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Revenue Generation through Implementation of Gst In India: A Tax Resilience Approach

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Abstract

The Government of India expects tax collection to increase into the double digits once again. Despite it having met its optimistic expectations in recent years, the government's prediction this time could not be too far-fetched. However, according to Forecast 2021, the total tax collection forecast for 2020-21 was reduced to Rs 19 lakh crore from Rs 21.6 lakh crore declared in the previous bill. Nonetheless, the government estimates a 16.6% growth in total tax collection to Rs
22.17 lakh crore in the fiscal year 2021-22. The updated forecast for net government revenue for FY22 is Rs 15.45 lakh crore, similar to Rs 13.44 lakh crore for FY21. This is also a 14.9 percent increase from the 8.7 percent growth forecasted last year.
This current paper focuses on various aspects of the Central Government of India on Revenue Generation through Implementation of GST in India, a model as an Tax Resilience Approach.

Keywords*— Goods and Service Tax, GST, Tax, Central Government, Revenue, India*

I. INTRODUCTION

The goal of this review is to look at the effect of Today's newly implemented Goods and Services Tax (GST) on government revenue. The effect of GST on taxes collected is examined using the tax propulsion methodology in this article.
The indian government Launched the Goods and Services Tax (GST) on July 1, 2017 after long parliamentary discussions and consultations (IBEF, 2017). The entire country has been hoping for this opportunity for decades. It is Country's biggest tax overhaul since freedom. The GST was implemented with the goal of creating a “one government, one economy, one tax” in the world.

About every major country in the world has a standardised tax collection scheme. This uniform tax regime was critical to India's ability to draw foreign investment. We need a tax structure like GST in India in this dynamic environment not only to encourage prominent business companies to come to India for trade, but also to enable local industry to operate under a standardised tax structure.

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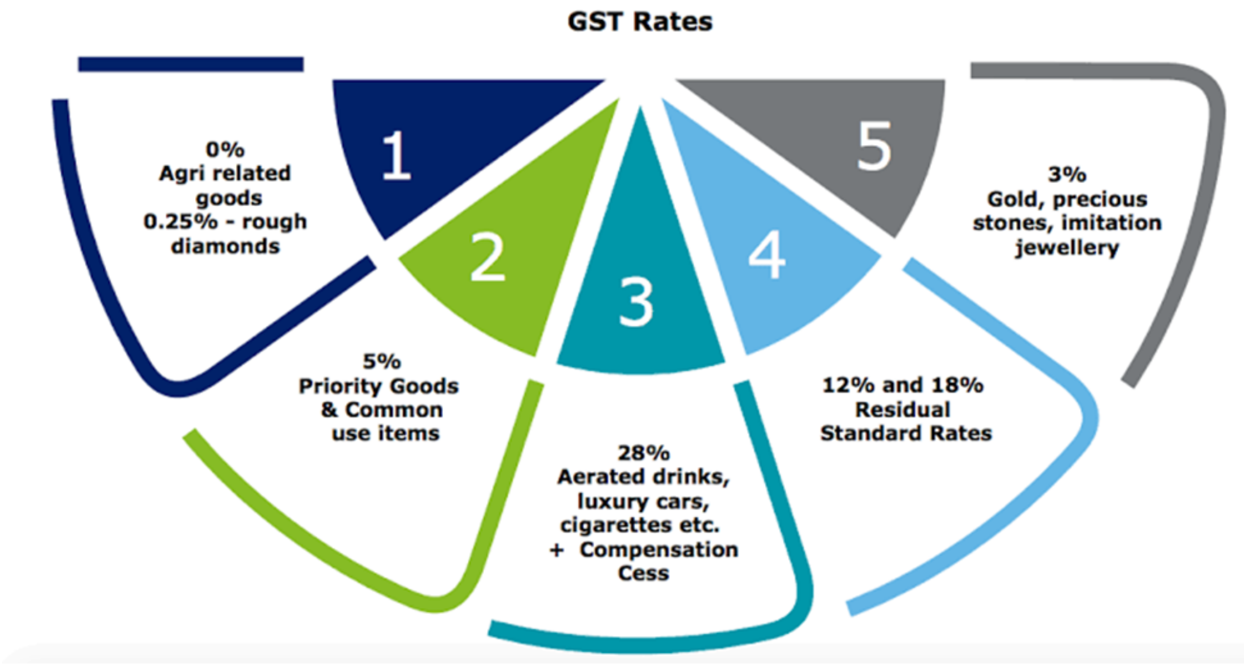

fig 1 GST rate

The GST mechanism has created a common point of contact for all major companies to receive multi-state permits, interpret requirements, determine the position of supply, and deal with transitional problems, among other things.

