

GST HAS BEGUN TO DELIVER, STATE FINANCES ARE HEALTHIER: FINMIN

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

India's five-year old Goods and Services Tax (GST) regime has started delivering 'dividends' and States' finances are in better shape this year, but a higher subsidy burden on fertilizers and free food grains under the extended PM Garib Kalyan Anna Yojana (PMGKAY) could 'stress' government finances, the Finance Ministry said on Saturday.

"Buoyant tax revenue receipts are, however, expected to absorb the higher subsidy burden," the Ministry said, noting that the surge in fertiliser subsidy spending and extension of the PMGKAY could raise non-plan revenue expenditure but was aimed at reducing the burden of soaring inflation on consumers.

'Rs. 1.49 lakh cr. a month'

Emphasising that GST revenues had been robust, averaging Rs. 1.49 lakh crore monthly during the first half of 2022-23, almost Rs. 25,000 crore more than last year, the Ministry in its economic review of September said that 'GST collections have started paying dividends now'.

"Significant pick-up in consumption has resulted in a more-than-proportionate jump in GST revenues; a more robust economic recovery could allow the collections to settle at an elevated level, proving the high revenue productivity of the broad-based consumption," it averred.

Overall revenue generation has helped keep pace with the Budget's fiscal deficit target of 6.4% of GDP, it said. A focus on capital expenditure and rationalising spending through digitisation is 'expected to create necessary fiscal space to support the vulnerable sections', it added.

'States' deficits fell'

"There is evidence of an improvement in States' finances, with the gross fiscal deficit of states declining by 69.6% in Q1 of 2022-23 over the corresponding period of the previous year, driven by higher revenue receipts and a reduction in revenue expenditure," the Ministry pointed out in the review.

New revenue generation measures had been taken by Uttar Pradesh and Kerala, and power tariff increases effected by at least six States — Tamil Nadu, Andhra Pradesh, Telangana, Karnataka, Madhya Pradesh and Assam, the Ministry added.

Average monthly GST revenue in the first half of FY23 was about Rs. 25,000 crore more than last year

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