State Wise GST Collection Analysis in COVID-19

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The lockdown imposed the deferment of all economic activities, except the 'essential services'. Therefore, economic activities that require persons to travel, such as the manufacturing of non-essential goods and construction, have been affected severely since then. To run and maintain the economy, every government required funds that are collected in the form of taxes like, income tax, goods and service tax, etc. The lockdown harshly jammed GST revenue collections of the central and state governments. Resumption of various economic activities after the lockdown restrictions and hikes in state excise duties on liquor aided the economy's slow recovery and the revenue generation of the economy.

GST Revenue Collection Monthly Comparison From Last Year							
State	**Growth-Mar**	**Growth-June**	**Growth-July**	**Growth-August**	**Growth-September**	**Growth-October**	**Average growth rate**
Jammu and Kashmir	-29%	1%	-18%	8%	30%	20%	2%
Himachal Pradesh	-10%	-11%	-11%	-12%	7%	3%	-5%
Punjab	1%	6%	-7%	-9%	5%	16%	2%
Chandigarh	-6%	1%	-12%	-13%	-10%	-3%	-7%
Uttarakhand	-18%	-27%	-23%	7%	5%	10%	-8%
Haryana	7%	-24%	-25%	-2%	15%	19%	-2%
Delhi	-12%	-10%	-23%	-18%	-7%	-8%	-13%
Rajasthan	-10%	3%	4%	1%	17%	22%	6%
Uttar Pradesh	-5%	-3%	-6%	2%	0%	7%	-1%
Bihar	-10%	16%	-9%	-1%	1%	7%	1%
Sikkim	18%	79%	-7%	-10%	-49%	-5%	4%
Arunachal Pradesh	-21%	2%	-33%	-22%	-20%	139%	7%
Nagaland	-15%	60%	9%	15%	38%	20%	21%
Manipur	-22%	16%	-26%	-30%	-19%	0%	-13%
Mizoram	-34%	0%	-16%	-57%	-41%	78%	-12%
Tripura	5%	12%	-2%	-26%	-4%	6%	-2%
Meghalaya	5%	-6%	15%	-8%	-6%	4%	1%
Assam	-3%	21%	-9%	-8%	8%	15%	4%
West Bengal	-7%	-11%	-16%	-13%	4%	15%	-5%
Jharkhand	-5%	-9%	-28%	-15%	10%	23%	-4%
Odisha	0%	-8%	-6%	-6%	18%	21%	3%
Chhattisgarh	-2%	22%	-8%	6%	24%	26%	11%
Madhya Pradesh	-8%	24%	0%	-2%	4%	17%	6%
Gujarat	5%	-6%	-12%	-3%	6%	15%	1%
Daman and Diu	-8%	-16%	-27%	-32%	-83%	-92%	-43%
Dadra and Nagar Haveli	-3%	-28%	-4%	-9%	80%	118%	26%
Maharashtra	-4%	-1%	-17%	-13%	0%	5%	-5%
Karnataka	2%	1%	-15%	-11%	-5%	5%	-4%
Goa	-19%	-4%	-29%	-34%	-23%	0%	-18%
Lakshadweep	0%	0%	0%	-100%	-50%	-50%	-33%
Kerala	-10%	-2%	-13%	-22%	11%	7%	-5%
Tamil Nadu	-11%	-15%	-24%	-12%	15%	13%	-6%
Puducherry	-19%	4%	-6%	-15%	-1%	10%	-4%
Andaman &NicobarIslands	39%	157%	-18%	-57%	0%	-41%	13%
Telangana	-9%	3%	-9%	-9%	-2%	5%	-3%
Andhra Pradesh	-2%	6%	0%	-8%	8%	26%	5%
Ladakh	-	-	-	-	-	-	0%
Other Territory	-20%	4%	-39%	6%	-17%	-28%	-16%
Center Jurisdiction	9%	-3%	203%	61%	246%	18%	89%
Total	**-4%**	**-3%**	**-14%**	**-8%**	**5%**	**11%**	**-2%**

State-wise analysis of GST revenue (March 2020 to October 2020)

1. *Jammu & Kashmir*

The service sector, like tourism plays a major role in J&K's revenue; it also has a huge potential for employment generation, even for unskilled workforce. Due to covid-19, there has been a decline in economic activities, especially tourism services, directly and severely hit by GST revenue collection. In March 2020 GST revenue falls by 29% compared to March 2019, and in July 2020, the revenue falls short by 18%. However, from August, revenue collections have been improving and shown a recovery of previous losses netting a six-month average increase of 2%.

