

BILL COMMENT**THE GOODS AND SERVICES TAX (GST) REGIME THROUGH THE
LENS OF FISCAL FEDERALISM IN INDIA***Shreya Jain****Abstract**

The Constitution (122nd Amendment) Bill, 2014; popularly known as The GST (Goods and Services Tax) Bill which seeks to amend the Constitution so as to confer upon the Parliament as well as the state legislatures, concurrent powers to make laws on the taxability of goods and services, is by far the most distinguished tax reform proposal ever since 1991. With the said bill being cleared in the Lok Sabha earlier in 2015, and which subsequently came up and stood the test in the Rajya Sabha in the monsoon session this year, is all set to be presented before the legislatures of the states, before it makes its headway to become the most awaited and celebrated tax regime in the country. This paper seeks to examine the proposed reform from the standpoint of fiscal relations prevailing in India owing to a federalist; rather a unique quasi-federalist set up. It is imperative to undertake a detailed examination of the division of fiscal powers enshrined in the Constitution so as to be in a position to appreciate the need for the proposed amendment and its effect upon the alterations in the financial equation between the centre and the states.

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I Introduction

THE INDIAN state being federal in nature, through its Constitution lays down distinct responsibilities to be performed by the Centre and the State, according to the division of

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powers, for which they need to raise resources. For this purpose the Constitution empowers both the Centre and the State to levy and collect taxes through their respective legislations as enshrined in the seventh schedule to the Constitution of India. Revenue generation through the taxation of goods and services is a prominent source of financing the governmental operations.

The existing system of taxation of goods and services suffers from various problems mainly the multiplicity of Centre and state taxes on goods leading to cascading effect of taxes. Moreover there is a blurring of the distinction between goods and services which makes the separate taxation of goods and services untenable. Thus there is a need for a comprehensive taxation regime which is proposed under the title of the Goods and Services Tax (GST). GST is India's most ambitious tax reform initiative that is targeted at bringing simplicity, transparency and efficiency to the system of indirect taxation in the country and is being considered imperative in the emerging economic environment.

Altering the taxing powers of the Centre and the state would require a Constitutional amendment and this would have the effect of modifying and reworking the fiscal relations between the Centre and State and consequently the redesigning of the current fiscal federalism framework in India.

II Discerning federalism and fiscal federalism

Federalism in its simplest and most basic form means the setting up of government at multiple tiers and primarily at two tiers in most federal states. Thus it envisages an idea of decentralisation of government. Compared to a unitary form of government where the government is at a single level and where there is centralisation of power, in a federal state there is a clear demarcation of powers between the federal national unit and the sub-national state units. In the Indian context the establishment of a federal structure was first proposed in the Government of India Act, 1919 and was later given shape by the Government of India Act, 1935.

The Federalism in India tries to strike a harmonious balance between the centripetal idea of unity and cultural diversity of regions.¹ It has a unique feature of adapting itself to the unitary form, without any amendment to the Constitution, to meet an emergency situation.² Thus India is not viewed as a purely federal state. Many scholars label it as quasi-federal and mainly a federal structure with a strong unitary bias.

Division of powers between the federation and the units where they are given ordinate and equal status within their respective fields is known as co-ordinate federalism. The next where the units and the federation do not compete for power but co-operate through various instrumentalities to promote the common purpose is known as “co-operative federalism.” The present stage in India can be described as “organic federalism” where the federation and the units function as a part of one organism to achieve the common governmental purposes. What is, therefore discernible is that the Indian federalism in its working has moved away from the theoretical framework of co-operative federalism towards an organic federalism to be placed towards unitary end of the federal spectrum.³

Arthur Duncan opines that “in India where centrifugal forces might conceivably be stronger than the centripetal forces, it is essential to give as much powers as possible to the Centre to enable it to carry out its supreme function of the unification of India.”⁴

The era of globalisation brings new challenges for federal states. Some authors raise questions such as: If we are moving towards a borderless world, how much boundaries within a country matter or should matter?⁵ Federal structures will have to undergo a change in order to be able to respond to the forces of globalization and international competition that emerges as a consequence.⁶

¹ Ranbir Singh and A. Laxminath, *Fiscal Federalism Constitutional Conspects* 5 (Wadhwa, Nagpur, 2005)

² *Ibid*

³ *Supra* note 1 at 5

⁴ *Supra* note 1 at 7.

