

$$GDP = AD = C + I + G + X - M$$

↓
₹160

Total cons. } Govt. consumption
Private consumption

68.4%

~~31.6%~~

↓
who is doing?

Professional Tax - State
govt.

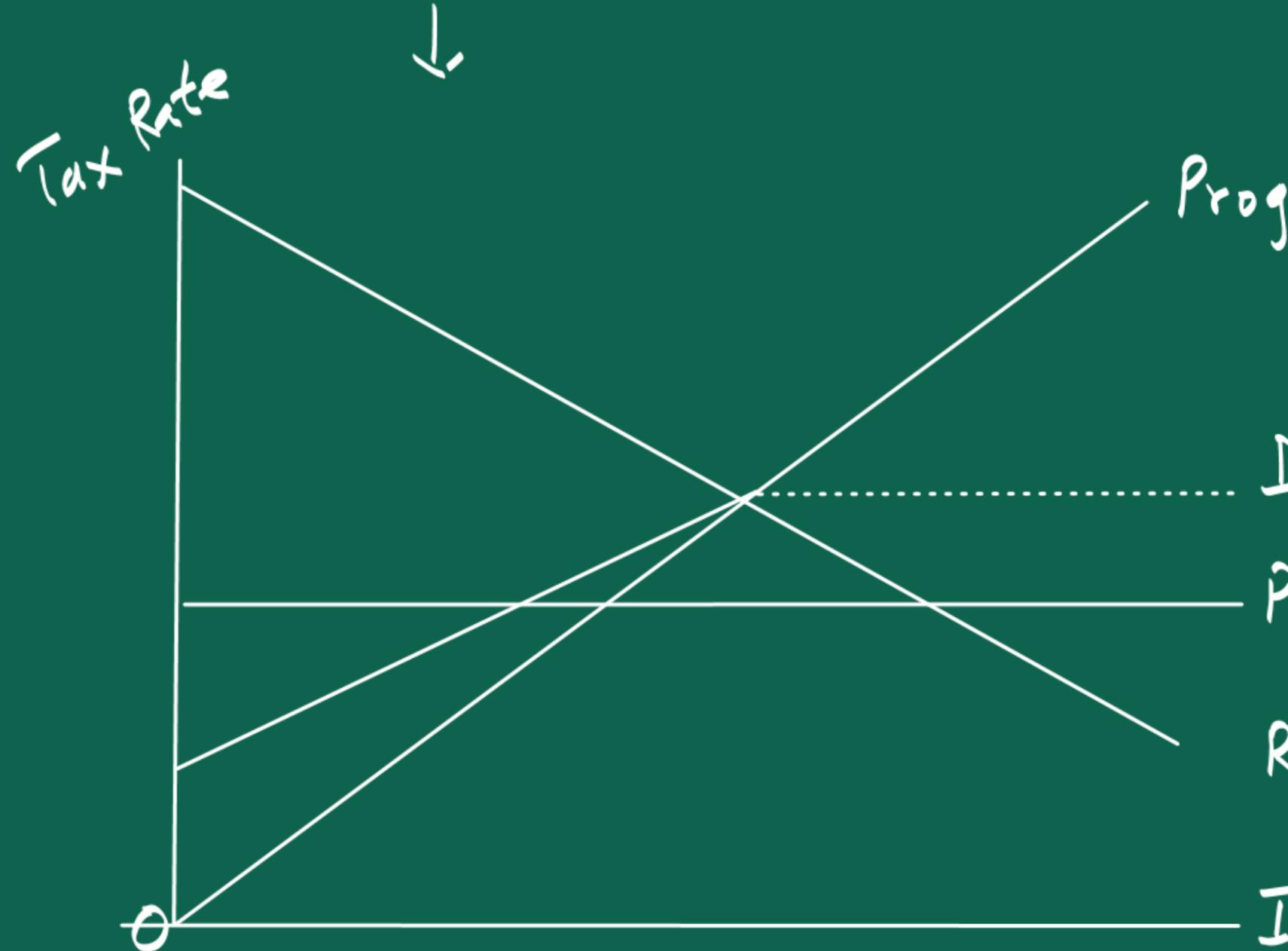
be transferred on others.

