

GST at the sectoral level: A comparison of normal and Covid -19 phase

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The genesis of Goods and Services Tax (GST) in India on July 1, 2017 is the aftermath of repeals and amalgamation of the various State jurisdictional tax revenue sources from value added tax, central sales tax, lottery tax, luxury tax, entry tax, advertisement tax and entertainment tax. By design what the State mobilizes as GST from goods and services reflect the consumption within the economy. By analyzing the commodity and service level data from the tax returns this article explores the State's GST revenue from the final consumption.

Classifying taxpayers on the basis of commodity and service groups and collating the required data from the Goods and Services Tax Network (GSTN) is challenging. The Kerala State GST Department in association with Indian Institute of Information Technology and Management-Kerala (IIITM-K) undertook a detailed analysis of the tax return at the Sectoral level. To begin with the State GST Department made a sectoral classification of goods into 66 and service into 27 sectors using various data sets from returns submitted. Subsequently, they were grouped into 16 commodity groups (goods) and 12 services groups for the purpose of this study. (Refer Box -1 for details). The analysis would not be complete without mentioning the fact that some of the goods and services in the consumption basket are exempt from GST, as such these transactions generally does not get reported to the GST system. These include fresh fruits and vegetables, cereals, meat and fish, edible tubers and roots, coconut, tea leaves, coffee beans, milk and allied products, charcoal and firewood, agricultural tools, organic manure, live animals, plants, vaccines, newspapers and electricity. Services related to agriculture including harvesting, cultivation, supply, packaging, warehouse, renting or leasing of machinery are also exempted. Further items transported by

individuals through public transport, metered cabs, auto-rickshaws, metro, etc. are also outside the GST.

BOX -1
List of Commodity Groups (Goods)

No.		Group Head Contents
1	Building Materials	Adhesives, Aluminium Products, Asbestos and Cement products, Building Material(Other), Cement, Crushed metal, M-sand& Natural sand, Glass and glassware, Hardware, Iron and Steel, Marble & Granite, Miscellaneous minerals and chemical products, Paint, Plywood and veneer, Sanitary ware, Timber, Tiles
2	Automobile	Aircraft and parts, Automobiles/Spare parts, Water Vessels & parts
3	Electrical and Electronics	Electrical and Electronic Goods, White Goods
4	Medicine and Medical products	Medical and pharmaceutical products (Including Spectacles), Medicine (Blood and pharma products)
5	Lottery	Lottery
6	Provisions and Grocery Items	Bakery and Confectionery Products, Cereals, Grains and flours, Edible Oils & Fat, Icecream and Edible ice, Miscellaneous Edible preparations, Provision and Grocery Items
7	Agriculture, Dairy and Forestry	Animal Feed, Dairy and Poultry Products, Edible fruits & nuts- Fresh/dried, Edible Vegetables- Fresh/ dried, Fertilizer, Fish nets, Ropes and cables, Fish products- Fresh/Chilled, Hill Produce, Meat products- Fresh/Chilled, Non Edible Animal products, Oil seeds, Rubber sheet, Latex and products, wood Plup (eg: Paper scrap)
8	Industrial Goods	Copper, Explosives/Fireworks, Machinery and Heavy equipments/parts, Chemicals including pesticides
9	Jewellery	Gold, Diamonds, Precious stones and jewellery
10	Textile	Readymades, Textiles
11	Petroleum Products	Coal and petroleum products
12	Tobacco	Tobacco products
13	Fast Moving Consumer Goods	Aerated Softdrinks, Cosmetics, essential oils & perfumery, Non-Aerated juice and pulps, Toiletries
14	House hold Articles	Carpets and Floor Covers, Ceramic products, Furniture and mattresses, Household articles (Tableware, Kitchenware etc.), Suitcase, Bags, Umbrella etc., Toys, Sports and Musical Instruments, Tools and Cutlery Items
15	Footwear	footwear

The tax revenue based on the returns (GSTR-3B and PMT08/GSTR-4) submitted by the taxpayers is analysed on the 'related return period liability basis.' For year on year (2018-19 and 2019-20) and Covid period (March to August 2020) analysis, the related returns (monthly/ quarterly) submitted till September 30, 2020 are taken. (For example if a taxpayer failed to submit the March 2020 return but submitted before September 30, 2020, then her tax revenue is taken for our analysis). This exercise is done to ensure and compare the revenue and consumption pattern during pre and post Covid period as accurate as possible.

