

# Uttar Pradesh Current GST Revenue Scenario and Prospects

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**Abstract— GST has unified the country's USD 2 Trillion economy and 1 billion people into a common market. It is a Game Changer in Indian Indirect Taxation system. It is a transparent, Effective and efficient tax system that will increase the tax base and revenue in the long run. GST in India is a dual structure model with functions well defined and proper division of responsibilities between State and Centre. GST is a destination- based tax imposed on final consumption where a commodity is sold or service is rendered. Central and state taxes subsumed under GST are primarily in the nature of Indirect Taxes either on supply of goods or supply of services. Interstate transaction of Goods and services are dealt with Integrated GST (IGST) model of taxation.**

**Uttar Pradesh being the largest population State in India is key factor in the success of implementation of big policy initiatives. The data shows an increasing trend of indirect tax in India due to implementation of new tax except a few months because of some administration complexity and prevailing Corona pandemic. GST being the destination based tax and U.P with the largest consumers in country makes impact assessment of Tax collection in U.P. more relevant.**

## INTRODUCTION

India has ushered into new well-structured Simplified and rationalized taxation system from 1st July 2017 named Goods and Services Tax (GST) GST in India is a dual structure model with functions well defined and proper division of responsibilities between State and Centre. GST is a destination-based tax imposed on final consumption where a commodity is sold or service is rendered.

GST Council being the discussion, deliberation and decision-making body collectively agreed on Constitutional amendment, harmonious tax rate structure and an appropriate policies & procedures binding on both State and Centre. Reflecting revenue consideration & acceptability GST shall have two components, one levied by the Centre (CGST) and

other levied States (SGST). This dual GST model has been implemented through multiple statutes. However, the basic features of law e.g. chargeability, taxable event, taxable person measure of levy including valuation provisions basis of classification are uniform across these statutes.

Central and state taxes subsumed under GST are primarily in the nature of Indirect Taxes either on supply of goods or supply of services. They are part of transaction chain commencing production /Import /manufacturing of goods at one point and consumption of goods and services at the other. The subsummation results in free flow of credit and Revenue fairness.

Interstate transaction of Goods and services are dealt with Integrated GST (IGST) model of taxation. IGST is equal to the sum of CGST & SGST for all Interstate transactions. The IGST Model maintains uninterrupted chain of ITC and free from upfront payment or substantial blockage of funds. This is a self-monitoring model, but requires complete automation of digitization of data & processes.

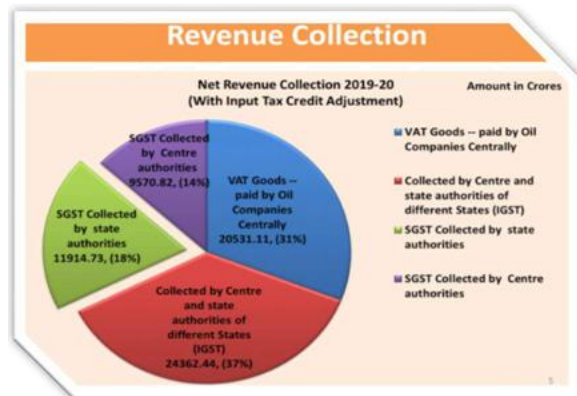
GST has unified the country's USD 2 Trillion economy and 1 billion people into a common market. This taxation system has enhanced the position of India in both domestic as well as International market. The removal of cascading of taxes and transaction costs associated with Inter State transactions encourages investment by providing wide & comprehensive coverage of tax credit set off. However, the success of this whole concept is completely dependent on technological back -- bone of GST- (GSTN) Goods & Service Tax Network.

Uttar Pradesh being the largest population State in India is key factor in the success of implementation of big policy initiatives. GST being the destination based tax and U.P with the largest consumers in country makes impact assessment of Tax collection in U.P. more relevant.

