

Six years of GST: Fiscal story so far

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The GST regime continues to make significant impact on India's fiscal federalism since its inception. The journey has completed six years and when we look at the fiscal story so far, it is understood that the Union government has gained a lot from GST but most of the States have not been able to achieve the desired annual growth of 14% from the base year even after six years. The RBI report, which analyses the State's budgets, shows that the latter's revenues from GST (both SGST and share of IGST) has grown at a compounded annual rate of just 7.8%. This is mainly because of the rate reduction without considering RNR, structural issues on revenue sharing formula and IGST settlement.

On the other side, the revenue performance of Union government under GST regime is remarkable especially since 2021-22. The first full financial year 2018-19 witnessed healthy growth with Rs 11.7 lakh crore even among the series of initial technical glitches and other confusions. In the backdrop of rate reduction without considering the 'Revenue Neutral Rate', the collection during financial year 2019-20 was below estimates and marginally grew at 4% over previous financial year to reach Rs 12.2 lakh crore. While the early months of 2020-21 were heavily impacted by the Covid-19 pandemic, there was an improvement in the later months of the year and managed to reach Rs 11.32 crore, even though it was lower than the previous year. There was a strong recovery in 2021-22, with total collections reached Rs 14.76 lakh crore, which is 28% higher than the previous year. This trend has continued in 2022-23 also, the collection raised to Rs 18.10 lakh crore, stood annual growth at 22%.

The average monthly gross revenue collection has risen from Rs 89,000 crore in 2017-18 to Rs 1,58,000 crore in the financial year 2022-23. This year so far the average monthly

collection again gone up to 1.72 lakh crore. The monthly Average Gross GST Revenue from the year of inception are given below:

Year	GST Revenue (in lakh Cr.)
2017-18	0.89
2018-19	0.98
2019-20	1.00
2020-21	1.08
2021-22	1.23
2022-23	1.5
2023-24*	1.72

Source: Compiled from PIB Press releases

GST shows impressive growth in first quarter FY 2023-24			
	April	May	June
CGST	38,440	28,411	31,013
SGST	47,412	35,828	38,292
IGST	89,158	81,363	80,292
Cess	12,025	11,489	11,900
Total	1,87,035	1,57,090	1,61,497

Source: Compiled from PIB Press releases

When we look at the GST monthly collection of the first quarter of FY 2023-24, the Gross GST collection in April 2023 is all time high, Rs 19,495 crore more than the next highest collection of Rs. 1,67,540 crore. For the first time gross GST collection has crossed Rs.1.75 lakh crore mark. It also records the highest ever tax collection on a single day, on 20th April 2023, Rs. 68,228 crore was collected through 9.8 lakh transactions. The gross Good & Services Tax (GST) revenue collected in the month of May, 2023 is Rs.1,57,090 crore which is 12% higher than the same month last year. In June 2023, the gross GST revenue collected amounted to Rs.1,61,497 crore which is 12% higher than the same month last year. It is for the fourth time, the gross GST collection has crossed Rs. 1.60 lakh crore mark. The average monthly gross GST collection for the first quarter of the FY 22-23 & FY 23-24 are Rs.1.51 lakh crore and Rs.1.69 lakh crore respectively.

This growth indicates that the economy has fully recovered from the impact of the pandemic. It also shows the favorable impact of various policy and administrative measures that have been taken by the GST Council for the last few years. The initiatives like enhancement of system capacity, nudging non-filers after last date of filing of returns, auto-population of

returns, blocking of e-way bills and passing of input tax credit for non-filers, e-invoicing, data analytics, use of artificial intelligence etc. have led to consistent improvement in the filing of returns and thereby revenue especially for the last two years. Various rate rationalisation decisions to correct the inverted duty structure have also contributed largely to this account.

Moreover, the Central enforcement agencies have conducted nationwide searches and raids places of business for suspected tax evaders. The Director General GST Intelligence (DGGI) have detected evasion to the tune of Rs 1,01,300 crore in 2022-23. Of this, recovery of Rs 21,000 crore have been made. In 2021-22, they detected evasion of over Rs 54,000 crore and made a tax recovery of over Rs 21,000 crore. In 2022-23, the total number of evasion cases has gone up from 12,574 to 14,000. In a reply to the Lok Sabha in March, 2023, the Finance Minister said that total GST evasion detected between July 2017 to February 2023 was close to Rs 3.08 lakh crore, of which over Rs 1.03 lakh crore was recovered. GST authorities had arrested 1,402 persons for evading taxes in the last five-and-a-half years till February 2023.

Kerala's GST revenues up in first quarter FY 2023-24

As per the state-wise data on national-level GST revenues performance for June 2023 published by PIB, the State has been able to collect Rs. 2725 core in June 2023 which recorded 26% growth over same month of previous year. The State had reported an 11% increase in May 2023 over May 2022 and 12% increase in April. Collection in April 2023 had stood at Rs.3,010 crore, going up from Rs.2,689 crore in the same month in 2022. State-level GST figures for May 2022 and 2023 put Kerala's collection at respectively Rs.2,064 crore and Rs.2,297 crore. It is clear from the above statistics that the State's fiscal performance under GST regime has shows steady increase in the first quarter of 2023-24 compared to the corresponding period in 2022-23.

