

Original Research Article

Contribution of Goods and Services Tax (GST) Revenue: India's March towards \$5 Trillion Economy

Abstract:

The present research article emphasis on GST revenue is contributing to India's march towards \$ 5 trillion economy. GST is an indirect tax in nature and levied on goods and services except alcoholic liquors and petroleum products. The dream of \$ 5 trillion economy is too difficult to India. While perceiving such dream GST would contribute to achieve it. In this study we focused on monthly collection of GST revenue, GST revenue Y-o-Y, GDP growth Y-o-Y, payment of GST in last six years, Contribution to GST revenue from different constitution of business. The GST slab rate of 18% and 28% are charged on luxuries goods and services will help to generate high revenue. After analysis we found that the revenue of GST is increasing in every year. The revenue was Rs. 1.46 Trillion in the month November of F. Y. 2022-23 and highly increased to Rs. 1.68 Trillion in the month November of F. Y. 2023-24. It shows 15% growth from November 2022-23 to November 2024. The share of GST revenue is huge in the development of economy. The GST brings more transparency in taxation system and increases GDP rate from 1% to 2% and reduces tax theft and corruption in country. 1)

Keywords: GST slab rates, business constitution, GST registration, GST revenue, GDP, economy

Introduction:

GST is the biggest tax reform in India on 1st July 2017 and has removed the cascading effect of tax on cost of goods and services and supported India to the position among fastest growing economy of the world. 2) GST was first introduced by France in 1954 and now it is follow by 160 countries. Most of the countries followed unified GST but some of the countries follow a dual GST system where tax is imposed by central and states both. India follows the dual GST model i.e. CGST and SGST. CGST is levied and collected by Central government and SGST is levied and collected by state government. IGST is also levied and collected by central government. 3) After implementation of GST few products prices were increased like mobile, luxurious cars, aerated drinks, internet, air tickets etc. but this GST is on only luxurious goods and services and it has positive impact over GST revenue.

Many central and state taxes are subsumed under GST like Central Sales Tax (CST), Central Excise Duty, Custom Duty, State Value Added Tax (VAT), Services Tax, Entertainment Tax, Taxes on Betting, Taxes on Gaming etc. However it was complicated therefore these all multiple taxes are replaced by GST, i.e. one nation one tax. It is for facilitating common national

market. The simplicity of tax will lead to easier administration and enforcement. 4) GST has reduced the customs duty was levied on export of goods. The costs of production in the local markets also have decreased due to GST. All these factors have increased the rate of exports in the country. Companies are becoming more competitive when it comes to expanding their business globally. 5)

GST Mechanism is designed in such a way that it is expected to generate good amount of revenue for both central and state government. It will be beneficial to corporate, businessmen and service providers. It will bring transparency in collection of indirect taxes benefiting to government and the people of India. 6) The GST has positive impact over 150 countries across the globe and it has also positive impact on Indian economy. It will help to increase the GDP which can boost the economy. With the reduction in tax rates on various goods and services has been reduced. When the products are available on affordable price, which can lead to increase the demand, which is in turn would increase in production and hence will make the economy grow faster. 7)

Method:

The present study used descriptive research design. It describes the situation or status of GST revenue and its contribution in Indian economy. The collection of GST by charging the slab rates like 5%, 12%, 18% and 28% were being considered throughout the study. The data sourced from journal articles, newspapers, media reports and websites and other available data were extensively used for the study.

The analysis and interpretation of study on the basis of monthly collection of GST revenue, GST revenue Y-o-Y, payment of GST in last six years, Contribution to GST revenue from different constitution of business. The data were analyzed by using the statistical tools like frequency, correlation; regression and t-test were scientifically used to test the hypothesis. The regression was used to know the reasons behind the growth of GST revenue. We used logistic regression to compare the variables of GST revenue Y-o-Y.

Analysis and Result:

Table 1: Monthly GST Collection (Rs. in Trillion)

Month	2022-23	2023-24	Growth in %
April	1.67	1.87	11.97
May	1.41	1.57	11.35
June	1.45	1.61	11.03
July	1.49	1.65	10.74
August	1.44	1.59	10.42
September	1.48	1.63	10.13
October	1.52	1.72	13.16
November	1.46	1.68	15.07

Source: Ministry of Finance, August 2023 and Business Standard, Saturday, 2 December 2023

Significance difference between monthly GST Collection (Rs. in Trillion) (n=8)

H₀ There is no significant difference between monthly GST collections from F.Y. 2022-23 to 2023-24

H₁ There is significant difference between monthly GST collections from F.Y. 2022-23 to 2023-24

Table 2: t- test

Year	Mean±SD	t	t table value	p-value
2022-23	1.49±0.080	-3.963	2.977	0.001
2023-24	1.665±0.096			

SD: Standard deviation

As per above table, highly significance difference was found between monthly GST collection (Rs. in Trillion) ($p < 0.01$). As per mean GST collection in year 2023-24 it was higher than year 2022-23 (1.66 vs 1.49).

