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# The September GST revenue- Cause for optimism?

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## Mini

We are entering into the festive season-and traditionally revenues have done well in this period.

The GST revenue numbers for September 2021 at Rs 1.17 lakh crore is impressive. Higher than the revenue of August 2021 which stood at Rs 1.12 lakh crore it shows a positive trend. The average monthly gross for the second quarter has been a healthy Rs. 1.15 lakh crore as against the average monthly collection of Rs.1.10 lakh crore in the first quarter. The press report issued by the finance ministry attributes the increase in GST collection to economic growth and stricter enforcement. It hopes that the positive trend in the revenues will continue and the second half of the year will post higher revenues.

This optimism would appear to be well-founded. We are entering into the festive season-and traditionally revenues have done well in this period. Further, it may be noted that the gross direct taxes collections for the financial year 2021-22 at Rs.6.45 lakh crore has seen a growth of 47 percent over the previous year. The advance tax collections for the first and second quarter of FY 2021-22 stood at Rs.2.53 lakh crore- a growth of 56 percent over the same period of the proceeding financial year. This is significant and reflective of the increasing close coordination between the GST, CBIC and CBDT portals. It will be safe to say that the budgeted tax revenue for FY 22 of Rs.14.5 lakh crore will be met.

The increase in revenue is indeed a reflection of the economy doing well. The performance of the 8 core sectors has been strong in August ‘21. The core sector grew by 11.6 percent during the month as compared with 9.6% in the previous month and degrowth of 6.9 percent in the corresponding month of the previous year. Thus coal, natural gas, refinery products, steel, cement, electricity, grew when compared with the previous year’s 5-month period.

The ambitious PLI schemes which should come into play this fiscal will also contribute in giving a further impetus to the economy. The Scheme with its focus on furthering the pace of investment in key industries accompanied with incentives linked to performance should have a positive impact.

Exports, another key indicator of growth, have continued to do well. India’s merchandise imports in September 2021 were $ 56.38 billion, an increase of 84.75 percent over September 2020. The trade deficit in September 2021 at $ 22.94 billion has also decreased. India’s current account balance showed a surplus of Rs 6.5 billion (0.9% of the GDP). Foreign exchange reserves increased by $ 31.9 billion in the first quarter of 2021-22 as compared to $ 19.8 billion in the first quarter of the previous year.

September also witnessed the submission of the Parliamentary Committee Report to augment infrastructure facilities to boost exports. The Committee has made some key recommendations-the important policy measure being the need for a National Logistics Policy. If implemented this will help exporters significantly. Today exporters end up paying more for transporting the goods from the place of manufacture to the port than what they do for shipping the goods to the foreign market.

Thus, there are a lot of positives. Having said that there is a need to temper the optimism with some factors which can impede growth.

Despite the revenue doing well there is a constant danger of the fiscal deficit

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of fiscal measures as relief for the pandemic hit sectors -all of which have increased expenditure. The overall revenue deficit thus can increase to an estimated 7.65 percent to 7.72 percent as per the study conducted by CARE Ratings.

The recently announced telecom package will also impact non-tax revenue. This is based on the safe assumption that all telecom companies will opt for the moratorium on AGR dues.

The ambitious disinvestment target of Rs.1.75 lakh crore will be touch and go. While there has been news of a successful Air India bid, a lot will depend on the LIC IPO. The National Monetisation Policy is another big-ticket item whose outcome will be critical for government finances. An estimated Rs. 88,000 crore is to be achieved in this fiscal for infrastructure investment.

Then of course there are the known unknowns.

The global impact of a possible shut down or worse a default by USA, if the Congress does not pass the appropriation bills and raises the debt ceiling, will be enormous.

— *Najib Shah is the former chairman of the Central Board of Indirect Taxes & Customs. The views expressed are personal*

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