GST Revenue Shortfall

Why in news?

\n\n

According to official sources there is a revenue shortfall in GST collections.

\n\n

What are the projections on GST revenues?

\n\n

\n
- Assuming 10 per cent growth in revenues on a Quarter on Quarter(QoQ) basis, the Centre’s gross CGST collections work out to Rs 2,337 billion for 2018-19, while IGST collections are pegged at Rs 6,869 billion.
\n
- Taking into account the government’s plan of retaining Rs 500 billion as unsettled IGST at the end of the year (as indicated in the Budget).
\n
- Assuming the remaining amount of Rs 6,369 billion is divided equally between the Centre and the states, the Centre will get another Rs 3,184.5 billion.
\n
- This puts the Centre’s collections at Rs 5,522 billion at the end of 2018-19 excluding refunds, as compared to the target of Rs 6,039 billion.
\n
- The projected Rs 517 billion shortfall is based on the data for the gross CGST and IGST collections.
\n

\n\n

What will the implications of the revenue shortfall?

\n\n

\n
- A shortfall of this magnitude could impact the Centre’s fiscal deficit target for 2018-19, which the Union government pegged at Rs 6,242 billion.
\n
- Given the current GST run rate, it will be difficult for the central government

to meet the 2018-19 Budget Estimates (BE).
\n
- It is also assumed that a relatively small amount of the IGST will remain unsettled as indicated in the Budget 2018-19.
\n
- Due to this there is a possibility of around 20-25 basis points of slippage in GFD/GDP from lower GST collections.
\n
- And using the net collections of Q1 to project for the entire year is problematic.
\n
- Union government will now have to ramp up collections for the next three quarters by a bit over 20 per cent QoQ.
\n

\n\n

What are the positive signs with the projections?

\n\n

\n
- It is expected that benefits of the e-way bill and formalisation, seasonal uptrend in consumption during the festive season would ensure that the gap between the BE and the actual collections would be limited.
\n
- Settlement of the IGST between the Centre and states which could be helpful in closing the GST revenue gap for the Centre.
\n
- The projected shortfall in tax revenues is despite some positive trends visible in the granular data on the GST.
\n
- At the end of March 2018, Rs 128 billion was refunded under the IGST, by comparison, at the end of Q1 of 2018-19, refunds stood at Rs 169 billion.
\n
- “If the ‘refunds’ of IGST are (largely) export credit, this indicates that export credit refunds are now being facilitated, unclogging exporters' working capital.
\n

\n\n

\n\n

Source: Business Standard

\n



SHANKAR
IAS PARLIAMENT
Information is Empowering