

Decreasing inbound shipments cast a shadow on IGST and cess on imports

Imports were the only exception in the otherwise strong GST numbers in Q1 of FY24

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New Delhi, 3 July

The integrated goods and services tax (IGST) and cess on imports fell in June year-on-year. This was in contrast to the robust overall collections from GST in June. The reason was falling commodity prices and the government's policy to substitute imports.

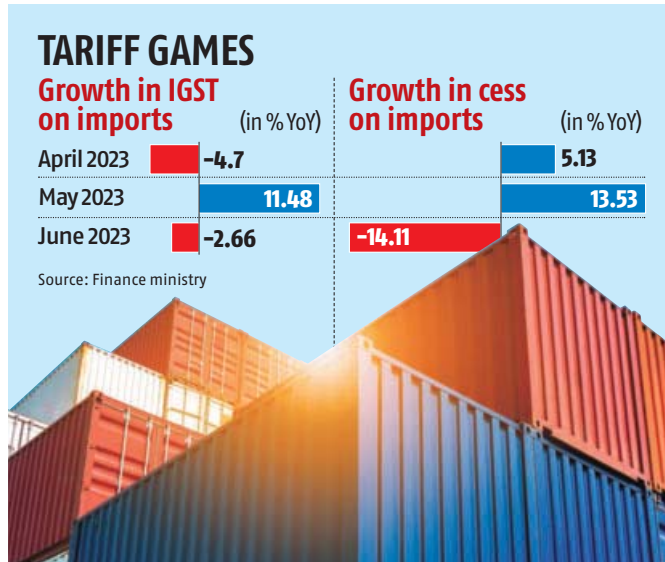
IGST on imports fell by 2.66 per cent to ₹39,035 crore in June this year compared to ₹40,102 crore in June 2022.

Cess on imports, imposed on goods such as cigarettes, automobiles, paan masala and tobacco, does not yield much.

Collections from this category fell by 14.11 per cent to ₹1,028 crore in June this year over ₹1,197 crore in the year-ago period.

The June figures are primarily transactions in the month of May. Goods and services imports fell by 7.44 per cent in May this year to \$70.64 billion against \$76.32 billion a year ago.

Collections from IGST on imports had fallen in April too, but recovered the next month. These receipts declined 4.7 per cent to ₹34,972 crore in April this year compared to ₹36,705 crore in April, 2022. However, IGST on imports rose 11.48 per cent to ₹41,772 crore in May this year over



₹37,469 crore in the year-ago period.

The cess on imports, however, rose in both April and May. It rose 5.13 per cent to ₹901 crore in April compared to ₹857 crore in the year-ago period. It increased further by 13.53 per cent to ₹1,057 crore in May this year over ₹931 crore in May, 2022.

Merchandise and services import fell 7.98 per cent at \$72.18 billion in March, and 7.92 per cent at \$66.40 billion in April, 2023

year-on-year.

Imports were the only exception in the otherwise strong GST numbers in the first three months of the current financial year. In fact, overall IGST, including domestic transactions and imports, rose 8.81 per cent at ₹89,158 crore in April, 10.93 per cent at ₹81,363 crore in May and 5.80 per cent at ₹80,292 crore in June. Cess, including on imports and domestic transactions, was up 12.92 per cent at ₹12,025 crore

in April, 9.40 per cent at ₹11,489 crore in May and 8 per cent at ₹11,900 crore in June.

GST cess was used to compensate those states that could not register 14 per cent growth in the collections on the base of 2015-16. July onwards, this cess would not be used to compensate states but to service the borrowings done to provide funds to the states when the revenues suffered during the Covid year of 2020-21.

Overall, GST collections continued to surpass ₹1.55 trillion for the fourth month in a row in June as the indirect tax system completed six years. The collections were nearly 12 per cent higher at ₹1.61 trillion compared to ₹1.45 trillion in June 2022. At ₹5.05 trillion, the total collections in the first quarter of the current financial year represented an 11.48 per cent increase over ₹4.53 trillion GST receipts in the first three months of the previous financial year. The average monthly collections stood at ₹1.68 trillion during April-June, FY24, higher by 11.26 per cent over ₹1.51 trillion in the corresponding period of the previous year.

Finance Minister Nirmala Sitharaman has said that GST has brought relief to the common citizen and helped increase the Centre and states' revenues.

