



## Rising GST Revenues

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### Why in News

According to the recent data released by the Finance Ministry, the gross **Goods and Services Tax** (GST) revenue collected in **October 2020** was **Rs. 1.05 lakh crore**.

It is **10.25% higher than in 2019** and **10.1% more than the revenue garnered in September 2020**.

### Key Points



- The **total revenue** earned in October by the **Central and State governments** stood at **Rs. 44,285 crore** and **Rs. 44,839 crore**, respectively.
- **GST cess** collections, used to compensate the States for switching to the GST regime, **rose to Rs. 8,011 crore**, which is over 5% more than in 2019 and 12.5% higher than September 2020.

- October's **revenues from import of goods were 9% higher**, while **domestic transactions** (including import of services) **yielded 11% higher revenues**, on a year-on-year basis.
- **Status of the States:**
  - **Andhra Pradesh and Chhattisgarh recorded the highest 26%** growth in GST collections in October year-on-year, followed by **Jharkhand (23%) and Rajasthan (22%)**.
  - The **trend in the more industrially developed States was mixed**, with 15% growth in Gujarat, 13% in Tamil Nadu and just 5% in Maharashtra.
- **Reasons:**
  - The surge in October's GST inflows could be attributed to the **festive demand and input tax credits** as well as other **reconciliations that were due for businesses in September**.
    - Many **companies raised sale invoices in September** by pushing out their finished products which they had planned in March itself.
    - **Input Tax Credit:** The GST that a merchant pays to procure goods or services (i.e. on inputs) can be set off later against the tax applicable on supply of final goods and services. The **set-off tax is called an input tax credit**.
  - India's **manufacturing sector activities started to show signs of growth** in August and September, driven mainly by a pick-up in production along with improvement in customer demand.
- **Implications:**
  - GST inflows crossing the Rs. 1 lakh crore mark for the **first time in the financial year (FY) 2020-21** is a **clear sign of a recovery** in the economy after its **23.9% contraction in the first quarter of 2020**.
  - The **expected shortfall in GST compensation** for the States could be lower than the current estimate of Rs. 2.35 lakh crore if this revenue momentum is maintained through the rest of 2020-21.
  - According to the **Consortium of Indian Associations, October's GST inflows must not be considered a return to normalcy** for businesses as these revenues normally **relate to sales that occurred in September**, when a majority of the economy, including public transport, was unlocked.
 

The consortium of Indian Associations is an umbrella body of **Micro, Small and Medium Enterprises (MSME)**.
  - **November and December data has to be awaited** before confidently saying that the economy has rebounded to pre-**Covid-19** times.

## Goods and Services Tax

- It is a **comprehensive, multi-stage, destination-based indirect tax** that is **levied on every value addition**.

- The **Goods and Service Tax Act** was passed in the Parliament on **29<sup>th</sup> March 2017** and came into effect on **1<sup>st</sup> July 2017**.
- Under the **GST Council** and **101<sup>st</sup> constitutional amendment 2017**, the tax is levied at every point of sale.
- GST is **categorised into Central GST (CGST), State GST (SGST) and Integrated GST (IGST) depending on** whether the transaction is **intra-State or inter-State**.
  - **Central GST:** CGST is a tax levied on **intra-State supplies of both goods and services** by the Central Government and is governed by the CGST Act.
  - **State GST:** SGST is also levied on the **same intra-State supply** but will be **governed by the State Governments**.
    - This implies that both the Central and the State governments agree on **combining their levies with an appropriate proportion** for revenue sharing between them.
    - However, it is clearly mentioned in **Section 8 of the GST Act** that the taxes be levied on all intra-State supplies of goods and/or services but the **rate of tax shall not be exceeding 14%, each**.
  - **Integrated GST:** IGST is a tax levied on all **inter-State supplies of goods and/or services** and is governed by the IGST Act.  
It is **applicable to any supply of goods and/or services in both cases of import into and export from India**.

**Source: TH**