2. *Himachal Pradesh*

Agriculture sector contributes the most to the economy of Himachal, and the other is tourism. But tourism was grounded to a halt as the arrival of tourists has almost stopped, and hotel bookings vanished as the state closed their borders. Therefore, it has seen a decline in GST revenue by 10-12% from March 2020 to August 2020 in comparison to last year's revenue. From September onwards, there has been revenue growth. It is expected that domestic tourism will bounce back with the lifting of travel restrictions, and tax collections will see a growing trend in succeeding months.

3. *Punjab*

Punjab's economy has been primarily agriculture-based since the Green Revolution due to abundant water sources. Despite covering only 1.53% of its geographical area, Punjab makes up about two-thirds of India's wheat production and one-third of its milk production. Punjab is known as India's breadbasket and is the largest contributor to revenue. Other than that, Punjab's major industries include food processing, tractors, auto components, agro-based parts, metal and alloys, chemical products and textiles, etc.

Punjab, being a state primarily based on food grains production, did not feel the jitters of the pandemic. In fact they did not witness a decline in its average GST revenues between the period of March to October 2020.

4. *Uttarkhand*

The most significant sectors for revenue generation in Uttarakhand are agriculture and service. The service sector mainly includes tourism, information technology, and banking. Lockdown coincided with the state's major tourism season of the year; thereby it has seen a significant fall of approximately 18-27% from March 2020 to July 2020 period. However, post easing of lockdown state of Uttarakhand has now started showing recovery signs from August 2020, although the average growth of tax collections for 7 month period is still negative.

5. *Chandigarh*

Chandigarh has been rated as one of the "Wealthiest Towns" of India. The Economy of Chandigarh gets its revenue from the agricultural & industrial sectors. Due to the pandemic, the industrial sector's operations have been closed for a while, and the service resumption after lockdown does not support any recovery in the GST Revenue collection. The state has seen an average of 8% decline from March 2020 to October 2020 compared to corresponding last year's revenue. Chandigarh revenue collections are not showing any growth in revenue collections till October 2020.

Chandigarh has also been ranked as 4th in the top 50 cities identified globally as "emerging outsourcing and IT services destinations". This means that the state is bent upon changing the focus to IT services in the future, which is expected to push the tax collections from a long-term perspective.

6. *Haryana*

Haryana gets its revenue from agriculture and industrial income. The main industries in Haryana are agro-based, automotive, IT, oil refining, textiles, petrochemical & biotechnology industries. GST revenue got short by 24-25% from April 2020 to July 2020 as the factories and industries were closed down for a period. After the service sector's resumption, revenue collection is showing an increasing trend in September/ October 2020. With time economy of Haryana is expected to wipe out the tax shortfall which they have witnessed in the covid period.

7. *Delhi*

Delhi is the capital of India. Delhi's main source of revenue is the tertiary sector, which involved the provision of services to other businesses and final consumers. Transportation, distribution, wholesaling, retailing, hospitality, and entertainment are the main industries in Delhi.

Global Covid-19 led to limited economic activities, an extension of GST returns filings timelines without payment of interest, late fee or penalty, etc. Due to lockdown, the entire production chain and trade setup were disrupted, and now they are aiding slow recovery. Therefore, GST revenue collections in Delhi witnessed a substantial decrease of 7-23% from March 2020 to October 2020 against the corresponding period of last year.

In the past, Delhi pushed industries out to neighboring areas states (Uttar Pradesh & Haryana) due to multiple reasons, including traffic and pollution. The state is suffering from lower tax collections as the tertiary sector depends on primary and secondary activities, which are practically non-existent in Delhi. Bringing tax collections at par and wiping out covid losses would be an uphill task for Delhi's government.

8. *Rajasthan*

Rajasthan has a diversified economy having agriculture, mining, and tourism as its main engines of growth. It is the second-largest producer of cement and contributes one-tenth of the salt produced in India.

Rajasthan has seen a big decline in earnings from stamp duty & vehicle taxes, as there was almost no sale of property and vehicles during the lockdown. Due to a decline in other economic activities as well, Rajasthan has faced a decline of 10% in March 2020 against the corresponding month of last year. State has seen an average growth of 4% from June 2020 to August 2020, 17% growth in September 2020, and 22% growth in October 2020. We can say that this state has faired better than various other bigger states like Delhi and Punjab, even though they were partially dependent on the tourism industry.

