

## GRIM SOVEREIGN TANGLE: ON GST COMPENSATION STANDOFF

### GST reforms should not fall victim to the trust deficit from the compensation standoff

Three years after India's new indirect tax regime was introduced with a slogan of 'One Nation, One Tax', it faces an existential crisis. Despite its patchy structure with too many rates, complex compliance requirements and multiple mid-course changes, the implementation of the Goods and Services Tax (GST), overseen together by the Centre and the States, had begun to almost serve as an exemplar of co-operative federalism. All of those gains have quickly unravelled as the slowdown in the economy, exacerbated by the COVID-19 lockdowns, has thrown all revenue calculations to the wind. The Centre is obliged to pay to the States, for a period of five years, compensation for revenue shortfalls in return for their having ceded the power to levy the multiple taxes that were subsumed into the GST. Last week, Finance Minister Nirmala Sitharaman asserted, at what may have been the most tenuous GST Council meeting so far, that the Centre will not be able to meet the compensation shortfall. With GST collections sharply undershooting all targets this year, the Centre estimates compensation payable for the full year at ₹3-lakh crore. But just ₹65,000 crore is expected in the cess kitty used to pay out the compensation.

In July, the Centre paid out the last instalment of compensation for the last fiscal and is, so far, yet to pay anything for this year. States have now been given two options, both requiring them to borrow from the market. The Centre contends that only ₹97,000 crore of the revenue shortfall is from implementation of the GST, while ₹1.38-lakh crore is due to extraordinary circumstances posed by an 'Act of God' (the pandemic). States can either borrow ₹97,000 crore, without having it added to their debt and with the principal and interest paid out from future cess collections, or they can borrow the entire ₹2.35-lakh crore shortfall, but will have to provide for interest payments themselves. The Finance Ministry has argued that higher borrowing by the Centre will push up interest rates and dent India's fiscal parameters. At best, this is specious — total government debt, including States', is what rating agencies look at. Several States have rejected both options and some, including Tamil Nadu, have urged the Centre to rethink in view of their essential and urgent spending needs to curb the pandemic and spur growth. A staring match is in the offing. It is up to the Centre to resolve this impasse in a way that future GST reforms do not fall victim to the trust deficit engendered by this standoff, the pandemic response is strengthened and all-round government capital spending to bolster sagging demand not derailed. For now, the only certainty is that the compensation cess levied on demerit goods will stay on beyond 2022, and may even be raised, affecting several businesses, including the jobs-intensive auto sector.

#### Meanings of Difficult Words:

- ❖ **grim** (adjective) – distressing, upsetting, worrying, unpleasant, dismal, awful.
- ❖ **sovereign** (adjective) – relating to central government (sovereign) & state governments (sub-sovereigns).
- ❖ **tangle** (noun) – fight, argument, disagreement; mix-up, confusion, mishmash.
- ❖ **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.
- ❖ **standoff** (noun) – deadlock, stalemate, impasse (in a dispute/conflict).
- ❖ **existential** (adjective) – relating to existence.
- ❖ **fall victim to** (phrase) – be affected by, be damaged by, be overwhelmed by.
- ❖ **trust deficit** (noun) – lack of trust (on authorities-from societal point of view). Situations with low levels of trust are not supportive and often counterproductive. People feel vulnerable and look at each other with suspicion. As a result, they are less open, since they fear that they will not be fairly treated by the other side.
- ❖ **existential crisis** (noun) – it generally occurs when a person questions whether their lives have any meaning, purpose, or value (or) a situation in which something is questioned whether it has any meaning, purpose, or value.
- ❖ **patchy** (adjective) – deficient, inadequate, insufficient; erratic, irregular, fluctuating, uneven.
- ❖ **serve** (verb) – act as, function as, do duty as.

