

## **GST collection hits all-time high in March, 2022, monthly average of the last quarter increased to Rs. 1.38 lakh crore**

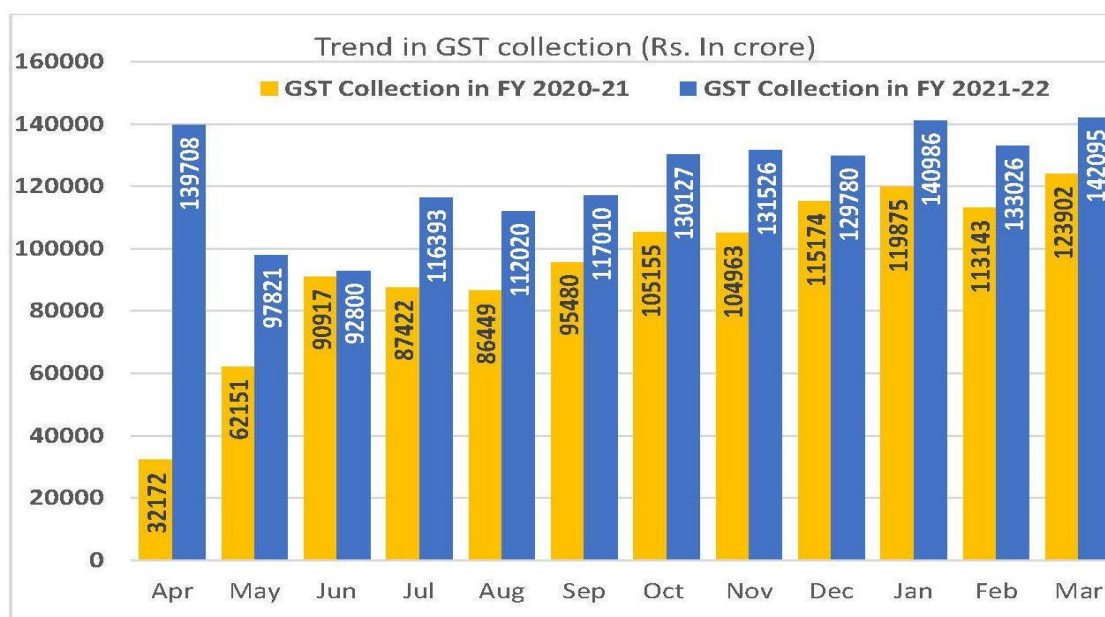
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GST Revenue collection for the month of March 2022 is the highest ever at Rs 1.42 lakh crore, it was Rs.1.40 lakh crore in January 2022 and Rs. 1.33 lakh crore in February 2022. The average monthly gross GST collection for the quarter ending March 2022 has also increased to Rs.1.38 lakh crore against the average of Rs.1.10 lakh crore, Rs.1.15 lakh crore and Rs.1.30 lakh crore in the first, second and third quarters respectively.

The gross GST revenue collected in the month of March 2022 is Rs. 1, 42,095 crore which is an all time high, breaching the earlier record of Rs. 1,40,986 crore collected in January 2022. The revenues for the month of March 2022 are 15% higher than the GST revenues in the same month last year and 46% higher than the GST revenues in March 2020. During the month of March 2022, revenues from import of goods were 25% higher and the revenues from domestic transactions (including import of services) were 11% higher than the revenues from these sources during the same month last year. Total number of e-way bills generated in the month of February 2022 is 6.91 crore as compared to e-way bills generated in the month of January 2022 (6.88 crore) despite being a shorter month, which indicates recovery of business activity at faster pace.

The chart below (Figure 1) shows trends in monthly gross GST revenues during the financial year 2020-21 and 2021-22.

**Figure 1:** Trends in monthly gross GST revenues during the financial year 2020-21 and 2021-22:



*Source: PIB Press Release, dated 01.04.2022*

In 2021-22, total GST collections reached Rs.14.76 lakh crores. Out of this, CGST & Cess accounted for Rs.3.68 lakh crores, SGST was Rs. 3.44 lakh crores, IGST was Rs. 3.85 lakh crores and IGST on imports at Rs.3.79 lakh crores. This is a clear indication of the ongoing economic recovery. Coupled with economic recovery, anti-evasion activities, especially action against fake billers also contributed to the enhanced GST collections. The improvement in revenue has also been due to various rate rationalization measures undertaken by the GST Council to correct inverted duty structure.

## **GST compensation released to states in 2021-22**

As per the GST (Compensation to States) Act, 2017, the States are being compensated for any shortfall against their protected revenue till June 2022. But the Covid-19 pandemic has broken all expectations, significantly reduced the GST revenue collection, which leads to huge compensation requirements of States. It was estimated that Rs. 2.59 lakh crore will be required in 2021-22 to manage compensation requirements of States of which only Rs. 1 lakh crore can be expected from compensation cess fund. Thus, the compensation cess fund is inadequate to meet the compensation requirements and the Government needs to find funds from other sources. In this context, deliberate discussions were conducted in the 43rd GST Council meeting and the Government has finally agreed to borrow Rs. 1.59 lakh crore from the market for managing compensation requirements.

In the financial year 2021-22, the Government has released Rs. 2,55,576 crore to the States as GST Compensation. This amount includes Rs. 96,576 crore collected from Compensation cess fund and Rs.1.59 crore from loans.

