

COMPARATIVE ANALYSIS OF PRE & POST IMPACT OF COVID19 ON GST COLLECTION: CRITICAL ANALYSIS ON INDIAN ECONOMY

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Abstract

Goods and service tax was introduced by the government of India as flagship initiative under which the government decided to do away with the indirect tax regime system and introduced goods and service tax with a tagline of one nation, one tax. The main purpose was to bring all the indirect taxes under one umbrella and ensure that the taxpayer have limited liability.

GST Collection includes Central GST, State GST, Integrated GST in form of collections. This research paper being quantitative research, which uses secondary data relating to the GST collection throughout the Covid19 or lockdown period and also carries statistics of overall GST revenue collected through official government website. The main objective of this research is to understand how Covid19 impacted overall GST collection and other factors like GDP growth rate and what factors have evolved over the period of time.

Keywords: GST, declining GDP, negative growth rate, RBI

INTRODUCTION

Indian Taxation system is very unique in its nature and hence it is being observed by many developed countries over the period of time. India is a growing economy in terms of manufacturing sector and service sector. Due to the recent covid19 crisis it has largely impacted both the sectors and due to which the Indian economy is badly hit by the storm of covid19.

The think tank is making speculations and other calculations in order to cope with the crisis situation. Many economists are of the opinion that India will fall into weakening of economy and it will take time to come out of it gradually.

Covid19 has largely impacted the growth of the economy and the GST collections are also widely covered into it. There are number of statistical data from authentic sources which proves that trade between the countries is almost negligible due to which it is impacting India's growth. The reported case of pandemic in India was reported on 30 January 2020, originating from a city of Wuhan situated in Republic of China. A UN report has estimated that there has been a trade impact of US\$348 millionⁱ on India due to the global outbreak. Goods and Services Tax (GST) revenue collections for March got 8% declineⁱⁱ. There has been an impact on sales of auto industry in the month which has affected the leading car manufacturer Maruti Suzuki.

The impact of the novel corona virus outbreak has been felt in the collection of the Goods and Services Tax (GST) for March, with the government collecting Rs. 97597croreⁱⁱⁱ and which includes Rs. 18056crores collected on imports; as compared to January GST collection; Rs. 1,10,828crores^{iv} which implies a huge fall in GST collection within these 2 months.

Also, based on research it has been stated that this reduction in GST collections within these 2 months, since imports had started reducing from China from the mid of January and almost becomes negligible at the end of February.

As GST is a consumption-based tax, we can say that economic slowdown can also be a reason for the low tax collection. There is a huge impact on hotels, restaurants and tourism during this Covid19 pandemic; which brings down the revenue collection from the service sector. Also the reduction in imports led to a decline in IGST collections, which automatically has negative impact on the GST collections.

Government is taking some measures to control the reduction in GST collection. The measures are as follows:

➤ **Data Analytics and Artificial Intelligence**

Government has decided to use Data Analytics and Artificial Intelligence to find out various loopholes in the reduction of GST collection. By the help of this most of the data from income tax, GST, custom duty, export, import was extracted. Data Scrutiny has been done to find out the errors in GST collection.

➤ **Better administration of the tax structure**

According to IMF, Exemptions for food products, multiple GST tax slabs, and some challenges which were faced during implementation of GST such as electronic filing or returns, e-way bills, cross matching of invoices, these all factors affected GST collection.

➤ **E-invoicing and new returns**

➤ **Exemption of Custom Duty on Ventilators, PPE Kit: CBIC seeks to provide exemption of custom duty on Ventilators, PPE Kit, and inputs for the production or manufacture of these goods. This relief will remain valid up to 30th September 2020^v.**

➤ **Clearing refunds and custom duty on GST: CBIC has cleared over Rs. 10700crores^{vi} worth refunds in GST and custom duty between April 8-23. Quick assent of discounts during Special Refund Drive give alleviation to exchange/trade, especially MSMEs**

RESEARCH OBJECTIVE

- To Compare and analyze pre and post GST collection during covid19
- To Identify and analyze other factors responsible for decline in GST collections
- To Discuss the impact of COVID19 on GDP growth rate.