GST Revenue --- Effective Proportion of Monitoring  
 In the VAT regime Uttar Pradesh has taken the initiative to develop online public interface and Internal management modules. U.P. got second highest grant for Mission Mode Project - Commercial Taxes (MMPCT) and it was among top three states to achieve all the milestones prescribed in MMPCT project. This has helped U.P. not only to perform well in EoDB but also smooth transaction from VAT to GST. The Network backbone already developed during VAT got easily integrated with GSTN Network through State Data Centre (SDC) at Lucknow. U.P. being the Model 2 States it's all the modules are developed by GSTN and the state pays for its development, testing implementation and management.

increase in tax base has been shown in smaller districts too.

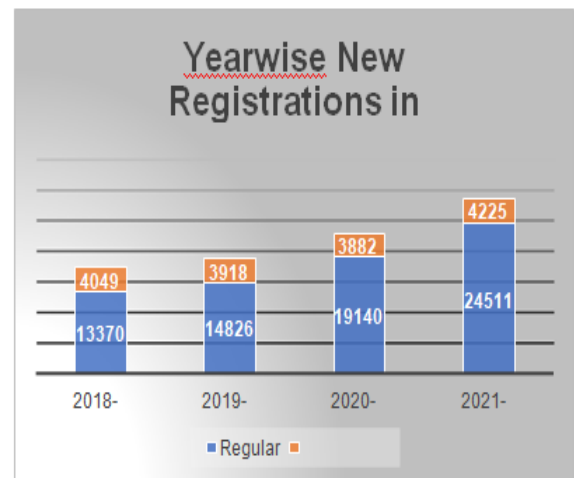
State Name	Total Dealers Registered in GST (30March2022)
Uttar Pradesh	17,17,773
Maharashtra	16,52,711
Gujarat	11,11,064
Tamil Nadu	10,82,250
Karnataka	9,72,993
Rajasthan	8,15,826
Delhi	7,66,012



As per the GST design Revenue collection is composed of following parameters----

1. VAT Goods – Paid by Oil Companies Centrally
2. IGST collected by Centre and State Authorities
3. SGST collected by State Authorities
4. SGST Collected by Centre Authorities

Analyzing the GST Revenue collection data of the Financial Year 2019-20 it is evident that the State authorities have direct control on SGST collection only. The chart shows that only 18% of the total collection can be controlled and monitored directly by the State Authorities.



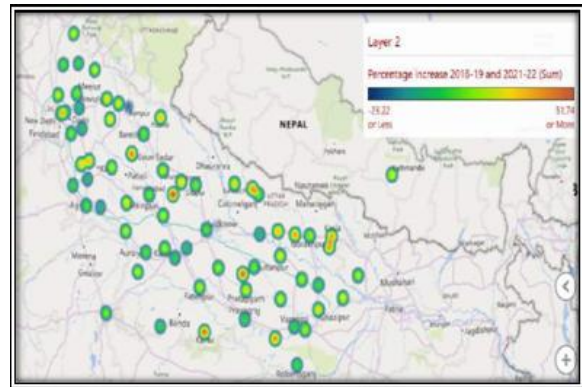
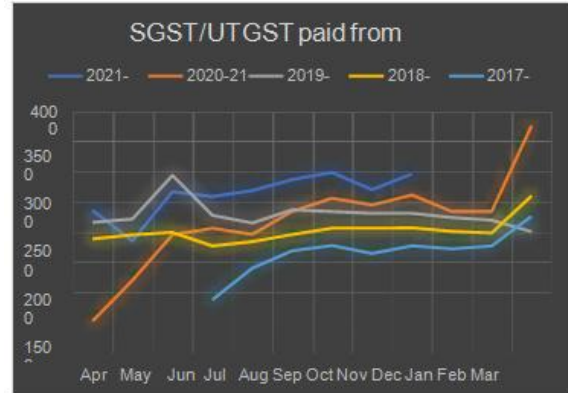
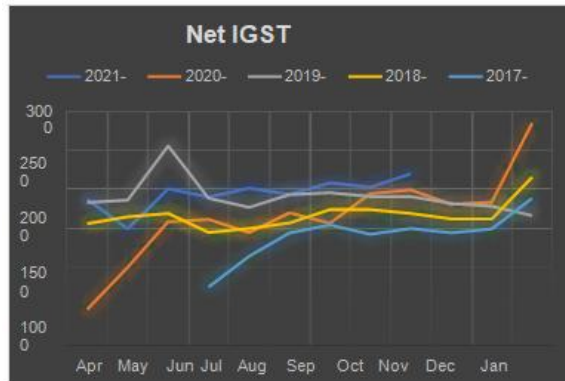
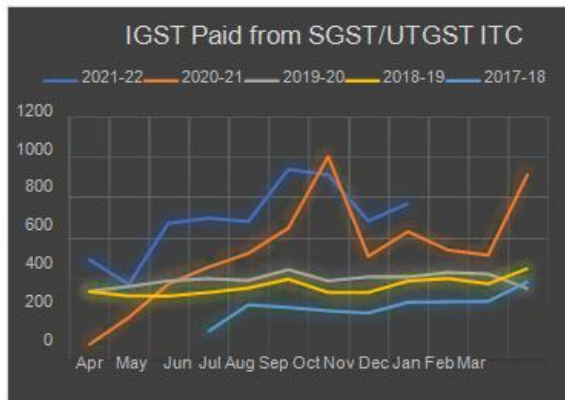
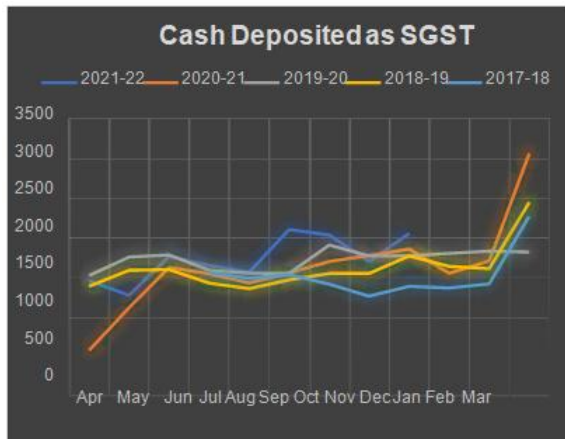
### GST REVENUE TAX BASE

