

The Hindu Editorial

October 07, 2023

Revenue riddles: On GST inflows and areas of concern

Amid broadly healthy GST inflows, some trends need greater scrutiny

Halfway through the financial year, India's gross revenues from the Goods and Services Tax (GST) stand at over ₹9.92 lakh crore, marking an 11.1% increase over collections between April and September 2022. The average monthly revenues in 2023-24 are a healthy ₹1,65,418 crore, with four of the six occasions that the GST kitty has crossed ₹1.6 lakh crore occurring in this fiscal. At almost ₹1.63 lakh crore, September's GST collections were a tad below the average, but 2.3% over August's inflows that had marked a three-month low. With the festive season kicking in, collections over ₹1.6 lakh crore may persist through this quarter. The government appears comfortably placed regarding GST revenues in the fiscal context, with room to spare for some moderation in inflows during the January-March 2024 quarter when the central bank expects real GDP growth to slow to 5.7% from 7.8% in the first quarter. Beyond the macro resilience that these numbers indicate, a few areas of concern deserve closer scrutiny from policymakers and the GST Council which convenes today.

One, there is a discernible slowdown in the growth of GST inflows, which dropped to 10.2% in September, the slowest uptick since July 2021. The average growth between July and September dipped to 10.6% in the second quarter from 11.5% in the first. Growth from domestic transactions and services imports has slowed to 14% over the past two months, from 18% in June. It is important to note that revenues in September, based on transactions undertaken in August, also include pending dues from businesses since the start of the GST regime in 2017-18 as the deadline to remit them was September 30. Moreover, e-invoicing became mandatory for all firms with a turnover of over ₹5 crore since August 1,

so there was another compliance push at work. Distilling these effects is necessary to gauge the extent of growth that stemmed from actual consumption and production upticks. That a record 9.34 crore e-way bills generated during August did not translate into the highest-ever revenues may suggest that transaction sizes have shrunk, for instance. Another puzzling trend is seen in revenues from goods imports that have shrunk four times this year. Of course, the lower goods import bills recorded this year will reflect in lower GST intakes. However, imports hit a nine-month high of \$58.6 billion in August, 10.75% over July's import bill. Yet, revenues collected in September were 5.7% below the previous month's. This does not add up. Authorities must dig deeper to check for revenue leakages from imports.

