

## Chapter II : Revenue and return filing trends

This chapter deals with the analysis of GST revenue of the Government of India, accounting of IGST and the return filing trends.

### 2.1 Revenue trend

#### 2.1.1 Overall resources of Government of India

Tax revenue of the Union Government consisted of revenue receipts from Direct and Indirect Taxes. In the pre GST regime, Indirect Taxes comprised of Central Excise, Service Tax and Customs duties. After the implementation of GST, service tax and duties of Central Excise other than Petroleum products have been replaced with GST. Central Excise was continued to be levied on petroleum products and tobacco has been subjected to GST as well as Central Excise. The overall tax revenue of the Union Government for 2016-17 and 2017-18 has been given in table No.2 below :-

**Table No. 2 : Resources of the Government of India**

(₹ in crore)

<b>Tax component</b>	<b>2016-17 (Pre GST)</b>	<b>2017-18 (Post GST)</b>
A. Total Revenue Receipts	22,23,988	23,64,148
<i>i. Direct Tax Receipts</i>	8,49,801	10,02,738
<i>ii. Indirect Tax Receipts including other taxes</i>	8,66,167	9,16,445
<i>iii. Non-Tax Receipts</i>	5,06,721	4,41,383
<i>iv. Grants-in-aid &amp; contributions</i>	1,299	3,582
B. Miscellaneous Capital Receipts	47,743	1,00,049
C. Recovery of Loans and Advances	40,971	70,639
D. Public Debt Receipts	61,34,137	65,54,002
<b>Receipts of Government of India (A+B+C+D)</b>	<b>84,46,839</b>	<b>90,88,838</b>

Source: Union Finance Accounts of respective years.

The overall receipts of the Union Government increased by ₹ 6,41,999 crores in 2017-18 over 2016-17. The share of Indirect taxes in total revenue receipts remained almost constant, accounting for 38.76 per cent in 2017-18, as compared to 38.95 per cent in 2016-17. The Indirect taxes registered a growth of 5.80 per cent in 2017-18 over 2016-17, while this growth rate was 21.33 per cent during 2016-17. The details of GST revenue have been discussed in succeeding paras :-

### 2.1.2 GST revenue of Government of India : Budget estimate vs actual receipts

The table No.3 below depicts a comparison of the Budget Estimates and the corresponding actuals for GST receipts.

**Table No.3 : Budget, Revised estimates and Actual receipts (GST)**

(₹ in crore)

Year	Budget Estimates (BE)			Revised Estimates (RE)			Actual		
	CGST	IGST	Cess	CGST	IGST	Cess	CGST	IGST	Cess
2017-18	No BE. Only RE.			2,21,400	1,61,900	61,331	2,03,261	1,76,688*	62,612
2018-19	6,03,900	50,000	90,000	5,03,900	50,000	90,000	4,57,535#	28,947#	95081#

Source: Union Finance Accounts and receipt budget documents of respective years.

\* ₹ 67,998 crore assigned to the States and balance ₹ 1,08,690 crore retained by the Centre

# March 2019 provisional figures as available on CGA website.

As could be seen from table 3 above, the CGST revenue was short of the estimates and the provisional figures of 2018-19 also indicate that CGST revenue did not meet the target of RE which is reduced by One lakh crore rupees as compared to original BE of CGST. The details of IGST are discussed in succeeding para.

### 2.1.3 Accounting and treatment of IGST

IGST, a levy on inter-state supplies and import / export of goods and services, is levied and collected by the Government of India and apportioned between the Union and the States as prescribed in the IGST Act. IGST is initially collected under Major Head 0008 in Consolidated Fund of India and then once taxpayer uses this as ITC to pay CGST / SGST / UTGST on further supply (here in after referred to as ITC cross utilisation), the amount is transferred from IGST to relevant head of account viz. CGST / UTGST under CFI or to SGST head of State Government concerned. Also, when ITC of IGST is rendered ineligible for further utilisation for any reason or gets lapsed (breaking the ITC chain), the same shall be apportioned between the Union and the States. The ITC Cross utilisation and apportionment amounts are arrived at every month using an algorithm that runs on GST portal based on returns filed.

As per the accounting procedure for IGST, the collections under IGST are to be booked under Major Head 0008 which has Sub Major Heads '01' for booking IGST on Import / Export of Goods and Services and '02' for IGST on Domestic Supply of goods and services. Minor heads are also available under these heads to capture ITC Cross utilisation as well as apportionment of IGST to CGST, SGST and UTGST separately.

The gist of entries booked under the Major Head 0008 IGST in the Finance Accounts of the Union Government for the year 2017-18 is given in table No.4 below :-

**Table No.4 : Bookings under Major Head 0008- IGST**

(₹ in crore)			
Description	0008-01 IGST on Import / Export of Goods and Services	0008-02 IGST on Domestic Supply of goods and services	Total
Collection during the year	2,02,141	1,80,485	<b>3,82,626</b>
ITC Cross utilization	Nil	(-)1,45,350	<b>(-)1,45,350*</b>
Apportionment of IGST	Nil	(-)25,587	<b>(-)25,587*</b>
<b>Balance after settlement and apportionment</b>	2,02,141	9,547	<b>2,11,688</b>
Advance apportionment	Nil	(-)35,000	<b>(-) 35,000</b>
Balance after advance apportionment	2,02,141	(-) 25,453	<b>1,76,688</b>
Share assigned to the States (Devolution)	(-) 67,998	Nil	<b>(-)67,998</b>
	1,34,143	(-)25,453	<b>1,08,690</b>

\*Correctness of IGST settlement and apportionment are subject to the inaccuracies and deficiencies in IGST settlement / apportionment algorithm, identified as part of findings of IT audit of GSTN, have been reported in Chapter III of this report.

