GST Collection Woes

Why in news?

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There has been a shortage in the GST collection in November, when compared to October's record Rs. 1 trillion collection.

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What are the likely consequences of less GST collection?

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- The financial year 2018-19 is expected to fall short of targeted revenues, with no major changes expected in the regulations.
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- As the Taxpayers are now familiarised with GST, a small dip in Fiscal Deficit is inevitable, which will directly affect the compensation provided to the States.
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- And to contain the shortage in Fiscal Deficit, the government may use some of RBI's excess reserves.
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How is the government planning to compensate the States?

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- The government amended the GST (Compensation to States) Act, 2017 which allows the Centre to levy a GST Compensation cess on the supply of certain goods and services.
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- When the receipts from the cess are deposited to a GST Compensation Fund, it will be used to compensate States for any loss in revenue following the implementation of GST.
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- The government has amended – 'any unutilised amount in the Compensation

Fund in the year 2022 (five years from the launch of GST) will be distributed equally between all the States on the one hand and the Centre on the other'.
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- To – 'any unutilised amount as recommended by the GST Council in the Compensation Fund at any time till 2022 will be distributed in the manner specified originally'.
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- By replacing the word year 2022 with anytime, the governments can use the Compensation cess fund to fill their deficits and compensate the States.
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What's the future for GST laws?

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- The prospect of GST laws depends on the outcome of the Indian general elections in 2019.
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- There can be tightening of the laws and emphasis of collections, if the present government continues.
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- But if there is a new government, it will modify the laws to show the positive changes it had made.
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- Irrespective of the government to be in power, the taxpayer will go through another year of frequent changes.
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Source: Business Line

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