

Implementing Make in India difficult sans GST:Nishith Desai

Good & Services Tax (GST) Bill is essential because there are a lot of leakages in terms of access for manufacturing in India, Pratibha Jain of Nishith Desai Associates said.

In an interview with CNBC-TV18, Jain said that Prime Minister's Make in India campaign will face implementation issues if the GST, its backbone, is not implemented soon.

Jain said that the biggest concern is the reluctance on part of the Opposition. The Center and states need to resolve their issues before any rollout of GST can happen, she added.

Main issue is not of different GST rates, but of "the multiple taxes and the pain of having to figure out your various taxes in various states and multiplicity of the full structure," she said.

Below is the transcript of Pratibha Jain's interview with Surabhi Upadhyay and Sumaira Abidi on CNBC-TV18.

Surabhi: What we also understand is that the government will be looking at proroguing the current session of parliament. It means that the goods and services tax (GST) bill is not going to go through. No hopes at all for any kind of a continued monsoon session. What would you make of this – some of the announcements that have come today?

A: GST is kind of back bone for the Make in India campaign. Without an effective GST coming through, the Make in India campaign is going to be very difficult for the government to implement. Manufacturing becomes very difficult. I think there has already been noise yesterday. The Congress also said that they are not going to be supporting GST.

So, the markets had feelers on that already. But we really hope that various parties can bypass this and come together because it is really important for the next level of growth as far as we can see.

Surabhi: I guess it goes without saying that the April 1, 2016 deadline completely now goes for a toss. There is no way that GST can be rolled out by the starting of the next financial year?

A: The main thing also the work being done in the background. But, yes, there will be delays, but as long as – there is a lot that needs to be sorted out between the various states and the centre. So, that work will continue and then it is just a matter of tabling, then it should be fine. But the biggest concern right now is the opposition by the main opposition party and the centre and the states looking eye-to-eye on these issues.

Sumaira: Will this put the government's reform agenda itself on the back foot you think? I mean could this give the opposition more teeth getting their demand accepted in this fashion?

A: Definitely. I think as I mentioned, GST is extremely important for the Make in India campaign. There is a lot of leakage in terms of access for manufacturing in India. They will probably need to sit on the table and try and figure out how they can try and give other thoughts to other methods to overcome the tax issue created by GST. They will have to creative if they really want to have an effect.

Surabhi: A couple of comments also came in from the Finance Minister today. He was talking about different rates of GST and the government's point seems to be very clear that you cannot write the actual rate of that revenue neutral tax within the bill because then you cannot keep amending the constitution every time you want to change that rate of tax. Is that a valid argument you think?

A: Yes, I think that is a very valid argument. Especially, given that we have seen how difficult it is to get anything through and that is the normal scenario that the rate can be changed by the government at their discretion.

The concern is not as much the rate but the multiple taxes and the pain of having to figure out your various taxes in various states and multiplicity of the full structure, not just the actual amount only.