

GST 2.0: CAN SWEEPING TAX REFORMS HELP TRANSFORM INDIA'S ECONOMY



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GST reforms are expected to have a definite positive impact on the Indian economy. The **rationalization of indirect taxes is expected to reduce the cost of manufacturing goods in India**, and to some extent, this competitiveness can be expected to **help exporters mitigate the impact of global tariff barriers**. The export competitiveness would also help open up alternative export markets where export barriers are far less significant. GST reforms will also have a positive economic output impact due to the expected lowering of domestic prices of goods, which could lead to an **increase in domestic demand**. Lower indirect taxes also can be seen as progressive since they lower the tax burden on lower income categories, who are likely to spend the extra disposable income on buying more goods. We can also expect second-order impacts in terms of attracting fresh investments to augment domestic capacity. Lower indirect taxes will also be an incentive for any **new foreign investor considering India as a manufacturing destination**.

GST reforms could be seen as primarily a way to provide an **alternative growth path to the Indian economy**, which could be potentially impacted by reduced export demand. Rate cuts could provide a boost in consumption in price-elastic sectors. The intended benefits can be secured if mechanisms to increase compliance, including digital invoicing, AI-enabled audit, and digital data validation, can expand the tax base and improve collections. As a secondary benefit, being attentive to citizen concerns related to the cost of living can help improve optics. ”