

IMPACT OF COVID-19 ON GST: AN ECONOMIC STATISTICS PERSPECTIVE OF INDIA

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Abstract

The main function of GST is to transform India into a uniform market that will benefit all states. Taxes such as excise duties, service tax, sales tax, VAT, entry tax, octroi etc. are subsumed by the GST under a single umbrella. The goods and service tax are only indirect tax which directly affects all sectors of Indian economy. It is a big reform in Indian indirect tax structure. In this context the empowered committee of state finance ministers released first discussion paper on GST in India in November 2009, but failed to get it passed. The NDA government made slight changes to it and redefined in Lok sabha but it stuck in Rajya sabha. It was intended to be function from April 1, 2016 but finally passed by Rajya sabha on August 3, 2016. Finally, it was implemented on 1st July 2017. This paper elaborates meaning, objectives, history rolled out from, and impacts on various categories of the society like business, industry, government. The paper focuses on collection of GST, the growth of economy before covid-19 and after covid-19. It analyzed, how the Indian economy grew in pandemic situation, the trend of growth in various states of India and Gujarat as well.

Key words: GST, CGST, SGST, VAT, Cascading effect.

INTRODUCTION:

GST is a comprehensive indirect tax on manufacturing, sale and consumption of goods and services throughout India. To replace taxes levied by the central and state government it is one of the tax bills known as the constitution biggest tax reform in India which all set to integrate state economies and boost overall growth. The goods and service (122 Amendment) Bill, 2014, proposes a national value added tax to be implemented in India.

The NDA government made slightly changes to it on December 17, 2014 and redefined it in lok sabha but it stuck in Rajya sabha. Finally, GST bill passed in Rajya sabha on August 3, 2016. It implemented on July 1, 2017. Empowered committee has proposed a dual GST Model for the country. Central excise duty, additional excise duty, service tax and additional duties of customs (equivalent to excise), State VAT, entertainment tax, taxes on lotteries, betting and gambling, entry tax (not levied by local bodies) are subsumed with GST. This way the GST will basically have three taxes such as central, state and the integrated taxes to tackle interstate transactions. Petroleum and Petroleum products, Alcoholic liquor for human consumption is exempted on the recommendation of the GST council. Taxes on tobacco and tobacco products imposed by the Centre will continue to be levied over and above GST.

OBJECTIVES:

1. To know the concept of goods and service tax as a whole.
2. To examine impacts covid-19 on GST collection.
3. To examine growth rate of Indian economy.

RESEARCH METHODOLOGY:

This research study is based on theoretical and secondary data which collected from e-journals, magazines, articles, and various newspapers.

GST Slab rates:

- **Zero rated items:** Food grains used by common people.
- **5% Rate:** Items of mass consumption including essential commodities will have low tax incidence.
- **12% and 18 % Rate:** Two standard rates have been finalized as 12% and 18%.
- **28% Rate:** White goods like Air conditioners, washing machines, refrigerators, soaps and shampoos etc. that were taxed at 30-31% shall be now taxed at 28%.
- **Demerit goods** like tobacco, tobacco products, pan masala, aerated drinks and luxury cars shall be charged at the **highest rate of 28%**. An **additional cess** on some **luxury goods** shall also be imposed. **Services** that were taxed at 15% would be taxed **at a higher rate of GST 18%**.

GST Rates 2020-21

GST is perhaps the biggest tax-related reform in India since Independence bringing uniformity in the taxation structure and eliminating the cascading of taxes that was levied in the past. The GST Council meets from time to time to revise the GST rates for various products. Several states and industries recommend reduction in GST tax rate for various items which are discussed in these meetings.

At the time of GST implementation former Finance Minister, the late Mr. Arun Jaitley said that the government wanted to keep the GST rates close to the original rates. But there were differences in case of some items because of the changes in the economy as well as consumers' preferences. Some commodities were kept in the high tax bracket (18-28%) but on scrutinizing the list, they found that these commodities should be considered as necessities and not luxuries. This is why the GST rates were revised for commodities such as notebooks, exercise books etc.