9. *Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland & Tripura*

These states are dependent on agriculture, horticulture due to the agro-climatic conditions there. The other key economic activities of these states for revenue generation include art and crafts, weaving, cane and bamboo, mineral-based industry, exports, and tourism sector. From March onwards there is a sudden fall in exports and tourism sector, due to which the revenue in these states cumulatively declined around 12-25% against the last year's revenue. While in Nagaland, the view is exact opposite as it is a consumer state, stand a lot to gain as they receive taxes from manufacturers and traders outside the state also. Nagaland's growth is the bracket of 30% from April 2020 to September 2020 and reached a maximum of 60% in June 2020. This abnormal increase of 30% & 60% would be a good case for investigation.

10. *Sikkim*

Tourism is the main and highest revenue generation source in the state of Sikkim. The scenic natural beauty, blooming orchids, snow-peaked mountains, fast-flowing hill- streams, and tall colorful Rhododendrons makes the state an exquisite place to visit. Therefore, this state has seen a drastic revenue decline by 49% in Quarter-2 F.Y. 2020-21 due to the pandemic. However, it is astonishing to note that tax collections jumped by 79% in June 2020 when compared with the previous year.

11. *Daman & Diu*

GST collections have been badly hit in hilly states that depend primarily on tourism and hospitality for revenue. The falls in revenue collections noticed is 8-83% from March 2020 to September 2020. However, the condition is still not improving as the revenue decline in September 2020 is 83% and 92% in October 2020 in comparison to the corresponding last year.

In 2019, legislation was passed to merge the union territory of Daman and Diu with its neighboring union territory, Dadra and Nagar Haveli, to form the new union territory of Dadra and Nagar Haveli and Daman and Diu with effect from 26 January 2020. Upon Merger, a need to declare single state code for persons registered under in the Union Territories arises. The GST Council decided to give 26 as State Code 26 to the merged Union Territory of Dadra and Nagar Haveli and Daman and Diu w.e.f. 01-08-2020. Therefore, all the Registered Persons in the erstwhile Union Territory of Daman and Diu having **GSTIN** starting with State Code 25 will be switched over to New State Code of 26 w.e.f. 01-08-2020.

Thereby from August, 2020 collections in UT of Daman and Diu are constantly falling, and it is expected to be Nil by March 2021. During the transition period, some of the vendor taxpayers still would have been issuing invoices on old GSTIN of taxpayers in Daman and Diu that is giving rise to miniscule tax collections.

12. *Dadra and Nagar Haveli*

The major revenue-generating sectors in Dadra and Nagar Haveli are agriculture, industries, forestry, animal husbandry, and tourism. This economy has also suffered a decline in revenue growth by 3-28% from March 2020 to August 2020. But in September 2020, revenue collections have been boosted up and show a growth of 80% compared to corresponding last year as they received taxes from manufacturers and traders in

September due to the relief provided by the Central government in return filings. Merging of [Dadra and Nagar Haveli with Daman and Diu] is also responsible for a rise in tax collections.

13. *Uttar Pradesh*

Uttar Pradesh has very fertile land, and its economy is primarily driven by agriculture, therefore, agriculture is the pillar of Uttar Pradesh's economy. The major industries in this state are food processing, IT, auto components, mineral-based industries, leather-based & sports goods industries, biotechnology, tourism, textiles, and handicrafts. Due to the pandemic, the industrial sector's operations have been closed for a while, and resumption of the service after lockdown does not support any recovery in the GST Revenue collection as it has seen an average of 5% decline from March 2020 to July 2020 in comparison to corresponding last year's revenue. Although, from August 2020 onwards, revenue collections have started showing positive growth. This state has a stable tax collection structure, and it may not show any significant increase in tax collections in future periods.

14. *Bihar*

Bihar is the third-largest state in the count of the population. This state depends largely on the agriculture and service sectors, including hotels, trades, transport & Communications. As the lockdown imposed a temporary shutdown of these services led to a decline of 10% in March 2020, while after the resumption of economic services, Bihar's economy shows a progressive response. With a politically stable government in the future, the state is expected to progress and prosper leading to improved tax collections in the coming years. Due to the pandemic, millions of migrant populations have gone back to native places, and Bihar is the biggest gainer. In the coming period, the state will face challenges giving adequate jobs to millions, though they now have a big pool of consuming population back in Bihar, which will lead to better GST collections.

15. *Lakshwadeep*

Tourism is the primary source of income in Lakswadeep due to its scenic beauty, islands & coral reefs and the primary industries are coconut fiber extraction and production of fiber products. Pandemic didn't impact the local economy, as the economy's size is pretty small, and tax collections were minuscule. Thereby it neither witnessed any growth nor any loss in the revenue up to July 2020. While in August 2020, it has faced a full 100% loss of revenue, and the trend of lower collections continued till recently. It is difficult to ascertain the exact reason for the lower tax collections during the unlock period; however, it seems that several businesses were closed for good due to the pandemic, the impact of which was seen from August, 2020.

