

## UPSC

Q.2

The latest trend regarding Goods and Services Tax collection indicates improvement in economic revival in the country. Analyse (200 Words)

(Please don't write anything in this space)

Goods and Service tax is the indirect tax system collected in India. Under the Banner "one tax, one Nation" to overcome the drawbacks of VAT. Increase in revenue indicates the economic activity boom in a nation. \$

(Please don't write anything in this space)

There was a economic disruption slowdown last year due to lock down of for Covid-19 Pandemic. Hence there is a decrease in revenue of tax collector.

economic activity & Tax collection

Most affected states Madhya Pradesh, Uttar Pradesh & Kerala. (i.e. Kerala fell by 56%) in First Quarter of 2020-2021

But after the pandemic mild recovery, we see a increase in tax collection. This is nothing but a mirage.

Because of the term "Base Effect". The sudden appearance of boom in collection is because previous year collection was low.

Another reason being the Anti-evasion actions like - fixing of fake input tax credit, etc

## UPSC

Which contribute to collection figures

GST is a destination tax based system and

State tax collection can be significant as

$$\text{State Revenue} = \text{SGST (State GST)} + \text{IGST}$$

Here some state may have a majority 48% while other state less than 75%. Since it is destination tax collection. It may not accurately reflect that which state economic activity

"Appearances are deceptive", "All that Glitters is not Gold". Hence we should not conclude with the Court date and wait for the economic report to breathe relief. Even the economic recovery is after Covid-19 worst hit second wave. Hence this recovery is a promising one and

(Please don't write anything in this space)

(Please don't write anything in this space)