

# Article as how we are in for EXCITING TIMES ONCE THE GST Bill is passed

How GST Will Change the Face of Indian Economy? - Good Read

Indian truck drivers clock an average of 280 km per day, much below the world average of 400 km per day and far below the 700 km the average truck driver in the US does every day. The underperformance of Indian truckers has less to do with bad roads and less fancy trucks and more about prevailing archaic laws.

Truck drivers in India spend 60 per cent of their time off roads negotiating check posts and toll plazas, says UBS Securities, which has also found that there are 650-odd check posts in the country and 11 categories of taxes on the road transport sector.

Since road traffic accounts for 60 per cent of freight traffic in India, the slow movement of trucks across states leads to productivity loss. According to UBS, if the distance covered goes up by 20 per cent per day, Indian truck productivity would improve by 12 per cent.

Higher productivity would cut the need for buffer stocks; reduce the loss of perishable goods, cut down the need for many warehouses, etc.

Analysts say the implementation of the goods and services tax (GST) could provide the kind of productivity boost illustrated above. Gautam Chhaochharia, head of India Research of UBS Securities, explains the benefits of GST,

1) **Unified market:** The GST will cut down the large number of taxes imposed by the central government (eg. central VAT or excise duty, services tax, central sales tax on inter-state sales, etc.) and states (VAT on sales, entertainment tax, luxury tax and octroi and entry taxes levied by municipalities). This will lead to the creation of a unified

market, which would facilitate seamless movement of goods across states and reduce the transaction cost of businesses.

2) **Lower incentive to evade tax:** Currently, companies have to pay taxes on entire underlying value of the product/service, but under GST, companies in a chain will have to pay tax only on the value-addition. So, the actual tax paid will likely be small and reduce the incentive for evasion.

3) **Widen tax base:** GST will give credits for all taxes paid earlier in the goods/services chain incentivizing tax-paying firms to source inputs from other registered dealers. This will bring in additional revenues to the government as the unorganized sector, which is not part of the value chain, would be drawn into the tax net. Besides, states will be allowed to tax services (as opposed to only the central government) under the GST.

According to the National Council of Applied Economic Research, government's tax revenue will increase by about 0.2 per cent because of GST implementation, while GDP growth could go up by 0.9-1.7 per cent. Exports will also get a boost as they are zero-rated for taxes and also because the fall in cost of manufactured goods and services under GST will increase the competitiveness of Indian goods and services in the international market, UBS says.