

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA**

**STARRED QUESTION NO. 62**

**TO BE ANSWERED ON 14<sup>th</sup> DECEMBER, 2018/23<sup>RD</sup> AGRAHAYANA SAKA, 1940**

**Effects of GST and Demonetisation on Economy**

**\*62. SHRI JYOTIRADITYA M. SCINDIA:**

**SHRI KAMAL NATH:**

**QUESTION**

**Will the Minister of FINANCE be pleased to state:**

- (a) whether a former Governor of Reserve Bank of India (RBI) and several renowned economists have recently stated that ban on high value currency notes in 2016 and rollout of the Goods and Services Tax (GST) in July 2017 have caused 'really hard blows' to the economy of the country;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Government proposes to specify the advantages accrued due to demonetisation and GST; and if so, the details thereof; and
- (d) the details of the steps taken/ proposed to be taken by the Government to strengthen the economy?

**ANSWER**

**MINISTER OF FINANCE  
(SHRI ARUN JAITLEY)**

- (a) to (d): A Statement is laid on the table of the House.

**STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 62  
RAISED BY SHRI JYOTIRADITYA M. SCINDIA AND SHRI KAMAL NATH, HON'BLE  
MEMBER OF PARLIAMENT TO BE ANSWERED ON 14.12.2018 REGARDING EFFECTS  
OF GST AND DEMONETISATION ON ECONOMY**

(a) to (c): The Government does not comment on the views and opinions of former RBI Governors and Economists on demonetization and GST expressed before the Media/private agency etc. The Government has from time to time, stated advantages to the Indian economy which accrued due to demonetisation and introduction of Goods and Services Tax. Economic Survey/Reports and official statements issued from time to time may be referred to this respect. To record a few major advantages:-

- (i) After the structural reform of GST had been introduced in a record time the growth bounced back vigorously. GDP grew at 6.3%, 7.0%, 7.7%, 8.2% growth (at constant 2011-12 prices) in the four quarters following introduction of GST.
- (ii) During the period from November 2016 to March 2017, the Income-tax Department (ITD) conducted searches on around 900 groups, wherein, assets worth over Rs. 900 crores were seized and undisclosed income of over Rs. 7,900 crores was admitted.
- (iii) Robust growth rate of 18% for F.Y. 2017-18 in net direct tax collections which is highest in last seven financial years is indicative of the positive impact of demonetization on the level of tax compliance in the country.
- (iv) In 2017-18, Personal Income-tax (PIT) Advance Tax collections increased by 23.4% and PIT Self-Assessment Tax by 29.2% over those for 2016-17, corroborating the premise that demonetization and the subsequent use of bank deposit data by the Income-tax Department had a major impact on voluntary tax payments by the non-corporate/individual taxpayers.
- (v) A growth rate of 25% has been achieved in the number of Income Tax Returns (ITRs) filed with the Income-tax Department during FY 2017-18. It has been the highest rate achieved in last five years.
- (vi) A clear upswing in the new tax filers after F.Y. 2015-16 has been observed which can be attributed to higher level of compliance due to transfer of cash into the formal channels as a result of demonetization. The total number of ITRs e-filed upto 31/08/2018 was 5.42 crore as against 3.17 crore upto 31/8/2017, marking an increase of 70.86%. The introduction of the Goods and Services Tax (GST) has provided a significant opportunity to improve growth momentum by reducing barriers to trade, business and related economic activities.
- (vii) The subsuming of major Central and State taxes in GST, complete and comprehensive setoff of inputs goods and phasing out of Central Sales Tax (CST) would reduce the cost of locally manufactured goods and services. This will increase the competitiveness of Indian goods and services in the international market and give boost to Indian exports. The uniformity in tax rates and procedures across the country will also go a long way in reducing the compliance cost.
- (viii) GST has increase the threshold for GST registration for small businesses. Those units having aggregate annual turnover more than Rs. 20 lakhs (10lakhs in case of North Eastern States) have be registered under GST. Unlike multiple registrations under different tax regimes earlier, a single registration is needed under GST in one State. An

additional benefit under Composition scheme has also been provided for businesses with aggregate annual turnover up to Rs 1 crore.

- (ix) With a uniform levy of GST on goods and services across the country, subsuming a plethora of indirect taxes levied earlier, manufacturers/traders/service providers at each step of the value chain can avail input tax credit of the tax paid on their inward supplies. This incentivizes them to obtain a tax invoice for their procurement, thereby enhancing GST compliance on part of the sellers.
- (x) Abolition of check post across the states when goods passes through different states. Earlier States had different documents to comply with in presence of check post. Now e-way bill forms/rules are uniform across the states. This will drastically reduce to time taken to transport goods and help in saving the transportation cost.

(d): The Government of India has taken various steps to boost the GDP growth of the economy. These, *inter-alia*, include; fillip to manufacturing via Make in India programme and measures to improve ease of doing business, concrete measures for transport sector including measures for regional connectivity and power sector via schemes such as Ujjwal DISCOM Assurance Yojana (UDAY). Other measures include comprehensive reforms in the foreign direct investment policy and special package for textile industry.

The Union Cabinet approved a significant increase in the Minimum Support Prices (MSPs) for all Kharif and Rabi crops for 2018-19 season, in order to provide major boost to farmer's income. The government has launched a phased program for bank recapitalization entailing infusion of capital to the public sector banks, to the tune of about Rs. 2.11 lakh crore over two financial years, which is expected to encourage banks to enhance lending.

The Insolvency and Bankruptcy Code was enacted to achieve insolvency resolution in a time bound manner. Budget 2018-19 included various measures to provide a push to the economy, which among others, include major push to infrastructure via higher allocation to rail & road sector, reduced corporate tax rate of 25 per cent for companies with turnover up to Rs. 250 crore which is expected to help 99 per cent of Micro, Small and Medium Enterprises (MSME), etc. The Government launched a support and outreach program for helping the growth, expansion and facilitation of MSME sector.

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