The GST bill combines more than ten different indirect taxes into a single tax that is levied in one location by both the state and the federal government.

India's GST Rates

Essential utilities and food goods are taxed at a lower rate, while luxurious products or services are taxed at a higher rate. For the good of the masses, the governments exempted daily consumption foods such as fruit and vegetables, milk, coconut milk, curd, organic honey, rice, and bread from GST.
When we multiply the estimated nominal GDP by the average earnings tax-to-GDP ratio over the last nine years (since 2011-12, when new GDP data are available), we get a 7% drop in income tax revenue for 2020-21. Similarly, we see a 4.1 percent decrease in GST.
Due to the extreme pandemic situation, we expect tax receipts to be smaller this year than last. Rather than believing that we will receive the same income tax and GST revenue as last year at the same nominal GDP level, we consider these tax collections to be in consistent with the long average ratio. In other words, we expect nominal GDP in 2020-21 to be the same as it was in 2019-20 said Hon. Finance Minister in a question asked by the Press/Media.

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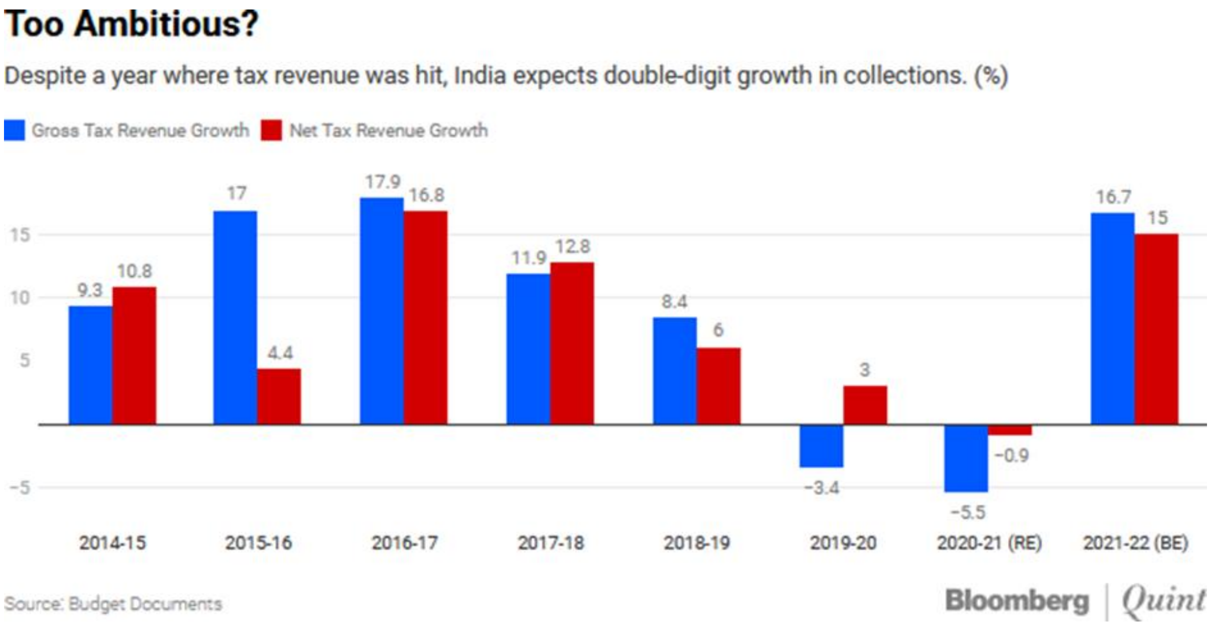

fig 2. GST Collecting Trend in India

From July 2017 to June 2019, Figure 2 depicts the GST compilation method in India. The state's cumulative monthly tax revenue across the last two years has been about Rs. 96,025 crore. Over this time frame, the highest tax revenue was Rs. 1,13,865 million in April 2019 and the minimum was Rs. 83,780 million in November 2017.

Over the last thirty months, the average increase in GST collection was about 0.49 percent. And comparison to much the same segment a year before, the last period (April to June) of 2019 saw an overall increase of 6.6 percent.