16. *Ladakh*

In February 2019, legislation was passed for making Ladakh a separate Revenue and Administrative Division within Jammu and Kashmir, having previously been part of the Kashmir Division. Like most of India, agriculture and tourism are the primary sources of income in Ladakh. Revenue generation in Ladakh is quite impressive; however, due to the non-availability of any data for the previous year, it is impossible to ascertain how the state is performing.

17. *Goa*

Goa is India's richest state with the highest GDP per capita – two and a half times that of the country. Goa is famous for tourism, and the GST revenue collections have been severely impacted in the states which depend largely on tourism and hospitality. The falls in revenue collections are 4-34% from March 2020 to September 2020 in the state of Goa. However, the condition is still at worst and does not add any recovery in GST revenue collections.

18. *West Bengal*

Agriculture is the leading sector in West Bengal, it is also known for the production of high- quality Tea. Like other states, West Bengal is also facing a fall in tax collections as lockdown has completely stopped service sector activity while manufacturing also remains suspended, and also tourism & hospitality are not generating any such revenue. The fall seen was around 7-23% from March 2020 to September 2020 in comparison to last year. In the month of October 2020 state has reached at the same levels of tax collections that existed in the previous year for the same period. Tourism pandits believe that Goa will see a massive rise in tax collections due to the opening up of tourism, marriage season, spillover effect of the outbound tourist, and the central government's atma nirbhar scheme. Period post-March 2021 could be a big bonanza for Goa tourism and tax collectors of Goa.

19. *Jharkhand*

The economy in this state gets its revenue from the mineral resources sector i.e. mining & quarrying, and other industries and sector are agriculture, cottage industry, and IT industry. Due to the suspension of mining and industries during the lockdown and less manpower, Jharkhand faced a severe fall in its revenue by 15-28% from March 2020 to August 2020 against last year's corresponding month. Moreover, there is a slow recovery of the revenue in this state due to unlock of the entire economy.

20. *Maharashtra*

Maharashtra is India's financial capital and the largest producer of sugarcane and is the most industrialized state in India and has maintained the leading position in the industrial sector in the country. The other key industries are textiles, petrochemicals, automobile manufacturing, metals, electronics, engineering, food processing, and a wide range of light manufacturing. India's main stock exchanges and capital market and commodity exchanges are located in Mumbai, Maharashtra. The state continues to attract industrial investments from domestic as well as foreign institutions. It has the largest proportion of taxpayers in India, and its share markets transact almost 70% of the country's stocks. Maharashtra contributes 25% of the country's industrial output and is the country's most indebted state. All these services have been stopped during the pandemic and resulted in heavy loss of revenue to the state, after resuming the economic activities and the markets, still, as per the statistics, no recovery has been shown in the revenue collections. The fall in collections is 1-17% from March 2020 to August 2020. And from October 2020, the revenue earnings are improving and showing a growth of 5%.

Long term growth prospects of the state are good in terms of tax collections; however, it is quite possible that tax collections for the year 2020-2021 would not meet its target.

21. *Odisha*

Odisha has abundant natural resources and an extensive coastline. It has emerged as the most chosen destination for foreign investors with investment pitches. It contains a fifth of India's coal, a quarter of its iron ore, a third of its bauxite reserves, and most of the chromite. Therefore, the economy in this state gets its revenue from the mineral resources sector i.e. mining & quarrying. Due to the suspension of mining and industries during the lockdown and less manpower, Odisha faced a fall in its revenue by 6-8% from June 2020 to August 2020 against last year's corresponding month. Moreover, recovery signs have been reflected from September onwards as economic activities have been resumed.

22. *Gujarat*

Gujarat is one of India's most prosperous states, and its per capita income is 40% higher than the national average. It is the freest state in India. Reliance Industries operates the oil refinery at Jamnagar, which is the world's largest grass-roots refinery at a single location. The world's largest shipbreaking yard is in Gujarat and also India's only Liquid Chemical Port Terminal at Dahej, Gujarat. It is also a mineral-rich state with large reserves of oil and gas. The major industries in Gujarat are Tabacoo, Fishing, Wood, etc. Decline in GST revenue seen in this state is 3-12% from June 2020 to August 2020 in comparison to last year. While after the easing of lockdown restrictions, Gujarat's economy has been showing positive growth in revenue from September onwards. Tax collections in October, 2020 has shown an improvement of 15% over the last year, which indicates that its growth story is back on track.