RESEARCH METHODOLOGY

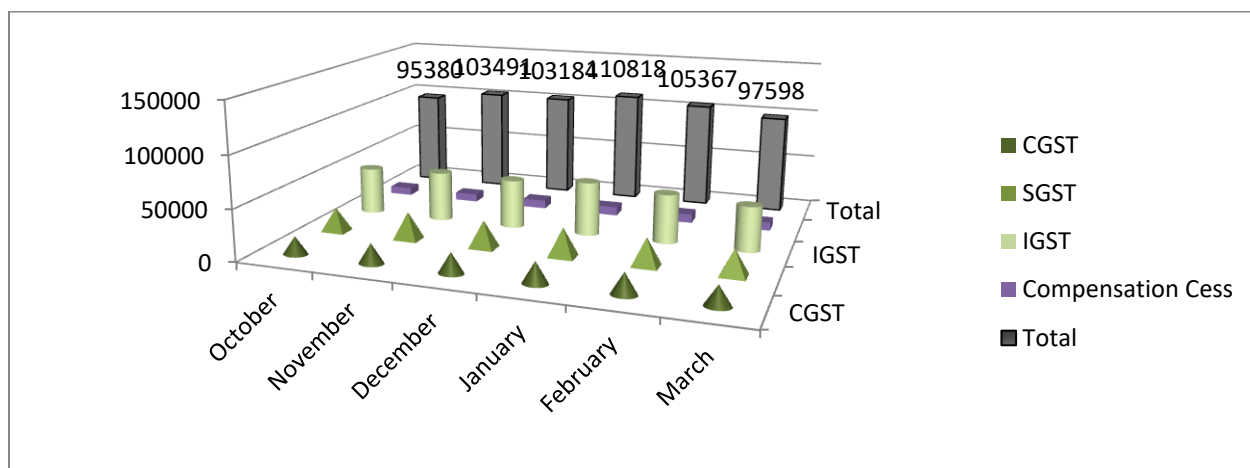
The data was collected through secondary sources. The secondary data was collected through the government reports, journals, news articles and information available on internet was considered for the study. For the study more emphasis is given on the government data since it is more reliable since it was an observation that most of the companies will hesitate to share their data/information so the author found the best reliable source as government published data in bulletins and reports.

DATA ANALYSIS / STATISTICS(Pre and Post Covid19 GST Collection)

<u>S.No.</u>	<u>Particulars</u>	<u>Month/Period</u>	<u>Amount(in crores)</u>
<u>1a</u>	CGST Collection	October 2019	Rs.17582
<u>1b</u>	SGST Collection		Rs. 23674
<u>1c</u>	IGST Collection		Rs. 46517
<u>1d</u>	Compensation Cess		Rs. 7607
			= Rs. 95380
<u>2a</u>	CGST Collection	November 2019	Rs. 19592
<u>2b</u>	SGST Collection		Rs. 27144
<u>2c</u>	IGST Collection		Rs. 49028
<u>2d</u>	Compensation Cess		Rs. 7727
			= Rs 103491
<u>3a</u>	CGST Collection	December 2019	Rs. 19962
<u>3b</u>	SGST Collection		Rs. 26792
<u>3c</u>	IGST Collection		Rs. 48099
<u>3d</u>	Compensation Cess		Rs. 8331
			Rs. 103184
<u>4a</u>	CGST Collection	January 2020	Rs. 20944
<u>4b</u>	SGST Collection		Rs. 28224
<u>4c</u>	IGST Collection		Rs. 53013
<u>4d</u>	Compensation Cess		Rs. 8637
			=Rs. 110818
<u>5a</u>	CGST Collection	February 2020	Rs. 20569
<u>5b</u>	SGST Collection		Rs. 27348
<u>5c</u>	IGST Collection		Rs. 48503
<u>5d</u>	Compensation Cess		Rs. 8947
			= Rs.105366
<u>6a</u>	CGST Collection	March 2020	Rs. 19183
<u>6b</u>	SGST Collection		Rs. 25601

