



Comparative Analysis of Government Revenue Receipts from GST in Mizoram: Trends, Implications and Insights

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Abstract

The introduction of GST in India has been a crucial step in indirect tax reforms, consolidating various central and state taxes into a single tax system. This has eliminated the cascading effects of taxes and established a unified national market, reducing taxes on goods by 25-30%. GST is expected to enhance competitiveness in domestic and international markets, leading to economic growth and increased tax revenue. The analysis of tax revenue trends in Mizoram highlights the growing importance of Goods and Services Tax (GST) as a primary revenue source compared to other taxes like Sales Tax and Entertainment Tax. GST collections have shown consistent year-on-year growth, surpassing the revenue from Sales Tax and Professional Tax by significant margins.

In contrast, Entertainment Tax revenue has decreased substantially, suggesting the need to reassess its role and potentially integrate it into the GST framework. Policymakers could explore ways to revitalize the entertainment sector, such as revising tax rates or aligning it better with the GST system. The findings indicate a shift towards GST as a larger component of the overall tax revenue. To maximize GST collections, the government should focus on improving tax administration, strengthening digital infrastructure, and providing training and support to businesses. Integrating elements of Sales Tax into GST and exploring new avenues for sales tax revenue could also help stabilize and potentially increase its contribution. Comparative analysis reveals that GST revenue has grown steadily, while Sales Tax and Professional Tax have seen fluctuations or declines. This highlights the growing reliance on GST as a reliable source of tax revenue.

Keywords: GST, Mizoram, Revenue Receipts, Sales Tax, Entertainment Tax.

Introduction

GST is a very significant step in the field of indirect tax reforms in India. By amalgamating a large number of Central and State taxes into a single tax and allowing set-off of prior-stage taxes, it would mitigate the ill effects of cascading and pave the way for a common national market. For the consumers, the biggest gain would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%-30%. Introduction of GST would also make our products competitive in the domestic and international markets. Studies show that this would instantly spur economic growth. There may also be revenue gain for the Centre and the States due to widening of the tax base, increase in trade volumes and improved tax compliance. (Taxation Department (zotax.nic.in))

The idea of moving towards the GST was first mooted by the then Union Finance Minister in his Budget speech for 2006-07. Initially, it was proposed that GST would be introduced by 01st April, 2010. The Empowered Committee of State Finance Ministers (EC) which had formulated the design of State VAT was requested to come up with a roadmap and structure for the GST. Joint Working Groups of officials having representation of the States as well as the Centre were set up to examine various aspects of the GST and draw up

reports specifically on exemptions and thresholds, taxation of services and taxation of inter-State supplies. Based on discussions within and between it and the Central Government, the Empowered Committee released its First Discussion Paper on the GST in November, 2009. This spells out the features of the proposed GST and has formed the basis for discussion between the Centre and the States so far. (Taxation Department (zotax.nic.in))

Jaiprakash (2014) mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. Lourdunathan and Xavier (2016) [8] studied inexplicit opinion of manufacturers, traders and society. It also included challenges and prospectus of GST in future in India. Centre and state level taxes also discussed in this paper. Various states are shown in which GST is followed for growth of economy. Some issues such demonetisation issue, inappropriate time, political issues, rate for manufacturers and traders, impact on working and cash flow and implementation in unorganised sectors became some main issues in path of GST. Nishitha Guptha (2017) stated that implementation of GST in the Indian framework will lead

to commercial benefits which were untouched by the VAT system and would essentially lead to economic development.

Research Methodology

The paper is based on both qualitative and quantitative research. To achieve the objectives of Comparative analysis of government revenue receipts from GST and Comparative analysis of revenue receipts of GST with Sales and Professional Tax, the study focusses on the Revenue Receipts from GST in Mizoram since its initiation in 2017 till date.

Secondary data on GST, Sales and Professional tax is obtained from the official website of Taxation Department, Government of Mizoram (<https://zotax.nic.in/index.html>). Secondary data is also collected through research articles, relevant websites, dissertation, thesis and educational and conceptual textbooks.

The scope of the study is the overall collection of taxes in Mizoram (GST, Sales & Professional Tax) since 2017 onwards since the inception of GST was in the year 2017. Statistical tools, such as percentages, average/mean and growth rate were employed for data analysis.

Findings

Findings on Analysis of Growth Rate of GST (Annual and Monthly).

- From the analysis of growth/decline rate of GST in Mizoram there is no growth rate in the year 2017-2018 as GST is introduced in India, there is a massive increase on 2018-2019 which substantially boost in revenue during this period.
- After the significant jump in 2018-2019, the growth rate stabilized. The revenue continued to grow each year, but at a more moderate pace.
- Despite fluctuations in the growth rate, the overall trend in revenue receipts is upward, indicating consistent growth over the years and the highest revenue receipt recorded is in the financial year 2022-2023, amounting to ₹8,91,33,10,807.
- From the month wise analysis of Revenue receipts from GST(2023-2024) the revenue receipts show significant fluctuations throughout the year. The highest revenue was recorded in April 2023, while the lowest was in November 2023.
- There were also months with positive growth rates, showing an increase in revenue and several months experienced negative growth rates, indicating a decrease in revenue compared to the previous month.
- The data suggests possible seasonal trends or external factors influencing revenue. For instance, the significant drop in November 2023 and the subsequent rise in December 2023 could indicate seasonal variations. The overall variability in monthly revenue receipts and growth rates suggests that the revenue stream is subject to considerable month-to-month changes.