At the start of GST, Commercial Tax department has migrated approx. 7.42 lakh dealers, presently there are total 16 lakh approx. dealers. This makes it clear that in GST, faceless and completely Online process has helped in increasing the tax base. Not only in the bigger districts with Industrial and trade backbone,

The year wise New Registration chart above makes it clear that YoY there is clear growth in the new registrations in GST period. The increase in tax base along with higher compliance in Return filing is certainly affecting the Revenue collection in the State.

### GST REVENUE---COMPLIANCE AND REVENUS ANALYSIS

GST is the major source of revenue for the State Government. With the implementation of GST the power to change Rate of Tax has been shifted to the GST Council. Now the states can't change Rate of Tax frequently to achieve their Revenue requirements. The main administrative levers the State can go for are effective and efficient Tax administration, increasing tax base and increase in return compliance. As ITC is the crux of GST better return compliance means better online cross verification of Intra and Inter State ITC. This also helps in effective monitoring of Return Non-filers and curb fake invoicing.



The trend of GST revenue is given in the above Charts. It is evident from the chart that there is increase in revenue from July 2017 to September 2017 but later on Revenue remains somewhat constant even there is decrease in revenue in Nov 2017. The initial increase may be due to sudden increase of supply because dealers have stopped billing for two months as they are waiting for the legal framework, processes and rate of Tax to decided. GST revenue also got affected by the Transitional ITC given on the stock held by the dealers on 30 June 2017. In 2017-18 GST portal was the major bottleneck in migration of dealers, online submission of different forms, Registration and Return filing. This has also increased the litigations against department specially for Transitional ITC. The heat map of the percentage revenue growth between 2018—19 to 2020-21 shows that increase is more in the midlevel and smaller districts. The percentage revenue growth and new dealer registration data indicates that GST has put positive impact on the smaller and mid level dealers. The availability of online seamless flow of ITC in GST for both Intra and Interstate transactions, Ease of transportation of Goods has helped this segment of dealers in increasing their business.