As could be seen from table No.4, against a collection of ₹ 1,80,485 crore under Sub Major Head 02 (IGST on Domestic Supply of goods and services), ₹ 1,45,350 crore was transferred out of IGST on account of ITC cross utilisation and ₹ 25,587 on account of apportionment, leaving a balance of ₹ 9,547 crore after these adjustments.

No adjustments on account of apportionment or ITC Cross utilisation were made from the sub major head 01 (IGST on Import / Export of Goods and Services), though an amount of ₹ 2,02,141 crore was collected during the year. The deficiencies in IGST algorithm on account of non-utilisation of data of imports and refunds have been commented upon as part of our observations on IT audit of GSTN (**Part C of Chapter III of this report refers**).

Owing to the huge unsettled balance in IGST, the GST Council in its 25<sup>th</sup> meeting held in January 2018 recommended advance settlement of ₹ 35,000 crore to the Centre and the States on provisional basis. This advance

settlement was done taking the 2015-16 revenue of the States from the taxes subsumed into GST as the basis and was proposed to be adjusted in ten equal instalments against regular settlement due to the States in 2018-19.

After this advance settlement, there was a balance of ₹ 1,76,688 crore left in IGST at the end of the year. Gol has devolved ₹ 67,998 crore under IGST to the States/UTs adopting Finance commission formula for devolution of central taxes. ***Devolution of IGST is in contravention of the provisions of Constitution of India as Article 270 (1) of the Constitution excludes duties levied under Article 269 (A) (i.e. IGST) from list of taxes and duties to be distributed between the Union and the States.*** When the Ministry sent the accounting procedure for IGST to CAG for approval, the procedure for advance apportionment of IGST to the Centre and the States, as recommended by the GST council was agreed to by the CAG. But the procedure for devolution was not agreed to by the CAG stating that devolution of IGST was against the provisions of Constitution of India.

Further, devolution of funds using Finance Commission formula also has the impact of distribution of IGST funds among the States in a manner quite different from the ratio in which funds would have gone to the States in normal course as ITC cross utilisation or apportionment is based on Place of Supply concept.

When we pointed this out (April 2019) the Ministry of Finance intimated (May 2019) that in 2017-18 devolution of IGST was done, pending finalisation of accounting procedure for accounting of IGST balance, after taking formal opinion from Department of Legal Affairs, Ministry of Law and Justice. It further stated that Section 49 (5) of the CGST Act has been amended (August 2018), which provided that the ITC of IGST to be utilised first and then only to utilise ITC of CGST and SGST to pay CGST/SGST. This was done to ensure faster settlement of IGST. Ministry further stated that during 2018-19, the balance IGST has not been devolved as was done in 2017-18 and IGST balance available after regular settlement and refund is being apportioned provisionally.

The reply of the Ministry is silent on the aspect of corrective action taken by it for setting right the IGST amount devolved during the year 2017-18. Steps like amendment of Section 49 (5) of IGST Act providing for faster utilisation of IGST and provisional settlement of IGST balance during 2018-19 will only impact the settlement of IGST from 2018-19 onwards. The reply of the Ministry was also silent on the aspect of impact on state revenues due to adoption of Finance Commission formula for distribution of IGST balance.

It would be pertinent to mention here that in CAG's report on Account of the Union Government (Report No.2 of 2019), tabled in Parliament on 12

February 2019, it was advised that GoI needed to account for its share correctly and devolution should take place from Central share only and that the remaining 50 per cent should be apportioned to the States as per IGST Act. In view of this, the States' share of IGST should be accounted for properly, duly booking the subsequent adjustments as the Centre's expenditure.

#### 2.1.4 Comparison of indirect tax revenue on goods and services

To compare the indirect tax collections of GoI pre and post GST on goods and services, as shown in table No.5 given below, we considered revenues pertaining to all the components of central taxes subsumed into GST Viz.

- For 2016-17 : Subsumed components of Central Excise, Service tax and Customs duties of CVD and SAD of 2016-17 and
- For 2017-18 : CGST, UTGST and the Centre's share in year-end IGST balance for 2017-18 besides the subsumed taxes collected in the first quarter of 2017-18 as well as collection of arrears relating to the subsumed taxes during the remaining period of 2017-18. The IGST balance is the share retained by the Centre after devolution to the States.

