

# 'A high rate goes against the principles of GST'



**Gopal Jiwrajka**, who recently took over as president of the PHD Chamber of Commerce, tells **Subhayan Chakraborty** why the debate now needs to shift to remonetisation. Edited excerpts:



**GOPAL JIWARAJKA**

President, PHD Chamber of Commerce

## **Do you feel the goods and services tax is being held hostage by interest groups?**

The government has a slab of 28 per cent even before the GST comes into effect, which it says is the rate needed for compensation to states. If compensation needs to come from higher rates of taxation, then the principles of a wider tax net and buoyancy of collection have been thrown out right at the

beginning.

Also, the profiteering clause is dangerous. The period for issuing notices has also increased to three years at a time of complete digitisation.

## **Has the PHD Chamber of Commerce started an evaluation of demonetisation?**

We are starting that process, not only to understand the impact but the extent to which segments of business will be affected. Nobody believes demonetisation will be undone. It is important to manage quick remonetisation now.

## **Your thoughts on demonetisation...**

There is an objective behind

this move, hopefully positive in the long term. The government is seeking a cashless society but no society in the world is cashless. Then there is the pace of money coming back, almost 60 per cent is already in. Only a small percentage not come back.

## **Are industry bodies in talks with the government on how to deal with the issue?**

No, the government is not looking for suggestions.

## **Should it not?**

This is the first time the government is dealing in matters in the domain of the Reserve Bank of India (RBI). India has always maintained its central

bank is autonomous.

## **To what level do you think interest rates should be brought down?**

Rates for bulk deposits have already been reduced by 1.75 per cent. Lending should follow from there. However, even the previous cuts have not been passed on. Since most of the money going into the system is from traders and SMEs, lending norms have to be looked into by the government and the RBI, with an eye on how to give back liquidity to the people most affected.

## **What are the chambers' suggestions to the finance ministry on the upcoming budget?**

On indirect taxes, the government is not seeking anything at

the moment because it says let the GST come in. On customs, everyone talks about a level playing field. On direct taxes, first is the issue of the rate. We have also asked for a reduction in the MAT because it is a tool to generate cash flow for the government, which should not be the purpose of taxation.

## **Should more special economic zones (SEZs) come up even when the current ones are doing badly?**

Last year, finance ministry officials believed SEZs had become a real estate play rather than helping commerce. That is why they withdrew tax benefits. On the one hand there is the belief they are not serving their purpose; on the other more SEZs are being opened. How is that going to help?