



A Peep Into Purpose For The Goods And Services Tax Surge In India.

(Busera Nadaf- Research Scholar, Kousali Institute of Management Studied, Karnatak University
Dharwad, India) - 9484081313

ABSTRACT-After a long expedition of discussion, arguments, agreements and negotiations between the political parties and diplomats Goods and Service Tax was finally implemented in India on 1st July 2017. The introduction of GST was proposed for increasing the collection of taxes by removing the damage of cascading effect of taxes on the end consumers and also to simplify the taxation system along with improving the taxation compliance. This paper attempts to explain that the GST implementation arguments have proven right and not fade away for India. It also discusses the GST collection of the past 5 years and investigation is made for the most probable reasons for the statistics of GST collection trend in India.

Keywords Goods and Services Tax, Indian economy, economic indicators.

Literature review

Taxes are usually collected in the public sector as important revenue sources, of its main sources being the direct and indirect taxes. Direct taxes are those that the general public is required to pay taxes such as wealth taxes, income taxes, and corporate income taxes and the indirect taxes, such as value-added tax (VAT), service tax, and customs, are fundamentally taxes based on consumption (Kir, 2021). The federal government, state governments, and some local entities all share the collections from indirect taxes.

To cover the important budgetary heads like healthcare, infrastructure, and education, it is important to secure consistent tax revenues. Tax revenue growth fuels economic expansion and development (Besley and Persson, 2009). Investment has a significant and positive bearing on economic growth trade openness encourages evolution in developing countries. (Ahuja, D., & Pandit, D. 2020). The economic growth of the nation and the public spending have a relationship with each other and play an important role in the development of the nation (Ahuja, D., & Pandit, D.2020), B Balaji, (2011), Economic indicator such as inflation might hamper the economic expansion for the short run period (Fischer, Stanley, 1993). Implementation of GST has attacte many new businesses from across the globe (Singhal, N., Goyal, S., Sharma, D., Kumar, S., & Nagar, S. (2022).

GST is in broadcast for its continues surge ever since its inception except for the pandemic period. The biggest ever single-day collection of taxes occurred on April 20, 2022, making it a record day for tax revenue collection. 1.06 crore GST returns were submitted in GSTR-3B in April 2022, a considerable rise from the 92 lakh returns submitted in April 2021. Notably, the proportion of GSTR-3B filings in April 2022 increased significantly from the 78.3% observed in April 2021 to 84.7%. Additionally, the percentage of GSTR-1 submissions in April 2022 was 83.11%, a significant increase from the 73.9% observed in April 2021. In the past seven months, the trend for GST income collection has been over Rs. 1.4 lakh crore; however, it has not yet routinely surpassed the Rs. 1.5 lakh crore threshold. Only once, in the month of April 2022, did the total GST collection in India surpass Rs. 1.5 lakh crores; this was when it reached Rs. 1.67 lakh crores. Although

the August revenue of 1.43 lakh crore is a 28% increase from the same month last year. Gross GST income of 1,65,105 crore was collected in July 2023, a record growth from year to year. GST gross collection surpasses 1.6 trillion dollars for 5th time since the GST was introduced taking into account all domestic trades' revenues, services imports) are 15% higher Year-on-Year.

Year GST Collection (in crores of rupees)

Year	GST Collection (Rs. In Crores)
FY 2017-18	7,19,078
FY 2018-19	11,77,370
FY 2019-20	12,22,117
FY 2020-21	11,36,803
FY 2021-22	14,76,000

(<https://cleartax.in/s/gst-collection>)



GST: Achievement in numbers ₹

(Figures as of May 31, 2022)

- ▶ Registered taxpayers: 1.37 crore
- ▶ Total returns filed: 89.11 crore
- ▶ E-way bill generated: 272.61 crore
- ▶ Payment through the portal: 45.57 crore
- ▶ Total payment transactions: 23.97 crore
- ▶ Highest GST collection till date: Rs 1.68 lakh crore (April 2022)
- ▶ Registered taxpayers: 1.38 crore (as of June 1, 2022)

Source: Ministry of finance; PIB

TOI

Just 0.62% of all taxpayers are employed by publicly traded corporations, but they generate about 35.29% of all GST receipts. On the other hand, proprietorships with a maximum taxpayer base of 80.18% are responsible for about 13.35% of the entire GST revenue. Public sector organisations made large contributions as well, accounting for 9.12% of all GST revenue although making up only 0.02% of the taxable base.

Reasons for the increase in GST collection in India post GST implementation.