6c	IGST Collection		Rs. 44508
6d	Compensation Cess		Rs. 8306
			=Rs. 97597

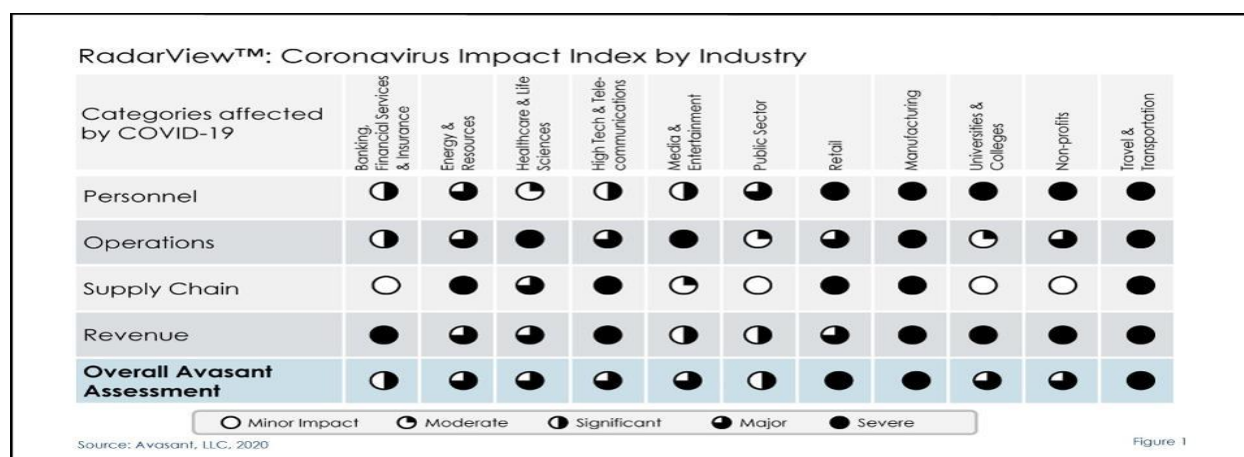
Source: GST Council, Ministry of Finance, Government of India (<http://gstcouncil.gov.in>)



Source: GST Council, Ministry of Finance, Government of India (<http://gstcouncil.gov.in>)

This data chart clearly indicates that after January there is continuous fall in overall GST collection, due to Covid19 pandemic. Also, we can observe from the chart that IGST collection (which includes collection from imports) is affected more due to which overall GST revenue falls rapidly.

The resulting index is an overall rating of the impact of the pandemic on each industry and is shown below:



It can be clearly observed that Manufacturing and Travel and Transportation sector^{vii} is badly hit amid covid19 crisis and it need lots of time and efforts to regain its full potential back to normal.

Impact on Indian Economy: Declining GDP

According to FICCI Survey^{viii}, there is a huge effect on both demand and supply- side elements that will impact India's growth.

Demand Side: Tourism Sector, Hospitality and Aviation sector are amongst the highly impacted industries / sectors bearing the full load of the current situation. The negative impact on retail sector has seen through the closure of cinema theaters and shopping complexes, which adversely effects both essential and statutory item consumption. As a result, consumption also affected by job losses and fall in people's income levels, which creates slow movement in different sectors like retail, construction, entertainment etc.

With increased fear and lots of uncertainty which is growing amongst the citizens, we can see that due buying decision being delayed, it causes fall in the overall consumers trust. Also transport industry is badly impacted by restriction made on travels by government.

Supply Side: Delay in the supply of Chinese products due to closure of factories, which affects many Indian manufacturing sectors, which helps china for fulfilling their need of intermediate and final goods.

Few sectors such as automobiles, pharmaceuticals, electronics, chemicals etc. are facing imminent shortages of raw materials and components. This hinders market sentiment and impacts company revenue and manufacturing schedules.

Negative Growth Projection: IMF survey

The COVID-19 pandemic will severely impact growth across all regions.

(real GDP, annual percent change)	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source: IMF, World Economic Outlook, April 2020

INTERNATIONAL MONETARY FUND

IMF.org

According to International Monetary Fund^{ix}, the COVID19 pandemic hits economic growth and development across all regions. India's projection is 1.9 real GDP and in 2021 it is 7.4 real GDP.

This projection is much better when we compare with rest of the world. Highest Negative Projection is real GDP is in Italy (-9.0%) followed by Spain (-8.0%) then France -7.2% and Germany -7.0%

Table 2. WTO Forecast: Merchandise Trade Volume and Real GDP 2018-2021

	Annual percent change					
	Historical		Optimistic scenario		Pessimistic scenario	
	2018	2019	2020	2021	2020	2021
Volume of world merchandise trade	2.9%	-0.1%	-12.9%	21.3%	-31.9%	24.0%
Exports						
North America	3.8	1.0	-17.1	23.7	-40.9	19.3
South and Central America	0.1	-2.2	-12.9	18.6	-31.3	14.3
Europe	2.0	0.1	-12.2	20.5	-32.8	22.7
Asia	3.7	0.9	-13.5	24.9	-36.2	36.1
Other regions	0.7	-2.9	-8.0	8.6	-8.0	9.3
Imports						
North America	5.2	-0.4	-14.5	27.3	-33.8	29.5
South and Central America	5.3	-2.1	-22.2	23.2	-43.8	19.5
Europe	1.5	0.5	-10.3	19.9	-28.9	24.5
Asia	4.9	-0.6	-11.8	23.1	-31.5	25.1

