

Taxpayer count rises post GST

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The Goods and Services Tax has resulted in a 50% increase in the number of indirect taxpayers, the Economic Survey said, adding the fledgling tax regime has already revealed new data on key aspects such as inter-State trade, State-wise exports, and the extent of formalisation in the economy.

“There has been ... a large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail themselves of input tax credits,” the Survey said.

Data showed GST had resulted in a significant increase in voluntary compliance, with about 1.7 million registrants who were below the threshold annual turnover limit of Rs. 20 lakh choosing to register for GST nevertheless.

Tax credit preference

In addition, the Survey showed a significant proportion of tax filers eligible for the Composition Scheme have instead opted to file their returns in the regular manner so as to avail of input tax credits. “For this reason, about 1.9 million (24% of total regular filers) of the registrants sized between the GST threshold of Rs. 20 lakh and the composition limit... instead decided to file under the regular GST,” it said. So, about 54.3% of those eligible for the composition scheme chose instead to be regular filers.

The data also put to rest States’ concerns about declining revenues under GST, the Survey said. “The distribution of the GST base among the States is closely linked to the size of their economies, allaying fears of major producing States that the shift to the new system would undermine their tax collections,” it said. “Data on international exports of States (the first in India’s history) suggests a strong correlation between export performance and States’ standard of living,” the Survey added. “India’s internal trade is about 60% of GDP, even greater than estimated in last year’s Survey and comparing very favourably with other large countries.”

Further, GST data showed that the formal sector in India was larger than earlier thought. “Formality defined in terms of social security provision yields an estimate of formal sector payroll of about 31% of the non-agricultural work force; formality defined in terms of being part of the GST net suggests a formal sector payroll share of 53%,” the Survey said.

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