# AGN TAXPRESSO

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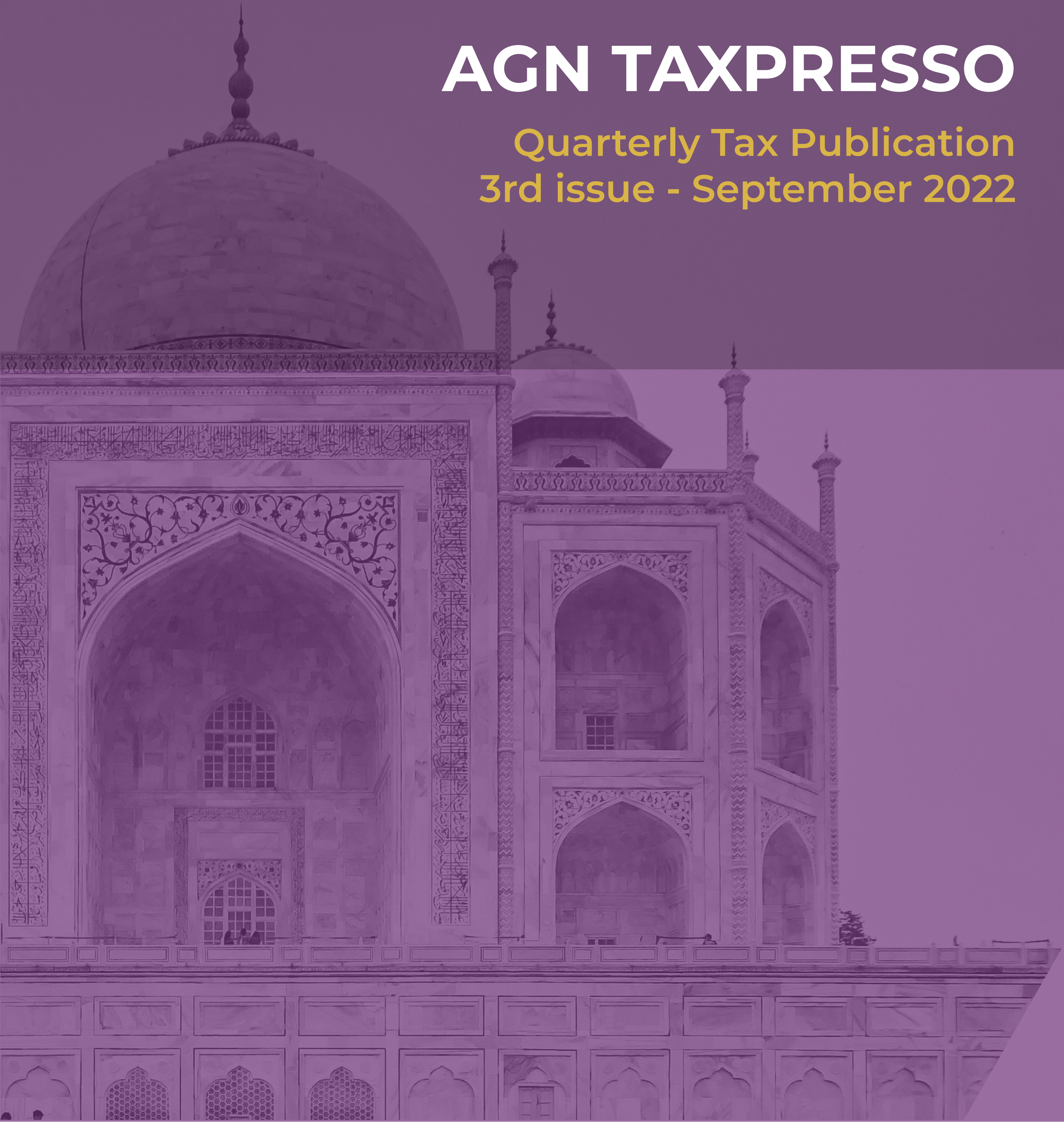

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# INDIA

## Impact Of GST On Indian Economy

### Introduction

GST, known as Goods and Services Tax, is an indirect tax which has subsumed many indirect taxes in India such as the excise duty, VAT, services tax, etc. Goods and Service Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017.

