

Bird's eye view on GST collection during Covid

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Abstract

Indian tax system has gone lot of changes over time. One major change is the introduction of Goods and Services Taxes (GST). This paper tries to unfold the changes in the GST collection pre and post Covid, and the factors that affected the collection of GST. Covid and the complete lockdown associated with it, led to disruptions of operations of the businesses, and hence made the payment of taxes difficult. Drawing information from secondary data sources, this review article provides a comparative analysis of the collection of GST pre and post Covid.

Keywords: GST, Covid-19, Indian economy, Taxes, Government

1. Introduction

India witnessed a change in its tax system with the introduction of Goods and Services Taxes (GST) on July 1, 2017 with a special amendment in Article 366 (12A) of the Constitutional (101st Amendment) Act, 2016. This act defines Goods and Services Tax as “any tax on supply of goods, or services or both, except for taxes on the supply of the alcoholic liquor for human consumption”.

In other words, the Goods and Services Tax (GST) is a Value Added tax (VAT) that is kept on various goods and services. GST is the tax that is borne by the consumers but is paid to the government by the business enterprises or the sellers.²

GST is an indirect sales tax that is levied on the cost of goods and services. The business enterprises add the GST on the cost of goods and services which is then sold to the

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² Goods and Services Tax (GST): Definition, Types, and How It's Calculated, Investopedia <https://www.investopedia.com/terms/g/gst.asp> (last visited April 20, 2023)

customers, who pay the price inclusive of the GST. It is also referred to as the Value Added tax (VAT)³ in some countries.

Some countries like New Zealand and Australia have a single unified GST which means that a single tax system is followed in the entire country. In other words, a country having a unified GST merges the central tax (i.e. excise duty, sales tax, service tax etc.) and the state level taxes (i.e. entertainment tax, luxury tax, transfer tax etc.) and levies them as a single tax. Such countries tax at a single rate.⁴

In India, through the removal of taxes across the country, GST has created “One Nation, One Tax, One Market”.⁵ The GST has eliminated state-to-state tax barriers, resulting in the creation of a single national market. The GST will guarantee unrestricted trade between states, as the current interstate tax system was somewhat flawed. The removal of several checkpoints and the consolidation of warehouses will be the main drivers of the decreased logistics costs resulting from the reduction in transit time. This might drastically cut down on hold-ups and delays, which would change the economy's productivity.⁶

With the removal of various taxes, GST is expected to bring in more efficiency in the Indian tax system. It will have two main advantages: one, an improvement in the competitiveness of the domestic sector, hence fulfilling the “Make in India” initiative, and two, improving India’s rank in the “Ease of doing Business”.⁷

However, with the onset of Covid, the entire world has to deal with economic complexities, India was not an exception. It has affected almost all the sectors and also GST collections in various states, as many business outlets were shut, payment of taxes became a burden.

Given this background, this paper studies the impact of Covid on GST collections, and tries to analyse state of GST collections pre Covid and post Covid times.

³ Ibid.

⁴ Ibid.

⁵ Rashesh Shah, GST: A unified India for business, mint
<https://www.livemint.com/Opinion/JBrZWYtutXfzM9r8aQvdzJ/GST-a-unified-India-for-business.html>
(accessed in April, 2024)