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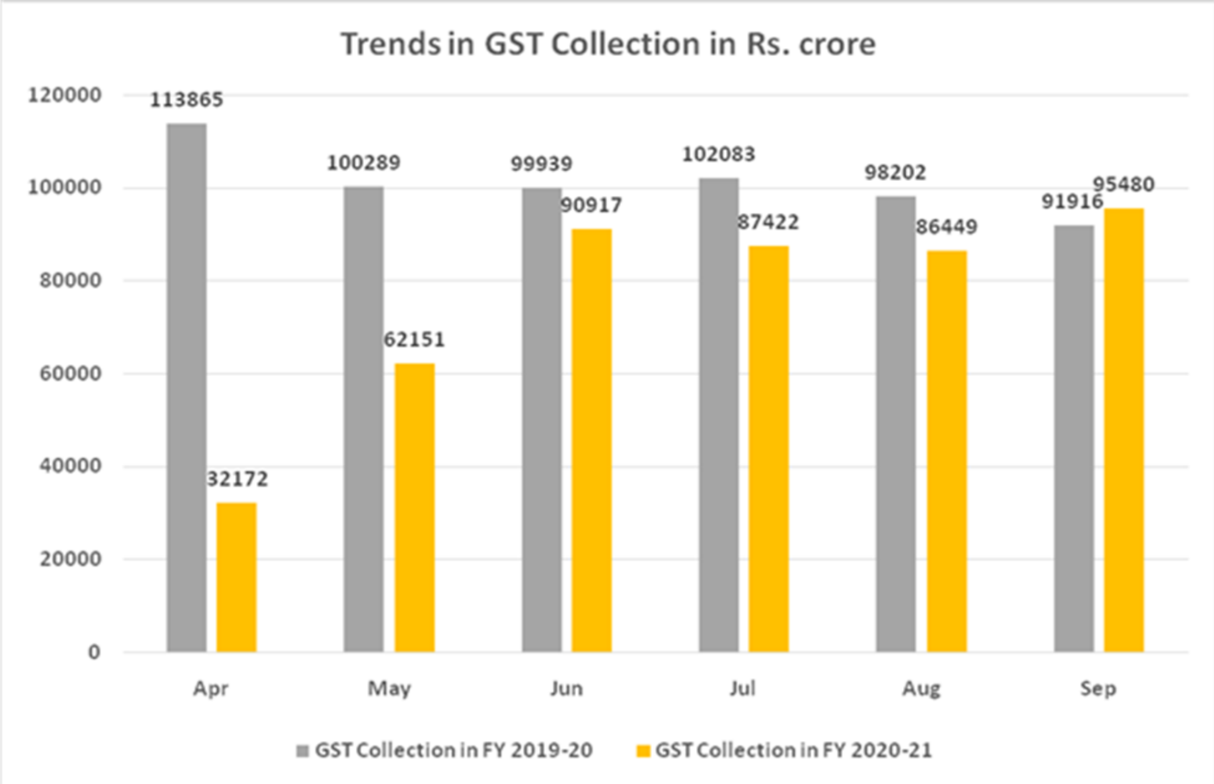

fig 3. GST Collecting Trend in India

Specific suggestions and Interpretation

We performed a regression study with the aim of determining the effect of the GST on tax revenue in India. In our research, we discovered that since the implementation of GST, tax revenue has been less sensitive to shifts in GDP. Our theory that tax revenue has been more sensitive to shifts in GDP has been refuted by the findings.

