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<u>Why Central pay commission should revise salary scales every year, remove clutch of allowances for efficient pay system.</u> <u>The Times of India</u>

The passing of the central pay commission's (CPC's) recommendations on allowances by the Cabinet is significant for various reasons. This is something that was being watched closely as there are financial implications which were subject to conjecture. The government has now made it clear that these revisions would kick-in at Rs 30,748 crore for the year, which is higher than projected earlier by around Rs 1,450 crore.

The CPC has done one remarkable thing in addressing the plethora of allowances that are in the system. There are an abnormally high number of 197 of them in various forms and the CPC had recommended abolishing 53 and merging another 37 with the existing allowances. Most of these recommendations have been accepted with some minor retention and there will henceforth be 128 allowances, which is still very high.

The one heading that was watched carefully was the HRA (house rent allowance) component. While the most obvious aspect is the level of these allowances especially for those who do not use government accommodation but live on their own, the absolute numbers become important because these numbers are used when calculating the rent component in the consumer price inflation (CPI). As there is limited information on rents prevailing in the country, the HRA component in central government pay scales is used for this purpose. Hence, any increase in the final amount being received will be adjusted in the CPI. This was one of the concerns expressed all along that when the CPC recommendation on HRA is accepted, then the CPI will show an upward tendency. It has a weight of around 10 percent in the CPI with the same increasing to 21.7 percent for urban households. Intuitively, an increase in the HRA paid will push up the CPI proportionately which is what the RBI had indicated indirectly in the last credit policy on the possible inflation trigger in the CPI on account of the Pay Commission recommendations being implemented.

The CPC has made several recommendations on various allowances relating to defense, post and telegraph, railways etc. which also cover issues like education, hostel fees, nursing etc. A broader issue is whether the government should move over to a private sector like model to reduce these allowances and make flat payments to the employees. In the private sector there are very few items in the pay-slip besides the mandatory basic salary (which is used for the purpose of making provident fund payments) and house rent allowance (as it has tax implications). The balance goes under a single heading of allowances which subsumes all purposes. The leave travel allowance is kept separately due to the tax benefit that can be availed of based on the prevailing tax laws.

It may be pointed out that most of these allowances have come down the ages due to legacy issues and no one has ever considered any kind of rationalization. But having even 100 such allowances takes up a lot of administrative time as very often these allowances are provided on provision of sufficient proof of the same. Further, this gives rise to several cases of incorrect representation to draw allowances as it is assumed that even an education allowance is a legitimate compensation irrespective of the cost being incurred. In case all of them were merged into something called 'personal allowances' then giving the same separately can be eschewed. At times allowances are given to escape the tax rules which hence need to be re-examined because as we move towards the new Direct Tax Code, most of the exemptions would be eliminated. It would hence, be prudent to limit the number of these allowances.

The other point here is the frequency of revision in such payments which applies also for basic salaries. Assuming that the allowance system continues, it should be made flexible with time so that there are automatic changes that come in so that the allowance is a reflection of reality – which is the current cost in the market.

Also the government can budget for the same every year which gives a more realistic picture of the salary bill. Waiting for the Pay Commission to push such an agenda involves the payment of arrears which imposes substantial pressure on the fiscal numbers. Therefore, instead of having a Pay Commission revising these scales every five years, the same should happen automatically.

Going ahead the government needs to take up both the issues – continuous revision in pay scales instead of waiting for five years as well as removal of the plethora of allowances to bring in a more efficient pay system. This has become necessary considering that the salary bill is an important component of the Budget and governments are being pressurized progressively to rein in the deficit while spending on capital projects. This also sets paradigms for states to follow. **Misba Pawaskar SYB Com (A) 52**

Narendra Modi Govt set to roll out GST: Five things you should know about 'one tax for one nation'
The Times of India

The government is all set to roll out the goods and services tax (GST) at the stroke of the midnight on 30 June, 2017. All states/union territories, except Jammu & Kashmir, have approved the state goods & services Act (SGST) for ensuring the roll-out.

Benefits Of GST	
Trade	Consumers
Reduction in multiplicity of taxes	Simpler tax system
Mitigation of cascading/double taxation	Reduction in prices of goods & services due to elimination of cascading
Development of common national market	Uniform prices throughout the country
Simpler tax regime	Increase in employment opportunities

Here are five things you must know ahead of the big change in indirect taxation across the country

1) What exactly is GST?

GST is paid when a consumer buys something (even a company buying inputs). The tax is levied on every transaction in the supply of goods and services, barring certain exempted items such as petroleum products. The tax levied at one stage can be set off or deducted from the tax to be paid at the next stage.

India has a dual GST–Central GST (CGST) and State GST (SGST). There is also an integrated GST (IGST) on the inter-state supply of goods and services, which can be set off against CGST and SGST that is to be paid.

From July 1, 2017, India will move to a one-tax, one-nation regime. All goods and services will be taxed under one of four slabs–5%, 12%, 18% and 28%–wherever they are purchased.

2) Who decides GST rates?

The GST Council including the union finance minister (who will be the chairman of the council) and the state finance ministers will finalise the GST rates.

3) Where do you register for GST?

The Goods and Services Tax Network (GSTN), a non-government, private company with the central government holding 24.5 percent stake, will provide IT infrastructure and support services to the governments, taxpayers and other service providers for the implementation of GST.

4) Relaxation in rules for two months

The GST council has relaxed the tax filing norms for two months–July & August, 2017–for those still maintaining manual records or in the process of GST transition.

The council has finalised a simplified form instead of invoice-wise returns, according to this release by the Central Board of Excise & Customs, the government department overseeing the implementation of GST. There would be no late fees or penalties for late returns, and regular returns would need to be filed from September.