- ❖ **regime** (noun) – system, arrangement, apparatus, mechanism.
- ❖ **compliance** (noun) – conformity, observation, adherence.
- ❖ **mid-course** (adjective) – relating to changes carried out or performed during a course of action, project, campaign, etc.
- ❖ **oversee** (verb) – supervise, administer, manage.
- ❖ **exemplar** (noun) – definitive/perfect example, model, epitome.
- ❖ **co-operative** (adjective) – collaborative, collective, combined, joint/shared.
- ❖ **federalism/federal framework/system** (noun) – a system of government in which establishments such as states or provinces share power with a national government.
- ❖ **unravel** (verb) – solve, resolve, clear up, clarify, sort out (something complex).
- ❖ **slowdown** (noun) – economic decline, recession, slump/depression.
- ❖ **exacerbate** (verb) – intensify, increase, heighten, aggravate, worsen.
- ❖ **throw to the wind** (phrase) – to discard or dispense with (something), especially in an abrupt/reckless manner.
- ❖ **oblige** (verb) – require, compel, bind, obligate (by a contract/agreement).
- ❖ **shortfall** (noun) – deficit, inadequacy, deficiency, shortage.
- ❖ **cede** (verb) – give up, concede, surrender, relinquish.
- ❖ **levy** (verb) – impose, charge (a tax, fee, fine).
- ❖ **subsume** (verb) – include, incorporate, absorb, encompass.
- ❖ **assert** (verb) – declare, announce, pronounce, state.
- ❖ **tenuous** (adjective) – weak/shaky, insubstantial, unconvincing, unsatisfactory.
- ❖ **so far** (phrase) – until now, up to the present, up to this point.
- ❖ **undershoot** (verb) – fall short of (a target).
- ❖ **kitty** (noun) – a sum of something (money/things) made up of small contributions.
- ❖ **pay out** (phrasal verb) – disburse, give, remit, hand over, make payment of.
- ❖ **fiscal (year)** (noun) – financial year.
- ❖ **contend** (verb) – claim, argue, state.
- ❖ **due** (adjective) – outstanding, overdue, unpaid, unsettled.
- ❖ **extraordinary** (adjective) – out of the ordinary, unusual, uncommon.
- ❖ **curb** (verb) – control, contain, restrict, limit.
- ❖ **circumstances** (noun) – situation, conditions, state of affairs.
- ❖ **pose** (verb) – raise, ask, put (a question/matter for consideration).
- ❖ **act of God** (phrase) – a natural hazard outside human control; disaster, catastrophe, calamity, tragedy.
- ❖ **debt** (noun) – liability, financial obligation, borrowed capital.
- ❖ **push up** (phrasal verb) – increase, raise.
- ❖ **dent** (verb) – diminish, reduce, undermine.
- ❖ **at best** (phrase) – simply, merely, only.
- ❖ **specious** (adjective) – misleading, false, deceptive.
- ❖ **government debt/public debt/sovereign debt** (noun) – it represents the total outstanding debt (bonds and other securities) of a country's central government.
- ❖ **credit rating agency (CRA)** (noun) – a credit rating agency is an entity which assesses the ability and willingness of the issuer company for timely payment of interest and principal on a debt instrument.
- ❖ **in view of** (phrase) – in the light of, owing to, considering.
- ❖ **spur** (verb) – induce, prompt, stimulate, encourage, galvanize.
- ❖ **staring match/contest** (noun) – a game where two people stare (look fixedly) at each other without looking away or closing their eyes; a conflict between two parties in which neither side is ready to concede defeat.
- ❖ **in the offing** (phrase) – on the way, coming soon, likely to happen.
- ❖ **up to** (phrase) – the responsible of someone.
- ❖ **impasse** (noun) – deadlock, stalemate, stand-off.
- ❖ **in a way** (phrase) – to a certain degree/ level/ extent; somewhat, fairly, moderately/ slightly.
- ❖ **engender** (verb) – cause, give rise to, bring about.
- ❖ **strengthen** (verb) – increase, intensify, heighten.
- ❖ **government spending** (noun) – government expenditure, public spending; money spent by the government.
- ❖ **bolster** (verb) – fortify, support, reinforce/buttress.
- ❖ **sagging** (adjective) – declining, diminishing, decreasing.
- ❖ **derail** (verb) – obstruct, interrupt, impede/thwart.
- ❖ **for now** (phrase) – for the time being, for the moment, for the present.

