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Andhra Chamber of Commerce

(INCORPORATED UNDER SECTION 8 OF THE COMPANIES ACT)

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To

DATE: 18th December 2024

The Hon'ble Finance Minister,
Government of India,
New Delhi.

Respected Madam,

SUB: Goods and Services Tax Act - proposals - our suggestions and recommendations reg. Media reports that suggest the committee recommending a fresh slab attracting a rate of 35% - REPRESENTATION SUBMITTED.

We, ANDHRA CHAMBER OF COMMERCE has is in existence since the year of inception in 1928 and is marching towards the completion of a historic century in rendering services to the Trade and Industry and disseminating the proposals and policies of the Government.

We are having our presence in the States of Tamil Nadu Andhra Pradesh and Telangana

The introduction of Goods and Services Tax (GST) by the Government of India in 2017 was indeed a historic milestone, which has transformed India's economic landscape by consolidating multiple tax laws into a single transparent system, enabling higher collections and better compliance. It is indeed heartening that the Government's concerted move to simplify the tax rates and bring in higher efficiency has not only led to greater formalization of the economy but has also enabled a higher trajectory of growth.

A simplified and unified GST ecosystem has led to predictability and stability, creating a conducive environment for business, benefitting consumers as well. The Government has continued on its path of reforms and has remained committed in its endeavour to streamline the tax system further through simplification and rationalization, so that the taxation ecosystem can be an effective driver of economic growth. Towards this, a Group of Ministers (GOM) on rate rationalization has been formed to examine the current system and suggest measures that will lead to expansion of the tax base, eliminate breaking of the input tax credit chain, enable better compliance, ensure rate parity in case of classification disputes and correction of inverted duty structure, among others.

This Popular Government and the GST Council has responded positively to the genuine concerns and reorientation of Trade and Industry, all along in the implementation and improvement of GST

It is well appreciated that the GoM has held several discussions on this issue.

It is, however, a matter of concern to see recent media reports that suggest the committee recommending a fresh slab attracting a rate of 35% for certain supplies of goods / services. and our humble submissions, suggestions and requests in this regard are below:

This indeed goes against the grain of GST simplification and rate rationalization. As is well known, higher incidence of taxation not only leads to higher evasion and litigation, but also fuels the growth of a parallel economy that encourages illicit markets and smuggled goods. Higher taxes also lower consumer demand, particularly during times of economic stress leading to loss of livelihoods.

Introduction of GST was also premised on the belief that it would expand the nation's GDP by around 2%, making the economy healthier and laying a foundation for reducing tax incidence in the future. In fact, the Kelkar Task Force Report, which first proposed a national-level GST, had recommended widening of the tax base and retaining few and low rates to establish an economically efficient, effective and equitable tax system, which would raise tax revenues through higher GDP growth and increased focus on buoyancy rather than immediate sources of tax revenue.

The most efficient tax systems in the world have expanded tax through wider coverage of economic activities, reducing exemptions, mitigating cascading and double taxation and enabling better compliance by lowering the overall tax burden on goods and services. India already has one of the most aggressive GST tax structures in the world with 28% as the highest bracket. Any proposal to introduce newer slabs and also increase rates will be counterproductive, encourage evasion and non-compliance, incentivize illegal and antisocial activities, and reverse the transparency of the ecosystem painstakingly pursued by the Government to enable the formal economy to expand and contribute to a virtuous cycle of growth.

Therefore, we would strongly urge the GoM and the GST Council to refrain from introducing any fresh slabs or increase tax rates that will distort the current trajectory of growth and spur undesirable activity of evasion, law and order complications and litigations. We would like to appeal to the Government to advise the GoM to continue to pursue a path of tax rationalization and simplification that will further contribute to socio-economic growth and indeed the aspiration of a Viksit Bharat, in our journey to become the world's third largest economy.

In fine, ANDHRA CHAMBER OF COMMERCE reassures the Hon'ble Minister and this Government for the implementation of the decided tax policies of Government so as to have growth of Trade and Commerce of our State and our Great Country.

We hope and trust that our suggestions will be considered favourably

Thanking you,

Yours faithfully,

for ANDHRA CHAMBER OF COMMERCE

Dr. V.L. Indira Dutt
President