

# Indian Economy gearing up for GST

There is a positive mood in the Economy on all fronts and this seems to be perfect time for moving towards GST. The optimistic approach followed by the Finance Ministry and his team along with the [GST council](#) for meeting the deadline of 1st July 2017 for [implementing GST](#) is now a reality. At one point of time, especially after the demonetisation many of them feared as to what will happen to GST?, will it be rolled out or will it be deferred, if deferred, then what happens to Indirect Taxes as the present law loses significance after 16th September 2017 and the government is left with no option except with foregoing the collection of indirect taxes. This was a serious thought which became the focus of discussion in all the expert forums. The post demonetisation effect has resulted in a tremendous change and it has reshaped the Indian Economy by beating up all the odds including the world rating agencies. Thanks for the big support extended by common man who stood by the government in spite of overcoming all the hard ship caused by demonetisation.

Let me give you few recent Macro Economic indicators in support of the argument favouring the timing of GST implantation from 1st July 2017.

**Political Stability and Strong vision** - The present NDA government completed its 3 year term a few days back and if one can try to analyse the last 3 years of government initiatives and its performance, one can conclude saying that the present government has a vision of making India a global power. The stability of the government not only for the current term for which they are voted to power but also would retain the power in 2019 elections (many oppositions themselves has already conceded and have made public that they need to prepare for 2024 election and not 2019) has made the government much stronger in taking bold decisions. GST is one such decision which government pushed for by taking consensus of all states, UTs and stakeholders.

**Post Demonetisation effect** - Even though there was lot of cry from opposition asking for roll back of demonetisation, the timely bold decision taken by the honourable Prime Minister is much appreciated. Demonetisation initiative which was viewed as a efforts towards crusading black money and parallel economy has resulted in huge cash inflows in banks and stock markets. The SIP investments have gone up in the market and the banks are left with huge liquidity and to some extent have overcome the hard ship of NPAs. The banks are becoming much stronger now and they have gone for lot of structural changes in order to meet the future challenges. This is very important from the point that post GST, there will be lot of demand from business units for working capital loan and term loan and the Banks

will be in a position to extend their support to uplift the needy business community.

**Stock Market Performance** - The SENSEX which was around 26000 has closed at 31000 on 30th May. There is huge volume of trade expected in coming months. One important observation which is very important to be made is that the market behaved very well post demonetisation, except for the first two months of post demonetisation wherein the market crumbled because of many foreign investors who opted out of market fearing the down performance of the economy. This was a time where the SIP (Systematic Investment Plans) market started picking up because many household savings started getting invested in the market and this pushed the market up and again attracted the foreign investors. The market is well positioned and its reaction to the post GST rate announcement (17th May 2017) is encouraging and every sector stock prices has recovered and showing a positive sense barring few exception.

**Stability of Rupee** - There was a time (October 2016) wherein many economist predicted that Rupee may get depreciated to somewhere around Rs. 75 - Rs. 78 per dollar. The timely action by the government of demonetisation resulted in pumping more money to the banking sectors (around three and half trillion rupees) has resulted in appreciation of the rupee which today stand at Rs64.50 per dollar. In spite of lot of challenges faced in international scenario in terms of trade, and the policy changes of many countries, India is still at a position to retain the stability of the currency, this shows that the Economy is becoming stronger and vibrant to take up the challenges whatever may come in future. GST being a big revolutionary change in Indirect tax regime which directly has an impact on consumer spending and also on the government tax revenue, the stability in Rupee will have a positive impact on GST.