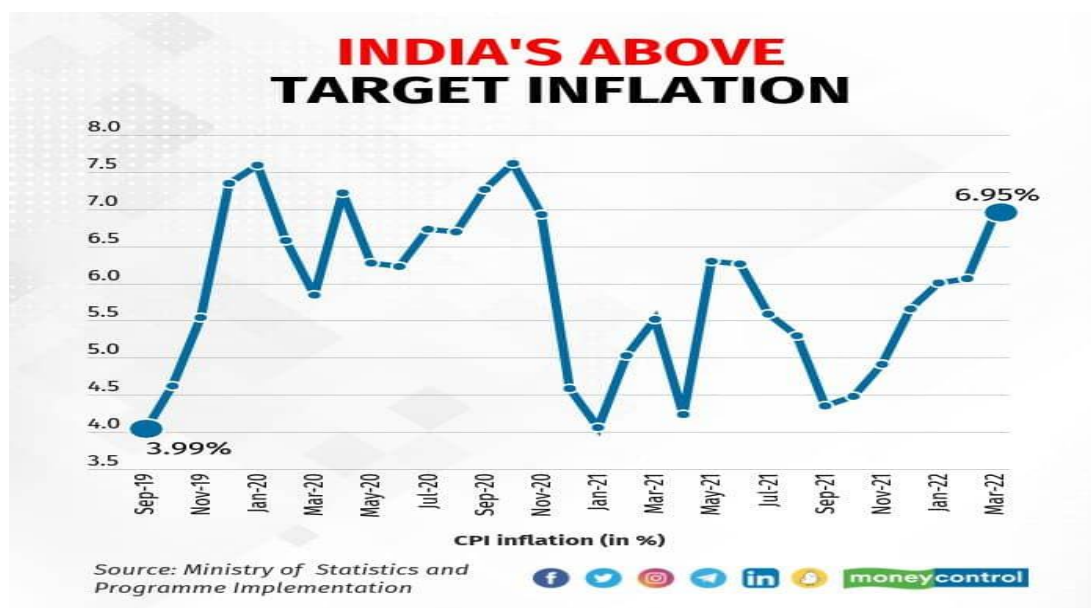
1. Return filing has increased- E- invoicing has reduced fake invoicing. There has been an apparent rise in compliance behaviour, which has prompted taxpayers to submit their paperwork on time, compliance is made easier and more seamless, and also there is ensured stringent enforcement action against irregular taxpayers by identifying them through data analytics and artificial intelligence. Aggressive assessment by tax officers is contributing actively for increased GST collection. Better tax receipts have resulted from better compliance. The tax department's diligent governance. Compulsory e-invoicing of business-to-business (B2B) transactions for enterprises with an annual turnover of more than ₹20 crores boosted GST registrations. Tax form auto-population has improved data accuracy in statutory returns by eliminating clerical errors and discouraging fraudsters from claiming ineligible tax benefits.
2. Post COVID revenue spending: The economy has improved since the COVID outbreak of 2019, and during the recently finished festival seasons, consumption increased. Due to the Covid-19 pandemic's impact on consumer spending during the previous two years, customers have turned to

"revenge consumption". Despite this, the record-high GST collection in FY 2023 does indicate a positive increase in domestic demand and positions the Indian economy as a worldwide business incubator, particularly at a time when global growth is still a difficulty.

3. Increase of tax on harmful/sin goods- Finance Minister Nirmala Sitharaman raised the excise tax on tobacco in the Union Budget 2023–24 by raising the National Calamity Contingent Duty (NCCD) on cigarettes. Simply put, NCCD is a sin tax applied to goods and services that can be detrimental to the general public. Such goods are subject to a sin tax levied by the government, which makes them costly and discourages consumption. Additional taxes imposed by the government raise the overall tax incidence on cigarettes to as much as 52.5%. Because of this, tobacco products like cigarettes, cigars, alcohol, and other items are sold for considerably more than what it costs to produce them.
4. Rise in inflation- The current surge in the GST collection can also be attributed to higher inflation. Record-high inflation (wholesale inflation of 13.9 percent) led to high wholesale and retail prices pushing GST revenues to a high extreme. The high retail and wholesale prices also pushed GST collections up on domestic inflation. No doubt ultimately the consumers are facing the burden of the increase in the product prices. The real and nominal GDPs both increased by 3.8% and 31.4%, respectively. This demonstrates conclusively that the increase in GST receipts is more a result of greater inflation than higher consumption.