These taxes are imposed on production & transactions of goods & services.

Since, goods & services move from a person to another there is always a chance for the transfer of an indirect tax.

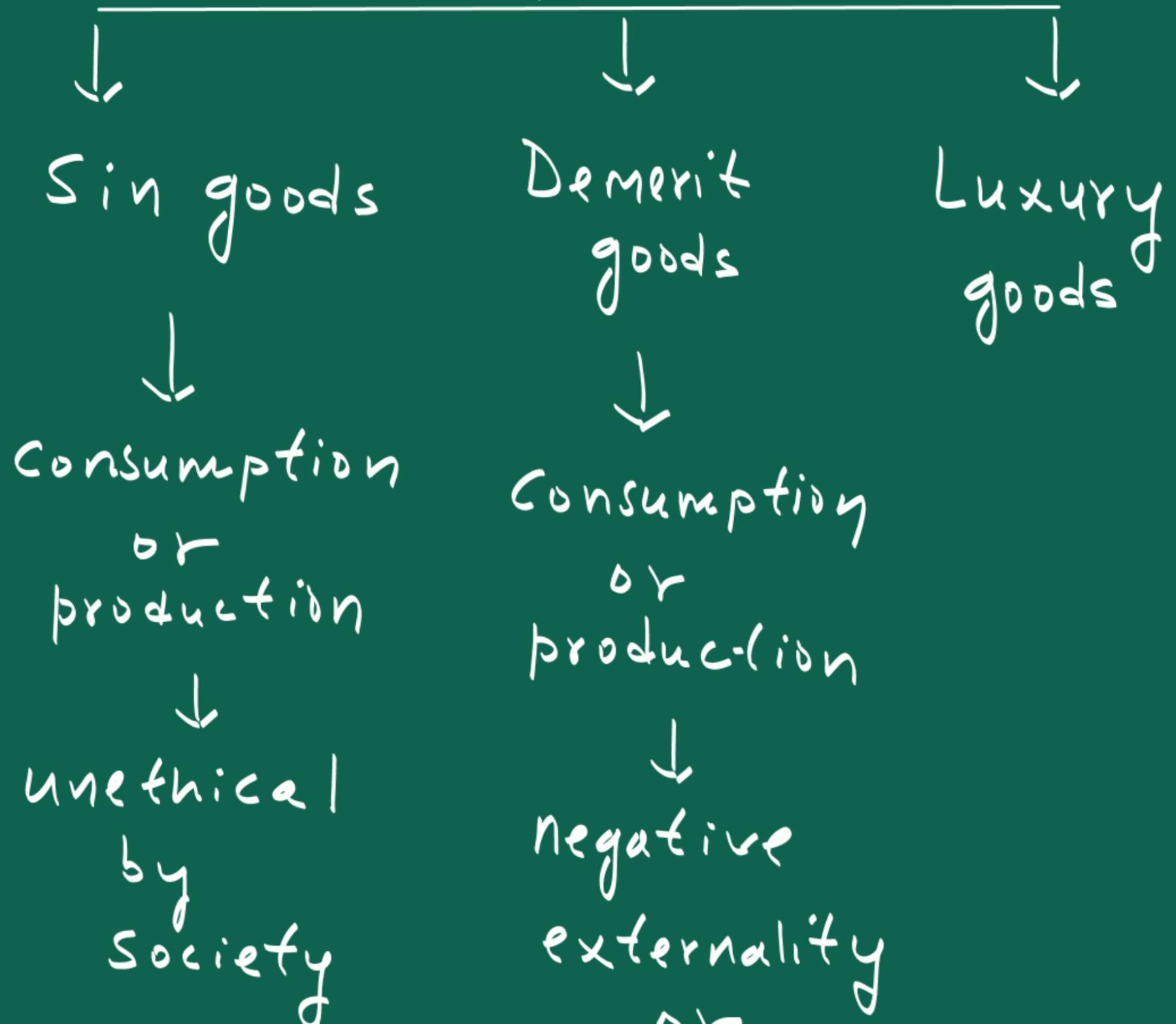
The GST is the most popular example of an indirect tax.