The 45th GST Council decided to extend the Compensation cess till March 2026, exclusively to repay the back-to-back loans taken so far to manage the compensation requirements. It is also significant to note that there is no compensation to States beyond June 2022, even though most of the states have requested for extension. Kerala has relied more on GST compensation grants to achieve the guaranteed SGST revenue level. So far Kerala has received Rs. 20,808 crore as GST compensation grant. In 2020-21, the state has received Rs 12,487 crore from this account. As per the revised estimates, in 2021-22, Kerala is estimated to receive Rs 11,830 crore, which is about 20% of State's Own Tax Revenue (SOTR). Hence, if the Centre Government is not extending GST Compensation beyond June 2022, then Kerala will have a shortfall of Rs 9,000 crore for the remaining nine months.

## **GST in Kerala budget 2022 -23**

The key focus areas of the first full budget speech of Shri K.N Balagopal appears to be on curbing tax evasion, thereby, increasing tax revenues to the State. It also focuses on improving the efficiency of the GST Department.

### **Policy highlights**

- State GST department to be restructured with separate wings for taxpayer services, audit, enforcement and intelligence.
- Taxpayers to pay an additional 1% court fee for GST appeals under the jurisdiction of the State GST authorities, rationalised by fixing a cap for such fee—note that taxpayers are not required to pay such additional court fee for GST appeals under the jurisdiction of the CGST authorities.
- E-offices will be implemented for tracking action taken on representations made by taxpayers. This would aid paperless offices and internet-based file movements.
- A GST Appellate Tribunal with headquarters at Thiruvananthapuram is expected to start functioning this year.

### **Measures to curb tax evasion**

- Increased scrutiny of returns: The allocation of more State tax officers to GST-related activities will lead to greater scrutiny of GST returns.
- Data analytics: The Government plans to utilise sectoral data and data from various sources generated from data analytics to investigate potential evasions of tax.
- Automatic number plate reading system: Installation of most modern surveillance cameras to detect tax evasion; enforcement vehicles and the inspecting officers to be equipped with cameras to ensure transparency and efficiency in surveillance.
- Mobile Apps: State GST officers are equipped with mobile applications to verify the authenticity of GST registrations and to collect data on taxpayers who have not obtained registrations.
- Vehicle checking: 24x7 vehicle checking strengthened by surveillance squads.
- Review mechanism: There would be strengthening of the review mechanism under GST to help in the assessment of correct taxes.

## **Budget estimates**

As per revised estimates for 2021-22, the State Goods and Services Tax (SGST) revenue is estimated to be Rs. 24351 crore which is 34% lower than the budget estimate. In 2022-23, the estimated SGST is Rs. 36818 crore which is the largest source of SOTR (50%). As per the revised estimates, the state is estimated to receive Rs 11,830 crore as GST compensation, out of which Rs 8,739 crore is a back-to-back loan in-lieu of GST compensation. In 2022-23, Rs 5,273 crore is the estimated GST compensation grants to be received by the state.

The Finance Minister, K.N Balagopal explained that the revenue to be included in the budget estimates will factor in the GST compensation also. All States in the GST Council have demanded that the compensation should be continued. The Centre should find a way out, if it is not continuing with the compensation. All most all the States are standing firm on this demand. We will receive the compensation till June 2022. After that, if the Government is not extending, Kerala might see a decline in the level of revenue receipts.

## **Union budget 2022 -23: Proposed amendments in the GST law**

Union Budget 2022 proposed certain amendments to the CGST Act. Most of the amendments have been made in the provisions regarding filing of GST returns, availing of input tax credit, GST refund, payment of tax, issue of credit notes, levy of interest, and GST registration. The deadline for amendment, correction, or uploading of missed sales invoices or notes or for claiming missed input tax credit is now 30th November 2022 of the following year, instead of 30th September 2022. The proposed major amendments are briefly discussed below:

Section 29 of the CGST Act was amended for the cancellation of a GSTIN by an officer. If a composition taxpayer fails to file an annual return for three months beyond the 30th April deadline of the following year, their registration can get cancelled. For other taxpayers, a six months consecutive default in return filing is now replaced with a consecutive tax period default as may be prescribed.

In Section 37, a new sub-section states that taxpayers will be disallowed from furnishing their details of outward supplies for a tax period if the same is pending for any previous tax period. In keeping with this logic, Section 39 too has been amended to disallow taxpayers from filing

their return under Section 39 if their return under Section 37 remains pending. Section 38, governing the furnishing of inward supplies, stands amended to remove reference of the erstwhile GSTR-2, to be now replaced with GSTR-2A and 2B. The section is now named ‘Communication of details of inward supplies and input tax credit’.

For non-resident taxpayers under GST, the due date to file GSTR-5 is revised from the 20th of the succeeding month to the 13th. Further, Sections 42, 43, and 43A pertaining to the matching and reversal of tax credits stand removed. The changes in the GST law will apply once notified by the CBIC.

The GST reforms in this budget are an indication of tighter laws to come, especially governing return filing and input tax credit. The year 2022 has already seen two major amendments to the GST law, effective 1st January 2022. Section 16(2)(aa) was introduced to allow taxpayers to claim input tax credit only if their vendors upload a particular invoice or debit note in their corresponding GSTR-1 or Invoice Furnishing Facility (IFF). This data has to then reflect in the recipient taxpayer GSTR-2B.

This amendment was further strengthened with Rule 36(4), which was also amended to completely remove the concept of provisional input tax credit limit. Now, taxpayers can only claim ITC on invoices that their suppliers upload. The government has also tightened the GST law surrounding outward supplies. It has now become vital that the outward supplies in the GSTR-1 and GSTR-3B match. The GST portal is already giving out error messages stating that the GST registration can be suspended in cases where there is over a 10% difference in the liability reported in the GSTR-1 versus the GSTR-3B. This warning also pops up in cases where the input tax credit claimed in the GSTR-3B has over a 10% variation with the values auto-populated from the GSTR-2B.

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