

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA UNSTARRED QUESTION NO. †358

TO BE ANSWERED ON MONDAY, FEBRUARY 05, 2024 / MAGHA 16, 1945 (Saka)

Elimination of Inequality in Income and Living of Citizens by Implementation of GST

†358. SHRI VIVEK NARAYAN SHEJWALKAR:

Will the Minister of FINANCE be pleased to state:

- (a) whether the objective behind the implementation of GST system was to eliminate inequality in income and the living standards of citizens in various regions;
- (b) if so, whether the said objective has been fulfilled;
- (c) if so, the details thereof and the extent to which progress has been made in this regard;
- (d) whether tax collection in the States has improved as expected in comparison to earlier; and
- (e) if so, the details thereof with the supporting official data?

ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): No Sir. The objective of the Goods and Services Tax (GST) is to harmonise and simplify the indirect tax regime of the country, remove cascading effect of taxes and provide for a common national market for goods and services.

(b) & (c): Does not arise in view of reply to (a) above.

(d) & (e): An internal study was conducted by the Department of Revenue in May 2023, the details of which was published on May 24, 2023 in a leading business daily in an article titled "GST has been a game-changer". Gist of the study is as follows:

(i) The average growth rate of gross overall GST revenues (States plus Centre) for the period 2018-19 to 2022-23 is 12.3 per cent as compared to average nominal GDP growth rate of 9.8 per cent, implying a tax buoyancy of 1.25. In comparison, for the five-year period of 2012-17 (pre-GST period), the buoyancy of taxes which were subsumed in GST (States plus Centre) was only 0.9988.

(ii) During 2018-23, States' SGST revenues (including compensation released to States) witnessed a buoyancy of 1.22. This totals to revenues of ₹37.7 trillion to the States in this period and include post-settlement revenues of over ₹29.2 trillion and compensation of ₹8.5 trillion released during this post-GST five-year period. Even without compensation, State GST revenues have witnessed a buoyancy of 1.15. In comparison, revenue of States from the taxes subsumed in GST witnessed a growth rate of a mere 8.3 per cent in the pre-GST four-year period 2012-16. The GDP growth during said period was 11.5 per cent, signifying a buoyancy of 0.72, way less than 1.
