

# Impact of fluctuations in GST revenue collections in India

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## Abstract:

As GST is a vital one and has various benefits to a country as well as it is a novel topic in recent trend, the researcher has chosen this topic. In order to overcome the defectives in the existing system and achieve the benefits of GST throughout the country, India has implemented GST in the 2017, 1<sup>st</sup> July. This study has focused on historical perspective of GST, meaning of GST, introduction of GST and benefits to implementation of GST. In addition to that, why the GST was introduced and different types of GST have been shown in this study. Further, GST revenue collections were taken for 8 months from August 2017 to March 2018 during the financial year 2017-2018 and 8 months from April 2018 to November 2018 during the financial year 2018-2019. A comparative study was made for 8 months GST gross revenue collections during the year 2017-2018 and GST gross revenues were taken for 8 months during the year 2018-2019. In order to have an in-depth analysis, appropriate reviews were referred. Simple average technique was applied as tools and graphical presentation was made to show the fluctuations. Results were derived and appropriate suggestions were drawn based the results.

**Vital terms:** VAT, Goods and services tax, State GST, Central GST, Integrated GST, Union territory GST, GST revenue

## Introduction of GST

GST (Goods and Services Tax) is the biggest indirect tax reform of India. GST is a single tax on the supply of goods and services. It is a destination based tax. GST has subsumed taxes like Central Excise Law, Service Tax Law, VAT, Entry Tax, Octroi, etc. GST is one of the biggest indirect tax reforms in the country. GST is expected to bring together state economies and improve overall economic growth of the nation.

GST is a comprehensive indirect tax levy on manufacture, sale and consumption of goods as well as services at the national level. It will replace all indirect taxes levied on goods and services by states and Central. Businesses are required to obtain a GST Identification Number in every state they are registered.

There are around 160 countries in the world that have GST in place. GST is a destination based taxed where the tax is collected by the State where goods are consumed. GST has been implemented in India from July 1, 2017 and it has adopted the Dual GST model in which both States and Central levies tax on Goods or Services or both.

- SGST – State GST, collected by the State Govt.
- CGST – Central GST, collected by the Central Govt.
- IGST – Integrated GST, collected by the Central Govt.
- UTGST – Union territory GST, collected by union territory government

## **WHY GST: BENEFITS**

1. GST eliminates the cascading effect of tax
2. Higher threshold for registration
3. Composition scheme for small businesses
4. Simple and easy online procedure
5. The number of compliances is lesser
6. Defined treatment for E-commerce operators
7. Improved efficiency of logistics
8. Unorganized sector is regulated under GST

## **Types of GST in India**

There would be three different types of levies in GST:

- **CGST**
- **SGST/UTGST**
- **IGST**
- **SGST** would be leviable along with **CGST** on the supply made by a registered person within a State. However, in no case, both **SGST** and **UTGST** would be leviable on an invoice of supply of goods or services or both.

## **Statement of the problem**

As GST is recent issues and even it gives more benefits to the traders, customers, Govt and general public it has some comings. Hence, the researcher has chosen this topic as novel one.

## **Objectives of the study**

- To know the historical views of the GST
- To know the types and benefits of GST
- To compare the GST revenues between two years
- To draw the results and give appropriate suggestions to overcome fluctuations

## **Period of the study**

Eight months each from two financial years,i.e.,Aug2017 to Nov2018

## **Tools used for analysis the data**

Simple average technique and charts were used to analysis the data

**GST: A historical perspective:** The Kelkar Task Force on Fiscal Responsibility and Budget Management (FRBM) recommended in 2005 introduction of a comprehensive tax on all goods and service replacing Central level VAT and State level VATs. It recommended replacing all indirect taxes except the customs duty with value added tax on all goods and services with complete set off in all stages of making of a product. 6.2 An announcement was made by the then Union Finance Minister in Budget (2007-08) to the effect that GST would be introduced with effect from April 1, 2010 and that the EC, on his request, would work with the Central Government to prepare a road map for introduction of GST in India. After this announcement, the EC decided to set up a Joint Working Group in May 10, 2007, with the then Adviser to the Union Finance Minister and Member-Secretary of the Empowered Committee as its Co-conveners and four Joint Secretaries of the Department of Revenue of Union Finance Ministry and all Finance Secretaries of the States as its members. This Joint Working Group got itself divided into three Sub-Groups and had