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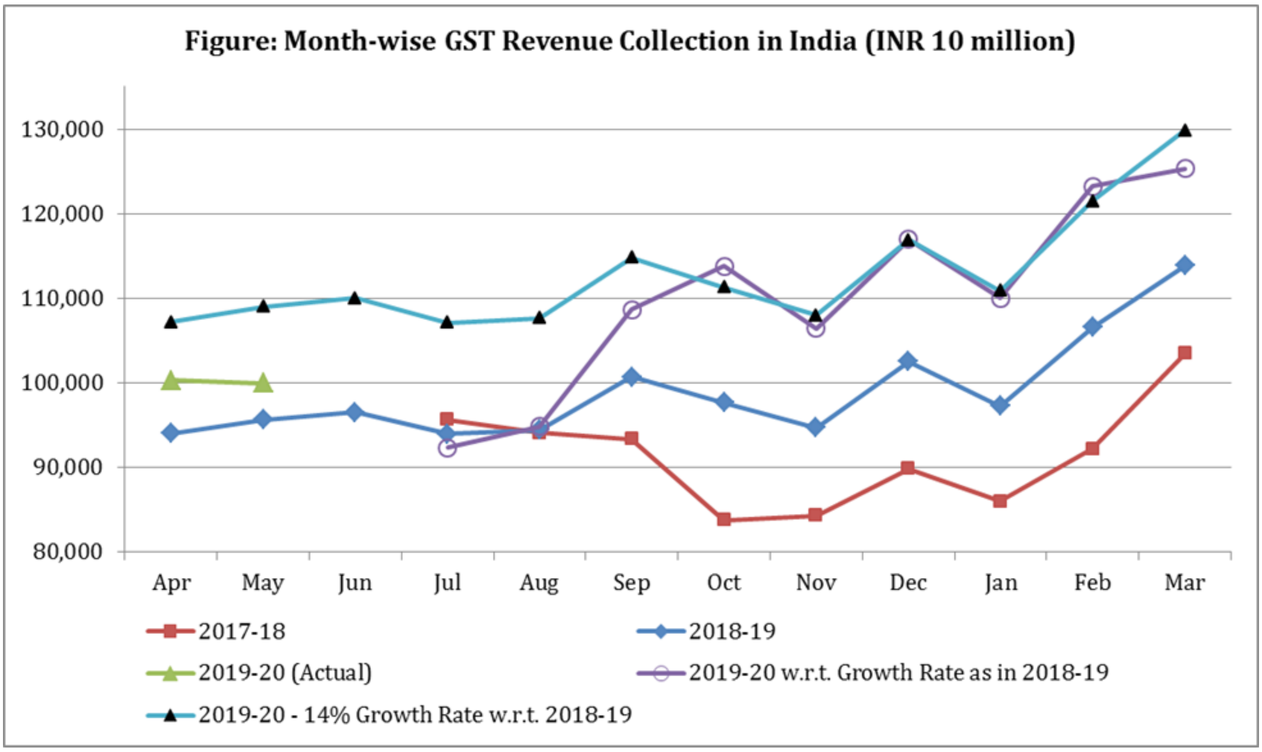

fig. 4 Month-Wise GST revenue collection in india

Given that current national financial circumstances, the findings of our report have broad policy consequences. India's Real gdp growth peaked about 6.8% in 2018-19, but it has dropped to 5% in the first period of 2019-20. Looking at present stagnation in GDP if the government wants to boost inflation by growing public spending in the hopes that the resulting rise in income would generate enough tax revenue to discourage long-term fiscal deterioration.

Even then, since government revenue has been less flexible, the economy would not be able to generate adequate revenue from taxes to match the rise in government spending. If no effective policy steps are taken, it may have long-term negative consequences for macroeconomic stability.

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Estimate of F.Y. 2020-21

Tax Revenue Breakdown

(Rs Crore)

	2019-20	2020-21 (Revised)	2021-22 (Budgeted)
Gross Tax Revenue	**2,010,059**	**1,900,280**	**2,217,059**
Corporation Tax	556,876	446,000	547,000
Taxes On Income	492,654	459,000	561,000
Wealth Tax	20	0	0
Customs	109,283	112,000	136,000
Union Excise Duties	240,615	361,000	335,000
Service Tax	6,029	1,400	1,000
Goods and Services Tax	598,750	515,100	630,000
Taxes Of Union Territories	5,835	5,780	7,059
NCCD Transfer	2,480	5,820	6,100
States' Share	650,678	549,959	665,563
Centre's Net Tax Revenue	**1,356,902**	**1,344,501**	**1,545,397**

RE - Revised Estimate, BE - Budgeted Estimate

Source: Budget Documents

Bloomberg | Quint

fig. 5 Tax revenue breakdown

Most analysts believe that the government's budget forecasts, while apparently lofty, are perfectly feasible. The optimism stems from a dramatic increase in tax revenue following September 2020, raising expectations that the updated tax goals for FY21 will be met and that those for the following year will be met as well.

In a post-budget report, HDFC Bank's Head Of research & Economist Abheek Barua wrote, "We foresee that the budget expectations set (for FY22) are not optimistic given the projected sharp acceleration in nominal GDP growth." HSBC's chief India economic expert, Pranjul Bhandari, agreed. In a post-budget report, Bhandari stated that the tax figures for FY21 and FY22 are optimistic.