(i) Direct taxes can be made progressive while indirect taxes are regressive by nature.

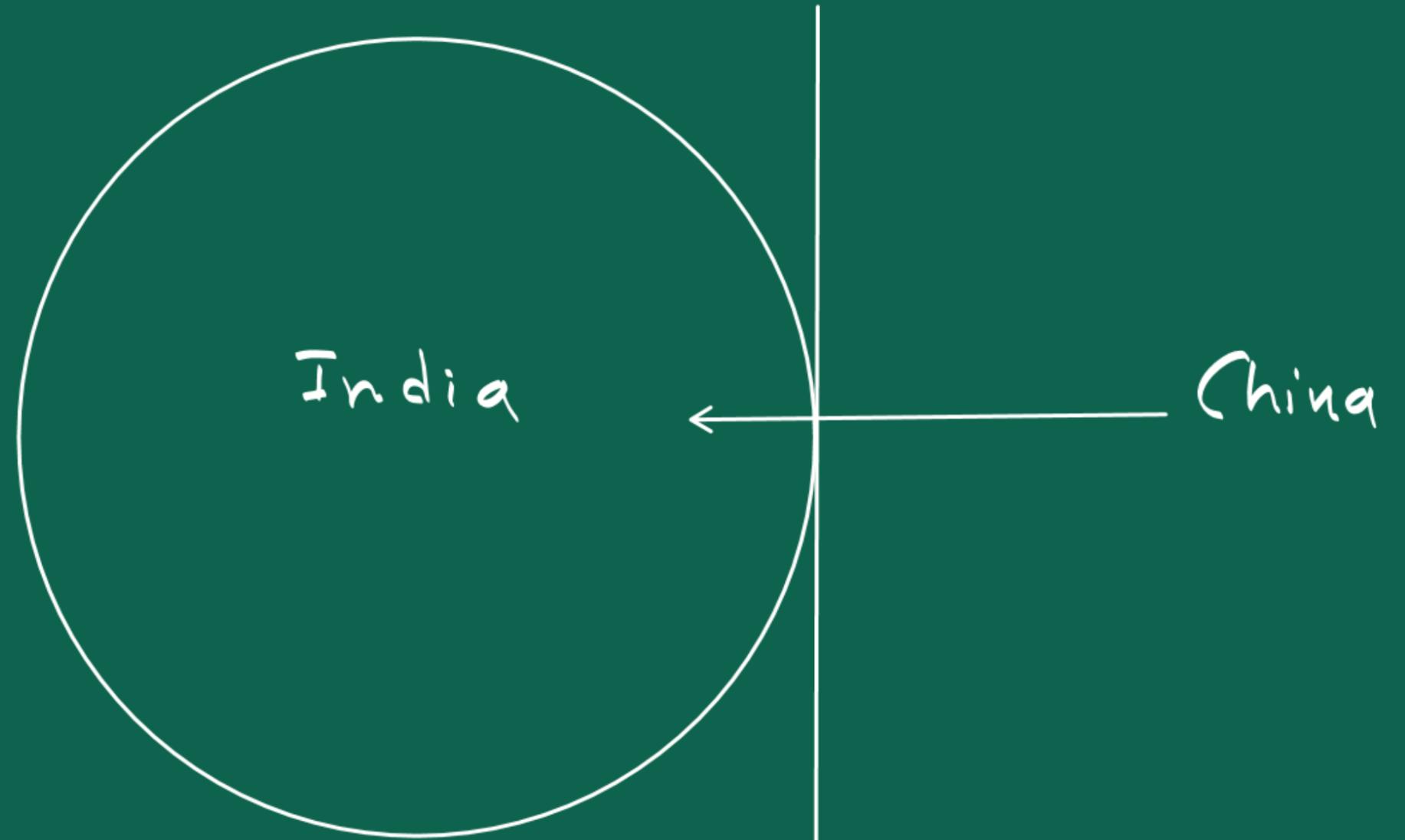


(ii)

Direct taxes do not impact prices of goods & services while indirect taxes impact the prices of goods & services impacting public choice & welfare.

