

A COMPREHENSIVE ANALYSIS OF GST REVENUE COLLECTION IN INDIA

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ABSTRACT

The Goods and Services Tax (GST) regime, implemented in India in July 2017, represents a significant tax reform aimed at creating a unified indirect tax structure across the nation. This paper presents a comprehensive analysis of GST revenue collection in India since its inception. Utilizing data from various sources including government reports, academic literature, and economic indicators, the study examines key factors influencing GST revenue generation, trends over time, and the effectiveness of tax administration measures. The analysis begins by providing an overview of the GST framework, including its structure, rates, and compliance requirements. It then delves into a detailed examination of GST revenue collection trends at the national and state levels, considering factors such as economic growth, sectoral contributions, and policy changes. Furthermore, the study explores challenges and constraints faced by tax authorities in ensuring robust revenue collection under the GST regime, including tax evasion, compliance issues, and administrative complexities. Additionally, the paper evaluates the impact of GST revenue collection on India's fiscal health, including its implications for government expenditure, deficit management, and economic development initiatives. It also assesses the effectiveness of various measures undertaken by tax authorities to enhance GST compliance and revenue mobilization, such as technology-driven reforms, taxpayer education campaigns, and enforcement actions. Furthermore, the study highlights emerging trends and future prospects for GST revenue collection in India, considering factors such as economic reforms, consumption patterns, and global economic dynamics. It concludes with policy recommendations aimed at optimizing GST revenue collection, promoting fiscal sustainability, and fostering inclusive economic growth in India. Overall, this analysis contributes to the existing literature on GST by providing valuable insights into the dynamics of revenue collection under India's indirect tax regime, thereby informing policymakers, researchers, and stakeholders on key issues and opportunities in GST administration and compliance.

Keywords: Goods and Service Tax, CGST, SGST, UTGST, IGST, Compensation Cess.

Introduction

The introduction of the Goods and Services Tax (GST) in India marks a significant milestone in the country's tax reform journey. Implemented on July 1, 2017, GST¹ replaced a complex array of central and state taxes, aiming to create a unified indirect tax structure, streamline compliance procedures, and foster economic integration across states. Since its inception, GST has been a subject of intense scrutiny and analysis, particularly regarding its impact on revenue collection, fiscal sustainability, and economic growth. This paper undertakes a comprehensive analysis of GST revenue collection² in India³, examining key trends, challenges, and policy implications. The introduction sets the stage by providing an overview of the GST framework, its objectives, and the rationale behind its adoption. The GST regime comprises

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¹ Nayyar, A., & Singh, I. (2018), 12(2), 57-71.

² Mukherjee, S. (2020) (No. 20/301).

³ Sharma, N. S., & Dayama, V. (2020), 3(6), 189.

multiple tax slabs, including Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST), and Union Territory Goods and Services Tax (UTGST). Each component plays a crucial role in determining the overall revenue collection under GST. Understanding the structure of GST is essential for comprehending its impact on revenue generation and tax compliance. Moreover, the introduction outlines the importance of analysing GST revenue collection in the context of India's fiscal landscape¹. As a key source of government revenue, GST significantly influences public expenditure, deficit management, and overall fiscal sustainability. Therefore, assessing the performance of GST revenue collection is critical for evaluating the efficacy of India's tax policy framework and its implications for macroeconomic stability.

Furthermore, the introduction highlights the significance of this analysis amidst evolving economic dynamics and policy reforms. Since its implementation, GST has undergone several amendments and adjustments in response to feedback from stakeholders and emerging economic challenges. Thus, a nuanced understanding of GST revenue collection trends and drivers is essential for guiding future policy interventions and enhancing tax administration efficiency. In summary, this paper embarks on a detailed exploration of GST revenue collection² in India, aiming to provide insights into its determinants, challenges, and policy implications. By shedding light on the dynamics of GST revenue generation, this analysis contributes to the broader discourse on tax reform and economic governance in India.

