

Goods and services tax to be in place by 2014: Prime Minister

Prime Minister Manmohan Singh said on Tuesday that the much-awaited goods and services tax (GST) will become a reality by 2014 regardless of who forms the government after the next Lok Sabha elections, even as he counseled the foreign investors to come to terms with problems that India poses as an investment destination.

Singh was responding to Hiromasa Yonekura, chairman of Japan India Business Leadership Forum, who told the PM that differences in tax regimes of each state and the complicated tax structure were big obstacles for investments in India.

While saying that it was India's objective to move towards a goods and services tax, the PM said: "But India is a federation and in federation there are difficulties of getting all the states to agree and surrender their tax power in favour of the GST. But I am confident that we will overcome that hurdle."

Singh was also candid in acknowledging that the political context, with many state governments belonging to non-UPA parties wary of GST, was not conducive for early implementation of the ambitious tax reforms reform. "I cannot say that we can deliver the GST tomorrow ... but if you ask me, by the year 2014, I am confident that a GST of appropriate type will be in place."

He also suggested that the opposition to GST was for political reasons which will melt once the 2014 elections are out of the way.

However, Singh tempered his pitch for Japanese investments by advising potential business partners to adjust to Indian reality. He sympathized with the demand of Japanese and other foreign bankers that they be allowed to open more branches in metropolitan centers.

"I agree with you that this is not going to hurt you but will add net value to the role of banking system and I take note of that", said the PM even as he claimed that the decision on foreign banks' plea will be that of the finance ministry and the central bank. "If I may confess to you, the higher we go in public life, the lesser we know."

Singh was more blunt in conceding his inability to organize a waiver for foreign banks from the priority sector lending norms even though he seemed to agree that the demand was justified. Responding to the representative of Sumitomo National Banking Corporation, Singh said: "With regards to priority sector lending, there is a genuine problem in our country. We impose priority sector lending restrictions on all our banks, and while it may be difficult for foreign banks to adjust to this type of discipline, my advise to you is to adjust to the environment, because we will find much greater acceptability. It may take some time, but we do recognize that we cannot treat all banks alike."

The PM justified his pragmatic advice to Japanese bankers that they should not be put off by the difficulty of coping with the priority sector lending norms. "In public life, I have imbibed enough to recognize that sometime the best cannot be the enemy of the good, and we should not let that happen".

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