



# Going by the numbers

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## **Highlights**

- A little over a year after the Goods and Services Tax (GST) rollout, the revenue collections from the new indirect regime are at the centre of a debate.
- A member of the GST Council estimates a “shortfall” in the April-June quarter of this year at ₹43,000 crore.
- The Union Finance Secretary reportedly shot off a missive to Central tax officials over the lower number of returns filed under the Central GST (CGST), compared to the number filed under the State GST (SGST).

## **Gap in levies**

- The collection trends released evidently defy logic. The SGST and the CGST are applied at the same rate on the identical tax base. Logically, the two levies should yield equal revenue collections.
- But SGST collections over the past several months have been consistently exceeding CGST collections and Integrated GST (IGST) collections took off sharply.

## **Why is the Centre’s GST collection falling behind that of the States’ and why have the IGST collections shot up?**

- All 29 States and two Union Territories with legislatures have separately enacted their respective SGSTs. The SGSTs have almost identical features and rates — to prevent tax arbitrage across States — but in effect, they are distinct SGSTs. This complicates the collection and refunds processes and system.
- Given the territorially limited tax jurisdictions of States, the collection of the SGST poses a problem every time goods and services get sold outside the State they were produced in.
- The solution that has been worked out to overcome this problem is the IGST. It is imposed on inter-State sales.
- IGST ought to be imposed as a substitute for the SGST such that the GST equals the SGST plus CGST for intra-State sales and IGST plus the CGST for inter-State sales.
- In practice, needless complications have been introduced into the IGST.
- On inter-State sales, the IGST, at a rate equal to the applicable CGST and SGST, is levied.
- This means, despite its national tax jurisdiction, the Centre has confined the levy of the CGST to intra-State sales.
- The GST system processes a whole set of IGST payments only to refund them — not an international best practice.
- Suppliers to exporters and SEZs are compulsorily required to register in the GST system even if they do not fall in the GST threshold.
- This has needlessly increased the working capital and compliance costs burden on exports. The systemic loss of export competitiveness is showing up in the country’s trade balance.
- Letters of undertaking or bonds can be submitted in lieu of IGST payments, but they increase exporters’ vulnerability to bureaucratic rent-seeking.

## **The way out**

- The focus on GST collections is narrow. Collections are not necessarily proof of the success, or non-success, of an indirect tax.
- In truth, the complexity of the GST is complicating collections and diminishing the potential benefits. The economic impact of the GST ought to be the focus.

Source: [The Hindu](#)