²⁶ Goldin, Ian, "COVID-19 Shows How Globalization Spreads Contagion of All Kinds," *Financial Times*, March 2, 2020. <https://www.ft.com/content/70300682-5d33-11ea-ac5e-df00963c20e6>.

²⁷ *Trade Set to Plunge as COVID-19 Pandemic Upends Global Economy*, World Trade Organization, April 8, 2020. https://www.wto.org/english/news_e/pres20_e/pr855_e.htm.

According to WTO forecast^x, it is estimated that global trade volume, exports and imports in Asia and other continents are expected to drop between 13% and 32% in 2020 respectively.

Table 1: Merchandise exports and imports for selected economies

M-o-M growth rate in %

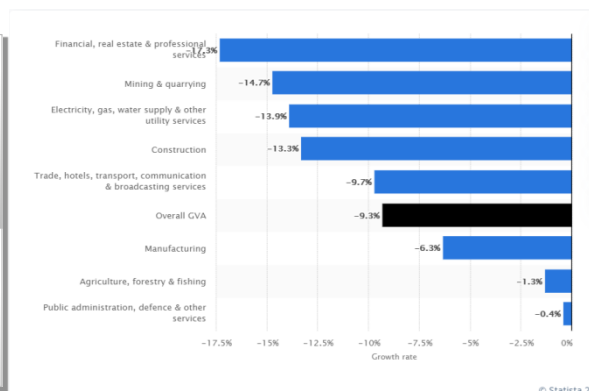
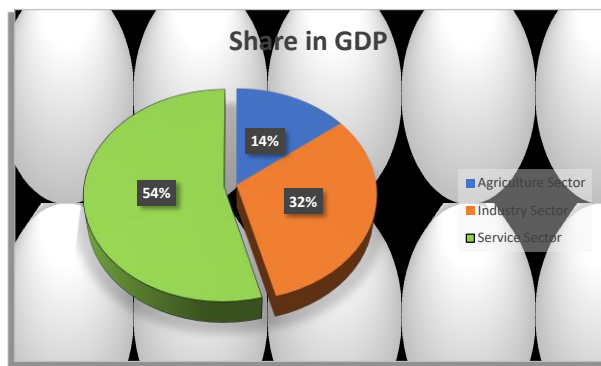
	Exports				Imports			
	Jan 2020	Feb 2020	Mar 2020	Apr 2020	Jan 2020	Feb 2020	Mar 2020	Apr 2020
Australia	-4.7	-4.3	10.3	...	-4.6	-6.0	-6.0	...
Canada	-2.4	0.1	-9.8	...	0.9	-2.5	-8.0	...
Japan	-3.7	2.6	-1.9	...	-2.0	-7.6	9.7	...
Korea	0.6	2.0	-1.2	-21.5	-1.9	-5.7	4.4	-9.7
Mexico	4.1	-3.6	-3.9	...	2.7	-2.6	-5.2	...
Norway	-6.4	-1.3	-22.3	...	1.0	-0.3	-14.1	...
Switzerland	9.3	-2.6	0.2	...	0.9	2.4	-4.6	...
United States	-1.1	0.8	-6.5	...	-1.9	-2.6	-2.1	...
Brazil	-6.4	13.4	-0.9	-6.7	12.2	-1.9	-0.4	-20.6
India	-0.5	6.1	-33.9	...	8.2	-2.8	-26.4	...

Source: [OECD Statistics and Data Directorate](#). Growth rates refer to current US dollars, seasonally adjusted figures.

Covid-19 associated lockdown measures hit hard on foreign trade in March 2020, with facts emerging from a rapid slowdown in April as demand declined and supply chains began to obstruct. In particular, the travel and transportation services started to collapse. With the

exception of iron ore, India's exports fell in all sectors in March, with an overall decline of almost 34%^{xi} and at the same time Imports also dropped by 26.4%^{xii}

Service sector is not severely hit if compared with the agriculture and industry sector in India. We have about 54% of share in GDP from Service sector, 32% of share in GDP from Industry sector and 14% of share in GDP from Agriculture sector. India's IT sector and other associated service sectors are not badly hit by the covid19 crisis and due to which it is much possible for us to cope up with it.



