

In recent news, the Finance Ministry has reported that the Goods and Services Tax (GST) revenue accumulated in October 2020 was Rs. 1.05 lakh crore. This figure has surpassed the revenues of 2019 by 10.25% and exceeded the revenues in September 2020 by 10.1%.

Central & State Governments Revenue

The Central and State governments have earned total revenues of Rs. 44,285 crore and Rs. 44,839 crore, respectively, in October. The GST cess collections, utilized for reimbursing States' transition to the GST regime, increased to Rs. 8,011 crore. This increment is over 5% more than in 2019 and 12.5% higher than September 2020.

Import and Domestic Revenues

October's revenues from imports saw a 9% hike and domestic transactions (including service imports) yielded 11% more revenue, compared to the same period last year.

State-wise Status

Andhra Pradesh and Chhattisgarh noted the highest GST collections growth at 26% year-on-year in October. This was followed by Jharkhand (23%) and Rajasthan (22%). More industrialized States like Gujarat, Tamil Nadu and Maharashtra had growth rates of 15%, 13% and 5% respectively.

The Cause of Surge

The increase in October's GST inflows could largely be attributed to the festive demand, input tax credits, and other business reconciliations due in September. Many firms concluded their sale invoices in September for products they had planned since March.

Input Tax Credit

Input tax credit refers to the offset of GST paid to procure goods or services against the tax payable on the supply of final goods and services.

Trends in Manufacturing Sector

India's manufacturing sector began showing growth signs in August and September, driven primarily by a production pick-up and customer demand improvement.

Economic Implications

For the first time in financial year 2020-21, GST inflows exceeding Rs. 1 lakh crore signify an economic recovery following its 23.9% contraction in 2020's first quarter. If this revenue momentum persists in the coming months, then the estimated shortfall of Rs. 2.35 lakh crore in GST compensation for States could be expected to reduce.

Cautions on Recovery Assumptions

The Consortium of Indian Associations cautions that October's improved GST inflows should not be mistaken for normalcy return in businesses. These revenues

typically correspond to September's sales when most of the economy, including public transport, was unlocked. The association suggests waiting for November and December data before confidently stating that the economy has rebounded to pre-Covid-19 times.

About Goods and Services Tax

GST is a comprehensive, multi-stage, destination-based indirect tax levied on each value-addition stage. The Goods and Services Tax Act was passed by Parliament on 29th March 2017 and took effect from 1st July 2017. Depending on the intra-state or inter-state nature of the transaction, GST is categorized into Central GST (CGST), State GST (SGST), and Integrated GST (IGST).

Central GST

CGST, governed by the CGST Act, is a tax imposed by the Central Government on intra-State supplies of goods and services.

State GST

SGST is levied on the same intra-State supply but is regulated by the State Governments. While the Central and State Governments agree on combining their levies for revenue sharing, the tax rate must not exceed 14% for each.

Integrated GST

IGST is a tax imposed on all inter-State goods and/or services supplies, covered by the IGST Act. It also applies to any goods and/or services supplies in import into and export from India.