

# AAKAR TODAY

## 1. Single GST

### Why in News?

Recently, the Chairman of the Prime Minister's Economic Advisory Council, in his personal capacity, has stated that India should have a "Single Goods and Services Tax (GST) Rate" and an "Exemption-less Tax Regime".

### Key Details

#### What are the Suggestions?

- **Single GST Rate:**

- GST rates should be the same on all goods as 'progressive' rates work best with direct taxes, not indirect taxes.
- When the GST was first announced, the National Council of Applied Economic Research (NCAER) estimated that it would lead to a 1.5% to 2% increment to the Gross Domestic Product (GDP).
- However, the estimate was based on the premise that all goods and services will be part of GST and there would be a single GST.
- Different GST rates allows a mindset of 'prime control' whereby GST rates are pegged higher for items considered 'elitist' and lower for items of mass consumption, resulting in differentiation and subjective interpretation and litigation.
- Tax rates need to go higher than the current average of 11.5% as opposed to the 17% revenue-neutral rate for GST officially estimated earlier.

- **'Exemption-less' Direct Tax Regime:**

- The chairman called for an exemption-less direct tax regime with the argument that while tax evasion is illegal, tax avoidance, by using exemption clauses to reduce tax burden, is legitimate.
- More tax exemptions also lead to an increase in cases of tax complications.
- The artificial difference between corporate taxes and personal income taxes (PIT) should be removed.
- A lot of unincorporated businesses pay taxes under personal income taxes.
- The removal of differences using exemption-less direct tax system will also reduce administrative compliance.

#### What is the Current Framework of the GST System?

- **About GST:**

- The Goods and Services Tax (GST) is a value-added tax levied on most goods and services

sold for domestic consumption.

- The GST is paid by consumers, but it is remitted to the government by the businesses selling the goods and services.
- It is essentially a consumption tax and is levied at the final consumption point.
- It was introduced through the 101st Constitution Amendment Act, 2016.
- It has subsumed indirect taxes like excise duty, Value Added Tax (VAT), service tax, luxury tax etc.

- **Existing Tax Structure:**

- Central GST (CGST) covers Excise duty, Service tax etc.
- State GST (SGST) covers Value Added Tax (VAT), luxury tax etc.
- Integrated GST (IGST) covers inter-state trade.
- IGST is not a tax but a system to coordinate state and union taxes.

- **There are four major GST slabs:**

- 5%, 12%, 18% and 28%.
- Some demerit and luxury goods, which are in the 28% bracket, attract additional levy of cesses, the proceeds of which go to a separate fund meant to compensate states for revenue shortfall and repayment of compensation related loans.

- **GST Council:**

- Article 279A of the Indian Constitution states that the GST Council to be formed by the President to administer & govern GST.
- Its chairman is Union Finance Minister of India with ministers nominated by the state governments as its members.
- The council is devised in such a way that the centre will have 1/3rd voting power and the states have 2/3rd.
- The decisions are taken by 3/4th majority.

## 2. Lunar Eclipse

### Why in News?

Recently, a Total Lunar Eclipse (TLE) occurred on 8th November, 2022.

Earlier Indian witnessed a Partial Solar Eclipse in October 2022.

### Key Details

#### What is the Lunar Eclipse?

- **About:**

- Lunar eclipse takes place when the Moon moves into the Earth's shadow. The Earth has to be directly between the Sun and the Moon, and a lunar eclipse can only take place during a full Moon.
  - First, the Moon moves into the penumbra – the part of the Earth's shadow where not all of the light from the Sun is blocked out. Part of the Moon's disc will look dimmer than a regular full Moon.
  - And then the Moon moves into the Earth's umbra, where direct light from the Sun is totally blocked out by the Earth. This means the only light reflecting off the Moon's disc has already been refracted, or bent, by the Earth's atmosphere.
  - **Total Lunar Eclipse:**
    - A Total Lunar Eclipse happens when the earth is positioned between the sun and the moon and casts a shadow on the latter.
    - During this, the whole of the lunar disc enters the Earth's umbra, so the Moon appears reddish (Blood Moon).
    - The moon takes on a reddish hue due to a phenomenon called Rayleigh scattering.
    - Rayleigh scattering is the scattering of light by particles in a medium without a change in wavelength. This is also the reason why the sky appears blue.
    - The moon turns red during the eclipse since the only sunlight reaching it is passing through the earth's atmosphere. The sunlight scatters due to the dust or clouds in the atmosphere producing the red colour.
    - Total lunar eclipses occur, on average, about once every year and a half, according to NASA (National Aeronautics and Space Administration).
  - **Partial lunar eclipse:**
    - An imperfect alignment of Sun, Earth and Moon results in the Moon passing through only part of Earth's umbra.
    - The shadow grows and then recedes without ever entirely covering the Moon.
  - **Penumbral eclipse:**
    - The Moon travels through Earth's penumbra, or the faint outer part of its shadow.
    - The Moon dims so slightly that it can be difficult to notice.
- What is Solar Eclipse?**
- **About:**
    - A solar eclipse happens when the Moon passes between the Sun and Earth, casting a shadow on Earth that either fully or partially blocks the Sun's light in some areas.
  - **Types:**
  - **Total Solar Eclipse:**
    - Total solar eclipses occur when the New Moon comes between the Sun and Earth and casts the darkest part of its shadow, the umbra, on Earth. A full solar eclipse, known as totality, is almost as dark as night.
    - During a total eclipse of the Sun, the Moon covers the entire disk of the Sun.
    - When the Moon completely covers the disk of the Sun, only the Sun's corona is visible.
    - It is called Total eclipse because at the maximum point of the eclipse (midpoint of time of totality), the sky goes dark and temperatures can fall.
  - **Annular Solar Eclipse:**
    - An annular solar eclipse happens when the Moon passes between the Sun and Earth, but when it is at or near its farthest point from Earth.
    - Because the Moon is farther away from Earth, it appears smaller than the Sun and does not completely cover the Sun.
    - As a result, the Moon appears as a dark disk on top of a larger, bright disk, creating what looks like a ring around the Moon.
  - **Partial Solar Eclipse:**
    - A partial solar eclipse happens when the Moon passes between the Sun and Earth but the Sun, Moon, and Earth are not perfectly lined up.
    - Only a part of the Sun will appear to be covered, giving it a crescent shape. During a total or annular solar eclipse, people outside the area covered by the Moon's inner shadow see a partial solar eclipse.
  - **Hybrid Solar Eclipse:**
    - Because Earth's surface is curved, sometimes an eclipse can shift between annular and total as the Moon's shadow moves across the globe.
    - This is called a hybrid solar eclipse.

**PRACTICE QUESTION****Prelims**

**Q.** Consider the following items:

1. Cereal grains hulled
2. Chicken eggs cooked
3. Fish processed and canned
4. Newspapers containing advertising material

**Which of the above items is/are exempted under GST (Good and Services Tax)?**

- (a) 1 only (b) 2 and 3 only  
(c) 1, 2 and 4 only (d) 1, 2, 3 and 4

**Mains**

**Q.** Enumerate the indirect taxes which have been subsumed in the Goods and Services Tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017. **(200 words)**