GST revenue for March was due in April, while March revenue was payable in March itself in case of Central Excise and Service Tax. Hence for a reasonable comparison of revenue growth of indirect taxes, we considered the Centre's March 2018 GST revenue collected in April 2018 also as shown in column 4 of table No.5 given below: -

**Table No.5 : Comparison of indirect tax revenue on goods and services**

(₹ in crore)

Tax components	Year		
	2016-17	2017-18	2017-18*
Central Excise on Goods other than Petroleum and Tobacco	1,16,901	9,034	9,034
Service Tax	2,54,499	81,229	81,229
Central GST Taxes (CGST and UTGST)	0	2,04,896	2,37,075
IGST**	0	1,08,690	1,08,690
CVD and SAD of Customs	1,51,927	43,092	43,092
Central Sales Tax	495	102	102
<b>Subsumed items revenue</b>	<b>5,23,822</b>	<b>4,47,043</b>	<b>4,79,222</b>
Revenue difference for GST subsumed items in 17-18 over 18-19		-76,779	-44,600
Revenue difference for GST subsumed items in 17-18 over 18-19 (per cent)		-15	-10

\* Including March 2018 GST collected in April 2018

\*\* year-end balance retained by the Centre, as explained in para 1.7.4

As can be seen from the table above, post implementation of GST, the revenue on goods and services (excluding central excise on Petroleum and Tobacco) registered a decline of 15 per cent in 2017-18 as compared to revenue of subsumed taxes in 2016-17. Even after considering the March 2018 revenue of CGST collected in April 2018, the decline in revenue has been to the extent of 10 per cent. Reasons for such decline in revenue, if analysed and any action taken based on such analysis were called for from the Ministry and the reply was awaited.

### **2.1.5 Short Transfer of Compensation Cess to Public Account**

As per the provisions of Article 266 of the Constitution of India, the GST Compensation Act and the accounting procedure for Compensation Cess as agreed to by the CAG of India, the compensation cess should be transferred to the Public Account. However, from the Finance Accounts 2017-18, it was noticed that there was a short transfer of ₹ 6,466 crore of Compensation Cess to the Public Account. It was further noticed that as per the agreed accounting procedure, GST Compensation Cess should be transferred to the Public Account by debiting major head 2047-Other fiscal services, Minor Head 797-Transfer to reserve fund. However, as per the Finance Accounts 2017-18, no such entry was found in the major head 2047.

The reasons for the same were called for (February 2019) from the Ministry and their reply was awaited.

### **2.1.6 Transition Credit, Refunds and Cost of collection**

*The Statistics on (a) Transitional credits, (b) Refunds claimed by taxpayers, processed and pending and (c) Cost of collection have not been provided by the Ministry. Hence we could not analyse the same and include in this report.*

## **2.2 GST Registrations**

### **2.2.1 Pan-India GST Registrations**

The category-wise registrations under GST have been given in table No.6 below :-

**Table No.6 : Details of registrations**

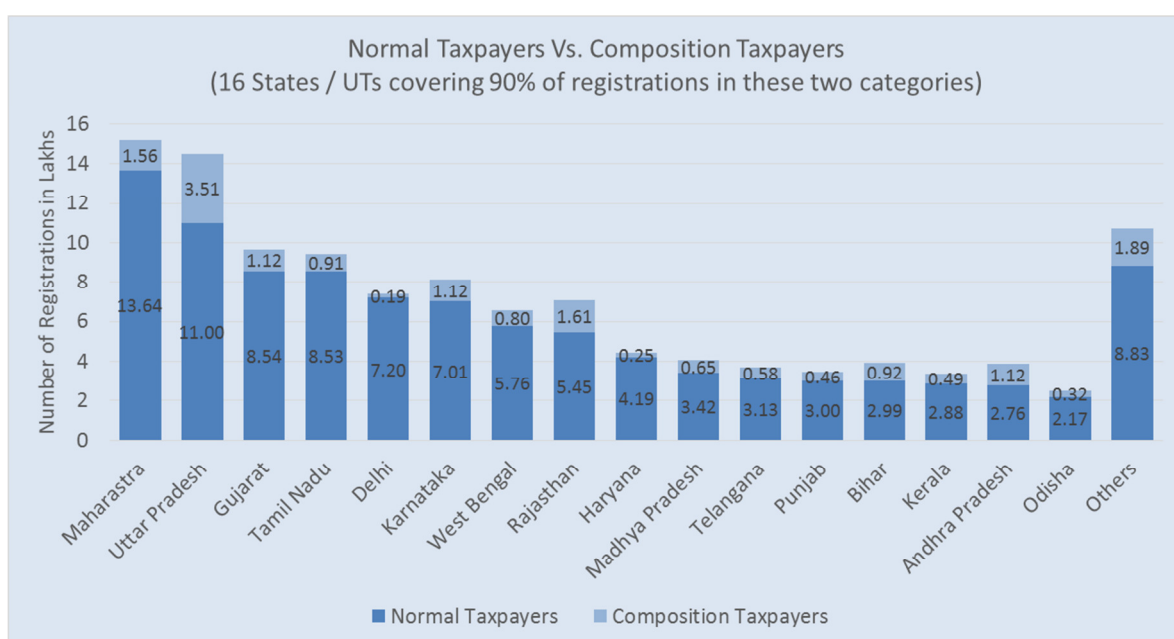
Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	1,00,49,983	84.05
Composition taxpayers	17,48,885	14.63
Tax Deductors at Source	1,40,930	1.18
Tax Collectors at Source	5,500	0.05
Input Service Distributors	8,885	0.06
Others (Casual, NRTP, OIDAR)	1,741	0.01
<b>Total Registrants</b>	<b>1,19,55,924</b>	

Source: GSTN Daily summary reports

The total registrations under GST as on 28 February 2019 were 1.20 crore, of which normal taxpayers accounted for 84.05 per cent and composition taxpayers were around 14.63 per cent. Of the total registrations, 59,74,885 were migrated from pre-GST regime, accounting for around 50 per cent, while balance were new registrations.