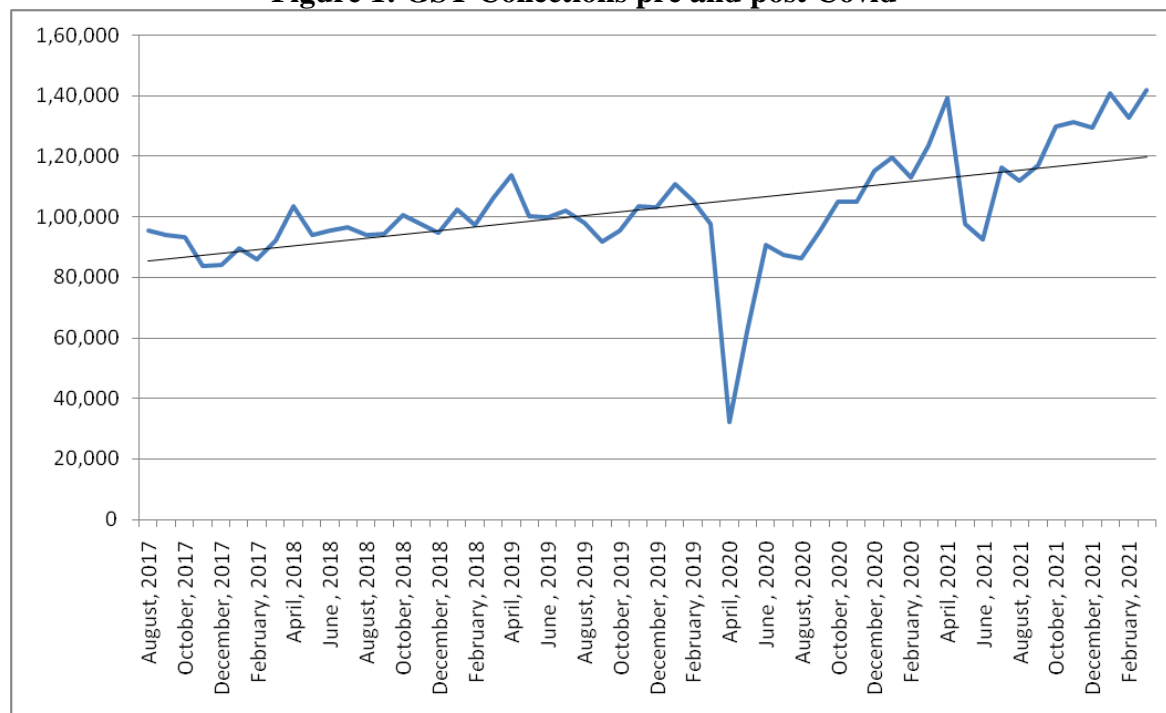
⁶ Ibid.

⁷ Ibid.

2. GST Collection

Figure 1 gives the GST collections pre and post Covid, the data relating to the monthly collection of GST from FY 2017-18 to FY 2021-22.

Figure 1: GST Collections pre and post Covid



Source: The figures are based on the GST Council of India <http://gstcouncil.gov.in/gst-revenue>⁸. Figures are in Crores

Figure 1 shows the GST collections on a monthly basis in crores, for the FY 2017-18 to FY 2021-22. The figures of 2017-18 data show us that the GST collections were low as compared to 2019-20 or 2021-22. Though the GST regime made things simpler, which means the business didn't had to maintain track records for various taxes as there had been an implementation of a single tax throughout the country, yet GST came with its own challenges. Small, micro and medium enterprises (MSME's)⁹ had to suffer a lot, as they had to transit themselves to an entire new system. Hiring of experienced accountants like the Chartered Accountants became an added expenditure for the enterprises; hence, the GST collected during this time was low.

⁸ Accessed on April 20, 2023

⁹ Dr. Arundhati Roy, Biswa Bhusan (2020) *Pal Ach's Journal of Archaeology of Egypt/Egyptology*, Impact of Covid-19 on Goods And Services Tax (GST) with respect to Micro Small And Medium Enterprises (MSME) Sector.

It is considered that the Covid had its impacts from the month of March 2020, during this month only the government had announced lockdown in the country as this was the time when Covid cases were being recorded in India. From the table above we can see that the GST that has been collected in the month of March 2020 is lower as compared to other months.

In the month of April 2020, we see a major drop in the GST collections as compared to all the years and months. Some improvement and hope has been in the month of December 2020 when India was slowly recovering from the Covid grasp, however the lowest GST collected till date has been the month of April 2020. Though the collection was the lowest but then thereafter GST collection went on to increase and improve in the later months. During this time many of the business operations went on to become digital and had online operations during these times. People became comfortable to work in such an environment.¹⁰ This was the beginning of a new era and hence even the GST went on increasing. In addition, the festive season of Diwali in November, relaxation in lockdown rules and decrease in Covid cases also led to an increment in GST.

From April 2021, GST started to improve and increase, it was even more than the pre-Covid times. India was now recovering from the pandemic and the nationwide lockdown which had a devastating impact on the economy and also on the GST collections. The improvement in the GST collection of 2021-22 shows us that there has been a sustained growth in the economic recovery from September 2021 till date.

Thus, despite the darkness, there has been light in the coming months where there has been some improvement in the state of economy and hence the GST collection.

3. Conclusion

Covid was an inevitable event and a force majeure, which could not be stopped. It had a devastating impact on the Indian economy but the country through its potential did a commendable job in preventing its impact as can also be seen that in the recent months

¹⁰ Dr. Selvi S, Retrekar Aishwarya Gururaj (2022), *A study on the impact of Covid 19 on the GST collection*, Vol. 9, Issue 1, *International Journal Of Recent Research In Commerce Economics And Management (IJRRCEM)*

after the Covid where due to digitalisation people got comfortable with the system and hence the collection of GST increased. This shows that the system has revitalized.

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