Introduction of GST (Goods and Services Tax) has changed the face of Indian tax system by bringing in uniformity and transparency. It is one of the most significant tax reforms introduced to eliminate the cascading effect of the earlier tax system. This game-changer tax reform has helped enterprises in various ways to boost their business and the economy as a whole. Small and medium enterprises can benefit from the more competitive space due to the introduction of the Goods and Services Tax.

Not only has it strengthened coordination within the federal state, it has also "improved tax buoyancy, curbed evasion of indirect taxes and drawn more and more smaller taxpayers into the formal system."

### Effect of GST on Indian Economy

➤ Ease in Tax Structure
The country's tax structure has been streamlined due to GST. Since GST is a single tax with only 4 tax slab (i.e. 5%, 12%, 18% and 28%), calculating taxes at various supply chain points has become more straightforward. Therefore, GST impact on India can be considered positive. Customers and manufacturers can both see how much tax they'll be charged and how it'll be calculated. It is also possible to avoid the difficulties of dealing with tax officers and authorities.

➤ Support for SMEs
Small and medium-sized businesses can now register under the GST Composition Scheme. They pay tax at the fixed rate that might vary from 1% to 6% based on their annual turnover as per rules and conditions specified under GST laws. As a result, they have to face less complications and compliance procedure in their day to day business working.

➤ Elimination of cascading effect of taxes resulting in additional funding for business
As, state and central government taxes have been combined under GST. This has eliminated the tax cascade effect, lowering the burden on both the buyer and the seller. So, even though it appears like you are paying a large amount of tax, but you are eliminating multiple hidden taxes that were not known earlier and as a result it reduces the overall taxable amount. This allows business to re-invest their money to enhance their output and focus more on their business goal.

➤ Improved operations across India
Tax barriers such as toll plazas and checkpoints can now be avoided. Previously, this caused issues, such as harm to unpreserved items during transportation. As a result, producers had to maintain buffer stock on hand to compensate for the losses. Their profit was affected by the overhead expenditures of storage and

warehousing. These issues have been mitigated by a unified taxing system catering to the positive impact of GST. They may now readily move their wares throughout India. As a result, their operation moves smoothly across India.

➤ Increase in exports

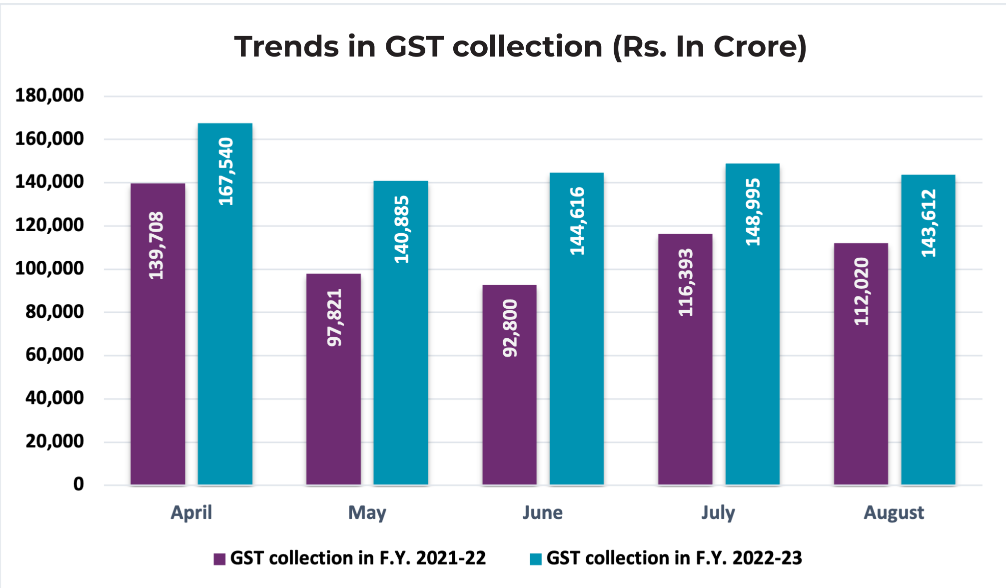
Customs charges on products exported has been reduced and uniform taxation and cost efficiencies owing to reduced time and costs in transportation. One obvious effect is that 'Made in India' products have now being more cost competitive in the global markets. All of these reasons have boosted the country's export rate. Tax refund process under exports has also being smoothed as there is single window for these purposes reducing multiple compliances that has to be fulfilled before under different laws. When it comes to developing their companies worldwide, firms have grown more competitive.