several rounds of internal discussions as well as interaction with experts and representatives 11 | 49 of Chambers of Commerce & Industry. On the basis of these discussions and interaction, the Sub-Groups submitted their reports which were then integrated and consolidated into the report of Joint Working Group (November 19, 2007). 6.3 This report was discussed in detail in the meeting of the EC on November 28, 2007, and the States were also requested to communicate their observations on the report in writing. On the basis of these discussions in the EC and the written observations, certain modifications were considered necessary and were discussed with the Co-conveners and the representatives of the Department of Revenue of Union Finance Ministry. With the modifications duly made, a final version of the views of EC on the model and road map for the GST was prepared (April 30, 2008). These views of EC were then sent to the Government of India, and the comments of Government of India were received on December 12, 2008. These comments were duly considered by the EC (December 16, 2008), and it was decided that a Committee of Principal Secretaries/Secretaries of Finance/Taxation and Commissioners of Trade Taxes of the States would be set up to consider these comments, and submit their views. These views were submitted and were accepted in principle by the EC (January 21, 2009). Based on discussions within the EC and between the EC and the Central Government, the EC released its First Discussion Paper (FDP) on GST in November, 2009. This spelled out the features of the proposed GST and has formed the basis for discussion between the Centre and the States.

### **Review of literature**

The 'taxation' was born and shaped with civilization. The structure and complexity of the tax system have been developed along with the development of civil society. The sovereign authority of the Government to extract tax is the life of taxation, Governments' need for resources is its bargaining power and human instinct of reluctance to sacrifice money is the reason for its mandatory imposition.<sup>1</sup>

Taxation policy in ancient India was highly logical and based on the principles of economic theory and equity in comparison with the current taxation policies of the government. The tax system of our ancients was quite reasonable, rational, convenient, elastic, appealing and based on the principles of maximum welfare with some exceptions.<sup>2</sup>

Over the centuries system of taxation has been shaped and reshaped to make it acceptable, effective and efficient. The journey of restructuring the tax system has been going on to make it more and more meaningful. While the innovations and developments in information and communication technology have made the tax system more objective, transparent and effective, the innovations and developments in finance and business models, globalization and liberalization policies, emergence of MNEs as lead players and increase in the international trade have contributed in making the tax system a complex one.<sup>3</sup>

<sup>1</sup> C.S, Basavaraj (2014), “Demands of Globalization and Reforms in Direct and Indirect Taxes – A Study in Indian Context”, UGC Sponsored Major Research Project, Gulbarga University, Gulbarga, p.1.

<sup>2</sup> Holani, Umesh and Holani, Ravi (1989), “Ancient Taxation Policy: Manu Smruti”, Chartered Secretary, p.734.

<sup>3</sup> C.S, Basavaraj (2014), “Demands of Globalization and Reforms in Direct and Indirect Taxes – A Study in Indian Context”, UGC Sponsored Major Research Project, Gulbarga University, Gulbarga, p.1.

Tax is order of the day and one of the important components of cost of a product or service. Cost of a product or service influences, directly or indirectly, profitability of the organization. Hence, the tax aspects play a crucial role in business decisions. In developing countries, positive tax parameters like an efficient and long term fiscal policy, simplified tax structure, reduced tax rates etc. are the key players in attracting the foreign direct investment too<sup>4</sup>.

India’s economy has been among the fastest growing economies in recent years. This growth has been supported by several factors like market reforms, large inflow of foreign direct investment, raising foreign exchange reserves, a blooming information technology and real estate sector and flourishing capital market.<sup>5</sup>

In recent years, India has been viewed as an attractive and dynamic investment destination, and has witnessed an increased presence of multinational enterprises (MNEs) and a consequential increase in cross-border trade. This has created many opportunities to the Government for improving tax system of the country. In India, since the inception of New Economic Policy (NEP) in 1991, many economic reforms have been announced and introduced. One major reform undertaken is "Taxation Reforms". Government of India has initiated a host of taxation measures after the ushering of economic globalization in India. The effect of taxation reforms on business community, in making the Indian products and services competitive at global level.

In this backdrop the present research study makes an attempt to evaluate the reforms and restructuring that have taken place in the Indian

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<sup>4</sup> C.S., Basavaraj & Math, Revanasiddhaya B. (2013), “Globalization and Indian Taxation”, International Taxation, Vol. 8, Issue – 5, p.576 – 586.