⁵ C. Rangarajan, “Fiscal Federalism Some Current Concerns” 13(2) *Indian Journal of Federal Studies* (2012).

⁶ *Ibid*.

Fiscal federalism to be described most fundamentally would mean applying the federal principles in fiscal relations between the federation and units. The concept of fiscal federalism which is a concept of public economics is centered on the designing of a framework which details out the fiscal powers and responsibilities of the central unit *vis-à-vis* those which need to be decentralised to the sub-national units. It is generally believed that the Central Government must provide national public goods that render services to the entire population of the country.⁷ Local governments are expected to provide goods and services whose consumption is limited to their own jurisdictions.⁸

Any government, in order to attain success in achieving its goals needs to carefully work out its fiscal equation. The disbursement of funds has to be matched and mapped to the revenue generation and should ideally either result in a surplus or breakeven and a deficit situation should be circumvented. Also the allocation of finances between the national and sub national units should be worked out in a manner that it doesn't result in a fiscal imbalance. A situation of fiscal imbalance arises when the expenditure of a unit exceeds the revenue generation of that unit. However, perfect fiscal balance is an ideal situation which is seldom achieved by most federal States.

In the Indian context it is pertinent to note that the financial relations between the Centre and the state have been constantly debated and discussed and despite the same, no unanimity has been achieved. The Sarkaria Commission had made several recommendations with respect to the same. In chapter X of the Sarkaria Commission's Report on Centre-State Relations 1988, the reforms with respect to the financial relations are discussed in great detail. However the recommendations weren't adopted by the government.

A challenge before most federal states including India is to ensure that the financial relations between the Centre and the state units should not result in a fiscal imbalance. Fiscal imbalances in India result due to the mismatching of revenue and expenditure of the State units. Due to a strong unitary control the Centre is able to command greater share in the public funds and hence it leads to a vertical fiscal imbalance. Usually the states lack funds in proportion to the responsibilities entrusted to them to discharge the same. Thus the states have

⁷ *Supra* note 5 at 45.

⁸ *Ibid.*

to rely heavily upon the Centre for aids, grants and revenue sharing. In the words of K.C. Wheare:⁹

State governments are overloaded with expenditure responsibilities and expectations, whereas they are not endowed with enough resources to finance public expenditures. The economic reforms have amplified the vertical fiscal imbalances in the Indian federation.

There has been a lot of simmering and even open conflicts between the union and the states in devolution of fiscal and financial resources.¹⁰ This controversy has gained momentum in the recent years with the era of coalition politics gaining ground wherein regional parties have come to occupy an all important role in federal government and are thus, asserting their claims vociferously.¹¹

Although financial relations between the Centre and state in the Indian context can be studied in terms of various components such as budget allocation, granting of loans, providing aids, revenue sharing in taxes and so on and so forth, in this paper we shall be confining our discussion to the taxing powers of the Centre and the states and revenue sharing in the same, from the touchstone of the principle of fiscal federalism. A merit of the Indian scheme of allocation of taxing powers is that it seeks to avoid the complexity of overlapping and multiple taxation such as have arisen in other federations.¹² The key note of the Indian constitution is to secure an almost complete demarcation and dichotomy between the taxing powers of the Centre and the states so that a tax leviable by the Centre is not leviable by the state.¹³ The inter-governmental tax immunities are provided for in articles 285, 287, 288 and 289 of the Indian Constitution.

⁹ *Supra* note 1 at 16.

¹⁰ Manoj Sharma, "Fiscal Federalism Under The Indian Constitution: A Critique" 11(2) *MDU Law Journal* (2006).

¹¹ *Ibid.*

¹² *Supra* note 1 at 27.

