

BEHIND THE CURVE: ON GST COMPENSATION TO STATES

The Centre must help States tide over the pandemic crisis by giving GST dues

Meeting for the second time since the pandemic took hold in the country, the GST Council, last Friday, decided to relax late fees and interest payable for those taxpayers failing to file returns on time. For businesses with no tax liabilities under the indirect tax regime, the late fees were completely waived. This is in line with similar relaxations announced by the Centre in March, before the lockdown was declared, to ease compliance deadline worries of small businesses in particular. Since the full lockdown lasted longer than initially envisaged, and only began to unwind this month, the forbearance on offer was a necessary step. But given the extent of economic damage as well as the States' fiscal positions in the period between these two meetings of the Council, its decisions are far from sufficient. In March, GST collections had slipped to ₹97,597 crore after surpassing the ₹1-lakh crore mark over the previous four months, and the numbers for April and May will not be known before July. Finance Minister Nirmala Sitharaman has told State representatives in the Council that just 45% of the indirect tax target had been met in the past two months. Although aware of the dwindling tax kitty during the lockdown, States have had their hands full managing the pandemic.

It is for this reason that several States have been urging the Centre to extend emergency fiscal support and release past GST compensation dues enshrined in the pact that allowed the new tax regime to take off three years ago. In its stimulus package, in May, the Centre enhanced States' power to borrow, but only part of that was completely unconditional, and a large chunk was contingent on States undertaking specified reforms. These reforms may be long-pursued ideals, but whether this is the right time for prioritising them has been questioned. GST compensation (for revenue shortfalls in the first five years of GST) due to States for December 2019 to February 2020 was only released on June 4. Perhaps, it was timed to pre-empt discontent in the Council's meeting. Yet, Centre-State ties could turn more fractious, especially in the GST Council where things have usually evolved with consensus so far — thanks to the failure to finalise the way forward for paying States the compensation. One of the ideas on the table, officially discussed for around two months, is to raise loans against future GST cess accruals in order to recompense States. Any decision on this front, along with proposed GST rate rationalisations in the textiles, footwear and fertilizers sectors that were on the Council's agenda, can now only be expected at a special meet in July. Procrastination is not an appropriate response at this arc of the curve — be it the pandemic or the economy.

Meanings of Difficult Words :

- ❖ **behind the curve** (phrase) – below average; lagging behind other competitors.
- ❖ **compensation** (noun) – payment, repayment, settlement (for loss/damage).
- ❖ **GST compensation** (noun) – Under the GST law (In India), state governments are guaranteed full compensation for any revenue loss for the first five years after the introduction of the goods and services tax (GST) in July 2017. The compensation is a gap between actual revenue collected and projected revenue.
- ❖ **tide over** (phrasal verb) – sustain, keep someone going, help/assist (someone in difficulty).
- ❖ **take hold** (phrase) – begin to have an effect.
- ❖ **relax** (verb) – make less strict, make less formal, ease (a rule/restriction).
- ❖ **tax liability** (noun) – the total amount of tax that an individual, corporation, or other entity is responsible for paying to a taxing authority.
- ❖ **regime** (noun) – system, arrangement, scheme.