MEASURES TAKEN BY GOVERNMENT TO CONTROL REDUCTION IN GST COLLECTION AND GDP GROWTH RATE

The Reserve Bank of India (RBI) has announced a number of good measures^{xiii} to control the situation so that there is enough credit available in the market. Credit won't be of much help if the economy goes down so government has to make good efforts in order to sustain the order of economy. Also, it is not an easy task for SMEs^{xiv} to manage, as production is being sling for 40 days or more, interruptions in forward and backward linkages, and not getting any payments, still workers are paid. It is already observed that GST system has bring some burden on businesses including huge working capital requirements, which implies increase in production cost also.

Measures to Improve the Functioning of Markets

On April 17, 2020, there is an announcement of special refinance facility by RBI of Rs. 15000cr to SIDBI by the help of repo rate RBI policy which is for the 90days period. This offer is now extended by another 90 days period.

Grant loan to exporters for Higher Amount

Modifications made up to July 31 2020, there is an increase of 15months in the maximum permissible period of pre-shipment and post-shipment export loan issued by banks to exporters.

Loan facility to EXIM Bank

The Governor announced to the EXIM Bank a credit line of some Rs 15,000 crore^{xv} to finance, facilitate and promote the foreign trade of India. This loan facility was provided for the period of 90days, along with a clause of extending it by one year.

More time for Importers to Pay for Imports: Extension in the time limit from six months to 12months for import payments against normal imports; which excludes imports of gold/diamonds & precious stones or jewelry. This is applicable to imports which were passed on or before 31st July 2020.

Liquidity Management Measures

Following liquidity measures taken with respect with making modification and providing relief to the people.

1.Cash Reserve Ratio

During COVID -19 pandemic, it was decided to cut all banks CRR to 3% of NDTL with the effect from the fortnight, started from March 28, 2020.

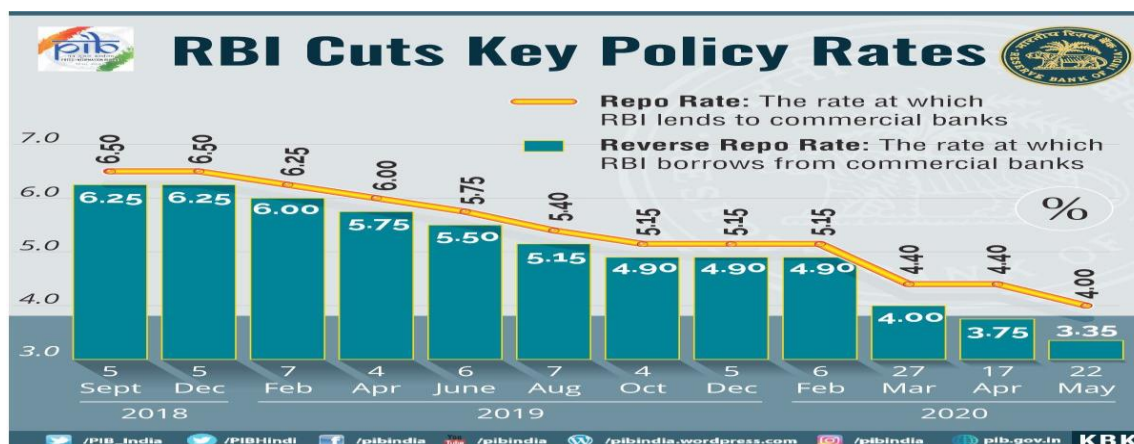
Also, it was agreed to lower the minimum regular CRR maintenance requirement from 90% to 80% effective the fortnight, started from March 28,2020 and this is one-time exemption; available until 26th June 2020.

2. Marginal Standing Facility

Under the MSF, banks can lend overnight at their own choice through the mandatory liquidity ratio; SLR upto 2%^{xvi}. They agreed to increase its limit from 2% to 3%. This will provide a total liquidity of Rs. 3.74lakh crores^{xvii} to our economy.

3. Moratorium on Term Loans

^{xviii}All commercial banks (including Regional Rural Banks, Small Finance Banks and Local Area Banks), cooperative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) ("Lending Institutions") are authorized to grant a three-month moratorium on payment of installments on all outstanding term loans as of 31st August 2020^{xix}.