¹³ *Ibid.*

III Taxing powers of the centre and state

Under the union list (list I) of the Constitution of India, the Centre has the power to impose the following taxes and duties.¹⁴

ENTRY NUMBER	DESCRIPTION
Entry 82	Taxes on income other than agricultural income.
Entry 83	Duties of customs including export duties.
Entry 84	Duties of excise on tobacco and other good manufactured or produced in India (except alcoholic liquor for human consumption, opium, hemp, narcotics; but not including medicinal and toilet preparation)
Entry 85	Corporation tax.
Entry 86	Taxes on capital value of assets exclusive of agricultural land of individuals and companies, taxes on the capital of companies.
Entry 87	EState duty in respect of property other than agricultural land.
Entry 88	Duties in respect of succession to property other than agricultural land.
Entry 89	Terminal taxes on goods or passengers carried by railway, sea or air and taxes on railway fares and freights.
Entry 90	Taxes other than stamp duties on transactions in stock exchange and future markets.
Entry 91	Rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts.
Entry 92	Taxes on the sale or purchase of newspapers and on advertisements published therein.
Entry 92A	Taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state trade or commerce.
Entry 92B	Taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment

¹⁴ The Constitution of India, 1950 list I.

	takes place in the course of inter-State trade or commerce.
Entry 92C	Taxes on services.
Entry 97	Any other matter not enumerated in List II or List III including any tax not mentioned in either of those Lists.

From a bare usual of the above it is clear that the central government has the power to levy a wide range of taxes and some of the very essential taxes such as the income tax, excise duty, duty of customs, inter-state sale tax known as CST (central sales tax) and even the recent addition of service tax to the list evidently indicate that the Centre intends to control the levy of the primary revenue generating taxes by itself. However it is pertinent to mention here that even though the Centre retains the exclusive power to levy the above mentioned taxes, it does not reserve the entire proceeds for its own use and disburses defined percentages to the state units as well.

Under the state list (List II) of the Constitution of India, the state has the power to impose the following taxes and duties.¹⁵

ENTRY NUMBER	DESCRIPTION
Entry 45	Land revenue, including the assessment and collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenues.
Entry 46	Taxes on agricultural income.
Entry 47	Duties in respect of succession to agricultural land.
Entry 48	Estate duty in respect of agricultural land.
Entry 49	Taxes on lands and buildings.
Entry 50	Taxes on mineral rights subject to any limitations imposed by Parliament by law relating to mineral development.
Entry 51	Duties of excise on the following goods manufactured or produced in the state and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India-

¹⁵ The Constitution of India, list II.

	<p>(a) alcoholic liquors for human consumption</p> <p>(b) opium, Indian hemp and other narcotic drugs and narcotics</p> <p>But not including medicinal and toilet preparations containing alcohol or any substance included in sub-paragraph (b) of this entry.</p>
Entry 52	Taxes on the entry of goods into a local area for consumption, use or sale therein.
Entry 53	Taxes on the consumption or sale of electricity
Entry 54	Taxes on the sale or purchase of goods other than newspapers, subject to the provisions of entry 92-A of list I.
Entry 55	Taxes on advertisements other than advertisements published in the newspapers and advertisements broadcast by radio or television.
Entry 56	Taxes on goods and passengers carried by road or on inland waterways.
Entry 57	Taxes on vehicles, whether mechanically propelled or not, suitable for use on roads, including tram-cars subject to the provisions of entry 35 of list III [Concurrent list].
Entry 58	Taxes on animals and boats.
Entry 59	Tolls.
Entry 60	Taxes on professions, trades, callings and employments.
Entry 61	Capitation taxes.
Entry 62	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
Entry 63	Rates of stamp duty in respect of documents other than those specified in the provisions of list I with regard to rates of stamp duty.

The most significant tax entry in the above list is entry 54 which deals with the tax on sale or purchase of goods and hence sales tax/ VAT (value added tax) is covered under the same. However inter-state sales tax is covered under entry 92-A of List I and hence states have the power to levy tax on only intra-state sales *i.e.*, the sales which takes place within the state itself. Further it is abundantly clear that principal taxes are covered in List I and the ones listed under list II are subordinate and hence most states lack self-sufficiency as far as financial autonomy is concerned.

IV Fiscal imbalances and attempts at reconciliation

It is an essential feature of federal financing that the state units should be granted an opportunity to raise requisite finances in proportion to their spending and development needs. This would enable them in attaining fiscal self-sufficiency. However in India, the distribution of revenue generating powers has been made in such a manner so as to leave the states at the mercy of the Centre and their position was aptly summed up by Amiyo Kumar Ghosh in the Constituent Assembly as “orphans with a begging bowl in hand approaching the Union Government for money and help”.

