

Record GST collection but IGST on imports falls 5% on global slowdown

If this trend continues, the decline in IGST might indicate weak Customs duty mop-up in FY24

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The goods and services tax (GST) collection hit a record high in April this year, but muted external demand-induced depressed commodity prices have cast a shadow on the mop-up. This was reflected in the fall of integrated GST (IGST) collections from the import of goods in the month.

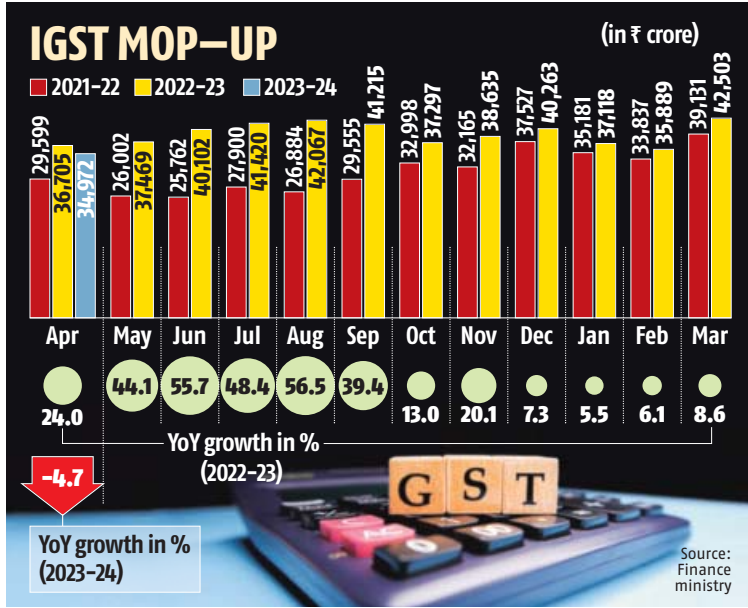
The revenue from this head fell 4.7 per cent at ₹34,772 crore in the first month of 2023-24 over ₹36,705 crore in the same month the previous year.

The fall in IGST from imports can be attributed to a decline in the inbound shipments of goods in March. Merchandise imports declined by almost eight per cent at \$58.11 billion in March.

It should be noted that the April GST collections reflect the economic activities of March.

For instance, prices for Indian basket of crude oil fell by 30.4 per cent to \$78.54 a barrel in March, 2023 from \$112.87 a year ago. As such, crude and products imports fell almost 24 per cent at \$16.1 billion in March, 2023 year-on-year.

The effect of depressed commodity prices was palpable since IGST on domestic transactions grew by 19.8 per cent at ₹54,186 crore in April. IGST



declining in dollar terms since December 2022. The decline was more in February at 8.19 per cent than in March (7.89 per cent). Even as IGST on imports did not decline from December to March 2022-23, its growth slipped to single digits from double digits in earlier months. This was because imports did not fall in those months and because of the low base effect of the initial months of the previous year, which was marked by the second wave of Covid.

The decline in IGST in April might be an indication of weak customs duty collections in the current financial year, if the trend continues.

“Lower commodity prices are likely to moderate merchandise imports, IGST on imports as well as customs duty to some extent,” ICRA Chief Economist Aditi Nayar said.

The Budget has projected an 11 per cent rise in customs duty collections at ₹2.3 trillion in FY24 over the revised estimates of Rs 2.1 trillion in the previous year.

The GST collections in April 2023 were highest at ₹1.87 trillion.

However, barring the Covid-induced lockdown period of 2020-21, GST collections have always registered a record high every April — right from the time GST was introduced in July 2017.

is levied on inter-state domestic transactions.

However, low commodity prices could not lead to a decline in cess on the import of goods.

It rose slightly over five per cent at ₹901 crore in April. It was ₹857 crore a year ago. Cess is imposed over the peak rate of 28 per cent on aerated drinks, and sin goods such as ciga-

rettes, automobiles etc. Since it is imposed on specific items, collection from it is meagre.

Cess on import of goods, in fact, declined a little over two per cent at ₹960 crore in March.

However, it was for the first time in a year, at least, that IGST on imports declined in any month.

Merchandise imports have been

Source: Finance ministry