IJARSCT

ISSN (Online) 2581-9429

International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)

International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal

Impact Factor: 7.301

Volume 3, Issue 7, January 2023

Effects of Income Tax Changes on Economic Growth

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Abstract: *The impact of changes to individual income taxation on long term growth is examined in this paper. To achieve growth, it is vital to structure and finance a change in taxation. Tax cuts may encourage people to work, save, and invest, but they are likely to lead to an increase in the federal budget deficit, which in the long run will reduce national savings and raise interest rates, if they are not financed by immediate spending cuts. It's estimated to be either little or not at all. Base broadening measures may reduce the effect of tax rate cuts on budgetary deficits, while also reducing their impact on labour supply, savings and investment in a way that makes growth less directly affected. But, in order to enhance efficiency and increase the size of the entire economy, they also move resources from one sector to another into its most productive use at an even higher value. between equity and efficiency. The results indicate that there will be no equivalent impact on growth of all tax changes. The growth of the long term size of the economy will be facilitated by reforms that increase incentive, decrease subsidies, prevent windfall profits and avoid deficit financing but may also lead to trade disruptions.*

Keywords: Economic growth, National saving, Budget, Growth, tax rate.