23. *Kerala*

Kerala is one of India's eye-catching tourist destinations, with major attractions of backwaters, hill stations, beaches, tourism, and tropical greenery. Kerala is mainly dominated by handloom, handicraft, tourism, etc. Due to the suspension of economic activities and closure of markets for a few days, Kerala faced a 2-22% decline from March 2020 to August 2020 against revenue of last year. After the resumption of economic activities, tax collections have shown a recovery in the GST revenue collections.

24. *Tamil Nadu*

Services contribute to 45% of the state's economic activity, followed by manufacturing at 34% and agriculture at 21%. Tamil Nadu is one of the leading states in the textile sector, and it houses the country's largest spinning industry accounting for almost 80% of the total installed capacity in India. Tamil Nadu has a diversified manufacturing sector. Due to the pandemic, sale of these items slowdown, production stopped for a few months, markets have been down, which resulted in a decline of revenue of the state by 11-24% from March 2020 to August 2020 against corresponding last year. While signs of recovery have been visible in this state from September 2020 onwards.

25. *Center Jurisdiction*

Tax Payers of OIDAR (Online Information Database Access and Retrieval services) are registered in central jurisdiction. Online Information Database Access and Retrieval services (hereinafter referred to as OIDAR) is a category of services provided through the medium of the internet and received by the recipient online without having any physical interface with the supplier of such services.

Tax Payers registered as OIDAR in central jurisdiction include netflex, amazon prime, etc. As on 31 August, 2020 there only 322 registrations in central jurisdiction.

Taxpayers registered in OIDAR services would primarily be involved in (1)advertising on the internet; (ii) providing cloud services; (iii) provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet; (iv) providing data or information, retrievable or otherwise, to any person in electronic form through a computer network; (v) online supplies of digital content (movies, television shows, music and the like); (vi) digital data storage; and (vii) online gaming;

This jurisdiction has not seen any contraction in tax collections during the pandemic period. Infact the behavior of the taxpayers was entirely inverted in the jurisdiction as they gave great collections. The growth rate was 203% in July 2020 and 246% in September 2020 against the revenue of last year. This jurisdiction is expected to grow further due to the mere dependence on the internet, and technology. However, this sector will not see the same growth percentage in future periods, also, as the same is expected to rationalise in a long-term scenario.

26. *Other Territory*

State' under the GST law is defined under the CGST Act to include a Union Territory with Legislature. Delhi and Puducherry, being UTs with Legislature, will be regarded as 'States' for GST, and will be governed by their respective SGST laws, instead of the UTGST law. By definition, the expression' other territory' is inclusive of all territories that do not form part of any State (including the UTs of Delhi and Puducherry), and excludes the UTs without Legislature listed in UTGST Act. All territories that fall into the ambit of 'other territory' would also form part of the meaning of the term 'Union territory'. The purpose of this inclusion is to ensure that any Indian territory that remains unclaimed by all the States and Union Territories can be brought into the scope of GST.

Primarily "other territory" would cover area which is out the jurisdiction of states and Union territory, which means areas beneath our land, which is water. This is the reason that till 31 August, 2020 there only 82 registrations in this area, which would primarily include Ships, rigs, platforms etc.

Due to the lowering of economic activity and lowering of oil prices, tax collection in this area was also drastically reduced in the months of March, 2020 & july, 2020. However, the collections have picked in month subsequent to the same. Still, there is an average decline of 16% compared to the revenue collected in the previous year.

Conclusion

GST has entered the fourth year and faced the hardest test. However, the upcoming challenge to GST does not stem from its design or structure or the way it has been run. It is up against a pandemic that has wreaked havoc on the global economy, and India is no exception. The COVID-19 outbreak and nationwide lockdown is severely denting the revenue collections of states, pushing them to look at possible revenue-earning measures, including the phased opening of liquor supplies and pan and gutka shops in the first phase of relaxations for restarting economic activity post lockdown. The fall in revenue against the corresponding last year is 4%, 3%, 14%, and 8% in March, June, July, and August, 2020 respectively. While in September 2020 & October 2020 it has shown a growth of 5% & 11% against the revenue collection in September 2019 and October 2019 respectively. This shows that the economy is getting on track and also recovering the previous losses of revenue in the states and Center. This scenario represents the U-shed method of improvising economic stability. Thus, GST revenue collections will improve and shows growth sooner, or later in all the states.