traders. Genuine bill and fake bill! Because of the GST, the traders themselves will be motivated for using genuine bills. Therefore, suppose that we have a health insurance policy. What we do if we have a health insurance policy. We keep all the medical bills in an organised manner lest we lose them because we know that we will be able to claim it only when we have all these things. Only then I will get the money. GST also has that system: to give the refund to a person for all the purchases made by him if he furnishes the bills. And that is why these old things, the world of fake and genuine bills – in a way it also mobilises black money. It will completely stop it. It will be stopped altogether. So in a way this system is going to be used in putting an end to both corruption and black money. And we have been making efforts in that direction and I think that it will benefit us.

We are aware that we have huge army of officers from top to bottom for collecting taxes in our country and cost of tax collection has been increasing steadily. The cost of tax collection will come down significantly because this system is based on technology, because everything will be done online. That money will be used for the welfare, for the development of poor people of the country. Similarly, wherever there is an opportunity for interference by the government machinery, there is always some possibility for corruption.

This is such a system that is going to be developed because of that the corruption in this entire process of tax collection will move towards being eliminated. And because of that thing we will also get an opportunity to make the country free of corruption. In this system the data will be integrated. It means right from the raw material to the final product, it is going to be registered online somewhere in the process. So there is an arrangement for cross checking in natural course of things. And because of this arrangement for cross checking any irregularity will be immediately detected. If any wrong has been committed anywhere then it will be detected. And because of that a kind of seamless system will be created and this seamless system will be beneficial for us. Such a system is going to be developed because of that the human interface between the tax payer and tax collector will be almost eliminated. And because of that these arrangements like: 'Your work will be done if you pay this much. If you do this then your work will be done. If you pay this then it will be done.' India's common man will be set free from all these things. And I think that we are going to be benefitted immensely due to that thing. Because of GST such kind of system is being created for tax payers under which honesty will become beneficial for him. Whatever he will pay, he will be aware that he will get back a certain amount out of it. And because of these things we will be able to curb the black money.

The data of the centre and state tax revenues will be available at one place. And be it registration or return filing or the arrangement for payment of taxes digitally, we can get it and we will get massive platform for transparency as all of these things will be done online.

Arun Ji will explain it further. Whosoever will vote for us today they will fulfill this holy work. However, it is essential that as soon as possible more than 16 states should also approve it. And even after that we will have to complete several constitutional requirements. And there are several other laws like: Central GST, Integrated GST, State GST, we will have to approve all these laws. However, today a door is being opened for all these things. And we are moving ahead with an auspicious start. And I believe that we are going reap its benefits in the coming days.

It's equally true that since it's a new subject so providing training to people is important. There's a need for IT preparedness, legal preparedness and preparedness of the officers of tax authorities. Also, we will have to work for the preparedness of consumers also, only then will we be able to do this thing.

I mean to say that those countries in the world which are considered advanced democracies, those countries which are capable of giving lectures to the world from the point of view of democracy, even in these countries sometimes it is extremely difficult to get the approval for important things like finance bill. This is India, it's Indian democracy; it's the maturity of Indian people. It's the foresight of Indian leaders that today we have been doing this great work with one voice despite our political differences and despite our different political backgrounds. We have been

doing it collectively. This in itself is a great strength of Indian democracy. Whatever perception is being created outside but today I'd like to state before this house with all humility, with respect to all the political parties that wherever you may be sitting today, you may be sitting in front of us, you may be neutral but we all can take pride in this thing that this government has just completed more than 100 weeks in office but within this period this house has approved more than 100 laws. It has made a century. This is the strength of this house. And this thing creates a new confidence in the people of the country. And everyone has played a positive role in this thing.

Everyone deserves to be praised. And when the all party meeting was held I said that the credit goes to everyone, it goes to every member; credit goes to all the political parties. The credit goes to all those whosoever made an effort. I got the opportunity to express my thoughts; I express my heartfelt gratitude to madam speaker and to the entire house. I urge all of you to collectively move forward in this direction.

Thank you very much.