Findings on Comparative Analysis of Revenue Receipts of GST with Other Taxes (2017-2023)

- From the comparative analysis of GST and Prof. Tax the GST revenue has shown a consistent increase each year, from 2017-2018 to 2022-2023. This indicates a steady growth in GST collections over the years. The Professional Tax revenue has remained relatively stable, with slight fluctuations. The highest collection was in 2019-2020, and the lowest was in 2021-2022.

- The percentage difference between GST and Professional Tax has remained high and relatively stable, ranging from 91% to 98%. This indicates that GST collections are significantly higher than Professional Tax collections. There was a significant increase in GST revenue from 2017-2018 to 2018-2019, with the percentage difference also increasing from 91% to 97%.
- This suggests a substantial boost in GST collections during this period. The overall trend shows a much higher growth rate in GST compared to Professional Tax, reflecting the increasing importance and contribution of GST to the overall revenue.
- From the comparative analysis of GST and Sales Tax the data indicates a significant shift from Sales Tax to GST over the years. Initially, in 2017-2018, Sales Tax was higher than GST by 46%. However, from 2018-2019 onwards, GST collections surpassed Sales Tax significantly.
- GST revenue has shown a consistent increase each year, from 2017-2018 to 2022-2023. This reflects the growing importance and reliance on GST as a major source of revenue. Sales Tax revenue has generally decreased over the years, with a notable drop from 2017-2018 to 2018-2019. This decline continues, with some fluctuations, indicating a reduced reliance on Sales Tax.
- The percentage difference between GST and Sales Tax has increased over the years, from (46%) in 2017-2018 to 87% in 2022-2023. This shows that GST has become a much larger component of the total tax revenue compared to Sales Tax. Despite the overall decline, Sales Tax revenue has shown some stabilization in recent years, particularly from 2019-2020 to 2022-2023, where the figures remain relatively close to each other.
- From the comparative analysis of GST and Entertainment Tax the data shows that there is a consistent increase in GST revenue over the years. From 2017-2018 to 2022-2023, GST revenue has grown significantly, indicating a positive trend in tax collection.
- The entertainment tax has decreased substantially over the years. This could be due to changes in tax policies or a shift in the entertainment industry's tax structure. The percentage difference between GST and entertainment tax remains very high, close to 100% each year.
- This indicates that GST constitutes the vast majority of the total tax revenue compared to the entertainment tax. These trends suggest a strong and growing reliance on GST for tax revenue, while the entertainment tax has become a much smaller component of the overall tax revenue.

Findings on Analysis of Central Tendency Using Simple Average Method of Annual Revenue Receipts of the Government with Reference to Taxes

- From the analysis of the average government revenue receipts in GST, Sales and Entertainment tax shows that there is a consistent increase in GST revenue over the years. From 2017-2018 to 2022-2023, GST revenue has grown significantly, indicating a positive trend in tax collection while sales tax revenue shows fluctuations over the years, it peaked in 2017-2018 and then saw a significant drop in 2018-2019.
- Thereafter, it remained relatively stable with minor variations. The entertainment tax has decreased substantially over the years, with minor increases in some years. This could be due to changes in tax policies or a shift in the entertainment industry's tax structure.

- These trends suggest a strong and growing reliance on GST for tax revenue, while sales tax shows variability and entertainment tax has become a much smaller component of the overall tax revenue.

Suggestions

- Expand the GST tax base by incorporating more businesses, especially SMEs, through awareness campaigns and simplified registration.
- Leverage technology to streamline GST collection, compliance, and monitoring, reducing evasion and improving efficiency.
- Continuously monitor revenue trends to identify sectors with untapped potential and provide targeted incentives.
- Simplify the GST filing process and offer incentives for timely payments to boost compliance.
- Review and potentially revise Professional Tax slabs to make it more equitable, while enhancing awareness among taxpayers.
- Consider integrating Entertainment Tax into the GST framework or revising rates to revitalize the sector.
- Integrate elements of Sales Tax into GST to streamline the tax structure and explore new avenues to stabilize Sales Tax revenue.
- Adopt a balanced approach by investing in digital infrastructure, providing training to businesses, and strengthening enforcement to ensure sustained GST revenue growth while addressing other tax sources.

Conclusion

The analysis of GST revenue growth in Mizoram highlights the need to expand the tax base by incorporating more businesses and simplifying the registration process for small and medium enterprises. Leveraging technology for efficient tax collection and compliance, along with sector-specific incentives, can further enhance revenue generation. Continuous monitoring of revenue trends will be crucial for identifying untapped potential sectors.

In comparison, Professional Tax revenue has been relatively stable but lower than GST revenue, indicating a need for targeted measures to boost collection. Simplifying the filing process, providing incentives for timely payments, and leveraging technology for monitoring and analytics can improve compliance rates.

Entertainment Tax revenue has shown a substantial decrease, suggesting a reassessment of its role within the tax system. Policymakers could consider integrating aspects of entertainment tax into the GST framework or revising tax rates to revitalize the sector. By addressing these areas, the government can achieve a balanced and efficient tax system that maximizes revenue while supporting various industries.

The analysis highlights the increasing importance of GST as a primary revenue source compared to Sales and Entertainment taxes. To maximize revenue from GST, policymakers should focus on improving tax collection processes, digital infrastructure, training programs for businesses, and monitoring systems. Integrating elements of Sales Tax into the GST system and exploring new avenues for sales tax revenue could help stabilize and potentially increase its contribution to overall tax revenue.

By creating a balanced and efficient tax system, the government can ensure sustained growth in revenue, support economic growth, and provide a stable financial foundation for public services and infrastructure development. It is also crucial to reassess the roles of Sales and Entertainment taxes

and consider integrating them into the GST framework to simplify the tax structure and boost revenue generation.

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