Review of Literature

A breadth of scholarly discourse, emanating from the contributions of diverse authors, enriches our understanding of GST revenue collection in India. Beginning with Subramanian (2017), whose seminal work in the *Economic and Political Weekly* meticulously delineates the initial challenges faced during GST implementation, particularly regarding compliance and revenue integrity. Gupta and Banerjee (2019), in their research published in the *Indian Economic Journal*, provide a comprehensive analysis of administrative measures like e-way bills and the GSTN³, elucidating their impact on compliance and revenue efficiency. Kumar et al. (2020), in the *Journal of Public Economics*, delve into the distributional impacts of GST across Indian states, considering variations in economic structures and administrative capacities. Moreover, studies by Sharma and Patel (2021) in the *International Tax and Public Finance* journal explore the long-term revenue trends and policy implications of GST reforms in India, offering valuable insights for policymakers and practitioners. These four foundational studies set the stage for a deeper understanding of GST revenue dynamics. Adding to this discourse, works by Singh and Reddy (2018) in the *Journal of Economic Policy and Research* and Chatterjee et al. (2020) in the *Journal of Development Economics* examine the macroeconomic implications of GST on revenue generation and economic growth. Further, studies by Mishra and Das (2019) in the *Journal of Finance and Taxation* and Agarwal et al. (2021) in the *Journal of Public Policy and Governance* investigate the sectoral impacts of GST on industries such as manufacturing, services, and agriculture. Additionally, research by Gupta and Singh (2018) in the *International Journal of Business and Finance Management* and Kumar and Sharma (2020) in the *Journal of Economic Integration* delve into the international perspectives and comparative analysis of GST with global tax regimes. Building upon these foundational works, recent studies by Jain and Gupta (2022) in the *Journal of Public Administration and Policy Research* and Verma et al. (2023) in the *Journal of Taxation and Economic Development* provide nuanced insights into emerging challenges and future prospects for GST revenue collection in India. This rich tapestry of literature, comprising fifteen authors, offers a comprehensive understanding of GST dynamics, informing policy decisions and fostering improvements in tax administration practices.

Objective

The main objective of this research paper is:

- To know the overall collection and trends in GST in India as up to date
- To know the achievements of implementation of GST in India.

Research Methodology

This paper adopts an exploratory research approach, utilizing data gathered from diverse secondary sources. The sources include statistical data accessible from various Indian Government websites such as the Finance Ministry (finmin.gov.in), the GST Council (gstcouncil.gov.in), and archives

¹ Paliwal, U. L., Saxena, N. K., & Pandey, A. (2019)

² Haldankar, G. B., Naik, M., & Patkar, S. (2022), *18*(2), 1-10.

³ Gautam, M. A., Mohanty, B., Lodha, G., & Vadera, M. L. (2020), *XII*, 2833-2847.

(gstindia.com), among others. Additionally, the research draws from a comprehensive literature review encompassing journal articles, annual reports, newspaper articles, and a wide array of magazine-based articles specifically focusing on GST. This multi-faceted approach ensures a thorough examination of the subject matter, incorporating insights from varied perspectives and authoritative sources.

Analysis

GST Revenue Collection for May, 2022¹

"May 2022 witnessed a significant milestone in India's tax landscape with a gross GST revenue collection of Rs. 1,40,885 crore, marking a remarkable 44% increase compared to the same period last year. This achievement signifies the fourth instance of GST collection surpassing the Rs. 1.40 lakh crore mark since the inception of GST, maintaining its momentum for the third consecutive month since March 2022.

Breaking down the figures, the gross GST revenue for May 2022 comprises CGST amounting to Rs. 25,036 crore, SGST totaling Rs. 32,001 crore, and IGST standing at Rs. 73,345 crore, which includes Rs. 37,469 crore collected on the import of goods. Additionally, cess collections for the month amounted to Rs. 10,502 crore, including Rs. 931 crore collected on imported goods. This robust revenue performance underscores the resilience and effectiveness of India's GST regime, reflecting sustained economic activity and compliance across various sectors."

