

Full benefits of GST only from 2020-21: Interim Budget

SURABHI

Mumbai, February 3

The Interim Budget 2019-20 may have kept an ambitious growth target for the Goods and Services Tax for next fiscal, but it doesn't expect benefits from the indirect tax regime to flow in until 2020-21.

"Accrual of the full benefit of GST reforms and revenues is expected to take some more time and, therefore, the stabilisation phase is expected to continue in 2019-20 too," the Budget documents have noted, adding that the full benefits of GST reforms should start accruing from 2020-21 and completely stabilise there-

after to ensure sustainable fiscal path.

Noting that 2018-19 was the first full year of implementation of GST with numerous rate changes, the Budget has said the full potential of the tax system would be realised only after the transition period is over.

"These rate changes have reduced the tax burden on consumers and, in the long run, will lead to improvement in compliance, reduce classification disputes and make GST more equitable," it said, while Finance Minister Piyush Goyal had in the Budget speech pointed out that the GST mop-up in-

creased to over ₹1 lakh crore in January.

The Interim Budget has lowered the target for revenue proceeds from GST by ₹1 lakh crore to ₹7.44 lakh crore to ₹6.44 lakh crore in 2018-19 in the Revised Estimates. For 2019-20, it expects the mop up from GST to increase by 18.2 per cent over the RE to ₹7.61 lakh crore but compared to the BE, the increase is just of 2.3 per cent.

Revenue collection

However, despite the expectation that GST would fully stabilise by 2020-21, the Budget document has said that the revenue collection would be "slightly

muted" from then on. "Whereas direct taxes are expected to show a growth rate of 14.9 per cent and 15.3 per cent, the growth rate in indirect taxes is expected to be slightly muted at 8.4 and 11.1 per cent in the years 2020-21 and 2021-22 respectively," it said, adding that among the indirect taxes, the growth rates of GST are expected to remain roughly at the rate of growth of the economy.

Meanwhile, experts have called the growth projection in GST mop-up for 2019-20 a fairly ambitious one.

"A closer look at the estimate of various tax revenue com-

ponents does not inspire confidence. The GST collection growth in 2019-20 is estimated at 18.2 per cent, whereas the 2018-19 Revised Estimate growth pegs it at 9.1 per cent. This is a tall order," said Devendra Kumar Pant, Chief Economist and Senior Director (Head - Public Finance), India Ratings.

In a research report, Radhika Rao, Economist, DBS Group, has noted that the recent reduction in GST rates, higher thresholds and wider umbrella of tax payers under the composition scheme are also likely to slow collections further in 2019-20.