<sup>5</sup> Deloitte (2010), “International Tax and Business Guide”, Deloitte Touche Tohmatsu, Mumbai, p.1.

### GST Revenue collection for August 2018 close to ninety-four thousand crore rupees

The total gross GST revenue collected in the month of August, 2018 is **Rs. 93,960 crore** of which CGST is **Rs. 15,303 crore**, SGST is **Rs. 21,154 crore**, IGST is **Rs. 49,876 crore** (including **Rs. 26,512 crore** collected on imports) and Cess is **Rs. 7,628 crore** (including **Rs. 849 crore** collected on imports). The total number of GSTR 3B Returns filed for the month of July up to 31<sup>st</sup> August, 2018 is **67 lakh**. This is slightly higher than 66 lakh returns of the month of June filed up to 31<sup>st</sup> July, 2018. The last date of filing return of July, 2018 in the State of Kerala was extended upto 5<sup>th</sup> October, 2018.

The total revenue earned by Central Government and the State Governments after settlement including provisional settlement of Rs. 12,000 crore in the month of August, 2018 is **Rs. 36,963 crore** for CGST and **Rs. 41,136 crore** for the SGST. For the bi-monthly period June-July, 2018, compensation of **Rs. 14,930 crore** has been released to the States.

The revenues collected in August, 2018 of **Rs. 93,960 crore** is slightly lower than July, 2018 collection of **Rs. 96,483 crore**, and June, 2018 collection of **Rs. 95,610 crore**. The chart shows trends in revenue during the current year.

One of the main factors for the dip in tax revenues is probable postponement of sale of items for which tax rate was reduced by the Council as the decision to reduce the tax rate was taken in meeting held on 21<sup>st</sup> July while the notification of the reduced rate came into effect only from 27<sup>th</sup> July, 2018. Since it would have taken some time for the market to pass on the benefit of reduced taxes, consumers would have postponed their decision to buy expecting the benefit. The actual impact of reduction of rate of taxes would be observed only from next month onwards as the rate reduction would have got affected only in last few days of the month.

Even past trend of indirect tax collection shows that while July collections are 8.2% of the total annual collections, August collections are at a lower level of 7.7% of the total annual collections. This is another reason for lower collections during the month of August as compared to that in July.

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### Comparison between two financial years for 8 months

Months	GST Collection (in Rs. Crore)	
	2017-18	2018-19
April	—	1,03,459
May	—	94,016
June	—	95,610
July	—	96,483
August	95,633	93,960

September	94,064	94,442
October	93,333	100,710
November	83,780	97,637
December	84,314	—
January	89,825	—
February	85,962	—
March	92,167	—
<b>Average</b>	<b>89,885</b>	<b>97,040</b>

**Source:** CBEC website

From the above Table, it is clear that GST collection in the current FY (2018-19) has been showing improvement compared to last FY (2017-18) except for the month of August, 2018.

Further, in the absence of any past precedent, it shall be difficult to compare the GST revenue collection with erstwhile system of taxation due to a number of factors like overlap of taxpayer's pre and post introduction of GST, variation in exemption limits between Centre and States and among States and mechanism of apportionment of fund under IGST.

The implementation of GST has been successful in India. However, based on the various representations received from various stakeholders including the trade and industry for improving compliance and enhancing ease of doing business, a number of procedural changes have been recommended by the GST Council from time to time by way of issuance of notifications and circulars. In addition, certain amendments to the Central Goods and Services Tax Act, 2017 and the Integrated Goods and Services Tax Act, 2017, Union Territory Goods and Services Tax Act, 2017 and GST (Compensation to States) Act, 2017 have been passed by the Parliament and received the assent of the Hon'ble President of India. For the period from 01.07.2017 to 30.11.2018, the figures pertaining to receipt and disposal of technical queries (Tickets) is as under:

Received – 20,16,749

Resolved – 20,13,424

Certain representations have been received for rationalization of GST rates, seeking clarification on rates and to bring the petrol/diesel under the purview of GST Act. The GST Council has considered the requests from trade and industry and recommended certain reductions in GST rates on various goods and services in its meetings held in August, September, October, November 2017 and July 2018.

As per Article 279 A (5) of the Constitution, the Goods and Services Tax Council shall recommend the date on which the goods and services tax be levied on petroleum crude, high speed diesel, motor spirit (commonly known as petrol), natural gas and aviation turbine fuel (ATF). In this regard, the GST Council has not taken any decision so far.