- ❖ **all-round** (adjective) – in all respects.
- ❖ **certainty** (noun) – sureness, assurance, fact, reliability.
- ❖ **sin/demerit goods** (noun) – goods which are deemed/considered as harmful to society and individuals, for example alcohol and tobacco, etc.
- ❖ **luxury/upmarket goods** (noun) – goods which are deemed/considered as expensive ( & non-essential) and are associated with wealthy or affluent people, for example luxury jewelry, watches, designer apparel and footwear and luxury travel goods, etc.

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## DISSENT AND DETENTION: ON DR. KAFEEL KHAN

### Allahabad HC order quashing Dr. Kafeel Khan’s detention exposes state persecution

If ever any evidence was needed that Dr. Kafeel Khan, a government doctor from Gorakhpur, has been a victim of state persecution, the Allahabad High Court has provided that. Its 42-page order has laid bare the malefic manner in which the doctor was detained under the National Security Act (NSA) on February 13, 2020, shortly after he was granted bail in an earlier case. Dr. Khan, suspended in 2017 after a severe shortage of oxygen cylinders took a deadly toll among children admitted to the encephalitis ward in the Baba Raghav Das Medical College Hospital, Gorakhpur, was arrested on January 29, 2020, for an address to students of Aligarh Muslim University last December. His speech, which contained scathing criticism of the Citizenship (Amendment) Act, and its discriminatory nature, was deemed inflammatory weeks after he had made it. The High Court has now found that far from inciting Muslims, the speech, taken in its entirety, does not disclose any effort to promote hatred or violence; and nowhere does it threaten peace in Aligarh. The DM, Aligarh, the court says, used selective reading of some phrases and ignored its true intent while passing the detention order. No reasonable man, it says, would have come to the conclusion about the speech that the DM did. The grounds for detention under NSA provided nothing that indicated any attempt by Dr. Khan to disturb peace and tranquillity between the speech in December and his detention in February. The inevitable inference is that the NSA was invoked only to avoid releasing him following the Chief Judicial Magistrate court’s order granting him bail. The process to invoke the NSA itself began only after the bail order, the Bench comprising Chief Justice Govind Mathur and Saumitra Dayal Singh noted.

The use of stringent national security laws against political dissenters, in the absence of any appeal to violence, is something to be condemned in all cases. However, there is something perverse about the resort to preventive detention just to frustrate bail orders. In particular, the authorities have shown excessive zeal in dealing with Dr. Khan. In 2017, he was arrested on charges of negligence and corruption even though circumstances indicated his strenuous efforts to ensure continuous oxygen supply. He spent months in prison before an inquiry absolved him of the charges of negligence and corruption, but was found to have been engaging in private practice. The paediatrician’s suspension is yet to be revoked. Even though the verdict gives him relief, it comes after he spent seven months in jail. And his case will some day go to trial. The case of Dr. Khan is poor advertisement for India’s democratic credentials, for it brings to light its propensity to criminalise dissent, single out individuals for persecution and display a general disregard for basic rights.

#### Meanings of Difficult Words:

- ❖ **dissent** (noun) – disagreement, difference of opinion, opposition.
- ❖ **detention** (noun) – imprisonment, confinement/ incarceration, captivity, custody.
- ❖ **quash** (verb) – cancel, reverse, repeal, revoke, overrule, rule against.
- ❖ **expose** (verb) – reveal, uncover, lay bare.
- ❖ **persecution** (noun) – oppression, victimization, discrimination.
- ❖ **lay bare** (phrasal verb) – reveal, uncover, expose.
- ❖ **National Security Act (NSA)** (noun) – an act of the Indian Parliament promulgated on 23 September, 1980 whose purpose is “to provide for preventive detention in certain cases and for matters connected therewith”. Put simply, the NSA is an act that empowers the Centre or a State government to detain a person to prevent him from acting in any manner prejudicial (detrimental/harmful) to national security.