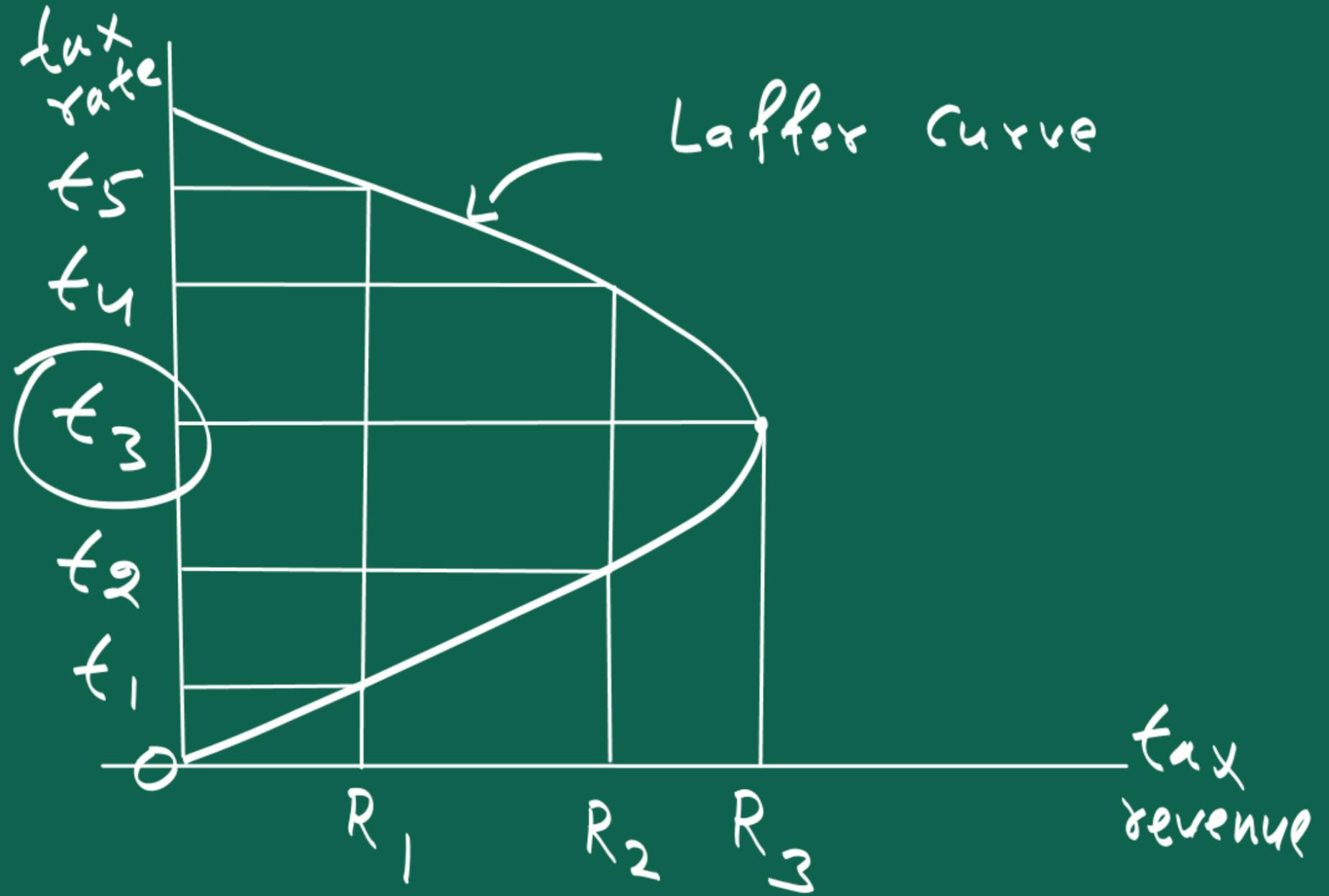


Apart from the above, they can be used to protect domestic industries from cheaper imports, though other countries may react.