The tax collected during a given month (say April) is to be remitted by the taxpayer to Central and State Governments, after deducting the eligible input tax credits before the 20th day of the next month (say May). The trend during the past three years (pre-Covid period) in Kerala shows that on an average 60 percent returns and tax are submitted during the due month itself followed by a lag of about 4 months for the remaining 35-40 per cent return and tax. Since the analysis in this article is made on 'related return period liability basis' any comparison of these figures with month on month remittance will not tally due to difference in arrear payments. By doing the above process, 91.8 per cent of returns during the period from March 2019 to August 2019 and 64.5 per cent during the period from March 2020 to August 2020 are included in the tax remittance for the relevant six months period.

The total tax revenue under each sector represents the net taxes (after deducting eligible input tax credits) remitted by the taxpayer through their periodical returns under different tax rates for each of the goods/services. From these tax figures, the calculation of connected turnover without any duplication in the supply chain would give a direct picture of the sector-wise consumption pattern in Kerala. Such an attempt has not been made here due to complexity and non-reliability of correct turnover figures. In its place the sector-wise tax amount representing each sector is analyzed which indirectly depicts the sector-wise consumption pattern in the Kerala through the lens of GST remittances

GST during three years

The sector-wise commodity and service groups tax revenue since the introduction of GST for the three years period with its percentage share on total and growth rate for 2019-20 over 2018-19 is depicted in Table.1

Table 1. Sector-wise Tax Revenue State GST - YoY Commodity Groups (Goods)

No.	Groups	2017-18*	2018-19	2019-20	Growth Rate
1	Building Materials	2941.0(21.4)	4097.5(22.0)	3934.1(21.1)	-3.9
2	Automobile	2544.0(18.5)	3338.9(17.9)	2827.7(15.1)	-15.3
3	Electrical and Electronics	1511.5(11.0)	2101.1(11.3)	2199.6(11.8)	4.6
4	Medicine and Medical products	590.1 (4.3)	841.1 (4.5)	808.0(4.3)	-3.9
5	Lottery	420.8 (3.1)	555.7 (3.0)	636.7(3.4)	14.5
6	Provisions and Grocery Items	414.9 (3.0)	553.7 (3.0)	613.6(3.3)	10.8
7	Agriculture,Dairy and Forestry	402.9 (2.9)	499.0 (2.7)	551.8(3.0)	10.5
8	Industrial Goods	333.2 (2.4)	463.2 (2.5)	448.4(2.4)	-3.1
9	Jewellery	303.7 (2.2)	420.6 (2.3)	427.4(2.3)	1.6

No.	Groups	2017-18*	2018-19	2019-20	Growth Rate
10	Textile	282.7 (2.1)	403.5 (2.2)	442.3(2.4)	9.6
11	Petroleum Products	264.2 (1.9)	379.2 (2.0)	406.0(2.2)	7
12	Tobacco	246.9 (1.8)	337.6 (1.8)	334.0(1.8)	-1
13	Fast Moving Consumer Goods	261.6 (1.9)	326.9 (1.8)	345.9(1.9)	5.8
14	House hold Articles	208.0 (1.5)	270.8 (1.5)	268.3(1.4)	-0.9
15	Footwear	44.0 (0.3)	59.0 (0.3)	64.8(0.3)	9.8
16	Other Goods	577.6 (4.2)	818.0 (4.4)	844.1(4.5)	3.1
17	Sub-Total	11347.9 (82.4)	15466.5 (82.9)	15153.2(81.1)	-2
Services groups					
18	Financial	583.0(4.2)	804.4(4.3)	855.3(4.6)	6.3
19	Construction	455.4(3.3)	658.8(3.5)	801.5(4.3)	21.6
20	Support Services	395.6(2.9)	521.9(2.8)	550.3(2.9)	5.4
21	Telecom and Data	440.6(3.2)	480.1(2.6)	539.5(2.9)	12.3
22	Travel and Food	158.9(1.2)	176.0(0.9)	176.8(0.9)	0.4
23	Professional	79.1(0.6)	99.8(0.5)	110.4(0.6)	10.5
24	Passanger Transport	108.8(0.8)	89.3(0.5)	125.1(0.7)	40.1
25	Goods Transport	35.7(0.3)	52.4(0.3)	51.0(0.3)	-2.72
26	Leasing and Rental	29.5(0.2)	37.6(0.2)	82.6(0.4)	119.7
27	Education	14.2(0.1)	20.5(0.1)	19.1(0.1)	-6.6
28	Entertainment	22.3(0.2)	18.4(0.1)	23.8(0.1)	29.5
29	Other Services	95.0(0.7)	224.6(1.2)	193.4(1.0)	-13.8
30	Sub-Total	2418.5(17.6)	3184.1(17.1)	3529.4(18.9)	10.8
31	Total	13766.4(100)	18650.7(100)	18682.6(100)	0.17

