

# GST mop-up rises over 12.5% to ₹1.68 trn, car sales remain strong

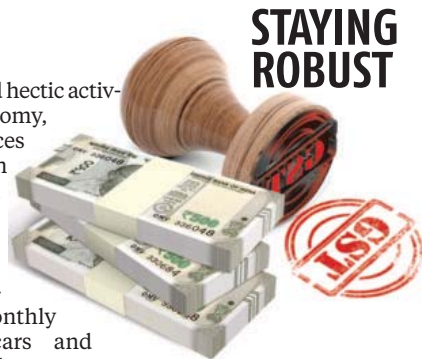
INDIVJAL DHASMANA

New Delhi, 1 March

Highlighting continued hectic activity in the Indian economy, gross goods and services tax (GST) collection grew 12.54 per cent year-on-year to ₹1.68 trillion in February. Positive consumer sentiment was also palpable through the monthly sales figures for cars and two-wheelers as both segments witnessed an annual uptick.

Car sales in the wholesale market last month stood at 373,177 units, up 11 per cent Y-o-Y and were the highest for the second month of any calendar year and the third highest ever.

The manufacturing sector, too, gathered momentum in February on the back of expansion in new export orders and easing of pricing pressures. The headline Purchasing Managers Index (PMI) climbed to a five-month high of 56.9 against 56.5 in January, the survey released by HSBC on Friday showed.

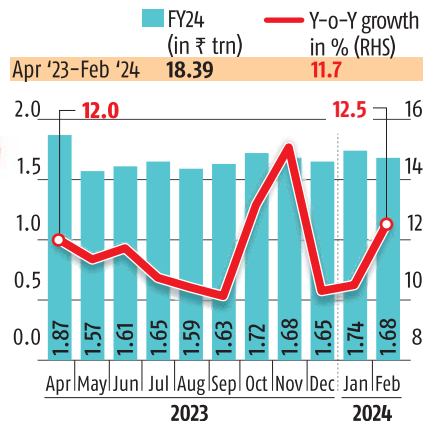


**STAYING ROBUST**

## GST mop-up net of refund

	2023-24 (in ₹ trn)	Y-o-Y growth in %
Feb	1.51	13.6
Apr '23-Feb '24	16.36	13.0

## GST collection before refund



Figures are rounded off

Source: Finance Ministry

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▶ SUVs POWER BEST EVER CAR SALES FOR FEBRUARY

to the favourable news flow. The markets are unlikely to sustain this and may return to consolidating or gradually correcting. I don't think there is enough steam for a rally to sustain from here," said U R Bhat, co-founder of Alphaniti Fintech.

Market breadth was favourable, with 2,366 stocks advancing and 1,489 declining. Barring four, all Sensex stocks gained.

Overseas investors bought shares worth ₹129 crore, while domestic investors pumped in ₹3,814 crore, according to the provisional data.

## GST mop-up...

But after hitting record highs in January, unified payment interface (UPI) transactions witnessed a marginal dip in both value and volume terms last month. They fell 0.7 per cent and 0.8 per cent respectively, compared to January. In value terms, transactions were seen at ₹18.28 trillion, while in volume terms, they were at 12.10 billion.

Continuing the robust tax collection trend, net GST revenue (after refunds) rose 13.6 per cent Y-o-Y to ₹1.51 trillion in February. The net GST revenue for the first 11 months of FY24 now stands at ₹16.36 trillion, up 13 per cent Y-o-Y. On a gross basis, this number stands at ₹18.39 trillion, up 11.7 per cent over the past year.

However, gross GST receipts (before refunds) last month moderated compared to the ₹1.74 trillion mop-up in January. This month-on-month decline was largely due to February having two fewer days than January.

Barring May and August 2023, monthly gross GST collection has been over ₹1.6 trillion during FY24, so far. The average monthly gross GST mop-up now stands at ₹1.67 trillion during 11MFY24, exceeding the ₹1.5 trillion average collection in the previous year's corresponding period.

Gross GST growth last month was driven by a 13.9 per cent

increase in collections from domestic transactions and an 8.5 per cent jump from import of goods.

"Overall, the GST revenue figures demonstrate continued growth momentum and positive performance," the finance ministry said in a statement.

Robust net indirect taxes (net of subsidies) played a crucial role in pushing up the projected gross domestic product (GDP) growth figure to 7.6 per cent for FY24 in the second advance estimates, against 7.3 per cent in the first advance estimates.

After the settlement of the integrated GST (IGST), ₹73,641 crore came to the central kitty and ₹75,569 crore entered to state coffers.

Amit Maheshwari, tax partner at AKM Global, attributed the robust GST collection in February to economic growth, enhanced compliance measures, a broadened tax base, potential adjustments in GST rates, sectoral expansion, improved data analytics, and significant recoveries by the authorities.

Abhishek Jain, partner at KPMG, said healthy GST collections have added to the cheer of 8.4 per cent GDP growth in the third quarter of FY24.

However, Bihar and Jharkhand witnessed a decline in GST collection by 1 per cent each Y-o-Y at ₹1,491 crore and ₹2,933 crore, respectively, in February.

After IGST settlement, Manipur, Dadra and Nagar Haveli, Daman and Diu recorded a fall in GST collections during April-February this financial year.

Uttar Pradesh, Arunachal Pradesh, Assam, Odisha, Chhattisgarh, Madhya Pradesh, Goa, and Union Territories of Lakshadweep, Puducherry, and Ladakh registered at least 15 per cent rise in GST collections after IGST settlement during the first 11 months of the current financial year.

Saurabh Agarwal, tax partner at EY, said the rise in GST mop-up

from relatively small states and Union Territories such as Assam and Ladakh suggests that economic growth is becoming widespread and inclusive across the country.

## RBI likely to...

This limit was last revised on April 7, 2021, from ₹1 lakh set at the time of licensing these entities in 2014. More significantly, they have also demanded that they be allowed to lend to the microfinance sector with the loan amount being appropriately capped to help them diversify their income streams. If this last aspect is conceded, it will be a major departure from the licensing framework: PBs are to invest their funds only in government securities (G-Secs).

There is another detail playing in the background. While PBs can apply for an SFB licence five years after rolling out operations, so far, only FINO Payments Bank has made the effort. However, it will be interesting to see the regulatory treatment if Airtel Payments Bank and Jio Payments Bank were to enter the SFB fray, as this will test Mint Road's stance on the entry of corporate houses into banking (even if it is into SFBs via conversion from PBs). Corporates are not allowed into SFBs as fresh applicants. It must be remembered that the licensing of PBs preceded that of SFBs.

Back in 2014, around 40 applicants queued up at Mint Road for a PB licence. These included Reliance Industries (with the State Bank of India), Aditya Birla Group (Idea), Bharti Airtel, and Vodafone, plus business correspondents (BCs) like Oxigen. A retailer, Future Group, was also in the fray. Combined with the 70-odd who had sought an SFB licence (full-service, but to service very small ticket sizes), bottom-of-the-pyramid banking was seen as a lucrative business.

The idea of a PB is unique to India, even though Brazil (Law 12865) had created a new legal entity