Tax Rates	Products
0.25%	Cut and semi-polished stones are included under this tax slab.
5%	Household necessities such as edible oil, sugar, spices, tea, and coffee (except instant) are included. Coal, Mishti/Mithai (Indian Sweets) and Life-saving drugs are also covered under this GST slab.
12%	This includes computers and processed food
18%	Hair oil, toothpaste and soaps, capital goods and industrial intermediaries are covered in this slab.
28%	Luxury items such as small cars, consumer durables like AC and Refrigerators, premium cars, cigarettes and aerated drinks, High-end motorcycles are included here.

Though edible items like sugar, tea and coffee are included in the 5% slab, milk does not attract any tax under the new GST regime. The idea behind this is to ensure that basic food items are available for everyone but instant food is kept out of this category.

- Basic household items like toothpaste and hair oil, which currently attract 28% tax, will be taxed at 18% only.
- Sweets will also be taxable at 5%.
- Tax rates on coal has also been reduced from 11.69% to just 5% in order to relieve the pressure on power industries.
- GST also gives a major push to domestic industries as they will be able to procure seamless input credit for capital goods. Make in India campaign is set to flourish after this reform

The government has proposed a 4-tier tax structure for all goods and services under the slabs- 5%, 12%, 18% and 28%. After the recent revision of GST rates, these are the commodities that fall under the four tax slabs along with those that do not attract any tax. Kindly, note that only those commodities are included in this list whose rates have been revised in various council meetings.

UPDATE: As per 37th GST Council Meeting, cut and semi-polished stones will be taxed at 0.25% GST. This is a 5th GST tier that only includes a few products.

Trends of Covid Cases in India (Cumulative Trend)



Source: World Health Organization

Above Graph shows the cumulative trend of covid cases in India. According to the World Health Organization (WHO). India recorded 31969954 Coronavirus Cases since the epidemic began. In addition, India reported 428309 Coronavirus Deaths.

Covid -19 and GST Collection:

Goods and Service tax collection increased 4% to Rs.96000 crore in September 2020. It is the first rise after six months of decline which indicates a recovery in economic activities.

It is found that this rise is lower than the pre-covid-19 monthly average of over Rs. 1 lakh crore.

The latest numbers show a recovery in collection from domestic sales and imports. This improvement helps to ease the burden on states. But the compensation cess on luxury and sin goods such as cars, soft drinks, tobacco and coal fell 6.5% to Rs. 7, 124 crores.

After the lockdown from April to August. The collection of GSTs has been increased 6% in September 2020.

The tax collection of GSTs were Rs. 5,741 crores in September 2019 which has increased to Rs. 6,090 crores in September 2020.

It shows the boost in consumption and increase in production due to increase financial transaction. Demand has increased which caused tax collection to go up.

Manufacturing activity resumed to a great extent in textile and chemical industries that gives a boost in export orders. Exports have increased to 5.3% in September. The value of shipments from India rose 2.9% that indicates a pic-up in demand in Europe and the US as economic activity resumes.

GST COLLECTION IN INDIA, GUJARAT AND OTHER STATES:

According to data from the union finance Ministry, Goods and Service tax collection in Gujarat state was Rs. 7,566 crores in November that increased 11% from Rs. 6, 805 crores last November

Growth in GST Collection:

State	Nov 2019	Nov 2020	Growth %
AP	2,230	2,507	12.4
Gujarat	6,805	7,566	11.2
TN	6,499	7,084	9.2
Haryana	5,904	5,928	0.4
Karnataka	6,972	6,915	0.8
Telangana	3,349	3,175	5.2
Maharashtra	15,968	15,001	6.1
Delhi	3,995	3,413	14.6
India	81,674	82,075	0.5

Tax collection in cr. Source: Union Ministry of Finance

Gross collection Rs. 1.04 lakh Crores.

CGST Rs.19,189 Crores.