In the Indian economy, the GST collection surged 15 percent year on year (Y-o-Y) November – the steepest for any month of this financial year to Rs. 1.68 trillion. The growth was slow down in the first quarter and slightly rose up in between second quarter and suddenly rose up in the third quarter. Positive consumer sentiment was also palpable through the monthly sales figures for cars and two wheelers as both segments witnessed an annual uptick in GST revenue. The trends in GST collection of last F. Y. were at 1.67 trillion in April 2022 and 1.60 trillion in March 2023. But when we focus on the growth in the revenue for the month of April 2023 (Rs. 1.87 trillion) was higher than the GST revenues in the same month of April 2022 (1.67 trillion) last year. Therefore the above table depicts that the continuous growth in the collection of GST revenue is remarkable to develop the economy.

Table 3: GDP Growth year wise:

Year	GDP Growth
2017-18	6.8%
2018-19	6.5%
2019-20	3.7%
2020-21	-6.7%
2021-22	8.7%
2022-23	7.2%

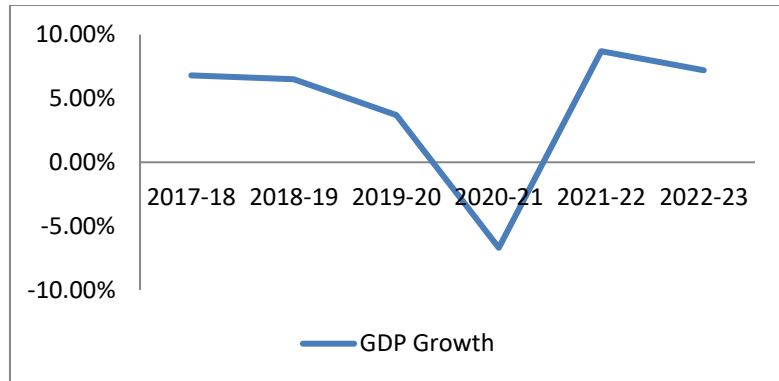


Chart 1: GDP Growth year wise

The above table and chart reveal the position of GDP from 2017-18 to 2022-23. In 2017-18, there was a slight dip in GDP growth to 6.8%, indicating a slowdown in economic growth. This might be due to the implementation of GST in India. The trend continues in 2018-19, it was further decreases to 6.5%. In 2019-20, the GDP rate 3.7% was very low and in 2020-21 it was in minus it indicates an economic contraction or recession due to the Covid pandemic. However, in 2021-22 there is a high GDP growth rate of 8.7% and in 2022-23 it was at 7.2%, indicating a strong recovery.

Table 4: Payments of GST from July 2017 to March 2023 (figures in crore)

Month/year	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
CGST	1,18,876	2,02,444	2,27,442	2,09,916	2,70,701	3,23,923
SGST	1,71,803	2,78,817	3,09,231	2,72,827	3,46,186	4,10,251
IGST*	3,87,355	5,98,739	5,86,698	5,65,720	7,63,632,	9,45,220
Domestic	1,93,092	3,08,244	3,19,422	3,03,947	3,86,676	4,73,421
Imports	1,94,264	2,90,496	2,67,277	2,61,773	376,956	4,71,799
Comp Cess*	62,614	97,369	98,745	88,338	1,07,708	1,28,286
Domestic	56,319	87,289	88,304	79,153	98,918	1,17,390
Imports	6,264	10,079	10,443	9,185	8,790	10,896
Total	7,40,648	11,77,369	12,22,116	11,36,801	14,88,227	18,07,680

Source: A statistical report on completion of 6 years of GST, Goods and Services Tax Network, June 2023.