- ❖ **detain** (verb) – imprison, jail, incarcerate, confine.
- ❖ **preventive detention** (noun) – an action taken by the administration on the grounds of the suspicion that some wrong actions may be done by the person concerned which will be prejudicial to the state.
- ❖ **bail** (noun) – conditional, temporary release of an arrested/imprisoned person when a specified amount of security is deposited or pledged (as cash or property) to ensure his/her appearance in court when required.
- ❖ **toll** (noun) – number, count, sum total (of deaths/casualties).
- ❖ **take a toll** (phrase) – to cause damage, suffering, deaths.
- ❖ **encephalitis** (noun) – it is a sudden inflammation (swelling) of the brain.
- ❖ **address** (noun) – speech, talk, discourse.
- ❖ **scathing** (adjective) – scornful, severely critical, harsh, severe (in criticizing someone).
- ❖ **Citizenship (Amendment) Act (CAA)** (noun) – The Citizenship (Amendment) Bill, 2019 seeks to grant citizenship to religious minorities of Afghanistan, Pakistan and Bangladesh, who had to flee their homeland facing persecution. The six minority groups that have been specifically identified are Hindus, Jains, Sikhs, Buddhists, Christians and Parsis.
- ❖ **discriminatory** (adjective) – biased, unfair, unjust, inequitable.
- ❖ **deem** (verb) – regard as, consider; view as.
- ❖ **inflammatory** (adjective) – provocative, provoking, agitating, fomenting.
- ❖ **far from** (phrase) – not, not at all, nowhere near.
- ❖ **incite** (verb) – provoke, trigger, instigate, provoke, stir up/egg on.
- ❖ **in its entirety** (phrase) – as a whole, completely, entirely/totally.
- ❖ **hatred** (noun) – hate, hostility, resentment, dislike/bitterness.
- ❖ **reading** (noun) – interpretation, understanding, construal.
- ❖ **intent** (noun) – aim, purpose, objective.
- ❖ **reasonable man** (noun) – a hypothetical individual who approaches any situation with the appropriate amount of caution and then sensibly takes action. It is a standard created to provide courts and juries with an objective test that can be used in deciding whether a person's actions constitute negligence.
- ❖ **ground** (noun) – reason, factor, basis, rationale, premise.
- ❖ **come to the conclusion** (phrase) – to decide something after thinking/analyzing about it carefully.
- ❖ **tranquility** (noun) – peacefulness, restfulness, calmness, quietness.
- ❖ **inevitable** (adjective) – unavoidable, unpreventable.
- ❖ **inference** (noun) – conclusion, reasoning, conjecture, speculation, assumption.
- ❖ **invoke** (verb) – cite, refer to, adduce.
- ❖ **stringent** (adjective) – strict/stern, severe, tough/rigorous.
- ❖ **dissenter** (noun) – objector, protester, rejectionist.
- ❖ **in the absence of** (phrase) – without, lacking.
- ❖ **appeal** (noun) – an effort to persuade someone to do something; request, call.
- ❖ **condemn** (verb) – censure, criticize, castigate, attack.
- ❖ **perverse** (adjective) – illogical, irrational, unreasonable; wrong, incorrect.
- ❖ **resort** (noun) – recourse to, turning to, the use of, utilizing.
- ❖ **frustrate** (verb) – thwart, prevent, stop, spoil.
- ❖ **in particular** (phrase) – particularly, specifically, especially.
- ❖ **zeal** (noun) – passion, fervour, eagerness, interest.
- ❖ **circumstances** (noun) – situation, conditions, state of affairs.
- ❖ **strenuous** (adjective) – vigorous, forceful/intense, active.
- ❖ **absolve** (verb) – exonerate, discharge, acquit, release, relieve.
- ❖ **paediatrician** (noun) – the doctor who is specialized in children health care and their diseases.
- ❖ **suspension** (noun) – (temporary) exclusion, debarment, removal, elimination.
- ❖ **revoke** (verb) – cancel, repeal/reverse, abrogate, nullify.
- ❖ **trial** (noun) – hearing, inquiry, proceedings.
- ❖ **credentials** (noun) – identities, qualifications, qualities, achievements.
- ❖ **bring to light** (phrase) – reveal, disclose, expose/identify.
- ❖ **propensity** (noun) – tendency, inclination, predisposition, readiness.
- ❖ **criminalise** (verb) – make something (an activity) illegal.
- ❖ **single out** (phrasal verb) – select, pick out, choose.
- ❖ **disregard** (noun) – indifference, non-observance, negligence, lack of attention.