The following chart No. 5 depicts the distribution of normal taxpayers and composition taxpayers across the top 16 States/Union Territories (UTs), constituting 90 per cent registration under these two categories: -

**Chart No.5 : Normal Vs. Composition taxpayers**



Source: Statistical data obtained through GSTN reports as on 28 February 2019

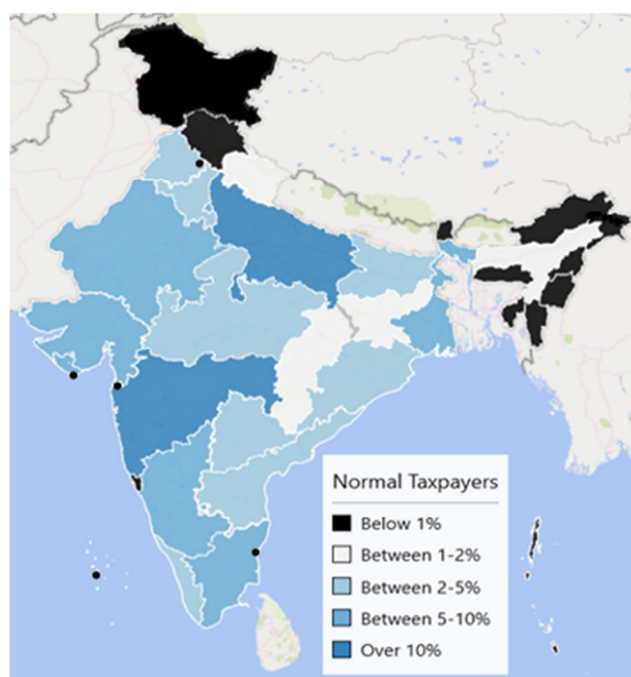


### 2.2.2 Distribution of normal taxpayers

The distribution of normal taxpayers across India as on 28 February 2019 has been depicted in the pictorial graph No.1 (statistical information in **Appendix-III**).

In normal taxpayers category, Maharashtra and Uttar Pradesh were among the top States falling in more than 10 per cent category and together these two States accounted for 24.51 per cent of total normal taxpayer registrations in the country. Sixteen States/UTs were in less than one per cent registrations category.

Graph No.1 : Distribution of normal taxpayers



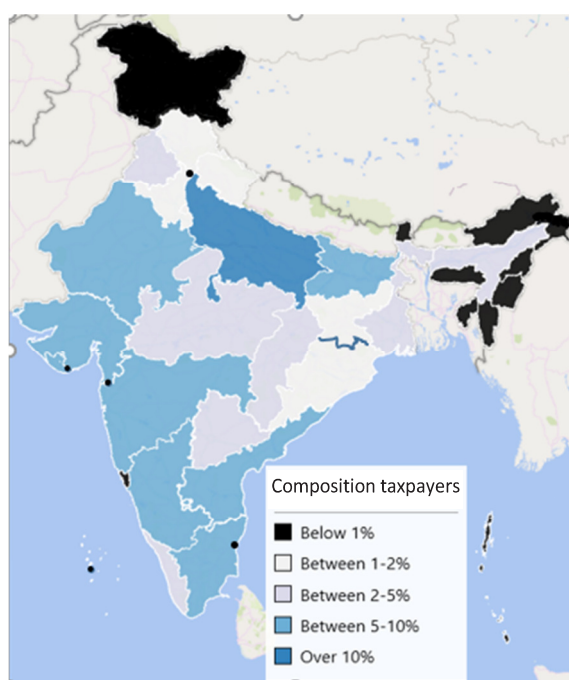
Source: Statistical data obtained through GSTN reports as on 28 February 2019

### 2.2.3 Distribution of Composition taxpayers

The distribution of taxpayers, who opted for composition levy, across India as on 28 February 2019 has been depicted in the pictorial graph No.2 (statistical information in **Appendix-III**).

Uttar Pradesh accounted for 20 per cent of the total composition taxpayers, followed by Rajasthan (9.2 per cent) and Maharashtra (8.9 per cent). Fifteen States/UTs figured in less than one per cent category.

