













### **Overall Impact on Indian economy**

**One market** – The trade of country will be converted into one market as compared to numerous markets due to different tax structures in several states as of now.

**Inflation** – There is a general perception that GST would drive Inflationary effect in the near term because producers will increase the rates if GST rate is higher, but refrain from passing on to customer if it is lower, consequently, inflationary effect may be there.

**Exports** – With lower logistics cost, full offset of ITC and seamless flow of goods cost, efficiencies will be achieved and Indian products would be more competitive.

### **States having higher consumption to benefit**

The pattern of consumption will be the criteria for accrual of tax revenues to states. Accordingly, the tax collection will go to the states having higher consumption as compared to the present system of collection by manufacturing states.

To conclude, although initial teething troubles will be there in transition phase and few sectors may face the challenges, nevertheless, the degree of positive impact is much more than challenges. IT driven taxation regime, lesser manual intervention of tax authorities, positive effect on so many sectors and uniform tax structure may witness increase in GDP for Indian economy.

GST which is likely to be inflationary would hit people in the lower income group hardest as they currently pay little or no income tax at all. However, a number of considerations suggest that the impact would be moderate. Sales tax and service tax component are already hidden in the prices of all commodities and basic items would be largely exempted from GST. Other necessities such as fuel and power, public transport and medical care are concerned, there is sufficient already. Government need to intervene to ensure that the poor is protected from GST effect.

### **References:**

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