Newsflash

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Key Highlights of Indian Economic Survey

The **Indian Economic Survey**, which sets the scene for Indian Finance Minister Arun Jaitley's fifth annual budget on 1st February 2018, forecasts that the country's gross domestic product (GDP) will grow by 7 percent to 7.5 percent in 2018-19.

The Indian Economic Survey for 2017-18, presented in the Parliament by Finance Minister on 29th January 2018, underlined the need for more reforms.

Here are the key highlights of the Economic Survey 2017-18 tabled in the Parliament

Goods and Services Tax (GST) has given a new perceptive of the Indian economy and new data has emerged. There has been a fifty percent increase in the number of indirect taxpayers. There has also been a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises wanting to avail themselves of input tax credits. The Survey also stated that fears of major producing states that the shift to the new system would undermine their tax collections have been allayed as the distribution of the GST base among the states got closely linked to the size of their economies. Similarly, there has been an addition of about 18 lakh in individual income tax filers since November 2016.

India's formal sector, especially formal non-farm payroll, is substantially greater than what it currently is believed to be. It became evident that when "formality" was defined in terms of social security provisions like EPFO/ESIC the formal sector payroll was found to be about 31 percent of the non-agricultural work force. When "formality" was defined in terms of being part of the GST net, such formal sector payroll share was found to be 53 percent.

For the first time in India's history, data on the **international exports** of states has dwelled in the Economic Survey. Such data indicates a strong correlation between export performance and states' standard of living. States that export internationally and trade with other states were found to be richer. Such correlation is stronger between prosperity and international trade.

India's exports are unusual in that the largest firms account for a much smaller share of exports than in other comparable countries. Top one percent of Indian firms account only for 38% of exports unlike in other countries where they account for substantially greater share – (72, 68, 67 and 55 percent in Brazil, Germany, Mexico and USA respectively). Such tendencies were also found to be true for the top five or ten per cent of the Indian companies.

It was pointed out that the **Rebate of State Levies (ROSL)** has increased exports of readymade garments (man-made fibers) by about 16 per cent but not of others.

The survey pointed out that **tax departments** in India have gone in for contesting against in several tax disputes but also with a low success rate which is below 30 per cent. About 66 per cent of pending cases accounted for only 1.8 per cent of value at stake. It further stated that 0.2 per cent of cases accounted for 56 per cent of the value at stake.

The survey mentions that collections of **direct taxes by Indian states** and other local governments, where they have powers to collect them is significantly lower than their counterparts in other federal countries. A comparison has been given between ratios of direct tax to total revenues of local governments in India, Brazil and Germany.

The survey captures the footprints of **climate change on the Indian Territory** and consequent adverse impact on agricultural yields. Extreme temperature increases and deficiency in rainfall have been captured on the Indian map and the graphical changes in agricultural yields are brought out from such data. The impact was found to be twice as large in un-irrigated areas as in irrigated ones.

Source: finmin.nic.in

Remarks

The Indian annual budget shall be presented on 1st February 2018 by Finance Minister in Parliament. We shall bring you the detailed coverage and our comments on Indian Budget.

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At HCO, the interests of our clients are paramount. Our focus on the mid-market means we have a real understanding of the environment in which our clients operate and are ideally placed to help them grow and prosper.

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For a deeper discussion of how this issue might affect your business, please contact, Managing Partner for International Relations:

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