In April 2018 NIC Karnataka has started Pan India E Way Bill system which has helped to control the evasion where invoice is raised without transportation of Goods. This is visible in the 2018-19 revenue trend also. In 2020-21 and 2021-22 whole business scenario got affected due to pandemic. After the lockdown the business had started to gain momentum but service sector was worst affected and it got revival only after June

21. Major component of GST revenue collection is Net IGST transferred to U.P., this is also showing similar trend.

### REVENUE AUGMENTATION PROSPECTS

This can be concluded that entire system is developed with the presumption that all the data will be online and there will be 360-degree profiling of the dealers, so that it will be difficult for them to suppress their transactional data to evade tax. The entire process flow in GST is yet to be stabilized itself more than three even after years of implementation.

Due to information available in silos the state officials are unable to get the comprehensive picture of the trade and industry business patterns. As GSTR1 and different returns have different time periods for filing hence there is major mismatch in the data of GSTR3B, GSTR1 and other prescribed returns. Return filing is the crux of the success of GST implementation hence, proper emphasis should be given on the filing of returns within the stipulated time. In these of GST implementation there has been continuous changes in the rules/policies/procedures and technical interface.

There is no sectoral database available for the services as well as goods hence, the industry/sector wise performance with reference to the national and global scenario for that particular sector is also not possible. In the present services scenario number of services with different taxability are intermingled in a manner that it's very difficult for revenue authorities as well as stakeholders to segregate and go for a thread-bare analysis of the services concerned. This mesh is also providing opportunity to the dealers to siphon-off the revenue through the ITC route and analysis of which needs comprehensive training and technical capability of the officers.

With reference to the above-mentioned scenario following suggestion may be feasible for the revenue

augmentation through increase in compliance, curbing the tax evasion and avoidance through the policy, process and technical measures---

1. The Registration under GST is mandatory for all e-commerce operators irrespective of the sales turnover. Similarly persons undertaking a supply through e-commerce operators are also required to obtain GST registration irrespective of sales turnover. Hence, any person who intends to sell on Flipkart or Amazon or Snapdeal must obtain GST registration.

The data of all the taxable persons undertaking supply through e-commerce operators can be used in increasing the tax base.

2. Considering the ease of doing business for trade industry and commerce, it has been provided that dealers can claim provisional refunds in case of exports. In case of software export RBI, Software Technology Park of India (STPI) and SEZ maintained the SOFTEX related documents of exports but there is no mechanism for online verification of data.

3. In case of banking companies and NBFC an option has been given to maintain all documents and claim complete ITC as per section 17 (2) of SGST Act, Uttar Pradesh 2017, else they can opt for 50% of the eligible ITC claim under section 17 (4), but there is no option is prescribed for opting the same, which has sizeable revenue implications.

4. Dealer data sharing between different departments which are involved in providing registration/licences to the business entities will help in identifying the dealers which are registered in one department but not in GST.

5. The power consumption data related to the commercial connection in the state can be mapped with the GSTN registration data and tentative turnover can be estimated on the basis of power consumption figures and this will be the useful return for getting new registrants in the system.

The data has to be collected centrally and the department should develop a database of these Commercial Connections and after online cross verification on relevant unique parameters, mismatch list can be circulated to sector offices and SIB units for taking appropriate action.

6. Various central and state government departments (CPCB, FSSAI, Industries, Vahan, Electronics and communication, PWD, marketing, Stamp and registration etc.) having the centralized

database of their stakeholders. It would be helpful to develop an interface with the Commercial Tax department for sharing and cross verification of data. This interface will also help in Enforcement activities.

#### CONCLUSION

With the above discussion it is clear that GST is a Game Changer in Indian Indirect Taxation system. It is a transparent, Effective and efficient tax system that will increase the tax base and revenue in the long run. Since its inception the revenue has increased but not as expected. This may be because of inherent limitations of the Online system and frequent changes in policies and procedures. The outbreak of corona virus global pandemic is also the biggest disaster for economy and Business. Any new system will take time to give expected result. Closer monitoring against fake-billing, data analytics using data from multiple sources including GST, Income-tax and Customs IT systems and effective tax administration have also contributed to the steady increase in GST revenue.

The present paper has analyzed only GST revenue. The results have limited use as it considers only selected variables. More variables like direct tax revenue, gross domestic product, tax buoyancy, etc. may be considered to get more realistic results. Further, cross States analysis would be more useful for policy formulation.

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