State-wise GST Revenue and its growth			
State	June 2022	June 2023	Growth (%)
J&K	370.83	588.68	58%
Himachal Pradesh	693.14	840.61	21%
Punjab	1682.50	1965.93	17%
Chandigarh	169.7	227.06	34%
Uttarakhand	1280.92	1522.55	19%
Haryana	6713.89	7988.18	19%
Delhi	4313.36	4744.11	10%

Rajasthan	3385.95	3892.01	15%
Uttar Pradesh	6834.51	8104.15	19%
Bihar	1232.06	1437.06	17%
Sikkim	256.37	287.51	12%
Arunachal Pradesh	58.53	90.62	55%
Nagaland	33.58	79.2	136%
Manipur	38.79	60.37	56%
Mizoram	25.85	55.38	114%
Tripura	62.99	75.15	19%
Meghalaya	152.59	194.14	27%
Assam	972.07	1213.05	25%
West Bengal	4331.41	5053.87	17%
Jharkhand	2315.14	2830.21	22%
Odisha	3965.28	4379.98	10%
Chhattisgarh	2774.42	3385.21	9%
Madhya Pradesh	2837.35	3385.21	19%
Gujarat	9206.57	10119.71	10%
Dadra & Nagar, Daman	349.70	339.31	-3%
Maharashtra	22341.40	26098.78	17%
Karnataka	8844.88	11193.20	27%
Goa	428.63	480.43	12%
Lakshadweep	0.64	21.86	3316%
Kerala	2160.89	2725.08	26%
Tamil Nadu	8027.25	9600.63	20%
Puducherry	182.46	210.38	15%
Andaman & Nicobar	22.36	35.98	61%
Telangana	3901.45	4681.39	20%
Andhra Pradesh	2986.52	3477.42	16%
Ladakh	13.22	14.57	10%
Other Territory	205.3	227.42	11%
Central Jurisdiction	143.42	179.62	25%
Grand Total	103317.18	121433.52	18%
<i>Source: PIB Press Release dated 1 July 2023</i>			

When we look at the Kerala's GST performance during the last few years, in 2018-19 it has been able to collect Rs. 24650 crore from SGST, share of IGST and compensation. Then the next year this has increased to Rs. 27,474 crore. In 2020-21, the collection got decreased to Rs 18,595 crore because of the COVID-19 pandemic and flood. In 2021-22, it picked up to Rs. 31,486 crore, but there is nothing to be proud of because out of this Rs 8739 crore were

received from compensation account. However, the situation has gradually improved, the SGST revenue and share of IGST has shown positive growth in the 2022-23, the State has been able to collect Rs. 32329 crore, even though the compensation has ended in June 2022. It's true that there is a YoY increase. But the actual growth rate is remained below 10% even after six years of implementation.

Year	SGST	Share of IGST	Adhoc-Settlement	Compensation Received	Total
2018-19	8269.59	10114.95	2734.37	3532.00	24650.91
2019-20	9453.21	9926.19	-15.83	8111.00	27474.57
2020-21	8337.35	9343.07	-	914.63	18595.05
2021-22	9887.02	12440.48	419.70	8739.31	31486.51
2022-23	12311.49	15855.33	1028.23	3134.47	32329.52

Source: <https://keralataxes.gov.in/tax-collection-2019-20/>

Notifications

Last date for exercise of option by GTA to pay GST under forward charge - extended

The Government vide the said Notification No. 05/2023 - Central Tax (Rate) has made necessary amendments in Notification No. 11/2017-CT (Rate) dated 28.06.2017 to extend the time for exercising option to opt for forward charge tax liability by Goods Transport Agencies (GTAs) for 2023-24. The new time line shall be on or before 31.05.2023, instead of 15.03.2023. The required declaration can now be filed up to 31.05.2023 before jurisdictional authorities. Further, GTA who commences new business or crosses threshold for registration during any financial year, may exercise the option to itself pay GST on the services supplied by it during that financial year by making a declaration in Annexure V before the expiry of forty-five days from the date of applying for GST registration or one month from the date of obtaining registration, whichever is later. Similar Notification has been issued under IGST / UTGST Acts.

Source: Notification No. 05/2023 - CT (Rate), Notification No. 05/2023-UTGST (Rate) and Notification No. 05/2023- IGST (Rate) dated 09.05.2023

E-invoicing for the taxpayers having aggregate turnover exceeding Rs. 5 Crores

The Government vide notification No. 10/2023 has notified that the threshold limit for issuance of e-invoices shall stand reduced to Rs. 5 crore from existing Rs. 10 crore w.e.f. 01.08.2023. Notification No. 13/2020-CT dated 21.03.2020 has been amended to this effect.