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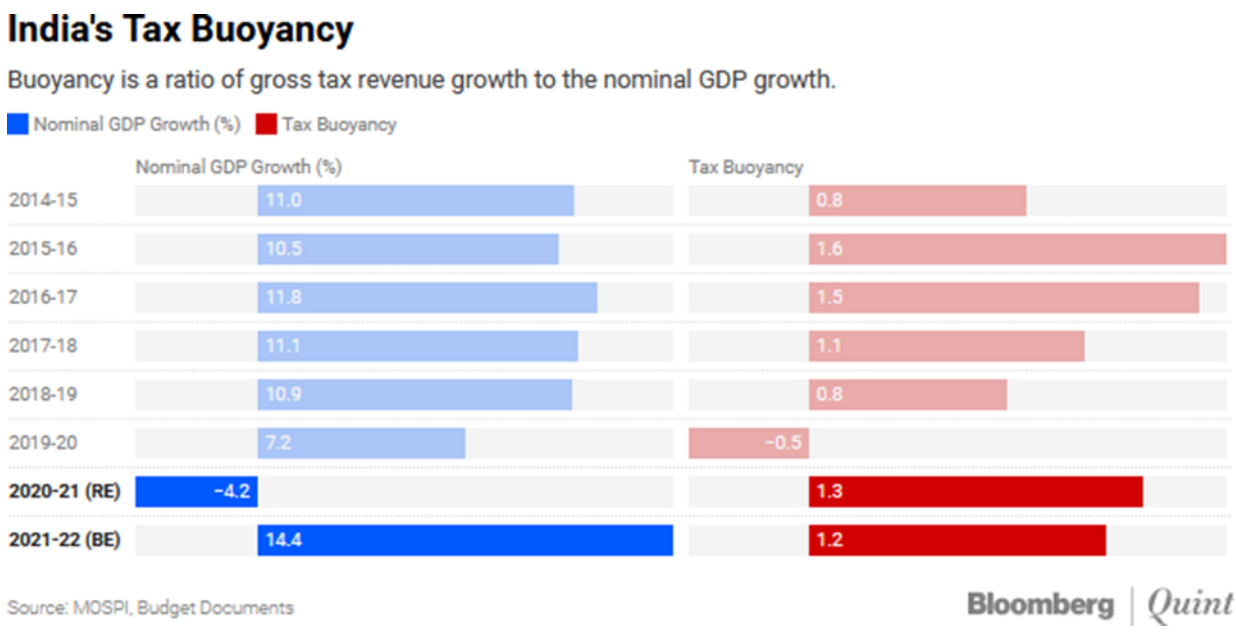

fig. 6 Indias Tax Buoyancy

Bhandari observed that the projected tax buoyancy—a metric of tax received per unit of gross domestic product—for FY22 is also low, at 1.2, which he attributes to increased standardization.

Finance Minister Smt. Nirmala Sitharaman did not mention any significant reforms to the country's personal tax system in her budget statement. The budget, on the other hand, introduced a tax on 25 goods while also lowering the customs duty on certain items. The central government estimates that the goods and services levy will bring in Rs 6.3 lakh crore.

Given the recent turnaround in economic output and monthly GST revenues, that, too, could be a conservative forecast, according to HDFC Bank's research report. GST revenue has surpassed Rs 1 lakh crore for four months in a row, reaching an all-time high of Rs 1.2 lakh crore in January 2021. "Our measurements show that one to accomplish the objectives, a monthly run rate of Rs 96,600 crore is required," HDFC says.

CONCLUSION

The Goods and Services Tax (GST) collections fell in August, according to data published earlier this week. The drop in tax revenue was unavoidable. Due to the lockout imposed by Covid-19, India's economic growth has slowed. Lower economic growth translates to lower demand and, as a result, lower taxation. We expect tax collections to fall by around 12.5 percent this year due to weaker activity estimates.

According to the numbers, total GST taxes generated in the quarter ending in December of 2020 was Rs 86,449 crore, which was 12% less than the generation in the quarter ending in December 2019.

Tax collection projections for 2020-21, at Rs 16.3 lakh crore, were also a lofty target compared to the previous year's updated estimates of Rs 15 lakh crore. The figures were based on a ten percent nominal GDP growth forecast made prior to Covid-19 struck & Hit the Indian Economy.

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