

# India Product Service Tax Reform and Its Influence

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**Abstract:** 2017 Years 7/Month India product service tax (GST) Reform formal implementation from tax rate design to tax system construction the very big of adjustment. This paper analysis the reform of national economic of actual influence has its advantages and disadvantages. It tax system itself for is very big of progress but tax rate design there are still defects; product and service trade although tax convenient Save the transaction cost but the price level of the adverse influence, lead to consumption weak; short-term in market may experience downturn of but tax reform is conducive to the formation new capital national economic has development potential. India future product service tax reform still have very big of space: tax rate design to balance financial income and market efficiency; take complementary strategy and auxiliary measures control the price level of influence; collection Measures to and tax system reform phase matching to maximize play tax reform of positive role.

**Keywords:** India; Product service tax; Tax System Reform

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## 1. The formal implementation.

In fact then India Prime Minister Vajpayee as early 2000 Years The establishment of the tax system reform the Committee first proposed product service tax reform of idea to-implementation lasted more 17 Years. The tax reform the most direct of influence is Will long-term segmentation of India market with become a unified of market significance far-reaching. This paper from the following three aspects analysis: the first India old tax system in consumption tax of content and there of main problem; the second product service tax of reform content and the printed

Of Economic of influence; the third tax reform face of interests conflict will the India economic of trend what are the adverse influence whether can really improve India of international competitiveness future have how of improvement space.

4 Hair g disease. India Tax Reform a month core is strengthen central financial learn Ability [N]. 21 Century Economic Report, 2017-08-01 (5 ), Services Taxes (SGST) Cross-state transactions unified of product service tax (Integrated Goods, Services Taxes (IGST)). Simple for state in trading respectively pay CGST and SGST Cross-state trading or export trade pay IGST That according to actual consumption location and supplier location judgment paid tax. Cross-border trading or export trading in if actual consumption and supply location not with a state by government unified collection IGST and pay actual consumption location SGST.

## 2. Tax Rate Adjustment

Product service tax reform before India of indirect tax name tax rate common

22% But tax base narrow. Tax reform after common reduce the tax rate in tax base expand of based on only need to

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average 12% of tariff rates can achieve financial income demand.

Tax reform on Tax Rate Adjustment of basis main in accordance with product and service of level, Type Division, GST The Committee will tax rate points in order to five file in addition and special product specific tax rate and corresponding product see table 2.

Contrast tax reform before and after the tax rate design tax rate significantly reduce of products in addition to life necessities and all kinds of government to encourage development of industry such as new energy equipment and individual with economic development gradually become necessities of life of Product, visible new tax rate of design reflect the economic development and national basic life level improve of requirements; in production also pay attention to protection local New Energy Environmental Protection enterprise; tax Rate obvious increase of product and service including more high-grade of life supplies and high-end service and high-grade hotel visible new tax rate design we focused on adjusting the rich class life consumption, in certain degree on the play the regulation income gap of role. Table 3 For tax reform before and after part product tax rate comparison.

### 3. product service tax reform of Influence Analysis

(A) the tax system itself of influence

The tax reform on tax system itself for is a very big of progress directly influence is improve the tax system design. This a little body now three A aspects: First expand the value-added tax of tax base by unified production circulation link of the value-added tax and the state tax rate design implementation domestic market unified, avoid of trade into black market cause of various tax evasion behavior. The second eliminate the multiple tax simplified the collection program not only reduce the taxpayers of tax burden also increase the government tax certain degree on the ease the waste notes that<sup>5</sup>Cause of temporary financial income decreased of situation. According to India National Bureau of Statistics data show that, 2017 Years government collection of Production Tax up

1 230 746 Do rupee growth rate 6.9% Relative to a annual growth rate improve 1.5%.<sup>6</sup>The third Unified Tax Department reduce the administrative cost reduce the administrative error to improve efficiency.

The tax system reform in consider domestic market more aspects of the same time as much as possible do the improve economic efficiency but still in transition stage. Consider tax rate grade design eu vat command (2018 European

Waste notes that: 2016 Years 11 Month India Prime Minister Modi represent Government announced plans to repeal a face value 500 And 1 000 Rupee of Money Circulation new the face value of the 2 000 And 500 Rupee of money.

<sup>6</sup>India National Bureau. First revised estimates. national income Consumption expenditure Saving, capital formation. 2016-17 [EB/OL]. <http://www.mospi.gov.in/download-reports2018-01-31>.

Will before complex of tax rate design induction for five file has in considering the actual situation of at the same time as much as possible do both efficiency but in value-added tax rate of design on don't?

Bring more favorable of influence. If countries take mandatory means control product price will how?

(B) the micro economic price level of influence Study show that even if countries take measures the price adjusts the level of,

Product price level of rising very easy to lead to consumer weak but currency stop CPI The price if tax of design is in control price slightly rising also will influence production efficiency. Suresh (2014) Of product and service between the relative price level will keep the same. But the study pointed out that Malaysia tax reform after public traffic, power, days product service tax has difference between: the first tax base change the price level of natural gas and other necessities price significantly rise, serious weaken the middle-and low-income elimination influence different; the second for new tax system of uncertainty force enterprise fee of the economic ability<sup>10</sup>. In current price rise of environment in if government for seek self-protection and improve profit margins improve product price; the third reduce the necessities such as flour, oil and of subsidies, will bring greater van even if tax reform completely achieve the eliminate multiple tax of objective bring of shadow around of price rising and consumption weak. So examines the

tax reform after guo xiang also don't just price level decreased. Tait (1988, 1990) In the consumption ability of change end result should be is micro economic price level 1988 ~ 1990 Years of research have select 21 A developing countries product service actual change focusing on the overall price level rise and Its of actual shadow service tax reform of price level of influence results display: product service tax. Tax reform not reduce product and service of price if with use money 14 A country of consumption price index can be ignored sample total number political means and monetary policy this the control to achieve national economic 66.7%; But in addition 7/A case have 4 A national display tax of smooth transition and development.

The price level of a permanent rising; the rest 3 A national necessary (Three) the macro-economic of influence

Financial Policy has in place tax of role just inflation<sup>9</sup>. Before the formal implementation of the tax reform, many economists predicted that

In an economy that is not prepared for inflation 3. To 6. Within a month, India's economy will experience a deficit and recession.

Tax may only raise CPI Index (Consumer Price Index) Downturn period<sup>11</sup>. Data display, 2017 Year India GDP Growth Rate 7.1%.

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6. GDP = Sigma GVA-COINTRIN INTL. at basic TripAdvisor + Production Tax (Product taxes)-Production subsidies (Product subsidies).
7. GVA-COINTRIN INTL. (Gross Value Added) = CE + OS/MI + CFC + Production taxes less Production subsidies Said India National Economic Growth of index.
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11. Underground Economy: the income and output value are not declared to the government, and are not included in the GDP related economic activities.
12. Black economy: related economic activities prohibited by law and harmful to society.
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