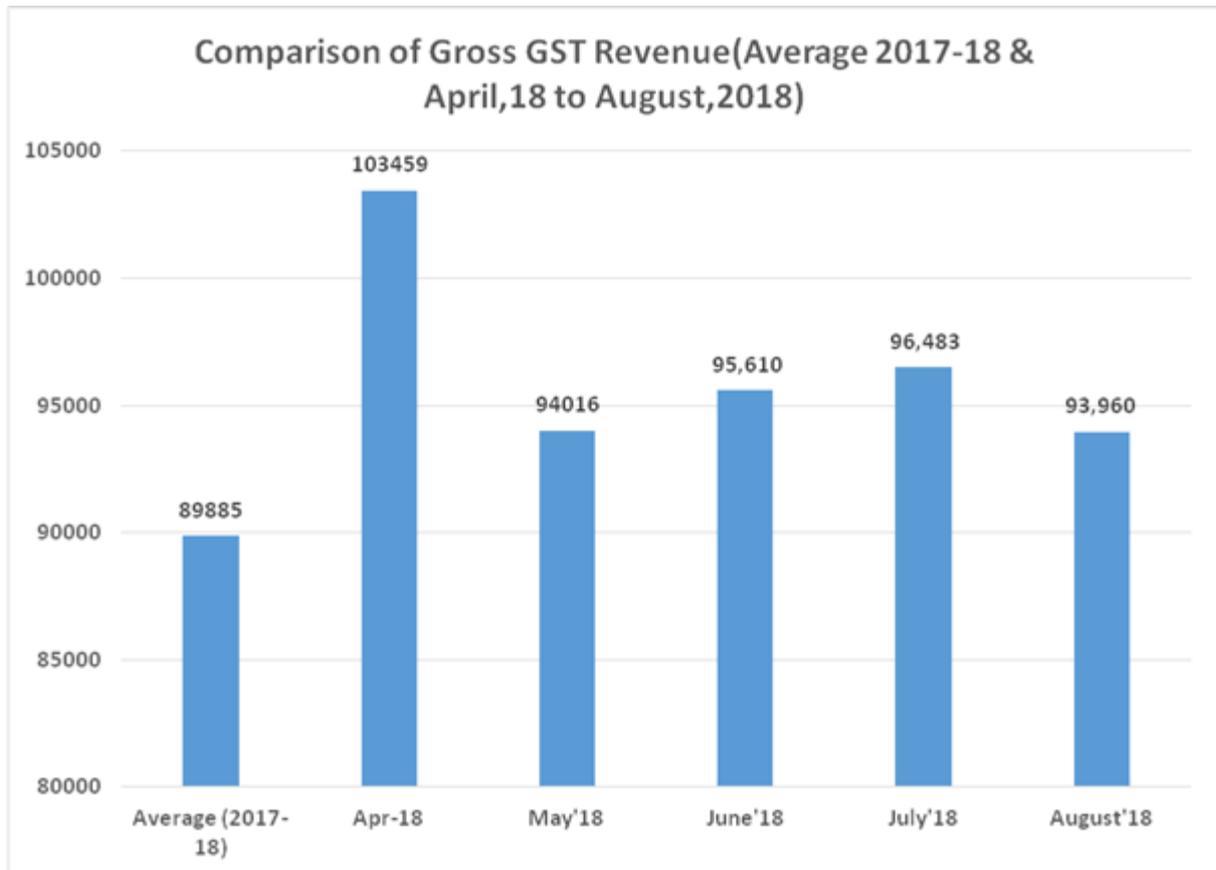
### **Results from study**

- ❖ During the financial year 2017-18 for 8 months, except August, September 2017 and March 2018, GST revenue collections show poor position in rest of the period,
- ❖ During the financial year from April 2018 to November 2018 for 8 months, GST collections depict fluctuating and poor position except April 2018 and October 2018.

**Recommendations**

- ❖ The GST council has to focus on fluctuations in GST revenue generation
- ❖ Central Govt has to consider the various relevant factors while doing frequent changes in GST
- ❖ The GST council has to focus on GST rules and amendments then and there to be made easier to the beneficiaries of GST
- ❖ The Govt has to have a special eye on GST to made it ass full fledged yet.

**Chart showing comparison GST for 8 months each from two FY 2017-18 & 2018-19**



The above table shows GST revenue collections from August 2017- August 2018. It is inferred that the during the FY 2017-2018 it shows 89885 cores on