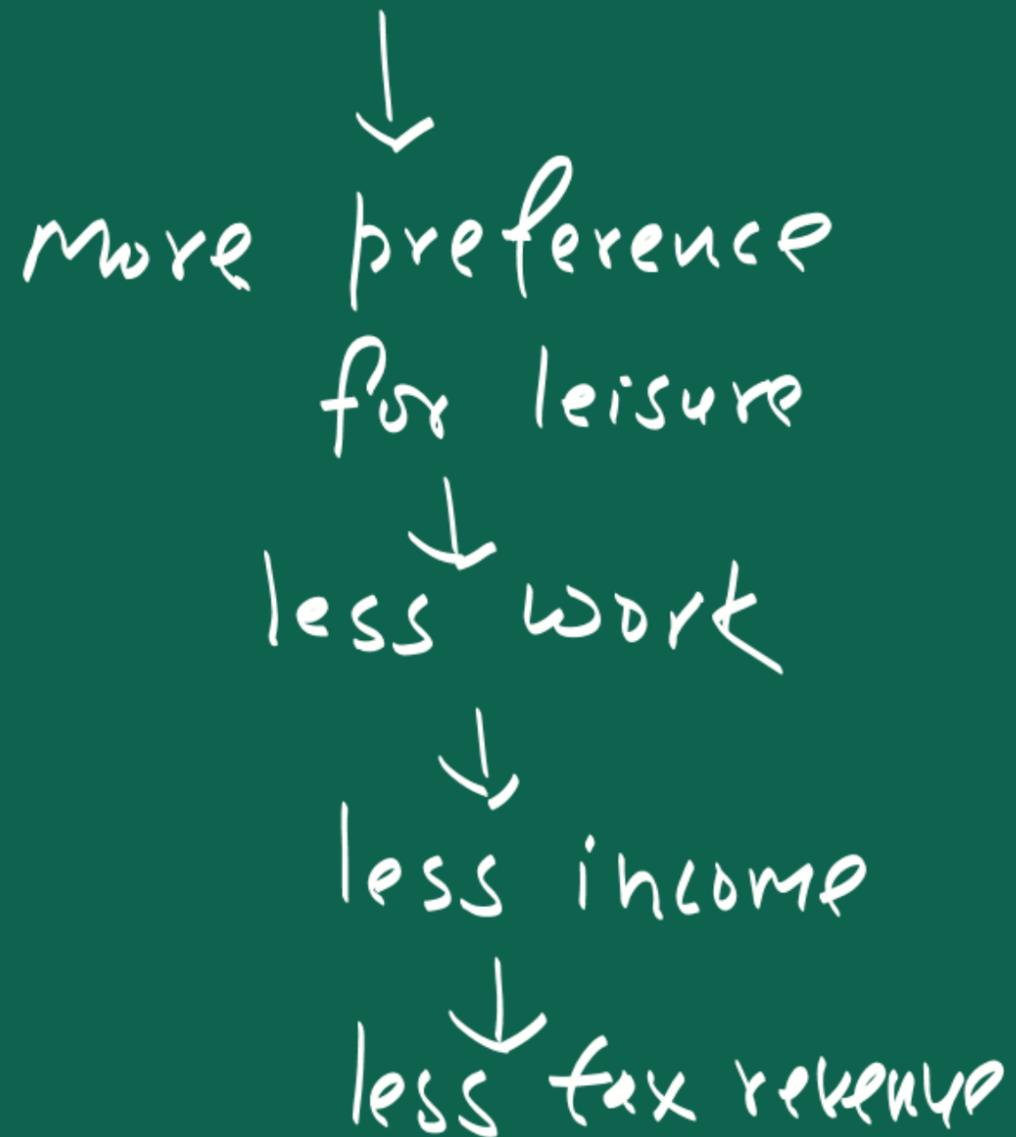


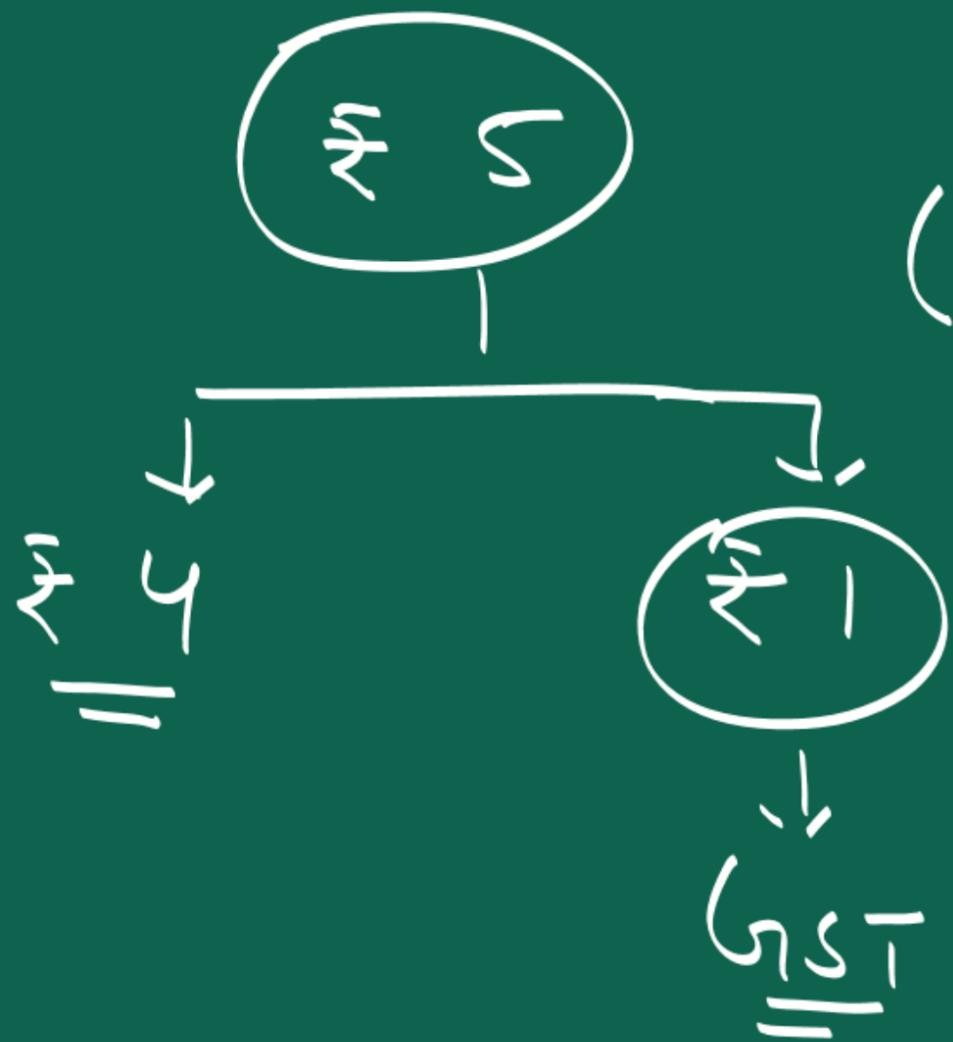
Customs Duty
=
Import Tariff

Shows relation between tax revenue & tax rates -



Why revenue falls at quite higher tax rate?





(A) → ₹ 1

Income
₹ 100 → 1%

(B) → ₹ 1

₹ 10 → 10%

(C) → ₹ 1

₹ 1 → 100%

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