- ❖ **waive** (verb) – ignore, drop, omit, forgo (a rule/fee).
- ❖ **in line with** (phrase) – in alignment with, in accordance with.
- ❖ **relaxation** (noun) – moderation, modification (of a rule less strict).
- ❖ **compliance** (noun) – conformity, observation, adherence.
- ❖ **in particular** (phrase) – particularly, specifically, especially.
- ❖ **last** (verb) – continue, go on, remain, exist.
- ❖ **envisage** (verb) – foresee, predict, forecast.
- ❖ **unwind** (verb) – open, unfold, undo; ease, relieve.
- ❖ **forbearance** (noun) – temporary postponement of (tax/debt) payments granted by the government/bank. It is to give taxpayers/customers extra time to make their tax/debt payments.
- ❖ **on offer** (phrase) – available.
- ❖ **fiscal** (adjective) – financial.
- ❖ **far from** (phrase) – not, not at all, nowhere near.
- ❖ **slip** (verb) – fall, drop, slide.
- ❖ **surpass** (verb) – be greater than, exceed, outdo/eclipse.
- ❖ **dwindle** (verb) – diminish, decrease, reduce, drop, fall.
- ❖ **kitty** (noun) – a sum of something (money/things) made up of small of contributions.
- ❖ **have one's hands full** (phrase) – occupied in, engaged in, involved in.
- ❖ **enshrine** (verb) – to enclose in, preserve, treasure, protect (as valuable).
- ❖ **take off** (phrasal verb) – become functional, start out, commence, embark, launch into.
- ❖ **stimulus/relief package** (noun) – an attempt by the government to boost economic growth and save their country from a financial crisis by involving tax cuts, lowering interest rates and increasing government spending.
- ❖ **unconditional** (adjective) – unquestioning, unqualified, unrestricted, unlimited.
- ❖ **chunk of** (noun) – a significant amount of.
- ❖ **contingent on** (adjective) – dependent on, conditional.
- ❖ **undertake** (verb) – begin, start, commence, embark on.
- ❖ **long-pursued** (adjective) – long explored, examined, analysed (an idea).
- ❖ **ideal** (noun) – standard, principle, criterion, model.
- ❖ **shortfall** (noun) – deficit, inadequacy/deficiency.
- ❖ **perhaps** (adverb) – maybe, possibly.
- ❖ **time** (verb) – perform/do (an action) at a particular moment.
- ❖ **pre-empt** (verb) – forestall, anticipate, get in before.
- ❖ **discontent** (noun) – dissatisfaction, disaffection, unhappiness, displeasure.
- ❖ **tie** (noun) – bond, association, relationship.
- ❖ **fractious** (adjective) – argumentative, quarrelsome, contentious, controversial, difficult (to control), disagreeable.
- ❖ **evolve** (verb) – develop, progress, advance.
- ❖ **consensus** (noun) – an idea or opinion that is shared by all the people in a group, agreement, concurrence.
- ❖ **so far** (phrase) – until now, up to the present, up to this point.
- ❖ **thanks to** (phrase) – as a result of, owing to, due to, because of.
- ❖ **the way forward** (phrase) – something (a plan/action) that leads to success in the future.
- ❖ **on the table** (phrase) – to be considered/taken for discussion.
- ❖ **accrual** (noun) – growth, increase, accumulation/collection.
- ❖ **front** (noun) – a particular situation.
- ❖ **rationalisation** (noun) – it refers to the process of becoming calculable (in expenditure).
- ❖ **procrastination** (noun) – delaying tactics, stalling, the action of postponing something.
- ❖ **arc** (noun) – path, trajectory (a curved one).

NO LONGER SPECIAL: ON INDIA-NEPAL TIES

India and Nepal need to move quickly to reverse the recent setback to ties

After months of brinkmanship, India and Nepal have brought their relations to the edge of a precipice. The Oli government's decision to pass the constitutional amendment ratifying a change in its maps that include Lipulekh, Kalapani and Limpiyadhura, territories that India controls, marks a decidedly new phase in ties. While the issue is an old one, it resurfaced in 2019 when New Delhi published new political maps to reflect the changes following the decision on August 5 to reorganise the State of Jammu and Kashmir, and Nepal objected to the depiction of disputed territory. In 2000 and 2014, India and Nepal agreed to hold talks about Kalapani and Susta, without much success. Matters snowballed when India's Defence Minister inaugurated a surfaced road over the territory; when Nepal protested, Indian Army Chief, General Naravane, suggested it was at the "behest" of China. At the base of the rift is the lack of diplomatic manoeuvring to allow a step back from the brink. While New Delhi contends that it was willing to discuss matters "at a mutually convenient date", Kathmandu says the MEA has rejected two dates suggested by the Nepal MoFA, and has routinely dismissed requests from the Nepal Ambassador for a meet with the Foreign Secretary. That the MEA said Kalapani talks could wait until both countries had dealt with the coronavirus pandemic first, further enraged the Oli government, which has pointed out India's participation by videoconference in bilateral and multilateral meetings. Meanwhile, Mr. Oli's purposeful manner in pursuing the amendment at exactly the same time as the India-China border stand-off bolsters the belief among some in New Delhi that he is speaking with confidence borne from Beijing's backing.

Regardless of the truth of those accusations, or who is more responsible for the downslide in ties, the speed with which the constitutional amendment was passed has left little space for diplomacy now. That the vote was unanimous should also inform New Delhi of the futility of casting Mr. Oli alone as the 'villain' of the piece. It is necessary the two nations resolve their issues through dialogue lest they face more serious consequences. The Modi government has in the past not flinched from taking tough measures, including the 2015 blockade that severely affected India's landlocked neighbour. The Oli government, which seeks to build its legacy by overturning what it calls "unequal" agreements made by the monarchy, could also cause a security nightmare for India if it opens up other parts of their long boundary, and reverses old commitments on open and unsecured border posts. Both sides moved quickly this week to manage the fallout of border firing by Nepali police on a group of Indians that left one dead. The same alacrity is needed to manage the fallout of Saturday's amendment vote, on the once celebrated "special" relationship between the two countries.

