Revenues from GST

Why in news?

Recently revenues from the GST hit an all-time high, surpassing the previous month's record.

Why the revenue was high?

- In April 2020, GST collections had dipped to a mere Rs. 32,172 crore due to national wide lockdown which affected all the economic activity.
- In October 2020, GST revenues was around Rs. 1.05 lakh crore and since then there was a steady increase with hopes of a sustained recovery.
- In April 2021, revenues from the GST was Rs. 1,41,384 crore surpassing the previous month's record of about Rs. 1.24 lakh crore.
- This is essentially driven by the transactions in previous month, due to heightened economic activity.
- The rising COVID-19 cases and the fear of an impending lockdown could have driven people to make advance purchases in anticipation.
- Moreover, firms in the process of closing annual accounts may have remitted higher GST based on audit advice.
- Also gradual tightening of the compliance regime, pro-active co-ordinated probes against taxpayers using fake bills to evade liabilities has also played a significant role.

What are the future prospects?

- Now going by the restrictions imposed in several States, supply chain disruptions are not expected to be as challenging.
- However, weakening demand will trigger a recalibration of production and investment plans
- In 3rd week of April 2021, major two-wheeler producers saw reduced sales when compared to March 2021.
- Gradually, plants began to shut down in order to reduce inventory build-ups.
- In a report, Crisil has warned of several indicators sliding since mid-April, including GST e-way bills which fell by over 6% for two weeks in a row.
- As per IHS Markit, manufacturing orders' growth hit an eight-month low

in April.

- The pandemic surge and desperate shortage of health infrastructure have prompted industry leaders to pitch for a stringent lockdown.
- Now it is hard to expect GST and other tax revenues to stay robust until government gets a better grip on infections and vaccinations.

What can be done now?

- With the Assembly polls over, the Centre must convene the GST Council.
- The council should look into rationalisation of GST rate slabs, rearrange the rates on critical pandemic supplies and the address the issue of bringing fuel under GST.
- It must begin release the shortfalls in GST compensation to States.

Source: The Hindu

