



GST shortfall

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GST shortfall-As the tax collections remain below target, it may be time to recalibrate expectations

- Revenue collections from the Goods and Services Tax (GST) are going too far off the mark for comfort.
- Inflows declined for the second consecutive month in December to Rs.94,726 crore from Rs.97,637 crore in November and Rs.1,00,710 crore in the month before.
- Now in order to achieve the year-end target, GST collections over the next three months will have to reach an average of Rs.1,34,900 crore.
- Separately, as the government looks to woo traders and small businesses back to its electoral fold, the Council is considering a relaxation in the GST norms for micro, small and medium enterprises by raising the annual sales threshold for compulsory GST registration from Rs.20 lakh to over Rs.50 lakh.
- Such a relaxation, along with regulatory steps like greater forbearance for small business loans, will boost sentiment among such firms, but it will further dent the tax kitty.
- Other revenue heads, including direct tax or disinvestment receipts (even via innovatively structured intra-public-sector deals), are unlikely to be adequate to plug the GST shortfall.
- This poses a challenge for the Centre at a time when it would have been hoping to announce some populist measures ahead of elections, while retaining its macro-economic management credentials.
- States' revenue collections under the GST regime have been uneven and a GST Council panel is examining inter-State variations.
- But the Centre is bound to compensate States for revenue shortfalls for the first five years of the GST regime.
- Unless the Centre decides to drop its fiscal deficit goals, a squeeze on spending, including planned capital expenditure, may be the only option.
- There is a more problematic aspect to the dip in GST collections, based on economic activity and compliance trends in November.

- India's growth fell to 7.1% in the second quarter of this fiscal, an uptick in private investment over the same period was considered a sign of revival.
- But if consumers are not confident enough to spend, a consumption-led investment revival to take the economy to an 8% growth path seems elusive again.

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