<https://tradingeconomics.com/india/inflation-cpi>

India Inflation Rate					August 2023
Summary Calendar Forecast Stats Alerts Download					
Related	Last	Previous	Unit	Reference	
Inflation Rate	7.44	4.87	percent	Jul 2023	
Consumer Price Index CPI	186.30	181.00	points	Jul 2023	
GDP Deflator	173.30	160.10	points	Dec 2023	
Food Inflation	11.51	4.49	percent	Jul 2023	
CPI Transportation	165.50	165.10	points	Jul 2023	
Inflation Rate MoM	2.93	1.01	percent	Jul 2023	
CPI Housing Utilities	175.30	174.40	points	Jul 2023	



5. Surge in imports and exports- A considerable surge in goods imports and export over all trade is another reason behind the massive rise in GST. Goods imports in 2021-22 jumped up around 56%

to \$612 billion. Under GST, imports are deemed inter-state supplies and are subject to an integrated GST. The integrated GST from imports stood at INR 3.8 lakh crore in 2021-22, around 41% higher than in 2019-20. The overall GST in 2021-22 was 22% higher than in 2019-20. This tells us that higher imports have pushed up GST collections. The overall trade balance figures have reduced considerably. There is also a favourable foreign trade policy initiatives taken up by the government departments for boosting the same.

<https://commerce.gov.in/wp-content/uploads/2023/03/Annual-Report-FY-2022-23-DoC.pdf>

Trade Statistics

- Latest Trade Figures
- Export Import Data Bank (Annual)
- Export Import Data Bank (Monthly)
- Foreign Trade Performance Analysis (FTPA)
- Dashboard
- SPS And TBT Regulations Data Monitoring System

Latest Trade Figures

India's Foreign Trade: July 2023
📅 14 August 2023 | Size: 668 KB, Format: pdf

		July 2023 (USD Billion)	July 2022 (USD Billion)
Merchandise	Exports	32.25	38.34
	Imports	52.92	63.77
Services*	Exports	27.17	24.26
	Imports	14.85	14.06
Overall Trade (Merchandise +Services) *	Exports	59.43	62.59
	Imports	67.77	77.83
	Trade Balance	-8.35	-15.24

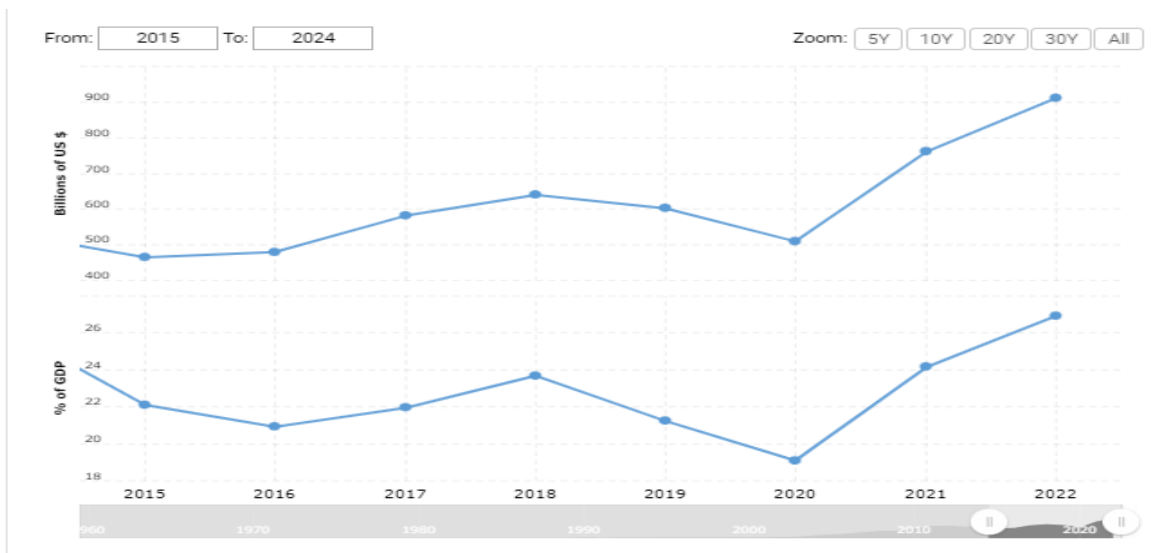
Quick Estimates for Merchandise Trade
📅 14 August 2023 | Size: 434 KB, Format: pdf

Merchandise Trade for SDDS
📅 14 August 2023 | Size: 11 KB, Format: pdf

(Source: <https://commerce.gov.in/trade-statistics/latest-trade-figures/>)



Source: <https://wits.worldbank.org/CountryProfile/en/IND>



Data Source: World Bank

MLA Citation: India Imports 1960-2022

6. Government initiatives: Another factor contributing to the increase in collections is the government's numerous initiatives to boost entrepreneurship. The Make in India initiative, Digital India, Smart Cities, Stand Up India, Start up India, Atmanirbhar Bharat Rojgar are some programs that have also generated employment opportunities by proving seed funding and incubation for the budding entrepreneurs. https://dge.gov.in/dge/schemes_programmes, The total number of companies registered during the past years have also increased in the nation. <https://www.kaggle.com/datasets/rowhitsuami/all-indian-companies-registration-data-1900-2019>