Graph No.2 : Distribution of Composition taxpayers



Source: Statistical data obtained through GSTN reports as on 28 February 2019



## 2.3 GST Return filing pattern

### 2.3.1 Filing pattern of GSTR-1 and 3B

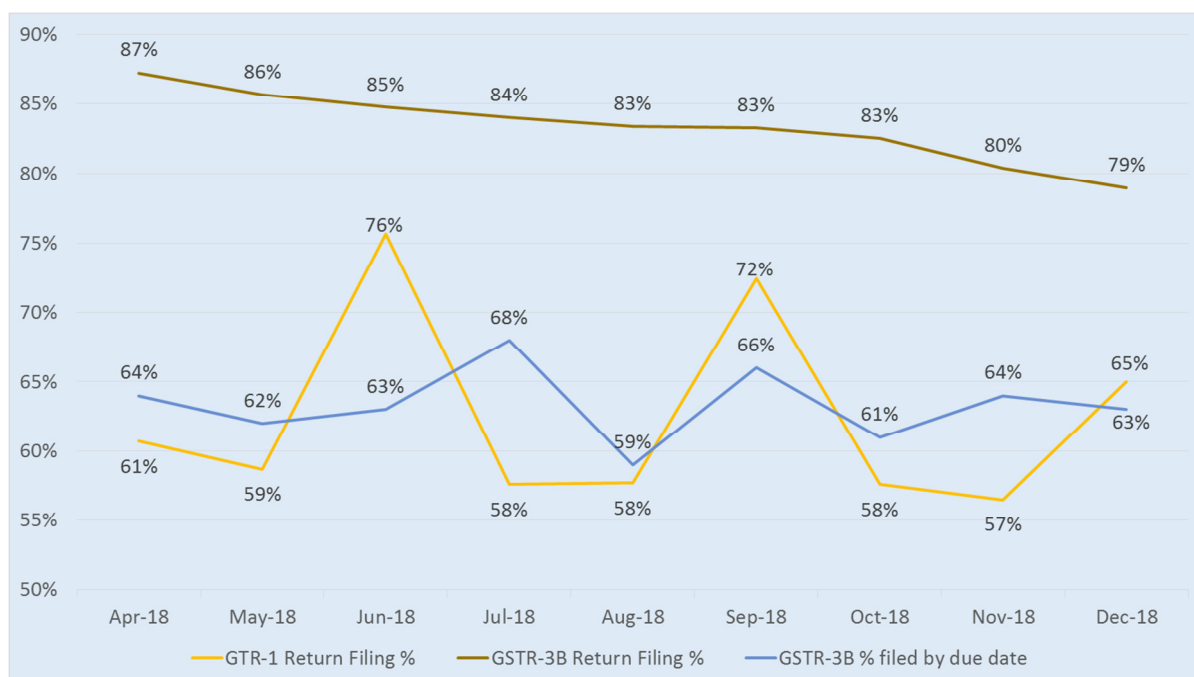
The trends of filing of GSTR-1 and 3B as on 28 February 2019 for the period from April 2018 to December 2018, as compiled from the summary reports shared by GSTN, have been depicted in table No.7 :-

**Table No.7 :- Filing pattern of GSTR-1 and 3B**

Return Type	GSTR-1			GSTR-3B				
Months	Due for filing	Returns filed	Return filing per cent	Due for filing	Returns filed as on 28 Feb 2019	Return filing per cent	Returns filed by due date	Per cent filed by due date
April'18	44,96,316	27,28,772	61	88,17,798	76,94,460	87	56,38,813	64
May'18	46,82,345	27,48,617	59	91,22,309	78,18,233	86	56,18,925	62
June'18	93,16,710	70,48,521	76	93,16,710	78,97,701	85	58,39,034	63
July'18	47,75,626	27,50,521	58	94,70,282	79,57,565	84	64,39,259	68
Aug '18	47,26,891	27,28,177	58	96,15,273	80,14,906	83	57,02,349	59
Sep '18	96,57,239	69,98,553	72	96,57,239	80,41,279	83	64,19,403	66
Oct '18	46,09,444	26,53,997	58	97,57,664	80,52,558	83	59,28,822	61
Nov '18	45,72,118	25,83,371	57	98,46,645	79,13,241	80	63,36,787	64
Dec '18	99,01,997	64,36,328	65	99,01,997	78,18,108	79	62,49,078	63

The filing of GSTR-3B for April 2018 was 87 per cent while the filing per cent for December 2018 was only 79 per cent. It was noticed that GSTR-3B returns were being filed within the due date on an average by 63 per cent taxpayers and 20 per cent filed the returns after due date. GSTR-3B returns filed by the due date remained at a low per cent ranging from 59 per cent to 68 per cent during April to December 2018. Thus, while it was expected that compliance would improve as the system would stabilize with passage of time, it was seen that there was no improvement in filing of GSTR-3B by due date.

**Chart No.6: Filing of GSTR-1 and 3B for April to December 2018**



Source: Statistical data obtained through GSTN reports as on 28 February 2019

- The filing percentages of GSTR-1 returns were throughout less in comparison to the corresponding filing of GSTR-3B returns during the period April 2018 to December 2018. The introduction of GSTR-3B resulted in filing of returns with ITC claims which could not be verified and it appears to have disincentivised filing of even GSTR-1.
- With the changes made to returns mechanism, GSTR-1 has been the only return which would provide invoice level details. Further, GSTR-1 contains GSTIN-wise details of supplies made and hence by collating details from across various GSTR-1 returns, it would be possible to prepare a profile of taxpayers which could be used to identify liable businesses not registered under GST or those under-reporting their turnover.