In order to achieve an equitable solution, the Constitution has envisaged a scheme for revenue sharing. All the taxes which are levied and collected by the state are appropriated by the states themselves. But certain taxes which are collected by the Centre have to be compulsorily shared with the states. This provision for revenue sharing is enshrined in various articles of the Constitution of India. Article 268 of the Indian constitution provides that stamp duties and duty of excise on medicinal and toilet preparation as given under list I shall be collected and appropriated by the state within which such duties are leviable, even though the power to levy has been granted to the Centre. Article 269 talks of the taxes which are although levied and collected by the Centre, shall be made available to the state units for appropriation. These include duties in respect of succession to property other than agricultural land; estate duty in respect of property other than agricultural land; terminal taxes on goods or passengers carried by railway, sea or air; taxes on railway fares and freights; taxes other than stamp duties on transactions in stock exchanges and futures markets; taxes on the sale or purchase of newspapers and on advertisements published therein; taxes on the sale or purchase of goods other than newspapers, where such sale or purchase takes place in the course of inter-state

trade or commerce ; taxes on the consignment of goods (whether the consignment is to the person making it or to any other person), where such consignment takes place in the course of inter- state trade or commerce. Article 270 makes a provision regarding Income Tax on non-agricultural income. This tax is levied and collected by the union but shall be shared between the union and the state units. Further article 272 makes a provision that though certain taxes are levied and collected by the Centre, the Centre may share the proceeds of the same with the state units, optionally.

Thus we can summarise the sources of revenue generation from taxes for the states as : the ones as mentioned in the state list, the ones categorized in the union list which are levied by the Centre but which are collected by the states as mentioned in article 268, the ones listed in the union list which are levied and collected by the Centre but the proceeds are made available exclusively to the state for disbursement as mentioned in article 269, the ones which are under list I and are levied and collected by the Centre but are compulsorily shared with the states as mentioned in article 270 and lastly the ones which are under the union list and are levied and collected by the center and may voluntarily be shared with the states as mentioned under article 272.

The framers of our Constitution realised that there cannot be any rigid formulae for sharing finances between the two sets of government in the Indian federation and thus instead of fixing any rigid percentage, they provided for the instrumentality of Finance Commission to be appointed every five years which would advise the financial flows between the two sets of governments keeping in view the contemporary economic situations.¹⁶

The functions of the Finance Commission are to make recommendation to the President in respect of the distribution of the net proceeds of the taxes to be shared between the Centre and states and the allocation of the shares of such proceeds among states; the principles which should govern the payment by the union of grants-in-aid to the revenue of the states and other matters concerning financial relations between the Centre and states.¹⁷

Apart from the Finance Commission, an extra-constitutional body called the Planning

¹⁶ *Supra* note 10 at 83.

Commission which has now been replaced by NITI Aayog has played a pivotal role in making allocations to states for developmental programs and the plan transfer of funds. The distribution of funds is made as per the formula devised by the National Development Council (NDC).

Some authors are of the opinion that such a structure as envisaged in the constitutional framework regarding the distribution of taxing powers has resulted in a greater advantage to the states:¹⁸

The revenue transferred to the States by way of tax sharing is unconditional which States can use as they like. Thus, the major burden of taxation falls on the Centre which States enjoy as a part of the fruits of the efforts. As the situation exists today the rate at which the Centre is levying taxes are pretty high and it is very doubtful if the States could have collected as much revenue themselves from these taxes as they secure now as their share from the Central levy.

However others differ on this and claim that when India gained independence the position was somewhat reverse as compared to what exists today. The budgets of most of the states were in surplus and the Central budget was in deficit.¹⁹ At present, however there is expenditure and resource mismatch at the state level whereas the Centre has comparatively more resources wherefrom the states are entitled only such percentage of funds out of the divisible pool as determined by the Finance Commission.²⁰ Moreover there is lack of transparency in the manner in which allocation of funds is made to the states and the same is not open to public for review. States allege that the Centre is using the Finance Commission as an instrument of coercion by making devolution of funds conditional upon accepting the Central agenda.²¹ It is alleged that the Financial Commission awards are taking the nation towards economic balkanisation.²²

¹⁸ *Supra* note 1 at 47.

¹⁹ *Supra* note 10 at 85.

²⁰ *Ibid.*

²¹ *Supra* note 10 at 85.