➤ Effect of economic growth in GST collection

After introduction of GST, growth of Indian economy has raised its bar and that can be evidently seen in GST collection records.

For last six months in a row now, the monthly GST revenues have been more than the ₹ 1.4 lakh crore mark ($ 17.54 billion). The growth in GST revenue from April 2022 till August 2022 over the same period last year is 33%, continuing to display very high buoyancy. This is a clear impact of various measures taken by the Council in the past to ensure better compliance. Better reporting coupled with economic recovery has been having positive impact on the GST revenues on a consistent basis. During the month of July 2022, 76 million e-way bills were generated, which was marginally higher than 74 million in June 2022 and 19% higher than 64 million in June 2021. The revenues for the month of August 2022 are 28% higher than the GST revenues in the same month last year of ₹ 1,12,020 crore ($ 14.03 billion).

The chart below shows trends in monthly gross GST revenues during the current year compare with last year's same month data.




*Source: https://pib.gov.in/PressReleasePage.aspx?PRID=1855967

From above chart we can say that there is a visible increase in GST collection ultimately reflects increase in economic growth. Economic growth has been witnessed during a time where many countries are facing high inflationary environment and recession concerns. This has been a time where the Indian economy has shown resilience to bounce back from COVID-19 induced slowdown.

## Conclusion

For a developing economy like India it is required to become more competitive and resourceful in its resource usage and GST helped in achieving the same. Before GST rollout, it was expected to ease India's cumbersome tax system, help goods move seamlessly across state borders, curb tax evasion, improve compliance, increase revenues, boost exports, and attract investments by improving ease of doing business in India and looking at economy after 5 years of GST we can say that GST has shown its boosting impact on economic growth.

There has been also an increase in ease of doing business that can be attributed to the new GST regime. This has increase foreign investment in India as more and more overseas entities are setting up Business Units in India.

Lastly it can be said, because of its transparent and self-policing character, it would be easier to administer and this would encourage a shift from informal to formal economy.

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# PAKISTAN

## Pakistan Economic Review-2022

Pakistan has somehow managed to recover from the outbreak of the COVID-19 pandemic by showing the growth of 5.97 in real GDP terms but it has also faced financial and non-financial imbalances. The table below summarizes the economy of Pakistan during the fiscal year 2022 as compared to the previous year at a glance:

| S No. | Particulars | 2022 (provisional) | 2021 (revised) |
|---|---|---|---|
| 1 | Population | 229,172,248 | 225,199,937 |
| 2 | GDP Growth Rate (%) | 5.97 | 5.74 |
| 3 | Inflation (%) | 11 | 8.6 |
| 4 | Current Account Deficit (USD Billion) | -13.169 | -0.275 |
| 5 | Interest Rate (%) | 16.01 | 8.08 |
| 6 | Dollar Parity (PKR:$) | 202.22 | 157.54 |
| 7 | Government Debt (Rs. In Billion) | 39,882 | 35,669 |

Source: Ministry of Finance

In the past, the Pakistan's economy was faced with the high-interest rates, shrinking fiscal space, mounting current account deficit, inflation, congestion in the energy sector, and the lack of environmental support for the private sector.

The instability due to political differences has also led to unreliability at governmental, private, and individual levels adversely affecting the economy.

Though various recovery steps were taken by the government like coordination of monitory fiscal policy to boost private investment; promotion of large-scale manufacturing, crop production, and import of consumer products; introduction of Export Facilitation Scheme 2021, monetary policy normalization in September 2021, and Textile Policy 2020-25.

Moreover, recent floods have a very devastating effect on the economy thus it is imperative that extensive measures like job opportunities, price stability, and rebuilding of every sector are needed to sustain the economy.

## NEW TAXES FOR NON-RESIDENTS

Meanwhile, we would also like to highlight the following incomes that have been taxed effective July 01, 2022 for non-residents in Pakistan through Finance Act, 2022:

i. Fee for money transfer operations;
ii. Card network services;
iii. Payment gateway services
iv. Interbank financial telecommunication services.

The above incomes will be subject to tax at the rate of 10%. Further, tax rate has been increased on fee for offshore digital services from 5% to 10%.

Compiled by Muhammad Kamal Gohar on 23 September 2022

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