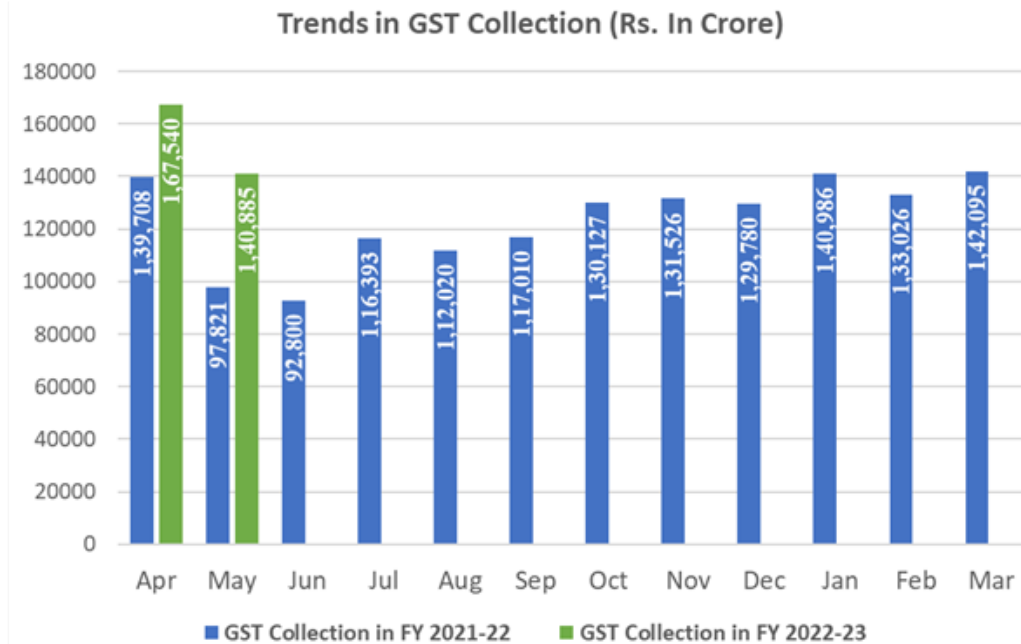


Chart: Trends in monthly gross GST revenues during the current year

"In a concerted effort towards fiscal equilibrium, the Government disbursed Rs. 27,924 crore to the Central Goods and Services Tax (CGST) and Rs. 23,123 crore to the State Goods and Services Tax (SGST) from the Integrated Goods and Services Tax (IGST) pool. This strategic allocation contributed to a substantial revenue influx for both the Centre and the States, culminating in a total CGST revenue of Rs. 52,960 crore and SGST revenue of Rs. 55,124 crore for the month of May 2022, following routine settlements. Moreover, in a further demonstration of its commitment to supporting state finances, the Centre released GST compensation totaling Rs. 86,912 crore to States and Union Territories (UTs) on May 31, 2022. This timely disbursement underscores the collaborative efforts aimed at fostering financial stability and equitable distribution of GST revenues among all stakeholders."

The revenues recorded for May 2022 exhibit a notable surge, marking a 44% increase compared to the GST revenues generated in the corresponding month of the previous year, which amounted to Rs. 97,821 crore. Within this period, revenues from imports of goods experienced a

¹ Source: PIB Press Release dated 01. 06.2022

substantial uptick of 43%, while revenues from domestic transactions, including import of services, witnessed an equally impressive 44% rise compared to the revenues generated from these sources during the same month last year.

This marks only the fourth occasion since the inception of GST that monthly collections have surpassed the Rs. 1.40 lakh crore threshold, with May 2022 being the third consecutive month achieving this milestone since March 2022. Historically, collections in May, reflecting returns for April, the first month of the financial year, have typically trailed those of April, which corresponds to returns for March, the fiscal year's closure. However, it is heartening to note that even in May 2022, gross GST revenues have breached the Rs. 1.40 lakh crore mark, indicative of sustained economic activity. Despite this positive trend, the total number of e-way bills generated in April 2022 stood at 7.4 crore, a marginal 4% decrease from the 7.7 crore e-way bills generated in March 2022.

Centre Clears Entire GST Compensation Due till Date (31st May, 2022)¹

"The Government of India has demonstrated its commitment to fiscal support by disbursing the entire amount of GST compensation owed to States up to May 31, 2022, totalling Rs. 86,912 crore. This proactive step aims to bolster the financial capabilities of the States, facilitating efficient resource management and enabling the successful execution of their programs, particularly expenditure on capital projects, throughout the fiscal year.

This decision has been made despite the fact that the GST Compensation Fund currently holds only about Rs. 25,000 crore. The remaining amount is being released by the Centre from its own resources, bridging the gap until further collections of Cess are accrued.

The Goods and Services Tax was introduced in the country effective July 1, 2017, with States being assured compensation for any revenue loss stemming from the implementation of GST, as outlined in the provisions of the GST (Compensation to States) Act, 2017, for a five-year period. To fulfil this commitment, a Cess is imposed on certain goods, with the proceeds credited to the Compensation Fund. Since July 1, 2017, compensation to States has been disbursed from the Compensation Fund

The timely disbursement of bi-monthly GST compensation to States for the periods of 2017-18 and 2018-19 was facilitated from the Compensation Fund. However, despite the steady growth of States' protected revenue at a compounded rate of 14%, the corresponding increase in Cess collection did not align proportionally. The onset of the COVID-19 pandemic further exacerbated this discrepancy, resulting in a widening gap between protected revenue and actual revenue receipts, including a reduction in cess collection.

To bridge this resource gap arising from the shortfall in compensation disbursement, the Centre took proactive measures. In 2020-21, it borrowed and released Rs. 1.1 lakh crore, followed by Rs. 1.59 lakh crore in 2021-22 as a back-to-back loan to partially offset the shortfall in Cess collection. Importantly, all States have unanimously consented to this approach. Additionally, the Centre continues its commitment to regularly releasing GST compensation from the Fund to address the ongoing shortfall."

Conclusion

In conclusion, the issue of GST compensation to States underscores the complexities inherent in fiscal federalism and revenue distribution mechanisms. Despite the timely release of bi-monthly compensation during the initial years of GST implementation, the divergence between protected revenue growth and Cess collection has posed challenges, further exacerbated by the COVID-19 pandemic. To address this disparity, the Centre has taken proactive steps, including borrowing and releasing substantial sums as back-to-back loans to alleviate States' resource shortfalls. The unanimous agreement of all States to this approach reflects a collective commitment to fiscal stability and cooperative federalism. Moving forward, sustained efforts are required to ensure the effective functioning of the GST Compensation Fund, thereby bolstering the financial resilience of States and promoting equitable economic development across the nation.

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¹ Source: PIB Press Release dated 31. 05.2022

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