²² *Ibid.*

As opposed to the idea of decentralisation which is the essence of a federal structure, there is a trend towards centralisation with the Centre exhibiting unitary tendencies. The attempts of the Centre to prevail upon the financial recourses of the states by using its fiscal superiority are certainly against prudent federal practices *e.g.*, In the area of indirect taxes, an attempt is underway to make a national level law on the taxation of goods and services which is a state subject.²³ Similarly in 1994 the union government exercised its residuary power under entry 97 of the union list to levy tax on services as service sector is the fastest growing sector in the country and this move would enable the Centre to augment its own resource base.

V A need to initiate tax reforms in India

In today's time and age, with the advent of globalisation and economic reforms, which requires the creation of a stable market and at the same time warrants higher revenue generation, there is a dire need to put an efficient tax system in place. This can be achieved through a series of tax reforms which would simplify, harmonize and make the tax administration efficient. Economic reform has led to a substantial rationalization of the central government tax structure, in terms of lowering marginal rates, simplification of the rate structure, and some degree of base widening but tax reform has been slower at the State level.²⁴

VI The advent of the GST regime and its impact on centre-state Fiscal financial relations

Before we get onto the examination of the proposed Goods and Services Tax (GST) at the altar of fiscal federalism, it is essential to obtain an understanding of the rationale behind the proposed regime.

The Kelkar Task Force on the implementation of Fiscal Responsibility and Budget Management (FRBM) Act, 2003, had pointed out that the existing system of Taxation of

²³ *Supra* note 10 at 86.

²⁴ Renuka Tyagi, "Fiscal Federalism in India: An Overview" 13(2) *Indian Journal of Federal Studies* (2012).

goods and services suffers from many problems and therefore suggested a comprehensive GST. The proposed GST system is targeted to be a simple, transparent and efficient system of indirect taxation which involves taxation of goods and services in an integrated manner. The merits of the system lies in eliminating the multiplicity of Centre and State levy of taxes on goods and doing away with separate taxation of goods and services as the same is untenable in the view of blurring of distinction between the two.

The statement of objects and reasons of the draft bill as introduced in the Lok Sabha reads as under:²⁵

The Constitution is proposed to be amended to introduce the goods and services tax for conferring concurrent taxing powers on the Union as well as the States including Union territory with Legislature to make laws for levying goods and services tax on every transaction of supply of goods or services or both. The goods and services tax shall replace a number of indirect taxes being levied by the Union and the State Governments and is intended to remove cascading effect of taxes and provide for a common national market for goods and services. The proposed Central and State goods and services tax will be levied on all transactions involving supply of goods and services, except those which are kept out of the purview of the goods and services tax.

The current position as explained in above sections is that; under entry 54 of list II, the state has the exclusive power to levy tax on intra-state sales of goods. Under entry 92A of list I the Centre have the sole power to levy tax on inter-state sale of goods and further under entry 92C of the same list, the Centre has the exclusive power to levy tax on provision of services. The duty of excise which is a tax on manufacture of goods is bifurcated on the basis of the nature of goods between the Centre and the state (entry 84 list I and entry 51 list II). Thus there is a clear demarcation of the taxing powers with the Centre retaining entire power to tax services and a bifurcation being made with respect to tax on manufacture and sale of goods where intra-State sales falls under the state jurisdiction and inter-state sales falls under the jurisdiction of the Centre and excise being divided between the two. It is felt that this

²⁵ The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014.

constitutional design allows neither the Centre nor the states to levy taxes on a comprehensive base of all goods and services as the Centre is constrained from levying tax on certain sales of goods and the state in extending the tax to services.²⁶ This division of tax powers makes both the CENVAT and state value added tax (VAT) partial in nature and contributes to their inefficiency and complexity.²⁷ The proposed GST would be a comprehensive indirect tax on the manufacture and sale of goods and consumption of services throughout India and would subsume multiple varied taxes imposed by the central and the state governments and amalgamate all of them in one single concept.