Source: Notification No. 10/2023 -Central Tax dated 10.05.2023

Due date for furnishing returns for April, 2023 in the State of Manipur - extended

The Government vide Notifications No. 11/2023 - CT, No. 12/2023 - CT, No. 13/2023 - CT has extended the due date of filing GSTR-1, GSTR-3B & GSTR-7 of April-2023 tax period till 31.05.2023 for all the taxpayers having principal place of business in the state of Manipur. These shall be deemed to have come in force 11.05.2023, 20.05.2023 and 10.05.2023 respectively.

Source: Notification No. 11/2023 - Central Tax, Notification No. 12/2023- Central Tax and Notification No. 13/2023- Central Tax, all dated 24.05.2023

Guidelines for all India drive against fake GST registrations

The Government has decided to carry out a two month special drive to detect fake GST registrations and check fake input tax credit related frauds from 16.05.2023 to 15.07.2023. CBIC has issued guidelines vide the said Instructions for special drive against fake registrations under GST. Following guidelines have been issued for such concerted action on fake dealers/ fake billers:

- Based on data analytics and risk parameters, GSTN will identify fraudulent GSTIN's for Central / State Tax authorities and share the same for initiating verification drive. Various tax authorities would also supplement this list by data analysis at their own end using various available analytical tools like BIFA, ADVAIT, NIC Prime, E-Way analytics, etc, as well as through human intelligence, Aadhar database, other local learnings and the experience gained through the past detections and modus operandi alerts.
- Information sharing mechanism will be through designated nodal officers, appointed immediately by each of the Zonal CGST Zone and State to ensure seamless flow of data and for coordination with GSTN/ DGARM and other Tax administrations.
- Time bound verification shall be conducted by field formations which may even include examining the case for blocking of ITC. Action may also be taken to identify the masterminds/ beneficiaries behind such fake GSTIN's for further action, where ever required, and also for recovery of Government dues and/ or provisional attachment of property/ bank accounts, etc. as per provisions of section 83 of CGST Act.
- An action taken report will be provided by each of the State as well as CGST Zones to GST Council Secretariat on weekly basis on the first working day after completion of the week
- There will be a National Coordination Committee headed by Member (GST), CBIC to monitor the drive. The unique modus operandi found during this special drive will be compiled by GST Council Secretariat and presented before National Coordination Committee, which will be subsequently shared with Central and State Tax administrations across the country.

Source: Instruction issued by CBIC No. 01/2023-GST dated 04.05.2023

Review meeting with CBIC chaired by Union Finance Minister

A review meeting with CBIC has been conducted on 29th April, 2023 at New Delhi under the chairmanship of Minister for Finance & Corporate Affairs. In that meeting the Minister emphasised the need for continuously improving tax payer services. With respect to grievance redressal, the Minister desired that in each Zone interaction should be organised with members of trade and industry who are part of the GST ecosystem to know their issues and suggestions, so as to systematically identify matters for working out a redress for them. She also directed to put in place a system to take feedback on grievances redressed so as to improve quality of grievance redressal.

In the course of review, the Minister has briefed on the final revenue achievement in total indirect tax collections for the year 2022-23. She also directed CBIC to introduce its automated GST return scrutiny by next week and to implement an action plan to increase the taxpayer base through enhanced use of technology. In order to intensify its drive against fake billing/ ITC, Smt. Sitharaman desired that CBIC may undertake a comprehensive root cause analysis by studying the typology of cases already booked and come up with recommendations on technology based solutions to address the menace and prevent its occurrence. The Finance Minister also advised CBIC to take measures for employee welfare. Cadre restructuring, capacity building and training, timely promotions and effective and timely action in disciplinary matters were also discussed during the meeting.

Source: GST Council Newsletter, April 2023

Best Practices by State:

As part of the special drive to detect fake GST registrations and fake input tax credit availment, the GST intelligence units of Kerala and Karnataka have conducted a coordinated search in June 2023. This has uncovered the existence of 30 fake registrants spread across the country, operating under benami firms. The illicit operation had an estimated total business turnover of Rs. 850 crore recorded between October 2022 and June 2023 across India. Falsified invoices for arecanut and fabricated e-way bills were systematically generated to conceal the illicit transportation of goods from Kerala and Karnataka to North India. The cartel capitalised on benami registrations, manipulating personal credentials such as Aadhaar and PAN numbers to acquire mobile connections, Aadhaar updates, establish bank accounts,

and secure GST registrations. The seamless collaboration between the intelligence formations of Kerala and Karnataka was instrumental in the success of this operation.

Source: Press Reports, June 2023

Best Practices by Centre:

The GST National Co-ordination meeting for Central and State Tax officers organised by GST Council Secretariat was held under the aegis of Revenue Secretary Sh. Sanjay Malhotra on 24th April, 2023 at New Delhi. The Meeting was attended by Central and State GST officials. The aim of the meeting was to provide a common platform for knowledge sharing between Centre and State GST officers and also to encourage coordination between them. During the course of meeting presentations were made by States and Central tax zones, CBIC on the best practices developed by them. Further, discussions and deliberations were held on the various issues faced by the tax officials on enforcement front and measures were suggested to tackle the same. Further, it proved to be an ideal platform to come up with measures for better coordination between the authorities for ensuring a robust and resilient GST regime.

Source: GST Council Newsletter, April 2023