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August 8, 2016.



Shri Narendra Modi,
Prime Minister of India,
South Block,
New Delhi.

Re: GSTN floated by UPA in 2013 as a Section 25 company
With private ownership of 51 percent of the shares.

Dear Prime Minister:

As I had pointed out in my last letter dated 5th August, 2016 the UPA had set up for processing GST Network (GSTN), to manage and control the accounting and tax collection of Goods and Services Tax (GST). It was a swift and secret move in 2013 to float this company with 51 percent private shares (Annexure). As of Jan 31st, 2016 the list of shareholders in GSTN is as per enclosed Annexure. Centre and State Governments have in GSTN only 49 percent of the shares. Being a Section 25 company, GSTN is a not-for-profit organization. Then why should private profit making entities have any stake, and that too majority stake in it? What is in it for them?

Implementing GST Scheme requires Constitutional Amendments and then only the GST administration and tax management company would be by GSTN. All the data management for computation of tax share, will be by GSTN. That is, the Finance Ministry in 2013 took this decision to outsource such confidential assessment and activity, to the private sector.

The most significant player it is obvious, in this tax collection effort should be the one who generates data collection. In this case, that would be the Central and State Governments. Everything else such as adjusting the percentage of GST for various states are just a matter of programming, which could be done by the Government itself through its Department of Electronics. After all, Government has already codified Income Tax. Nothing can be more complicated than that!

A close look at the private partners reveals that entities such as the HDFC Bank, ICICI Bank and LIC Housing Finance Limited have shareholding of several foreign investment companies. In LIC Housing Finance Limited, of the 59 percent private shares, Abu Dhabi Investment Authority, Bank of Muscat, Mawer International Equity Fund, ICICI Prudential are the major private shareholders. The 10% share of NSE company is ominous since NSE is now a discredited and prima facie corrupt institution for money laundering activities.

Tax administration is a matter that deals with sensitive private information. Being such a large shareholder, this automatically means that HDFC and ICICI will be the bankers of public money collected through taxes. Thus a large amount of money will pass through these banks!

The Home Ministry has not even been consulted much less has approved GSTN operators security clearance to allow them access to tax data. In fact that it was never placed before Home Ministry for security clearance is shocking.

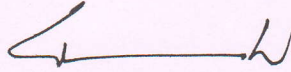
The GST Bill at present has a long way to go. Only the necessary constitutional amendments have been passed in Parliament. States have to come on board and the final Bill needs to be drafted and agreed to be made into law. Adequate security has to be established to ensure that this data does not fall in the wrong hands.

There is still time to put the right Government owned structure in place. Meantime GSTN has appropriated nearly Rs. 4000 crores in expenses

and fees for its preliminary exercises Hence, I urge you to subject GSTN to a close second look and thorough scrutiny.

With Regards

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S. Swamy', with a long horizontal stroke extending to the right.

(SUBRAMANIAN SWAMY)

Encl: a/a

List of Shareholders as on 31st January, 2016

Central Government

24.5%

State Governments & 2 UTs & EC Collectively

24.5%

LIC Housing Finance Ltd

11%

ICICI Bank Ltd

10%

HDFC Ltd

10%

HDFC Bank Ltd

10%

NSE Strategic Investment Corporation Ltd

10%

GST network to be implemented soon across India

By IANS

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