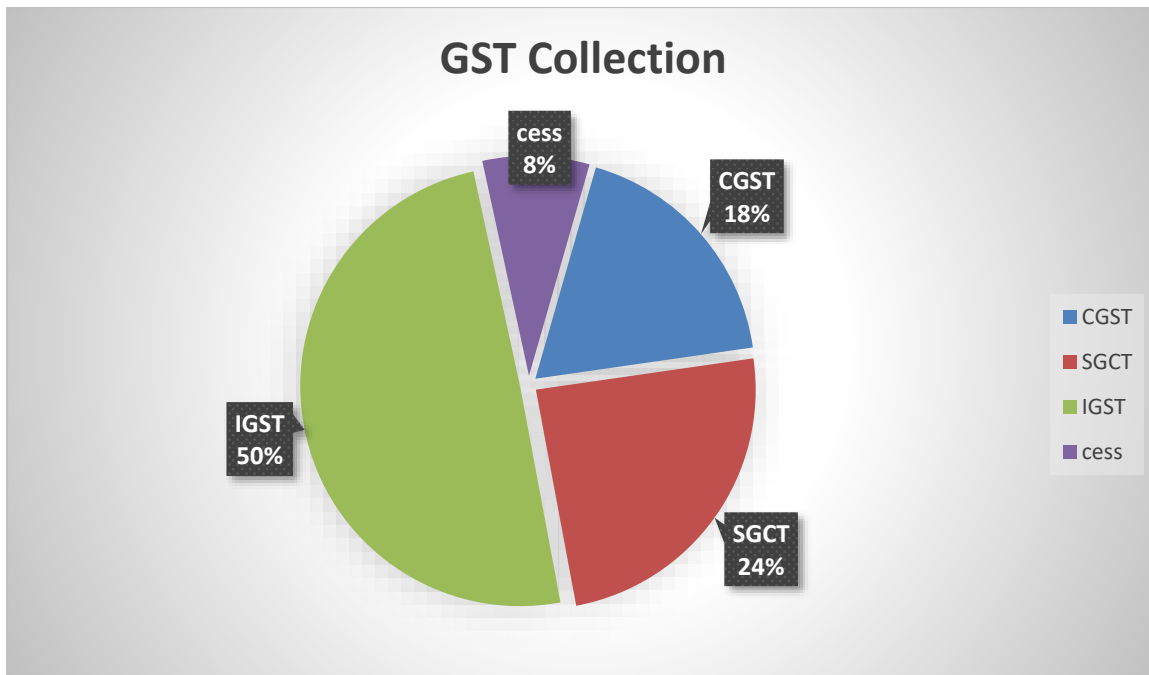
SGCT Rs. 25,540 Crores.

IGST Rs. 51,992 Crores.

Cess Rs. 8,242 Crores.

GSTR-3B Returns Filed Rs.82 Lakh. (0.82 crore)

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The collection of Goods and service tax surpassed the Rs.1-lakh crore mark for the second month in a row to touch Rs.1,04,963 crore in November, it shows economic recovery after the COVID-19 induced lockdown caused a slowing economy since March ending in the year 2020.

However, it is found slightly lower than the overall GST collection level of Rs.1,05,155 crore recorded in October but it indicates the recovery in economy.

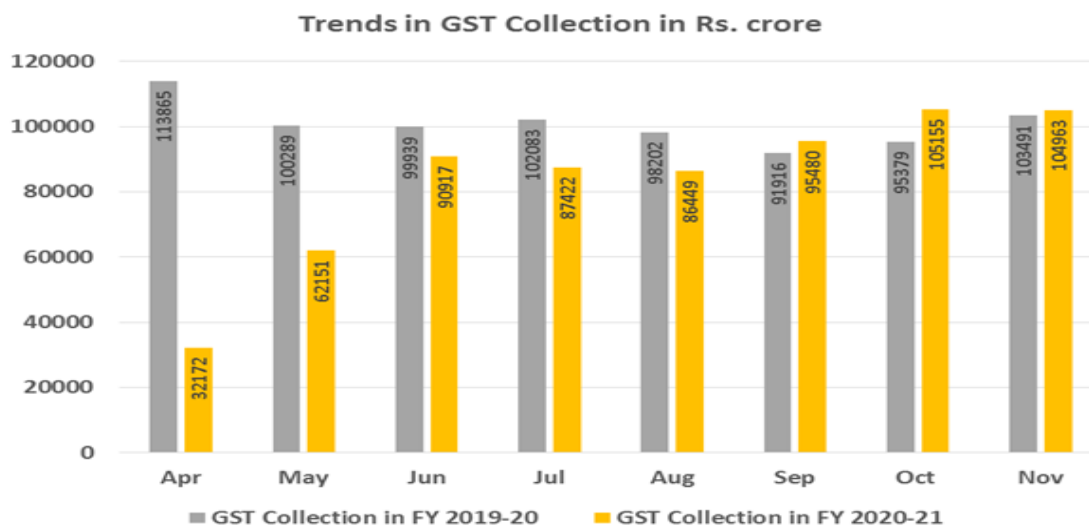
For the month under review, CGST collection was Rs.19,189 crore, SGST Rs. 25,540 crore, IGST Rs. 51,992 crores (including Rs. 22,078 crores collected on import of goods) and cess Rs. 8,242 crores (including Rs. 809 crores collected on import of goods). The total number of GSTR-3B Returns filed for the month (up to November 30, 2020) stood at 82 lakhs.