Meanings of Difficult Words :

- ❖ **tie** (noun) – bond, association, relationship.
- ❖ **setback** (noun) – problem, difficulty, issue.
- ❖ **brinkmanship** (noun) – the practice of trying to achieve an advantageous outcome by pushing dangerous events to the brink (edge) of active conflict, especially in politics.
- ❖ **precipice** (noun) – a dangerous situation; a very steep cliff on a mountain.
- ❖ **ratify** (verb) – confirm, validate, approve, sanction.
- ❖ **mark** (verb) – indicate, represent, signify.
- ❖ **decidedly** (adverb) – clearly, obviously, noticeably, undeniably, undoubtedly.
- ❖ **resurface** (verb) – come out, arise again.
- ❖ **reflect** (verb) – indicate, display, show, reveal, disclose, exhibit.
- ❖ **depiction** (noun) – delineation, representation, description, portrayal.
- ❖ **snowball** (verb) – increase, rise, escalate rapidly.
- ❖ **behest** (noun) – instruction, requirement, demand, wish/desire.

- ❖ **rift** (noun) – break, division, split; disagreement, difference of opinion (in relationship).
- ❖ **lack of** (noun) – absence, deficiency, unavailability, fall short of.
- ❖ **diplomatic** (adjective) – (delicate & sensitive) consular, foreign-policy, political.
- ❖ **manoeuvre** (noun) – (carefully planned) operation, exercise, activity.
- ❖ **step back** (phrasal verb) – withdraw, disengage, pull out/pull back.
- ❖ **brink** (noun) – edge/verge/end (of something).
- ❖ **surfaced road** (noun) – a road that is with a hard smooth surface of asphalt, tarmac, or concrete.
- ❖ **contend** (verb) – assert, claim, argue, insist, state.
- ❖ **ambassador** (noun) – envoy, diplomat, consul.
- ❖ **enrage** (verb) – make angry, provoke, incite, infuriate.
- ❖ **point out** (phrasal verb) – refer to, mention, identify, draw attention to.
- ❖ **bilateral** (adjective) – involving two groups or countries.
- ❖ **multilateral** (adjective) – involving many different countries.
- ❖ **pursue** (verb) – engage in, conduct, follow, carry on.
- ❖ **stand-off** (noun) – deadlock, stalemate, impasse (in a dispute/conflict).
- ❖ **bolster** (verb) – strengthen, support, fortify, reinforce/buttruss.
- ❖ **borne** past participle of **bear** (verb) – have, display, show, present.
- ❖ **backing** (noun) – support, approval, endorsement.
- ❖ **regardless of** (phrase) – irrespective of, without consideration of, notwithstanding, in spite of.
- ❖ **accusation** (noun) – allegation, charge, claim, assertion.
- ❖ **downslide** (noun) – decline, downward movement/trend, downgrade.
- ❖ **diplomacy** (noun) – international politics, foreign affairs, foreign policy.
- ❖ **unanimous** (adjective) – in complete agreement/accord, with one voice, concordant/united.
- ❖ **futility** (noun) – uselessness, pointlessness, vanity.
- ❖ **cast** (verb) – name, assign, select, choose.
- ❖ **piece** (noun) – case, instance.
- ❖ **lest** (conjunction) – in case, just in case, in order to avoid, to avoid the risk of.
- ❖ **consequence** (noun) – outcome, ramification, repercussion.
- ❖ **flinch** (verb) – shy away, recoil, shrink, pull back.
- ❖ **blockade** (noun) – barricade, barrier, obstacle/impediment.
- ❖ **land-locked** (adjective) – (a country) surrounded by land.
- ❖ **seek** (verb) – try, aim, attempt.
- ❖ **legacy** (noun) – something received from a predecessor or from the past.
- ❖ **overturn** (verb) – reverse, overrule, nullify/cancel.
- ❖ **monarchy** (noun) – a form of government in which a country is ruled by someone who rules for life and usually receives their position from another person when that person dies (Courtesy: VOA Learning English).
- ❖ **nightmare** (noun) – very unpleasant or frightening experience; ordeal, horror, torment.
- ❖ **post** (noun) – border outpost, a military base/camp, command post (for border patrol).
- ❖ **fallout** (noun) – adverse results/consequence; after-effects, repercussions.
- ❖ **alacrity** (noun) – readiness, eagerness, willingness.