



Environmental issues with GST

What is the issue?

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The non-inclusion of diesel and non-fixed fertiliser rates shows GST is not environmental friendly.

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What are the serious environmental issues with GST?

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- The commodity value chain is inseparably linked to a more fundamental production process i.e the ecological production process.

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- Goods and services provided for free to human communities by the ecosystem also comes under taxable product.

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- The GST imposed on commodities that are pivotal to livelihoods for forest tribes in India might not be too beneficial for the value-chain either.

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- **Infrastructure** - GST will bring about more transportation of goods and demand for infrastructure.

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- If road infrastructure growth brings about reasonable land use conversions without factoring in ecological concerns, the net result may not be ecologically favourable.

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- **Clean energy** - Diesel is not clean fuel and it does not comes under GST taxation, but under proposed structure there is 5% tax on solar and wind energy.

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- The carbon tax (or coal cess), which was thought to be a source of funding for clean energy projects through the National Clean Energy Fund, will

now feed the GST Compensation Fund — a fund meant to compensate various state governments for any loss in revenue arising out of the goods and services tax.

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- With the costs for coal projected to fall by almost 7%, the GST regime clearly moves the “terms-of-trade” in favour of coal from the cleaner sources of energy.

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- **Chemicals** - On the other hand, a 12% GST on fertilisers, up from the 4-8% rates escalates the prices of fertilisers.

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- As per certain estimates, the prices for urea, the most commonly used fertiliser, may increase by Rs. 300 to Rs. 400 per tonne.

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- Most States did not levy any value-added tax (VAT) on micronutrients, organic manure and bio-fertilisers, the 12-per cent GST rate will mean a rise in retail prices of these minor fertilisers.

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- **Tobacco** -The tax on tendu leaf, a Minor Forest Produce (MFP) used to roll beedi, which is the financial lifeline of many tribes of Central India is now set at 18%.

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- When the government has already imposed 28% on finished beedi with the health concerns with tobacco consumption looming large.

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- The 18% GST on collected tendu leaf selling goes against the fundamental essence of equity under which Forest Rights Act (FRA) of 2006.

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- This act exempted incomes obtained from sale of non-timber forest products from taxation.

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- GST on tendu leaves is akin to taxing ecosystem services, which provide livelihood to poor.

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Source: Business Line

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