**High Growth and Low Inflation** - World Bank in its recent report has told that India is the Fastest growing Economy in the world. The growth rate which was at 6.8% in 2016-17 is expected to grow at 7.2% in 2017-18 and 7.8% in 2018-19. Inflation which was always a big challenge for our country is showing a positive sign of under control now. Inflation which stood at 6.06 in Jul 2016 at the end of Q4-2017 is at 4.5 and is predicted to be around 4.8 in 2020. Taming of inflation below 5% was once a dream and that has been turnaround to be reality today. Even though there is a little bit worry when it comes to the question of food inflation which I think will be addressed in the post GST regime as many of the essential products are kept out of tax under GST. Some of the commodities are kept at 5% rates which were at higher rate in the current regime. Recently in an interview Sri Hasmukh Adhia, Revenue Secretary also made it clear that by implementing GST inflation rates will come down in long run. So, high growth, low inflation and political stability are three major factors which will boost up the morale of the nation as well as the consumer who can now make a way for free and smooth implementation of GST.

**Job Market** - Generation of job is one big threat which definitely a challenge in post GST regime. The National Education policy in its data which was released some time back had clearly shown that annual growth in job is only 1.4% but the annual growth rate in new entrants looking for job is at 2.2%. There is a huge gap of .8% which is really a big challenge to overcome. As our Prime Minister always mentions in his speech that our country is blessed with huge youth population and skill sets which is our major strength and if this needs to be capitalised in the Post GST regime. There will be lot of opportunity opening up in business especially in MSME sectors which caters to the need of maximum jobs and contributes to highest GDP in the country. Liquidity positions in banks and the popular schemes of the Prime Minister like “Make in India”, “Skill India” and “Stand Up India” schemes followed by respective state government initiatives like Global Investors Meet (GIM) etc to attract more and more foreign companies and investments in to India will definitely play a major role in the post GST era. Sri Hasmukh Adhia, Revenue Secretary, GOI while addressing in the Town Hall meet at Bengaluru on 30th May 2017 highlighted on the point that the new GST regime will generate more and more Job opportunities for youngster in the Country.

**Ease of doing business** - One of the highly commendable achievements of the present central government is coming with various amendments to existing acts to make India a place of “Ease of doing Business”. Even though the rankings for India in terms of ease of doing business has shown positive results (130th rank out of 190 countries). The continues efforts of the government to restructure the ways of doing business by bringing in new laws and amending to the existing one is highly appreciable. Today doing business depends on **3 F's** which is, **F**ine Entry, **F**air Business and **F**ast Exist. Insolvency and Bankruptcy Code which was passed in 2016 primarily aims at making India a better and safe place to do business. Incorporating a Company in India is now a very simple process, there is no hassle and within a short span of time the process can be completed. The introduction of SPICe Form by MCA has made the incorporation of company still easier. The setting up of NCLT and NCLAT which act as a single window for settlement of all company related disputes will help in ease of doing business. The current year union Budget has allocated Rs 272.48 cr under scheme of investment promotions that will work towards creating awareness about ease of doing business and also focuses on attracting investment in 25 sectors selected under Make in India. According to output-outcome framework document prepared by the government, India wants to reach the 90th rank in 2017-18 and 30th by 2020. Abolishing of FIPB (Foreign Investment Promotion Board) has opened the door for FDI and this will encourage more and more companies coming to India. These changes certainly leads to creating more and more avenues and opportunities for setting up of new business which is encouraging factor in post GST regime.

Keeping these factors in mind, it can be easily concluded that the Economy is perfectly well balanced and in place to face up the challenges posed by the post

GST regime. GST as such will result in reducing the cost of doing business and also will bring down the inflation in long run. It removes regional disparities and works towards overall growth and development. It also encourages new entrants to set up industries in different geographical locations and contributes towards generating more revenue to the government. The anti-profiting clause introduced in GST will help in shifting the benefits accruing to the company due to GST implementation directly to the consumers. Some of the companies like, Mercedes Benz, Audi, BMW and Ford has already started working in this direction and has reduced the prices of their branded cars to pass on the benefits to their consumers which will result in [GST regime](#) from July onwards. One of the biggest challenges in the post GST is to see how the new regime will help in creating the jobs for growing aspirants. Presently, every year around 6 million people are coming out in search of jobs and only 1 million new jobs are created in the economy.

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