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*GSTR-3B being only a summary return, short-filing of GSTR-1 implied that the tax departments did not have complete invoice level details as filed by the suppliers, which could be used to verify details given in GSTR-3B or to arrive at turnover. Since filing of GSTR-1 is mandatory, short-filing is an area of concern and needs to be addressed.*

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- Interestingly, GSTR-1 filing percentage at the end of each quarter was higher than the monthly filing per cent. As could be seen from table No.7 against 45 lakh and 47 lakh taxpayers due to file GSTR-1 for April and May 2018 respectively, only 27 lakh taxpayers filed these returns. But for the

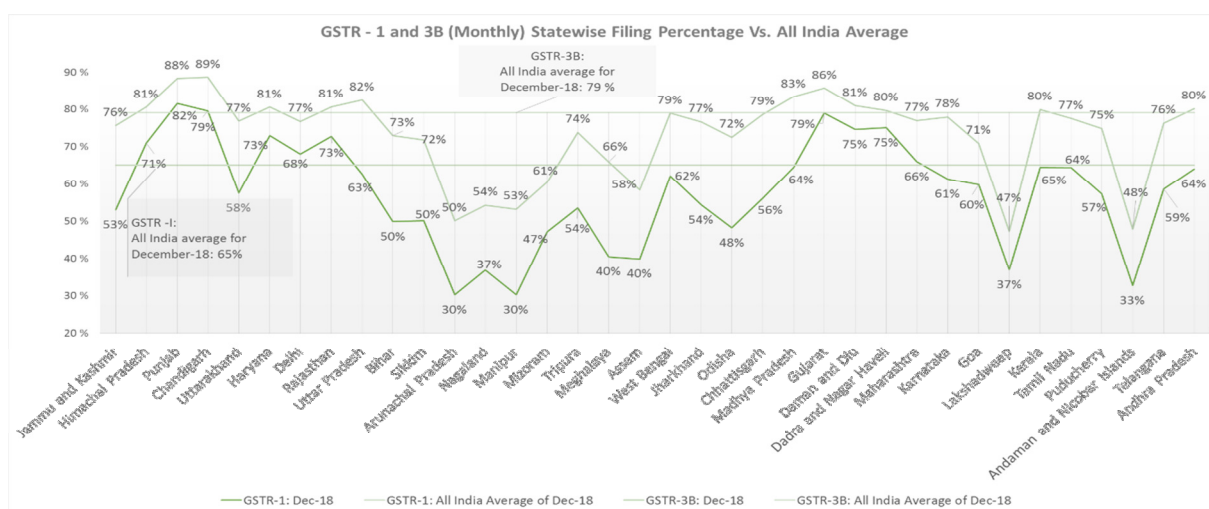
month of June in which taxpayers with turnover below ₹ 1.5 crore were also due to file returns (i.e. quarterly returns), the total taxpayers due to file GSTR-1 increased to 93 lakhs against which GSTR-1 was filed by 70 lakh people. Similar trend could be seen in the next two quarters also.

*Quarterly hike in filing rates of GSTR-1 might happen either due to (i) small players being better compliant to filing GSTR-1 as compared to those with turnover above ₹1.5 crore or (ii) due to those with turnover above ₹1.5 crore also filing quarterly return instead of monthly returns.*

- Ministry was requested (April 2019) to examine the reasons for this trend and to provide break up of taxpayers with turnover above and below ₹ 1.5 crore due to file GSTR-1, those who filed by the due date and the returns filed as on 31 December 2018. Reply was awaited (June 2019).

### 2.3.2 State-wise filing pattern of GSTR-1 and 3B

Chart No.7 : State wise filing pattern of GSTR-1 and 3B for December 2018



Source: Statistical data obtained through GSTN reports as on 28 February 2019

The filing of GSTR-1 across the country or the national average (returns filed as a percentage of returns due to be filed) stood at 65 per cent for the month of December 2018. Highest filing was noticed in Punjab (82 per cent), followed by Gujarat and UT of Chandigarh (79 per cent). Amongst the General Category States, the filing of GSTR-1 was below the all India average in Orissa (48 per cent), Bihar (50 per cent), Jharkhand (54 per cent), Chhattisgarh (56 per cent), Telangana (59 per cent), Goa (60 per cent), Karnataka (61 per cent) and West Bengal (62 per cent). Amongst UTs, Chandigarh accounted for highest filing of 79 per cent closely followed by Daman and Diu and Dadra

and Nagar Haveli (75 per cent), while Puducherry (57 per cent) recorded filing rate below national average.

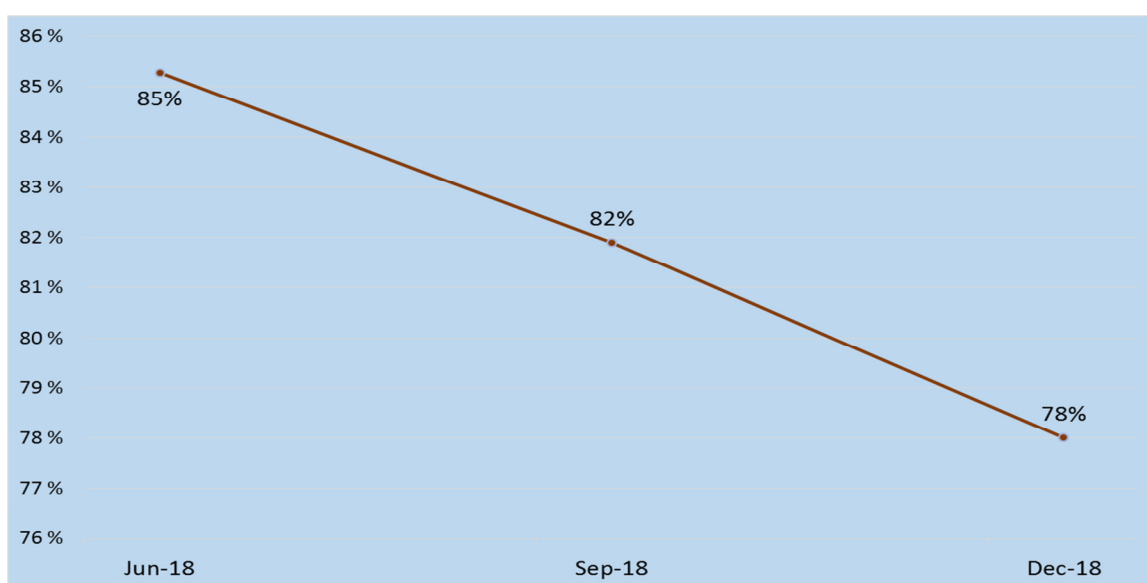
The national average filing of GSTR-3B across the country stood at 79 per cent. The highest filing was noticed in UT of Chandigarh (89 per cent), followed by Punjab (88 per cent), Gujarat (86 per cent) and Madhya Pradesh (83 per cent). Most of the General Category States were above or almost at par with national average rate of filing of GSTR-3B.