During the month, revenue from the import of goods was 4.9 per cent higher and revenue from domestic transactions (including import of services) 0.5 per cent higher than the revenue from these sources during the same month last year, the release added.

Trend of Growth in GST Collection:

The second straight month of Rs.1-lakh-crore-plus collection shows the continues economic recovery, and the collections slightly more than the same month last year, that is quite encouraging. This should also help in covering the deficit of GST collections caused due to the pandemic.”

It is found that the average rate of growth in GST collections in October-November 2020 remains moderately



strong 6 per cent.

Source: Union Ministry of Finance

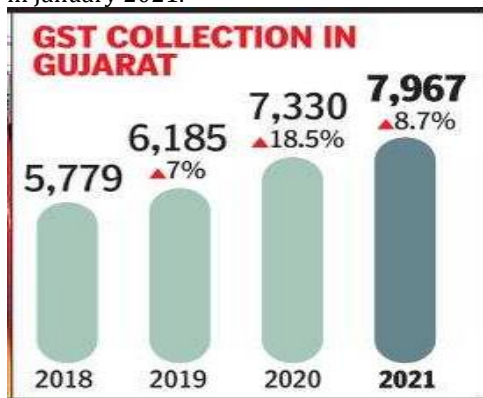
GST revenue topped Rs.1 lakh crore in 8 out of 12 months of 2019-20. However, in the current fiscal, the revenue has taken a hit due to the lockdown and the consequent slowdown in the economy.

Revenue in April was Rs.32,172 crore, May (Rs. 62,151 crore), June (Rs.90,917 crore), July (Rs.87,422 crore), August (Rs.86,449 crore), September (Rs.95,480 crore), October (Rs.1,05,155 crore) and November (Rs.1,04,963 crore).

This would definitely give some relief from the stress of the pandemic. Even in the months of December and January, the collections are expected to be stable with the support of the festive season but the real challenge or indication of recovery would be sustaining the collections post festive season in the months of February & March.

GST Collection in Gujarat State January 2021:

Along with the total GST collection, even the State's revenue through GST stood at record-high level in Gujarat in January 2021.



Source: Union Ministry of Finance

According to the data provided by Union ministry of Finance Gujarat stood at a record-high level of Rs. 7,769 crores in January 2021 that includes SGST, CGST, IGST and cess collection.

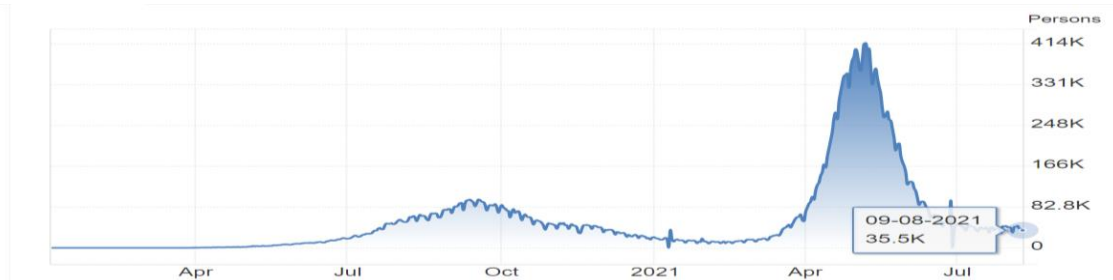
Total GST collection Rs. 7,330 crores in January 2020 have increased to 7,967 crores 8.6% in January 2021.

It is found that due to recovery in economy with increasing consumption and commercial activity the tax collection has increased. According to experts manufacturing and commercial activity definitely went up but the rise in price of raw materials made finished goods costlier. With consumption of high-priced items, GST collection is bound to increase.