5) Which items are covered under GST and which are not subject to GST?

Daily use consumer items such as cereals, pulses, dairy produce, fresh meat, fish, fresh vegetables and fruits are all exempt from GST, according to government data.
Education and skill development services have also been granted exemption, official data show.
Alcoholic drinks, electricity and five petroleum products (crude oil, petrol, diesel, natural gas and aviation turbine fuel) are out of the purview of GST. These will continue to attract VAT and central excise. The petroleum products have been excluded only temporarily.

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Old Mobiles Phones bought and sold mostly by millennials, finds OLX study. The Times of India

Nearly 75 percent of pre-owned mobile phone buyers and 55 percent of pre-owned mobile phone sellers on leading consumer-to-consumer marketplace OLX are millennials in the age group of 19-29 years, a new study said on Wednesday.
According to the study by OLX, the desire to upgrade is the primary reason for selling mobile phones for 68 percent of the households in India.
This is followed by 27 percent respondents who cited 'boredom' as the main reason for selling mobile phones, the study pointed out. "With high penetration and frequent updates, consumers often upgrade to new models within months. This results in good quality and fairly new pre-owned phones entering the market within months of their launch." Amarjit Singh Batra, CEO of OLX India, said in a statement.
"Along with the consumers, we are also seeing interest from leading mobile brands, leveraging our platform to reach out to users looking to upgrade. Mobile phone is our biggest category in terms of listings and is growing at 45 percent year-on-year," Batra added. Nearly 10 million mobile phones and mobile accessories were listed on OLX in the financial year 2016-17.
The study noted that people get 25 percent higher value when they sell devices online as compared to offline selling and 47 per cent higher than that through exchange. The last financial year also saw Chinese brands witnessing a spike in listings on OLX, with the listing share of market leaders as well as Indian manufactures declining. "During financial year 2016-17, the listing share of Chinese brand Xiaomi climbed from 4.2 percent to 12.8 percent on OLX," the report said.
Also, the average price of each mobile phone on OLX is Rs 9,000, as compared to Rs 10,000 that was the average selling price of new smart phones sold in India in the first quarter of 2017.

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Quick Changes Unlikely In Prices of Fast – Moving Goods Economic Times

Prices for most groceries household and personal care products will remain unchanged for at least six to eight weeks after the goods and services tax is put in place on 1st July as companies aren't too sure how the new levy will impact their cost of operations.

Several products including cookies, toothpaste, soaps and hair oils will be taxed at 18% under GST compared with about 22% in the current indirect tax structure of excise duty and value added tax. However detergents, shampoos and skincare products will attract a higher 28% levy.

"While our intent is to pass on the benefits of lower GST in the relevant categories where the rates are coming down to consumers as soon as it is feasible, there are still some open issues where we need clarity such as how area based exemptions will be handled, that will impact pricing decisions", said Godrej Consumer managing director Vivek Gambhir. No price increases are planned in categories where GST rates will be going up, he said. Retailers and distributors suggest that products of Hindustan Unilever, Marico, Dabur, Colgate, Procter &n Gamble and Britannia will carry the same price tags until August. "There are hardly any changes in other price or grammage for the new stock that will hit the market from next week onwards", said an HUL distributor who didn't want to be name. As a policy, HUL doesn't comment on price changes. **Aakash Sayanna TYBBI (22)**

Phone Cos Take GST Call, Cut Production **Economic Times**

New Delhi: Handset makers have cut local production by 10-15% this month to avoid over supply when the goods and service tax kicks in on july1, even as distributors are refraining from stocking wants of adequate clarity on the impact the new tax regime.

Industry executives said that while established manufacturer such as Nokia, Micro max and Panasonic have completed their GST registration, small traders or mom – and –pop store , many of which may not have value added tax registration, would not want to come under the GST net to avoid tax together.

“It’s the fear of the unknown with everybody, whether it’s a small retailer, distributer or a medium size company because of which dealer are not picking and primary has dropped about 15% across the board,” said Sunil Vachani, ex executive chairman of Dixon technology, which makes phones for Intex, Panasonic and Gionee.A senior executive of leading Indian handset maker said as many as 60% dealer of small and medium level retailer selling mobile phones do not have VAT number, which is why companies like his are helping these retailer get on board.

“They are not aware of the system, and some don’t want to be system… but if they don’t then they will not be able to get any input credit from us,” the executive said requesting not to be identified. The government has set the GST on mobile phones at 12%, which will lead to 4-5% increases in price of most handsets.

“Trade channel is expecting changes in margins under the tax regime which is one of the key reasons for distributors and retailers not stocking up”, said Bipin Sapra, indirect tax expert at EY. Distributors may be unsure of how they will get for the 2% excise duty they have paid for the phones already on the shelves, and for the 12.5% countervailing duty if those phones had been imported, Sapra explained.

As per the transitions provisions, if a distributor has bought the phones directly from a manufacturer or an importer, they will get full credit for CVD or excise duty. But if the invoice documents are not available, then they will get 60% of the demand credit of the Central GST liability of 6%.

Several brands such as Samsung, Oppo and Vivo have offered price protection while others such as HMD are educating their distributors, about the transitions to GST, and the distributors are in turn educating the retailers. “We have told the trade that any price differential will be borne by the company, so they are protected against the transition”. A Nokia spokesperson told ET. Samsung, Oppo and Vivo did not comment. But distributors are being cautious. “No one wants to take the risk of taking excess inventory and sitting with it despite some brands assuring that price protection will be offered,” said another executive. Dixon’s Vachani said: “There’s also hesitancy on the part of smaller traders, who will now have to in the processes to comply with GST rules, if they haven’t already.”

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