Ministry was asked if the reasons for such low return filing of GSTR-1 have been analysed and any action taken based on such analysis and reply was awaited (June 2019).

### 2.3.3 Filing of GSTR-4

The trends of filing of GSTR-4, a quarterly return to be filed by composition taxpayers, as on 28 February 2019 for the period from April 2018 to December 2018, have been given in chart No.8 below (corresponding statistical details in **Appendix-IV**).

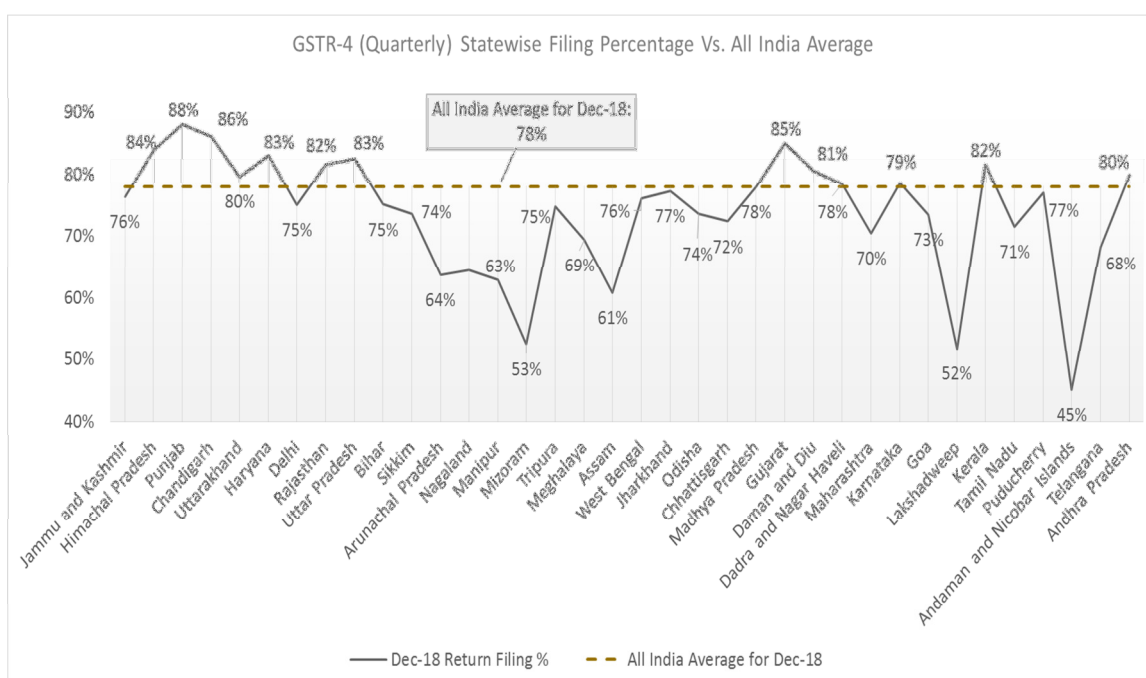
**Chart No.8 : Filing of GSTR-4 as on 28 February 2019**



Source: Statistical data obtained through GSTN reports as on 28 February 2019

While the filing of returns by composition taxpayers appeared to be better than the return filing rate of normal taxpayers (i.e. GSTR-1) and almost at par with filing of summary return (i.e. GSTR-3B) by normal taxpayers, Ministry was required to examine reasons for decline in filing of GSTR-4.

