

Do you agree that bringing electricity under the ambit of GST could bolster Make in India initiative? Justify your stance.

The Make in India initiative was launched with an objective to develop India into a manufacturing hub.

i) Profitable cost margins ii) export friendly policies iii) iv) incentivising tax structure i) parity among different sectors v) competitive pricing in the market are all essential to give a meaningful fillip to the Make in India programme.

In respect of all these necessary prerequisites for manufacturing to take off, bringing electricity under the ambit of GST could for sure boost "Make in India". As, electricity not being included in GST works to the disadvantage of manufacturing in many ways.

Charges : The populist policies of the governments keep the electricity charges mild or very less for household consumers and others like the agriculture sector.

Naturally, the burden falls on the industrial users of electricity with their spiked up electricity bills to compensate for the above.

Taxes : The industrial users are taxed on the supply of inputs to the production, which ultimately increase the production cost.

Particularly the inputs for electricity production (ie raw materials like coals, solar/wind power back ups) also get embedded in the tax for production and thus on the cost side.

Also GST rates at present on inputs to electricity generation is skewed in favour of renewables, making other forms of generation disadvantageous; though non-renewables are still an unavoidable option.

Profits : Subsidisation of electricity by the states and hence cross subsidisation by discoms, shoots up the production expense of industrial users to compensate for the loss.

The tax structure and subsidisation largely affects the profit margins of the manufacturers.

Exports : Manufacturers in general and electricity-intensive products manufacturers in particular become uncompetitive on the global trading platform with uncompetitive prices due to the cooked up production costs.

Inclusion of electricity in GST would thus address these concerns by (i) eliminating multiplicity of taxes by states and bringing parity in charges (ii) providing the ~~boni~~ benefit of input tax credit to manufacturers (iii) defining the tax structure and ruling out biased subsidisation (iv) making products competitive for exports by rationalising the cost and in all, boost the prospect of Make in India programme.