FINDINGS

- It is found that the festive season caused a spurt in accumulated demand that was very low since the lockdown.
- The positive and upbeat market sentiment which led to significant growth in consumption, and economic activities, that finally shows a growth in tax collection.
- It is found that the consumption in Agriculture sector has increased as well which is one of the reasons to increase in tax revenue.
- Increase in GST collection indicates the business activity and economy is on economic recovery.
- It is found that inflation also one of the causes to increase in GST collection.

Trends of Covid Cases in India AUGUST 2021

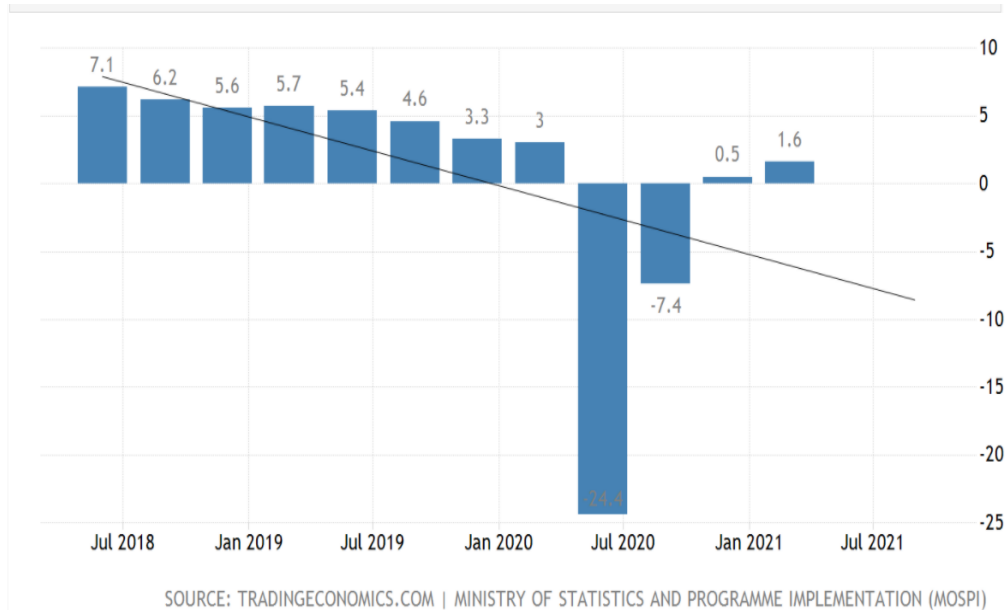


Source: World Health Organization

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Above Graph shows the trend of covid cases in India till 9 August 2021. The decreasing trend in covid cases gives little relief to the nation. It gives hope of increase in business activities and economic recovery in India.

GDP Annual Growth Rate of India:



Source: Ministry of Statistics and Program Implementation (MOSPI)

Asia’s 3rd largest economy is expected to grow at the world’s fastest rate this year despite projections for the current quarter being more pessimistic amid the 2nd flare-up of infections in April.

The Indian economy expanded 1.6% year-on-year in Q1 2021, accelerating from an upwardly revised 0.5% growth in Q4 and beating market forecasts of 1%. It was the 2nd straight quarter of growth since the country exit a pandemic-induced recession.

On the expenditure side, both private (2.7% vs -2.8% in Q4) and public (28.3% vs -1%) spending rebounded while gross fixed capital formation rose faster (10.9% vs 2.6%).

Meantime, net trade contributed negatively to growth as exports climbed 8.8% (vs -3.5% in Q4) but imports jumped at a faster 12.3% (vs -5% in Q4).

On the production side, output rose for manufacturing (6.9%); construction (14.5%) and utilities (9.1%). In the last fiscal year that ended on March 31st, the economy contracted a record 7.3%, less than earlier estimates of an 8% drop.

CONCLUSION

The global pandemic has wrecked the world’s economy. Several countries are striving to cope with the impact of COVID-19 on businesses. India’s government has notified several economic relief measures, and tax calculation changes for companies registered under the Goods and Services tax regime.

Regarding the ongoing crisis, experts believe that the chances of businesses experiencing negative growth in India are extremely less. Now, enterprises are resuming in the country, and the economic growth will be restored by 2021 to 2022.

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