The State wise filing rate of GSTR-4 for the quarter ending December 2018, as on 28 February 2019 has been given in chart No.9 below : -

**Chart No.9 : State wise filing of GSTR-4 for December 2018**

Source: Statistical data obtained through GSTN reports as on 28 February 2019

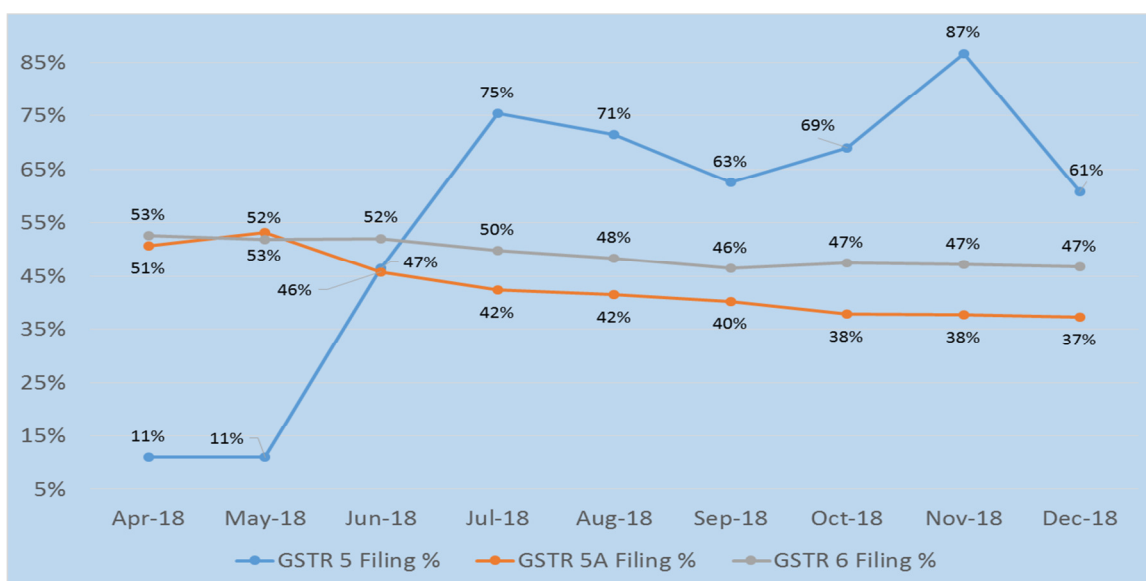
Highest filing of GSTR-4 was noticed in Punjab (88 per cent), followed by UT of Chandigarh (86 per cent), Gujarat (85 per cent) and Himachal Pradesh (84 per cent). Among General Category States, filing rates for Telangana (68 per cent), Maharashtra (70 per cent) and Tamil Nadu (71 per cent) were below the national average of 78 per cent. While the filing of GSTR-4 in most of the Special Category States was below national average, J&K (76 per cent), Himachal Pradesh (84 per cent) and Uttarakhand (80 per cent) registered above national average filing rates.

### 2.3.4 GSTR-5, 5A and 6

GSTR-5 is a monthly return to be filed by Non-resident taxpayers / Casual taxpayers. GSTR-5A is to be filed by those providing Online Information and Database Access or Retrieval services (OIDAR) from outside India to non-taxable person in India. GSTR-6 is filed by Input Service Distributor (ISD) giving the details of input tax credit received and distributed.

The trends of filing of GSTR-5, 5A and 6 as on 28 February 2019 for the period from April 2018 to December 2018 has been given in chart no.10 below (corresponding statistical details in **Appendix-IV**).

**Chart No.10 : - Filing of GSTR-5, 5A and 6 as on 28 February 2019**



Source: Statistical data obtained through GSTN reports as on 28 February 2019

As could be seen from the graph above, the filing of GSTR-5A by OIDAR service providers has crossed 50 per cent only in April and May 2018 and has shown a declining trend since June 2018. Given that a separate registration category and return form has been prescribed for this category with a provision for administration of all OIDAR taxpayers centrally by Principal Commissioner of Central Tax, Bengaluru (West), Ministry was requested to intimate if reasons for such low filing of returns by this category have been analysed and any action taken based on such analysis. Similarly analysis done or action taken in respect of filing of GSTR-6 by ISDs, which was also around 50 per cent, have also been sought from the Ministry. Reply was awaited (June 2019).

## 2.4 Conclusion

### Revenue analysis

- The growth of indirect taxes slowed down to 5.80 per cent in 2017-18 over 2016-17, while this growth rate was 21.33 per cent during 2016-17.
- Post implementation of GST, the Centre's revenue on goods and services (excluding Central Excise on Petroleum and Tobacco) registered a decline of 10 per cent in 2017-18 as compared to revenue of subsumed taxes in 2016-17.
- GoI resorted to devolution of IGST year-end balance to the States as per Finance Commission formula, which is in contravention of the provisions of the Constitution of India and the IGST Act. This also has the impact of distribution of funds to the States on a completely

different basis instead of 'Place of Supply' concept as envisaged in the IGST Act.

- There was a short transfer of ₹ 6,466 crore of GST Compensation Cess to the Public Account during 2017-18.

#### **Returns filing**

- While it was expected that compliance would improve as the system would stabilise, all returns being filed (GSTR-1, 3B, 4, 5A and 6) showed a declining trend of filing from April 2018 to December 2018.
- The filing percentage of GSTR-1 returns were throughout less in comparison to the corresponding filing of GSTR-3B returns. The introduction of GSTR-3B resulted in filing of returns with ITC claims which could not be verified and it appears to have disincentivised filing of even GSTR-1. Since filing of GSTR-1 is mandatory, short-filing is an area of concern and needs to be addressed.
- GSTR-3B being only a summary return, short-filing of GSTR-1 implied that the tax departments did not have complete invoice level details as filed by the suppliers, which could be used to verify details given in GSTR-3B or to arrive at turnover.