* For 2017-18 SGST remittance is for nine months only (1-7-2017 to 31-3-2018)

Note -1 Figures are Rupees in Crores; Parenthesis shows percentage

Note -2 The figures represent SGST remittances to Kerala by taxpayers in cash and IGST input-tax credits utilised against SGST liability

Note:3 Figures are taken from the taxpayers returns (GSTR3B) on "Related Return period Liability Basis" remitted up to September 2020

Note: 4 As on date, returns filed for the years 17-18, 18-19 and 19-20 are 97 %, 95 % and 91 % respectively. Moreover, there is an increase in 10 % of registered persons during 19-20. Hence, for 2019-20 an increase in growth rate is anticipated once the pending returns are filed in the coming months.

Source: Calculated from the State GST Department Data Government of Kerala

Goods constitute around 82 per cent of the GST revenue in Kerala. The analysis of the 16 commodity groups reveals that the three major commodity groups contributing around 50 per cent share of the total GST revenue of the State. They are building materials, automobiles, electricals and electronics. Under GST, lottery is categorized as goods and it constitutes an average 3 per cent share in the total revenue. Around nine household consumption commodity groups like provisions and grocery, agriculture, jewellery, textiles, FMCG, household articles, footwear and other goods constitute around 19 per cent of the total GST of the

State. The share of industrial goods and tobacco averaged around 2.4 per cent and 1.8 per cent respectively. The petroleum products [other than non-subsumed goods like petroleum crude, natural gas, petrol, diesel and Aviation Turbine Fuel (ATF)] share is only 1.9 per cent. With respect to growth of tax revenue it may be observed that there has been a deceleration during 2019-20 itself with the recorded growth rate being -2 per cent. It is equally important to note that out of the 16 commodity groups 6 showing negative growth rate with highest decline being in automobiles (-15 %)

Service contributes 18 per cent of the GST Revenue in Kerala. Financial, construction, telecom and support services constitute 15 per cent of the total GST revenue and around two third of the GST revenue from the service sector in Kerala. The balance eight out of twelve services like accommodation and food, professional, passenger transport, goods transport, lease and rental, education, entertainment and other services constitute only 3 per cent of the entire GST in Kerala. When it comes to growth, services presented a different picture as compared to goods with growth rate being 10.8 percent during 2019-20. This higher growth rate in service sector was contributed mostly from leasing, passenger transport and construction services. Education, goods transport and other services show negative growth rates.

On the whole the recorded growth in GST from goods and service has been negligible (0.17 %) which shows the picture of stagnant economy of Kerala in terms of consumption and growth during 2019-20 over 2018-19.

Table 2. Sector-wise state GST revenue - Pre & post covid

No.	Groups (Goods/Services)	Actual Tax			Expected Tax	
		2019-20 (March to August)	2020-21 (March to August)	Growth Rate	2020-21 (March to August)	Growth Rate
1	Building Materials	2143.3(21.3)	1360.8(21.6)	-36.5	1608.5	-24.9
2	Automobile	1558.9(15.5)	749.3(11.9)	-51.9	885.7	-43.1
3	Electrical and Electronics	1215.8(12.1)	839.6(13.3)	-30.9	992.4	-18.3
4	Medicine and Medical products	412.0(4.1)	338.2(5.4)	-17.9	399.8	-2.9
5	Lottery	298.9(3.0)	174.8(2.8)	-41.5	206.7	-30.8
6	Provisions and Grocery Items	323.0(3.2)	267.1(4.2)	-17.2	315.8	-2.2
7	Agriculture,Dairy and Forestry	255.9(2.5)	200.6(3.2)	-21.6	237.1	-7.3
8	Industrial Goods	186.6(1.9)	99.6(1.6)	-46.6	117.7	-36.9
9	Jewellery	219.5(2.2)	130.4(2.1)	-40.5	154.1	-29.7
10	Textile	265.4(2.6)	84.0(1.3)	-68.3	99.3	-62.5

