Challenges in achieving targets – GST

What is the issue?

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Rate reforms are needed to help shore up collections from the Goods and services tax(GST) and to achieve the budgeted target.

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What is the performance of GST in this fiscal year?

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- The 2018-19 budget had estimated annual GST collection at Rs 13.48 lakh crore, which means a monthly target of Rs 1.12 lakh crore.
- In the first eight months (April-November) of the current fiscal, the government has collected over Rs 7.76 lakh crore from GST.
- However, in the fiscal year (2018-19) so far, the GST collections crossed the 1-trillion mark only in April and October.
- GST collections in the first eight months of 2018-19 now stand at just about 58% of the annual target.
- The GST collection in November too were estimated at Rs 97,637 crore, which stands short of the monthly target.
- Thus if the annual target has to be met, the monthly collection in the remaining period of the year should be over 1.43 lakh crores.
- This means that the GST collections in the remaining months should see a 47% increase over the average monthly rate seen in the April-November period, which seems to be a difficult task.

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What are the underlying reasons?

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- There are many reasons why the collections have failed to meet the targets set so far in the year.
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- Though the GST system has stabilised to a great extent, the compliance level has not seen a significant improvement and the experience of many taxpayers is still not satisfactory.
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- The number of registered taxpayers is still high at 11 million, but the earlier pace of increase in the number of returns filed by taxpayers has not been maintained.
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- This is shown by lowering number of returns, standing at 6.7 million, filed at the end of September 2018.
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- This could possibly be attributed of the lack of ease in filing returns by the taxpayers.
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- Thus, if the compliance rate does not improve further, the tax collections in the coming months would certainly be adversely affected.
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- Also, the GST Council, in its earlier meetings, reduced the duties on a host of items from the highest slab of 28% to 18%.
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- These rate cuts have also contributed to lower collections in GST revenues in the subsequent months.
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What should be done?

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- GST revenues would pick up, since reducing the duties result in more sales as producers of goods and services benefitting from the lower rates are able to reduce prices.
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- However, the GST Council has so far made no attempt at reducing the number of tax slabs.
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- A more sensible strategy would have been to combine the moves to reduce the number of goods and services from 28% to 18% with those to increase

the rates of a host of other items placed at lower slabs.
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- This would help the Council to gradually reduce the number of tax slabs to two or three categories.
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- Such a review should be undertaken at the next meeting, which will not only help push the GST reforms agenda but also reduce the collections shortfall.
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Source: Business Standard

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