Note: IGST/Cess includes payments on both domestic supplies and imports

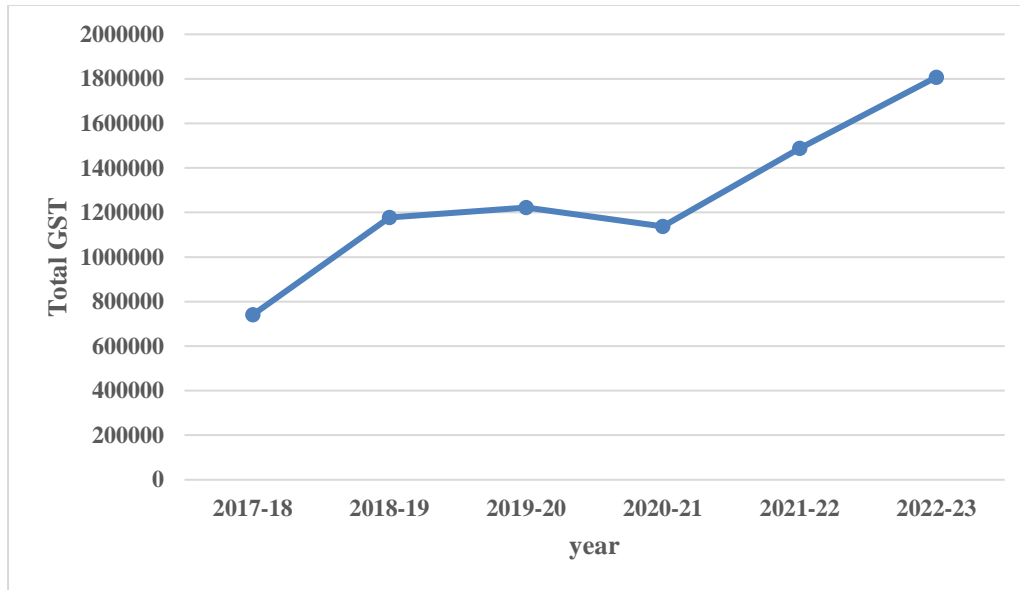


Chart 2: Payments of GST from July 2017 to March 2023 (figures in crore)

The GST is governed by a GST council. Under a GST act, the goods and services are taxed at following rates 0%, 5%, 12%, 18% and 28%. The above rates of tax are imposed on the sale of goods or services under the CGST, SGST and IGST acts. Small businesses having annual turnover Rs. 1.5 crore have to pay GST between 1% to 6% rates. The scheme encourages to SME's sector to get exemption in GST and to grow their businesses at initial stage. 8) The payment of GST was rising in last six years except the F. Y. 2020-21. The payment was decrease in F. Y. 2020-21 to Rs. 11,36,801, crore due to Covid-19, the consumption of goods and services were slow down. After Covid-19 again the payment is rose at Rs. 14,88,227 in F. Y. 2021-22 and hike at Rs. 18,07,680 in F. Y. 2022-23 which were the highest payment of GST in last six years. The payment of GST is continuously increasing year-over-year which may influence the economic growth of India.

Table 5: Contribution to GST Revenue from different constitution of business:

Constitution of business	No. of taxpayers who has entry in cash ledger against R3B/R4	% of tax payers	Collection	% of collection
Public Limited company	84513	0.52	1937533	34.40
Private Limited company	1000266	6.11	1589707	28.23
Proprietorship	13172419	80.41	750373	13.32
Public sector undertaking	3159	0.02	559996	9.94
Partnership	1693314	10.34	409578	7.27
Others	34655	0.21	111461	1.98
Society/ Club / Trust / AOP	144170	0.88	78711	1.40
Limited liability of partnership	130351	0.80	72374	1.29
Government department	8755	0.05	51815	0.92
Statutory body	1133	0.01	21500	0.38
Foreign company	1957	0.60	20554	0.36
Hindu undivided family	98461	0.05	13909	0.25
Local authority	7971	0.00	13312	0.24
Unlimited company	122	0.00	543	0.01
Foreign limited liability partnership	137	0.00	165	0.00
Any other body notified by committee	87	0.00	15	0.00
Grand total	16381470	100	5631547	100

Source: A statistical report on completion of 6 years of GST, Goods and Services Tax Network, June 2023.

The Public Limited companies has huge share of contribution to GST revenue i.e. 34.40% which is followed by private limited companies at 28.23%. The public and private limited companies have been mostly working in manufacturing and service industries therefore can earn revenues in trillions which contribute to raise GST revenue than other constitution of business. Proprietorship, public sector undertaking and partnership are growing rapidly but have less contribution to GST revenue compared to above two constitution of business. Statutory body, foreign companies, and local authorities have very low contribution to GST revenue because

they are very less in numbers. Government department has only 0.92% share of contribution to GST revenue which is very low. This is how different constitutions of business generate and contribute to GST revenue which is reflecting to the growth and development of economy.

Discussion:

The single taxation system would encourage new business entrepreneur to engage in service and manufacturing sector. GST is levied on consumption of goods and services therefore it minimizes the complexities in taxation and leads to economy. When the prices are goes down to GST that will increase the consumption of goods and its impact on to increase the GDP. In such situation, the GST will push and increase the investments in FDI which increase the foreign exchequer of the country and indirectly increase the employment opportunities. It will also promote new starts up in India for its business friendly tax structure. 9) Every business has to get GST registered itself if it crosses the threshold limit and it has impact over the payment of GST. The GST registration threshold limit of Rs. 40 lakhs and Rs. 20 lakhs for normal category states, Rs. 20 lakhs and Rs. 10 lakhs for special category states, if the supplier crosses the above limit it is made compulsory to get GST registration and liable to pay GST. Therefore it clears that every registered dealer has to file GST return and making payment of GST which can contribute in GDP. The supplier those have below threshold limit can enjoy exemption under GST will encourage to expand their business. The unorganized sector of India and portion of industry those who are enjoying the exemption will also contribute significantly to the growth of Indian GDP. 10)