No.	Groups (Goods/Services)	Actual Tax			Expected Tax	
		2019-20 (March to August)	2020-21 (March to August)	Growth Rate	2020-21 (March to August)	Growth Rate
11	Petroleum Products	202.0(2.0)	131.3(2.1)	-35	155.2	-23.2
12	Tobacco	179.8(1.8)	143.7(2.3)	-20	169.8	-5.5
13	Fast Moving Consumer Goods	184.0(1.8)	149.4(2.4)	-18.7	176.6	-3.9
14	House hold Articles	154.6(1.5)	72.4(1.1)	-53.1	85.6	-44.6
15	Footwear	34.8(0.3)	11.7(0.2)	-66.3	13.8	-60.2
16	Other Goods	522.5(5.2)	340.6(5.4)	-34.8	402.7	-22.9
17	Sub-Total	8157.7(80.9)	5094.2(80.8)	-37.5	6021.4	-26.1
Services groups						
18	Financial	458.9(4.6)	359.4(5.7)	-21.6	424.9	-7.4
19	Construction	414.1(4.1)	230.3(3.7)	-44.3	272.3	-34.2
20	Support Services	103.7(1.0)	43.0(0.7)	-58.5	50.8	-50.9
21	Telecom and Data	274.3(2.7)	239.9(3.8)	-12.5	283.6	3.3
22	Accommodation & Food	90.3(0.9)	19.2(0.3)	-78.7	22.7	-74.8
23	Professional	59.6(0.6)	33.4(0.5)	-43.8	39.5	-33.6
24	Passanger Transport	68.(0.7)	11.6(0.2)	-82.9	13.7	-79.8
25	Goods Transport	26.1(0.3)	16.6(0.3)	-36.2	19.6	-24.6
26	Leasing and Rental	54.9(0.5)	12.8(0.2)	-76.6	15.1	-72.4
27	Education	12.4(0.1)	4.1(0.1)	-66.6	4.9	-60.5
28	Entertainment & Sporting	12.6(0.1)	2.0(0.0)	-83.7	2.4	-80.8
29	Others services	346.2(3.4)	240.8(3.8)	-30.4	284.6	-17.7
30	Sub-Total	1922.1(19.1)	1213.7(19.2)	-36.8	1434.6	-25.3
31	Total	10079.9(100)	6307.9(100)	-37.4	7456	-26

Note -1 Figures are Rupees in Crores; Parenthesis shows percentage

Note -2 The figures represent SGST remittances to Kerala by taxpayers in cash and IGST input-tax credits utilised against SGST liability

Note:3 Figures are taken from the taxpayers returns (GSTR3B) on "Related Return period Liability Basis" remitted up to August 2020

Source: Calculated from the State GST Department Data Government of Kerala

GST after the pandemic

GST revenue for the state, which has already been on a downslide, got a major hit with pandemic. Table.2 depicts the sector-wise tax revenue comparison during the six months Covid affected period (March 2020 - August 2020) with the corresponding period in 2019-20. Also, expected tax revenue from the pending returns during these six months period is projected. With the Covid induced lock down and reduced economic activity, deceleration in the tax revenue got further accentuated in all the commodities. The highest decline (more than 50 per cent) was recorded in four commodities groups that included automobile (-51%), textile (-68%), footwear (-66%) and house hold articles (-53.1%). In building materials and

electrical and electronics which are among the commodity groups that are major contributors of tax revenue the decline was substantial 37 per cent and 31 per cent respectively. On the whole the tax revenue from commodities contracted by 38 per cent during the first six months of Covid. Even if we consider the pending payment from those who have not submitted the return during the Covid period, there will be only limited improvement with the estimated growth in GST at -26 per cent.

Similar to commodities, service demand was also affected by Covid. As a result, all the services recorded negative growth rate with six service groups recording negative growth rate more than 50 per cent. Financial and construction, the two major GST contributing service sectors, also recorded substantial decline with recorded negative growth rate being 22 per cent and 44 per cent respectively. On the whole, similar to goods, GST from services also was down by 37 per cent. As a result the GST revenue from service was only Rs.1213 crore during the post Covid period as compared to Rs.1922 crore during the corresponding period in the previous year. Even after accounting for pending payments from those who have not submitted the returns, the revenue is likely to be only around Rs.1434 crore.

On the whole during the Covid period the total GST remitted has been only Rs.6300 crore which accounted for only about 63 per cent of what was remitted during the corresponding period in the previous year.