I. Registration of MSMEs in Udyam Registration Portal

A total of 80,16,195 enterprises were registered on Udyam Portal during the period 01.07.2020 to 31.03.2022 out of which 95.1%, 4.4% and 0.4% have been classified as micro, small and medium enterprises, respectively. Quarterly registration of MSMEs till 31.03.2022 is given below:

Quarter/Category	Q2 2020-21	Q3 2020-21	Q4 2020-21	Q1 2021-22	Q2 2021-22	Q3 2021-22	Q4 2021-22	Total
Micro	6,27,956	8,78,758	11,45,258	8,22,347	12,95,727	12,98,257	15,58,751	76,27,054
Small	38,512	62,286	80,013	40,771	51,788	40,659	39,214	3,53,243
Medium	8,227	7,789	8,588	3,336	3,632	2,404	1,922	35,898
Total	6,74,695	9,48,833	12,33,859	8,66,454	13,51,147	13,41,320	15,99,887	80,16,195

Note: Q1: Apr- June, Q2: Jul-Sep, Q3: Oct-Dec, Q4: Jan-Mar

Percentage share of MSMEs in total registration is given in Chart 1.

https://www.dcmsme.gov.in/UDYAM_Publication_with_tables_final20220622.pdf

<https://data.gov.in/search?title=registered%20companies%20>

It is very applauding to know about the rise in the GST collection for a developing nation like India. It is also now even more interesting to find out whether the real economic indicators of the nation have started improving or yet in its place as it is these indicators which help us to know the exact picture of a country's well-being. The revenues must be utilised for the betterment of the nation and its people as people of the nation are the right full inheritors for seeking its benefits. Economic indicators such as Real per capita income, Human development index and Global Positioning index, Genuine Progress Indicator (GPI). It is these indicators that help to know the fever about literacy rates, rates of poverty, health requirements, mortality, equalisation levels, crime figures, and cost of reducing pollution, safe water, the income and purchasing power, cost of traffic collisions, health care provisions, quality of nation's infrastructure, balance of payment

figures, FDI, life expectancy. If these indicators are performing then the nation seems to be performing.

References

- Ahuja, D., & Pandit, D. (2020). Public expenditure and economic growth: Evidence from the developing countries. *FIIB Business Review*, 9(3), 228-236.
- Bhattacharya, G. (2017). Evaluation and implementation of GST in Indian growth: A study. *International Journal of Commerce and Management Research*, 3(11), 65-68.
- Balaji, B. (2011). Causal nexus between public health expenditure and economic growth in four southern Indian states. *IUP Journal of Public Finance*, 9(3), 7.
- Barro, R. J. (1996). Determinants of economic growth: A cross-country empirical study.
- Besley, T., & Persson, T. (2009). The origins of state capacity: Property rights, taxation, and politics. *American Economic Review*, 99(4), 1218-1244
- Dani, S. (2016). A research paper on an impact of goods and service tax (GST) on Indian economy. *Business and Economics Journal*, 7(4), 1-2.
- Fischer, Stardey (1993). "The Role of Macroeconomic Factors in Growth," *Journal of Money Economics*, 32, 3 (December), 485-512
- Kir, A. (2021). India's goods and services tax: A unique experiment in cooperative federalism and a constitutional crisis in waiting. *Canadian Tax Journal*, 69(2), 391-445.
- Singhal, N., Goyal, S., Sharma, D., Kumar, S., & Nagar, S. (2022). Do Goods and Services Tax Influence the Economic Development? An Empirical Analysis for India. *Vision*, 0(0). <https://doi.org/10.1177/09722629221117196>
- Schumpeter, Joseph A. (1934). *The Theory of Economic Development*, Cambridge MA, Harvard University Press
- <https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home>
- <https://link.springer.com/article/10.1007/s40171-021-00297-3>
- <https://www.gst.gov.in/download/gststatistics>
- <https://data.worldbank.org/country/IN>
- <https://cleartax.in/s/gst-india-and-other-countries-comparison>
- <https://www.deccanherald.com/opinion/why-gst-revenues-continue-to-rise-1162055.html>
- https://economictimes.indiatimes.com/small-biz/gst/6-years-of-gst-with-record-high-collections-why-it-is-an-opportune-time-for-rate-rationalisation/articleshow/101383389.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst
- <https://www.deccanherald.com/opinion/why-gst-revenues-continue-to-rise-1162055.html>