On the other hand the impact of GST on GDP is negative, as it increases the rate of inflation is increases, as the tax rate increases the cost of certain products and services will increase such as pharmacy products, telecom services, dairy products, and automobiles etc., the compliance cost is also increased due to GST. Due to this, the product is not affordable to buy for consumers therefore it may have negative impact on sale and production about the above goods and services. There is need to analyze positive and negative aspects while evaluating of GST impact in India. 11) Although GST has few disadvantages but it has many advantages and plays a major role in the contribution of revenue. The GST slab rate 18% or 28% or more than that is applicable to luxurious goods and services which can make a good contribution to GST revenue.

Mr. Sanjay Kumar Agrawal (chairman of CBIC) expresses confidence in surprising budgetary target for central GST collection in 2023-2024. In the current financial year 2023-2024 GST collections have consistently crossed Rs. 1.6 trillion marks on monthly basis. In April 2023, a record collection of Rs. 1.87 trillion, this demonstrate buoyancy in revenue growth compared to the previous year-on-year growth rate of 10.3%. If you consider the GST buoyancy in relation to GDP, it stands at 1.43% so far, indicating a tremendous increase in compliance levels. CGST collections between April and August total of 3.9 trillion, which is 40.8% of the total budgetary estimates, moreover, the tax collection as a ratio of nominal, GDP in the first quarter of F.Y. 2023-2024 is 3.32%, compared to 3.22% in quarter of F.Y. 2022-2023. It is anticipated that

collection figures will raise further during the festival season due to increased in consumption. GST revenue collections will remain robust. **12)** The manufacturing sector gathered pace last month on the back of increasing demand and easing of pricing pressure, with the Purchasing Managers Index (PMI) climbing to 56, according to the survey released by S&P Global, United Payment Interface (UPI) transactions clocked a fresh peak in value in November by hitting Rs. 17.40 trillion, up 1.4 percent compared to Rs. 17.16 trillion in October. Driven by strong festival sales and increased production amid improved semiconductor chip availability, domestic passenger vehicle (PV) wholesales rose 3.9 percent Y-o-Y to 335354 units in November. On the other hand, India's leading four two-wheeler companies – Hero Motocorp, Honda Motorcycle and Scooter India (HMSI), TVS Motor and Bajaj Auto – posted Y-o-Y wholesales growth ranging between 19 percent and 77 percent, owing to a glittery festival season. **13)**

When we look after the benefits, GST reduces the burden of tax on manufacturers and producers through more production. Government revenue increased after the implementation of GST. Overall revenues of the government would increase GST as it would promote export, raise employment and growth. Some sectors like Auto Commercial Vehicle, consumer goods, footwear, cigarettes, building material and logistics, make grow due to reduction of tax on different items under GST. Electronic processing of tax returns, refunds and tax payments through GST portal without human intervention will reduce corruption and tax evasion. **14)**

Our research is very significant to know the contribution of GST revenue to India's march towards \$ 5 trillion economy, the current status of economy is \$ 3.75 trillion in 2023-24. These findings can be useful to know the importance of GST collection and contribution of GST revenue in economic development of country. At the end it can be concluded that the GST revenue has tremendous growth year-on-year. GST revenues generate through various constitutions of business, but the maximum revenue is collected from the public and private limited companies like 34.40% and 28.23% respectively. Manufacturing and services industries are spreading over across the India and it has high contribution to raise GST revenue. GST is a comprehensive indirect tax in nature therefore it is levied on manufacture, sale and consumption of other goods and services at national level and contributes it towards India's GDP. This is remarkable, the gross GST revenue collected in the month of July 2023 was Rs. 1,65,105 crore (1.65 trillion), the gross GST collection has been crossed 1.60 crore (1.6 trillion) mark five times in the current F. Y. of 2023-2024. The revenue for the month of July was 11% higher than the GST revenues in the same month of last year and for the month of November was 15% higher than the same month in the last year, The hike of GST payment is Rs. 18,07,680 crore (more than 18 trillion) i.e. how GST can contribute towards India's \$ 5 trillion economy. **15)** The overall data clears that GST will give Indian economy a strong and smart tax system for economic development of country. Including some exempted goods and services like alcoholic liquor, petroleum products, oil and gas will help to generate more revenue. GST all set to integrate states economies and boost overall growth. But for gaining those benefits, country will need to build strong

mechanism. **16)** GST will affect many sectors in positive or negative manner. As per government estimates, GST will boost India's GDP by around 2%. **17)**

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