Measure taken with respect to (GST)

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019

It has been observed that timelines given by the authorized committees for issuing the statement were postponed to 31st May 2020^{xx}, excluding cases where the approximate amount exceeds the amount reveal by the declarant.

Choice to delay tax payment and GST return filling:

- Without any late fees and penalties, a taxpayer has a choice to postpone their tax payments and GST return filing in Form GSTR – 3B effect for the period between February to April 2020 till June 24, 2020. With respect to tax, a concessional tax @ 9% P.a.^{xxi} is levied and it is leviable only after 15 days from the completion of original due date; in place of 18% P.a.
- Similarly, monthly return of outbound supplies in Form GSTR-1 during the months of March to May, that is usually due on 11th of next month; extended to 30th June 2020^{xxii}.
- Annual Return and GST Reconciliation Announcement for FY 2018-19, due to be extended to 30 September 2020 by 31 March 2020^{xxiii}.

Modification made to the Central Goods and Services Tax Act, 2017

New section 168A^{xxiv} was introduced in the 2017 Central Goods and Services Tax Act to allow the central government, on the advice of the GST Council, to enlarge the compliance deadline for 'force majeure' like Covid-19.

Immediate Grant of Refund

Direction issued by government for issuance of all pending qualifying refunds under both GST and Custom law by 30th April 2020^{xxv} with a view to providing immediate relief to the businesses.

Electronic Way bill (E-way bill)

The government of India has notified that if the validity period of an e-way bill expires between the period of 20 March 2020 to 15 April 2020, then the validity period of such e-way bill will be deemed / presumed to have been extended until 31 May 2020^{xxvi}.as per the orders. This step has been taken to ensure that the users of such facilities are benefited and way of relation has been granted by the government.

CONCLUSION

Goods and service tax is a very important and crucial component in the taxation system. Many developed and developing countries like always have an eye to know about their receipts from indirect taxes since it helps them to evaluate the financial system better. Covid19 is a force majeure crisis and it cannot be stopped but it can be prevented to some extent. There has been a deep impact on the Indian economy but to some extent the country has potential to cover the losses at a faster rate. There is a need to have more of exports rather imports while reducing the much of dependency on import items, it will be easy and smooth for the economy to recover at a very fast rate. The concept of 'atmanirbharbharat' must be followed and made in India products to be a made a part of life will help us to grow even more faster in the upcoming times. India as a country has lot of potential with right approach.

ⁱWikipedia.org, Available at: https://en.wikipedia.org/wiki/COVID-19_pandemic_in_India (visited on March 25, 2020)

ⁱⁱibid

ⁱⁱⁱGST Council, Available at: <http://gstcouncil.gov.in/sites/default/files/gst-revenue-collection-march2020.pdf> (visited on March 23, 2020)

^{iv}ibid

^vCBIC, Available at : <https://www.cbic.gov.in/resources/htdocs-cbec/customs/cs-act/notifications/notfnscs-act-2020/cs-tarr2020/cs20-2020.pdf> (visited on March 5 , 2020)

^{vi}CBIC, Available at :<https://cbic-gst.gov.in/pdf/Circular-Refund-139.pdf> (visited on March 12, 2020)

^{vii}FOBES, Available at:<https://www.forbes.com/sites/louiscolumbus/2020/03/16/covid-19s-impact-on-tech-spending-this-year/#2ad83c792d67> (visited on March 31, 2020)

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^{xi}OECD, Available at: <http://www.oecd.org/sdd/its/international-trade-pulse-oecd-updated-may-2020.htm> (visited on April 7, 2020)

^{xii}ibid

^{xiii}KPMG, Available at: <https://home.kpmg/xx/en/home/insights/2020/04/india-tax-developments-in-response-to-covid-19.html> (visited on April 10,2020)

^{xiv}EETPC India, Available at: https://www.eetpcindia.org/eetpc-download/617-Covid19_Report.pdf (visited on April 13, 2020)

^{xv}PIB, Available at : <https://pib.gov.in/PressReleasePage.aspx?PRID=1626058> (visited on May 24, 2020)

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- ^{xvi} RBI, Available at :https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=49582(visited on May 12, 2020)
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- ^{xxv} Ministry of Finance, Available at :<https://finmin.nic.in/> (visited on May 8, 2020)
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