It is pertinent to mention here that since the Indian republic is federal in nature, a dual GST regime has been proposed where the Centre and the state would have concurrent powers to levy this tax. If we consider the question of fiscal autonomy of states, the states in India have been constantly opposing the GST and have preferred a dual GST as opposed to a single GST as exists in most nations which have adopted this regime. For instance China moved to a centralised VAT with revenue sharing with the provinces-ensuring that the provinces got as much revenue as under the prior arrangements, plus a share of the increment.²⁸ In Australia, the GST is a single national levy and all the GST revenues collected by the Centre are returned to the states.²⁹ India appears to be the only nation which would adopt a dualistic model of GST as states in India are unwilling to part with the autonomy in the exercise of taxation powers.

The proposed GST would certainly amend the current fiscal Centre-state relations but there seem to be divergent views on the exact nature of this change. Some economists believe that there is an increasing tendency towards centralisation of economic and financial powers in India which may get exacerbated due to GST.³⁰ The concerns of the state is that the autonomy in taxing powers may get diluted which may not get compensated for as the share of taxes of states from the Central government's gross tax revenue has not substantially changed over

²⁶ Satya Poddar and Ehtisham Ahmad, "GST Reforms and Intergovernmental Considerations in India" 23 *VAT and Service Tax Cases* (2009).

²⁷ *Ibid.*

²⁸ *Supra* note 26 at 10.

²⁹ *Ibid.*

³⁰ Deepa S Vaidya and K Kanagasabapathy, "Reforms of Indirect Taxes: Hurdles Before the GST" 48(26,27) *Economic and Political Weekly*(2013).

years.³¹ On the other hand others opine that since the power to tax services was under the exclusive domain of the Centre and now the states as well would get a right to tax this booming sector of the economy, it would be beneficial for the states as such and they can expect their revenues to increase. However, according to the thirteenth finance commission, the Centre's tax base may not increase as significantly with the additional power to tax consumption up to the retail level.³² Also there is an increasing demand from the states that they should be compensated for the expected loss of revenue, if any, once the GST is implemented.³³ Further others argue that a paradigm shift in tax policy is necessary to recognize that tax bases of Central and state government are interdependent (which the current design fails to recognise) and thus it is desirable to provide concurrent tax powers to both the Centre and the state in respect of income and domestic consumption taxes.³⁴ They also recognize the need to unify multiple indirect taxes levied by the central and state governments into a single GST preferably with the states piggybacking on the central levy with clearly defined tax rooms for the two levels of government.³⁵

VII Concluding remarks

The GST regime which aims to stitch together a common market by dismantling fiscal barriers and is eyed as a move to boost investor confidence in the country is certainly not without hurdles and challenges. Around 160 countries in the world have implemented the GST, the latest addition to the list being Malaysia, where the implementation of GST became effective from 1st April 2015. However the taxation system of India which is a two tiered federal structure (excluding a third tier of rural and urban local bodies) imposes serious challenges to the overhauling of the existing system to integrate the same into a single regime. A dual GST has thus been proposed, keeping with the constitutional requirements of fiscal federalism. It has been argued that GST rates which have been proposed as high as 24-27% will create apprehension in the minds of paying consumers and may lead to greater tax

³¹ *Ibid.*

³² *Supra* note 30 at 80.

³³ *Ibid.*

³⁴ *Supra* note 26 at 13.

³⁵ *Ibid.*

evasion instead.³⁶ Also the GST appears to be treating unequal states equally by ignoring that the level of manufacturing activities in states vary greatly and the proposed framework may not be suitable, keeping in view the heterogeneity and vastness of India.³⁷ Administration and complexity issues have been at the centre of most debates opposing the same.³⁸ Thus skepticism still prevails over the suggested reforms as well as regarding the exact nature of how the fiscal relations between the Centre and state would be altered and redesigned. What is however evident is that the proposed regime which is working well in most countries where it has been introduced, would certainly give the GDP a boost, reduce the prices of goods by eliminating cascading effect of taxes, make the export oriented industries internationally more competitive and improve the efficiency of tax collection and administration in the country. Similar challenges were posed and overcome during the introduction of VAT in India in the year 2005. Since then, VAT has been working well and has streamlined and ameliorated the sale tax regime. Hence once the system is in place, from an overall national perspective, we can expect that it is likely to improve the fiscal equation of the country as a whole.

³⁶ Available at: <http://indianexpress.com/article/opinion/columns/gsts-seven-deadly-defects/> (last visited on Apr. 20, 2016).

³⁷ *Ibid.*

³⁸ *Ibid.*