

## **GOODS AND SERVICES TAXATION CHALLENGES IN COMMUNICATING TRANSITION**

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### **Abstract**

One cannot overemphasize the need for reform, reengineering and revamp of taxation policies, tax laws and administration from time to time, especially in the present context in which local, national and global economies are integrated on a vast and unimaginable scale. This brings to the forefront the need for a well designed, strategic communication plan all along the roll out map, informing, educating, and also gathering feedback, flagging the leading practices and to take corrective measures along the road, rather than wait for post mortem analysis and criticism. As Shaela Rahman, rightly points out "Communications is often viewed as an add-on to the reform program, rather than as an integrated mechanism for proactively engaging stakeholders to help ensure the reform's results and sustainability". According to the author, strategic communication is "a planned, analytical approach for determining whom a given project must engage to achieve its reform objectives, for what purpose, and when and how this engagement takes place." Along with the challenge of developing robust communication architecture and network within states, between states and between the states and Centre, the task of transition also involves developing and maintaining effective and proactive communication with all the stakeholders.

**Key Words:** *strategic communication, tax reforms, tax laws,*

### **Tax Policies & Information**

One cannot overemphasize the need for reform, reengineering and revamp of taxation policies, tax laws and administration from time to time, especially in the present context in which local, national and global economies are integrated on a vast and unimaginable scale. Such shifts in perspectives and systems are made indispensable not only by local/national level regime changes and the eventual shift in policies but also due to shifts in the global economy and very decisively, by technology.

For instance, the shift from analog to digital technology fundamentally changed the methods, practices and tools of governance, administration and management. Faster and wider communication networking has made possible real time exchange of information, services and money. This, in turn, has revolutionized not only business and trade practices, but also governance and administration. The new IT environment does away with almost all of its manual and physical legacies and burden, thus saving administration time, public money and managerial energy. Most government departments are transforming themselves into a paperless state, where face to face interaction is minimized and information is shared and exchanged at an ever increasing pace.

Tax regimes are no exception to these changes. The transition from the old and complex sales tax system to VAT in 2005 and the proposed but eventual shift to GST etc are responses to changes happening in other countries and the global economy. Running parallel to and facilitating this shift is the enabling environment created by Information Technology, which makes it possible

to capture, record, store, transfer and exchange, enormous volume of data instantaneously. Hence, the key word is convergence – because hitherto disparate platforms of governance, channels of communication, archives of storage and also target groups are now catered to and dealt with by the same IT architecture. Here, technology has made it possible for different government departments at various levels – local, state or national –to access and exchange information for governance, from the same data sources.

Needless to say, the efficiency of any tax system was always dependent upon information – its depth, accessibility, veracity and verifiability - by the tax administration concerned. If previously, it was a daunting task to collect, collate and compare data of different tax payers in one place or of the same tax payer in different places, now with IT, it has become much easier and faster. This, in turn, has thrust before tax administration a host of new challenges, which calls for change in the earlier ‘analog’ mind set to the present ‘digital’.

The new IT environment has also in many places led to a mismatch within tax administration and between the tax administration and the taxpaying community. Within the administration, the switch over to IT and web-enabled governance had been rather tardy and haphazard, resulting in wide gaps between its potential benefits and actual outcome or performance. Beyond that, there is also a mismatch between the level of IT sophistication of the tax administration and the taxpaying community, leading to the emergence of certain new grey areas of tax evasion and leakage.

So, one major challenge in the transition to GST is the complete and comprehensive switch over to an IT-enabled, web-based tax administration system. The success of GST presupposes a robust IT architecture which can facilitate a uniform data sharing and transmission system. But in this front, the pace and level of progress has been uneven across the country. There is a wide variation in the level and quality of e-governance across the country, with certain states making headway, while others are lagging behind. Unless the zones of uniformity are nation-wide, at least in such a manner as to facilitate a step by step switch over to GST, the new reforms will meet with a lot of road blocks and confusion.

### **Multilevel Communication Needs**

Communication-related issues in the implementation of GST has to be dealt with at three levels: one, at the level of the tax administration at the state level, two, at the national level, and three, at the level of convergence between the states and the Centre, which is crucial to GST unlike the earlier tax regimes like Sales taxation or VAT.

Along with the challenge of developing robust communication architecture and network within states, between states and between the states and Centre, the task of transition also involves developing and maintaining effective and proactive communication with all the stakeholders. If one looks at the media reports on the implementation of GST during the last few years, one can see that it is a very confused and agitated picture, full of vociferous advocates and vehement critics.

Evidently, the governments– both Centre and the States – have not been able to effectively guide, control or monitor such communication chaos through targeted media interventions to inform, educate and convince the stakeholders. While the image the government was very ‘official’ and ‘formal’ in its media approach with regard to GST, it led to a lot of confused discourses taken up by different political parties who defined and described GST according to their wish and apprehensions, real and imagined. The government was neither able to arrive at a consensus within the political spectrum nor communicate a clear and time-bound roadmap. The trade bodies and industry associations on the other hand, naturally looked at the whole issue from the point of view of how it is going to affect or further their interests. Academia, often without a clue to

political exigencies and procedural complexities, followed a path of their own, which was used selectively by the immediate stakeholders, like government, opposition and trade bodies.

In this process, the large picture of the need and relevance of the transition to GST was lost, opportunities for meaning dialogue with other stakeholders to iron out differences and to work out a consensus became remote if not impossible, and most negatively, a lot of misinformation and confusion spread among the public.

