



## CURRENT AFFAIRS



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### **GST: CAN IT BE CONSIDER AS A BAROMETER OF GROWTH?**

The GST tax collection has achieved a record tax collection of 1.4 lakh crore rupees in 2022. This is straight sixth month tax collection in the history of GST which is above 1.4 lack cr mark. Economists and experts are happy to see such great collections on the ground after COVID-19 crisis which made the world standstill. It is considered as a new indicator to trace economic growth and as a reliable dataset also.

#### **WHAT IS GST?**

It is a Goods and service tax which is an indirect tax. It is an end based tax system which is ultimately collected by the customer. GST was started in India after a long discussion and stiff resistance in 2017. The core idea behind its implementation is '**ONE NATION, ONE TAX**'. Thus it subsumed the majority of indirect taxes like electricity, entertainment, sales tax, excise duty etc. and brought out only one single tax named GST.

One thing we have to consider is the single tax but still it has multiple tax slabs (05) which still, partially retains its nature of multiple tax in existence.

#### **WHY IS A BAROMETER OF GROWTH?**

There are many reasons why its is considered as growth barometer as

1. The indirect taxes are inherently considered as good representatives of economic growth. Due to the fact that almost all strata of society contribute it and participate in its outcome.
2. The GST on that line is more strong as it is the only indirect tax except electricity and petroleum in its ambit which takes credit for all participants and their tax contribution.
3. The higher GST collection shows that the household is spending more and that happens when the income is increasing, showing the **revival of the economy**.
4. The higher or lowering of collection also attached with the employment generation as it has direct bearing on the expenditure potential of the households. That's why many experts also consider the GST as **an employment measure**.
5. The higher GST tax collection in its aftermath also shows that as government revenue income increases it is going for more spending in the economy which further promotes the **vicious cycle of growth**.
6. The new mechanism of **e-way bills** has further added a potential to reflect growth.

## **BUT WHAT ARE THE PROBLEMS WITH IT ?**

1. The GST was never evolved to measure growth thus using it may not give correct results.
2. As it is a tax , the increase or decrease in tax rate may alter the overall collection. However, it does not necessarily indicate a growth in the economy or a recession.
3. The collection amount can change even at change in the registration number.
4. Even if we consider it as an indicator the exact sector wise growth is not reliably reflected due inter-mixed tax slabs. So, we are not certain which sectors are at revival while which are lagging behind.
5. Even, sometimes, the inferences drawn by GST are not matching on real time on the ground as observed during uncertain times in COVID waves.

## **SO, WHAT GAT TO BE USED AS ?**

GST is a tax which is designed to make the tax system in the country simple. It is with the intention to avoid cascading effects on the consumer and to make ease of doing business. It should be considered as a **directional indicator of the growth** i.e.. in which direction the economy is heading like recession or growth.

But drawing a more detailed conclusion from the present structure of the GST won't give the correct idea about the status and thus, approach to be adopted by the policymakers.

## **WHAT ARE OTHER INDICATORS ?**

There are other sector specific and overall indicators used for the purpose of growth calculations. The GDP data by MoSPI, Economic ministry, CPI-WPI inflation data, International statistics like by IMF, WB development report etc.

Thus, it's a good sign that its overall collection is increasing and it is the best way to read the directional sign of the economy and **need further transparency of data sector wise and region wise** to consider it as a real barometer of the growth.

**Akshay gurubhaiye**