

# GST has fetched States 24% more than old tax regime: FM

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States have received nearly 24 per cent more revenue thanks to the Goods and Services Tax (GST) in the last six years than what they would have under the earlier value added tax/sales tax system, said Finance Minister Nirmala Sitharaman.

“Without GST, States’ revenue from subsumed taxes from FY19 to 2023-24 would have been ₹37.5-lakh crore. With GST, States’ actual revenue amounted to ₹46.56-lakh crore,” she said on a social media post.

She underlined two major milestones — First, collection from GST exceeding ₹2-lakh crore in April. Second, the setting in motion of the formation of the GST Appellate Tribunal, with the appoint-

ment of retired judge Sanjaya Kumar Mishra as president.

The government introduced the GST regime on July 1, 2017, by subsuming 17 taxes and 13 cesses administered by the Centre and States/Union Territories with legislature.

Sitharaman said GST has improved tax buoyancy from 0.72 (pre-GST) to 1.22 (2018-23). Compensation has ended, but State revenues remain buoyant at 1.15.

“Despite the GST rate being less than the prescribed Revenue Neutral Rate and Covid-19 affecting the revenues, GST collections (as a percentage of GDP) have now reached the levels they were before GST (both net and gross),” she said.

#### REPLY TO EX-CEA

This remark appears to be in response to former Chief Eco-



Nirmala Sitharaman,  
Finance Minister

nomic Advisor Arvind Subramanian’s assertion earlier this month that the April GST number (₹2.1-lakh crore.) is a record, but the focus must be on revenues, net of refunds, not on headline collections. “Despite recovery from the pandemic & better implementation, GST revenue for FY24 @ 6.1 per cent of GDP has still (after 7 years) not sur-

passed pre-GST level,” he had written in a social media post.

The Finance Minister said that she has ensured all States are equally heard without bias.

“It is a myth that all GST collections are pocketed by the Centre. GST contributes significantly to State revenues — States receive 100 per cent of SGST collected in that State, approximately 50 per cent of IGST (that is, on inter-State trade). A significant portion of CGST, that is, 42 per cent, devolves to States based on the Finance Commission’s recommendations,” she explained.

#### FALLING RATE

The Minister also highlighted that the effective weighted average GST rate has consistently fallen since 2017. The Revenue Neutral Rate suggested was 15.3 per cent but was

lower at 14.4 per cent in 2017, and down to 11.6 per cent in 2019. GST has lowered taxes on many essential items compared to pre-GST rates. Common items such as hair oil and soaps saw tax cut to 18 per cent from 28 per cent. Electrical appliances are now taxed at 12 per cent versus 31.5 per cent earlier. Movie tickets too are taxed at a lower rate.

Taking note of the number of registered GST assessee rising to over 1.4 crore from 65 lakh during pre-GST regime, Sitharaman said this has happened despite the turnover threshold for registration being raised to ₹40 lakh for goods and ₹20 lakh for services (from ₹5 lakh on average under VAT). The GST regime has also reduced the number of submissions (challan, forms, declarations, etc) from 495 to just 12.