### **Communication Plan**

This brings to the forefront the need for a well designed, strategic communication plan all along the roll out map, informing, educating, and also gathering feedback, flagging the leading practices and to take corrective measures along the road, rather than wait for post mortem analysis and criticism. As Shaela Rahman, rightly points out “Communications is often viewed as an add-on to the reform program, rather than as an integrated mechanism for proactively engaging stakeholders to help ensure the reform’s results and sustainability” . According to the author, strategic communication is “a planned, analytical approach for determining *whom* a given project must engage to achieve its reform objectives, for *what* purpose, and *when* and *how* this engagement takes place.”

Such a strategic communication approach should identify those stakeholders who will support as well as hinder the reform process. So, the communication strategy has to be dialogic and sensitive to plurality of interests and identity of the stakeholders, rather than ‘all-in-one’ handouts and a one way flow that is authoritative and general. The ultimate aim should be to combat differences and oppositions through informed dialogue and discussions rather than dumping down – plans, strategies and procedures. Only such an approach will influence the behavior of the stakeholders and transform the stakeholder landscape in tune with the direction and spirit of the reforms.

Any reform process is bound to invite criticism and opposition especially in a democratic, multiparty system like that of India. Only way to counter such opposition and to turn the tide in favour of reform is to take the people and other crucial stakeholders into confidence by giving out precise and positive information to them, rather than engaging in polemics. So, the strategic communication plan should aim at a) mitigating risks, by identifying the potential risk areas as one goes along so as to develop methods and strategies to mitigate and overcome them, and b) engaging with the stakeholders to increase their understanding, and to change their behavior and approach to accelerate the pace of reform.

### **The “five Ds” framework**

Such communication plan can draw a lot from the communications framework used in the Republic of Yemen and Sierra Leone which has five phases that correspond to the project lifecycle. The framework is flexible and scalable to adapt to increases in project size and resources. Termed as the Five Ds Framework, it has five inter-related and overlapping phases, viz., Diagnose, Define, Develop, Deploy and Debrief. The process has to begin with the *Diagnose* phase which makes a detailed initial mapping of the stakeholder and communications environment which are crucial to pre-project implementation or scoping. The information thus collected should inform the *Design* phase of the technical components of the reform. Some communications products may need to be created during the *Develop* phase—the planning phase when the strategy is further developed—while others will be produced during the *Deploy* phase when implementation takes place.

The *Debrief* phase includes monitoring and evaluation of communications activities carried out over the course of project development and implementation. Each communications activity is

tracked by quantitative measures of performance that can be benchmarked and compared (such as how many times target groups were reached with an advertising message and how perceptions may have changed based on survey results).

### **The Indian Context**

GST is going to bring about a lot of changes at the legal, administrative, and so procedural level. With the merger of the tax base, GST will transform the hitherto insular tax structures of the Centre and the States. Various hitherto distinct taxes administered by distinct authorities at different levels are going to be streamlined in GST with those administered by the states.

So, this convergence of the tax system has to be converted into an opportunity to address the tax community as a whole across the nation, as the same set of tax laws, rules and procedures will apply across the states.

### **Stakeholder Landscape**

The communication strategy needs to address and be addressed by all the stakeholders, viz

- .. Government of India
- .. State governments
- .. Tax Administration at the Central and State levels
- .. Trade, Business and Industry bodies
- .. Intermediaries like Tax Lawyers, Consultants, Practitioners etc
- .. Legal experts
- .. Academicians
- .. Political parties/legislators
- .. Taxpaying public /Civil Society

Obviously, no tax policy can satisfy all the stakeholders equally. And, in a democratic polity, what is more important than short term negative fallouts and frictions, is the common social good which will be beneficial to all in the long run. A well thought out and designed policy should be able to communicate the larger and long term benefits that will eventually accrue from a tax policy.

Such promises can gain credibility only if the process of transition is transparent and open to public scrutiny at all points of time. The task of ensuring and maintaining transparency is also vitally linked to the communication plan that is inbuilt into the tax reform programme.

### **Communication Plan**

The communication plan should also keep in mind the diversity of interests of each group. The ultimate aim is to bring about a consensual atmosphere of trust and understanding. The conflicting interests of Revenue Mobilisation, Administrative Efficiency, Procedural Simplicity, Lesser Tax Burden, Political Consensus etc have to be addressed and the need for transition and the resultant payoffs communicated to each level in a targeted manner. At each level, the content of communication, format, focus and packaging has to be worked out in detail taking into account the expectations and apprehensions.

### **The GSTN Initiative**

The Goods & Service Tax Network (GSTN) is an IT infrastructure launched by Government of India can be taken as an example of its communication approach.

GSTN aims at

- a) Simplicity for tax payers
- b) Respect the autonomy of states
- c) Uniformity of policy administration
- d) Enable digitization and automation of the whole chain
- e) Reduce leakages
- f) Leverage existing investments

The major stakeholders of GSTN include Small and Corporate Taxpayers, State Tax Authorities, CBEC, RBI and the Banks apart from CAG, GSTN, TRPs and facilitation agencies

#### **GSTN - Communication Pattern**

The communication pattern envisaged by GSTN is very much 'governmental' rather than one with a process approach that will involve not only information, but also dialogue, feedback and correction. GSTN promises to be a very informative platform as far as the implementing agencies involved in various aspects of tax administration are concerned.

The information flow envisaged by GSTN is also one way: one that flows from the bottom to top, i.e., from the tax payer at the bottom/margins to the authority at the top/centre.

But apart from being informative, GSTN is not interactive or dialogic, where it would invite, engage and confront with all kinds of opinions and views, rather than be a platform to voice and place official viewpoints and developments.

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