

TAX TRANSITIONS: THE HINDU EDITORIAL ON GST REVENUE TRENDS

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The [nearly 1.5 lakh crore of gross Goods and Services Tax \(GST\) collections in February](#) are notable from several aspects. First, they mark the 12th successive month that GST revenues have stayed over 1.4 lakh crore, and the fourth highest single month kitty since the launch of the GST regime. The average monthly GST collections in the first 11 months of 2022-23 now stand at 1,49,776 crore, 21.5% higher than the average monthly kitty of little over 1.23 lakh crore through 2021-22. Interestingly, the average monthly revenues so far this year are higher than actual collections in eight of those months, so collections in the other three months bumped up the average. Those months happen to be April (with the highest monthly revenues of over 1.67 lakh crore), and October and January 2023 (whose collections were upgraded to over 1.57 lakh crore). The spike in these months can be attributed to quarter-end and year-end return filings whose taxes are collected in the first month of the subsequent quarter. This lends credence to the government's assertion in January that policy changes introduced over the past year have improved compliance with more taxpayers filing returns — a pleasant cultural augury for a country with a low tax base.

Meanwhile, a perceptible shift is underway in the composition of GST revenues. The first 10 months of this fiscal had seen revenues from goods imports rising 29%, while domestic transactions and services imports yielded a 22% uptick in taxes. While this breakdown is not available for January, February marks the second time in three months that domestic revenues have outgrown taxes from goods imports, with the former rising 15% and the latter just 6%. While this is in tune with a sharp dip in imports in January, it also signals a likely cooling of discretionary domestic demand that had been driving up the import bill along with elevated commodity prices. That domestic revenue trends are uneven, with sharp variations across States, is another cause for concern. The [2023-24 Budget](#) expects GST revenue growth to slow from about 22% this year to 12%, with tax buoyancy expected to drop. That represents a pragmatic outlook amid a world tightening its belt for a slowdown, but the Finance Ministry's attempt to play up February's GST kitty by arguing that the "28 day" month normally witnesses lower revenues, is disingenuous and unnecessary, as these revenues pertained to transactions undertaken over the 31 days of January. By this logic, March should see a dip in tax inflows as February had fewer days of activity.

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