



GST Lessons from Singapore

Why in news?

\n\n

Singapore government recently announced changes in the rate of the Goods and Services Tax (GST).

\n\n

What is the taxation announcement?

\n\n

\n

- Singapore government announced that it would raise the rate of the GST from 7% to 9%.

\n

- This will be the fourth increase after the GST was introduced there in 1994 at 3%.

\n

- The last increase was in 2007, when it went up from 5 to 7%.

\n

- The reason cited for the latest increase is to help the government raise resources.

\n

- It is to enhance outlays for health care, infrastructure and security.

\n

- It is said that the increase would take place between 2021 and 2025.

\n

- In essence, the duty hike is to be effected over a period of four years.

\n

- Moreover, the announcement for the increase is made 3 years in advance.

\n

\n\n

What could India learn?

\n\n

\n

- Early announcement of duty hike is one element of Singapore's GST structure that India should embrace.
- There are clear advantages of outlining the new rates in advance before enforcement.
- In India, there is virtually no time between the duty increase announcement and its enforcement.
- This is an offshoot of the old mindset that prevailed during the licence-permit-controls regime.
- There is no reason to continue the same practice even after decades of liberalisation.

\n

\n\n

\n

- **Early announcement** - Industries could plan their production and sales in keeping with the new duty regime.
- Also, an advance announcement permits reasonable debate and discussion.
- So, if some changes are considered necessary, they can be introduced as well.

\n

\n\n

What is the way forward?

\n\n

\n

- A single-rate GST structure is not what India can accept and implement at present.
- It may not be easy to unify the many current GST rates into one rate.
- However, the medium-term goal to reduce the multiplicity of rates could aim for

\n

\n\n

- \n
- i. eliminating the top rate of 28%
 - \n
 - ii. bringing down the 18% rate by a few percentage points
 - \n
 - iii. raising the lowest rate by a similar margin
 - \n

\n\n

- \n
- It could contribute to moving towards a two-rate GST regime.
 - \n
 - Even the transition to a two-rate structure should be implemented in phases.
 - \n
 - This will ensure that the consumers are able to absorb the impact and inflation remains under control.
 - \n
 - One of the achievements of the Indian GST regime is that it has not been inflationary.
 - \n
 - However, it must be ensured that items consumed largely by the poorer sections are not taxed higher than the previous rates.
 - \n

\n\n

\n\n

Source: Business Standard

\n



IAS PARLIAMENT
Information is Empowering
A Shankar IAS Academy Initiative