OECD Predicts India’s Growth

Why in news?

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The Organisation for Economic Cooperation and Development (OECD) had recently released Economic Survey of India 2017 report.

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What are the findings of the survey?

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- It cut its growth projection for India in 2016-17 to 7% from the 7.4% it had projected last year.
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- It also has forecast a growth rate of 7.3% for 2017-18 and 7.7% for 2018-19.
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- This is more than double the current global growth figure, and four times the OECD average.
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- At the same time, inflation, the current account deficit, and the central government deficit have all been brought down in the past few years.
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- The report raised some issues that could alter the performance of the Indian economy, including the bank NPA issue and geopolitical risks.
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- The report also added that the increase in NPLs (non-performing loans) largely reflects greater recognition of them, rather than a further deterioration of underlying fundamentals.
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- It states that the highly-leveraged companies and public banks with large non-performing loans are exposed to major shocks emanating from domestic and foreign financial markets.

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- It also predicts that Investment would suffer and recapitalisation needs would increase, with a negative impact on economic growth and the fiscal deficit.

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What are the measures advised in the survey?

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- The survey report highlighted some key measures to increase revenue and align the system to international standards.
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- High corporate income tax rates and a narrow base distort the allocation of resources, discourage foreign investment and make tax evasion and avoidance more attractive.
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- Tax disputes are frequent and long to resolve.
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- Staff numbers and training levels are low in the tax administration.
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- Therefore the OECD recommended implementing the reduction of the corporate tax rate from 30% to 25%, provide certainty regarding tax rules and their implementation, and increase the number and training of staff employed in the tax administration.

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Source: The Hindu

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