

# Outlook on GST

**GST collections need to exceed Rs. 1.65 trillion/month in July-March FY2024 for full-year CGST target to be met**

**JULY 2023**

MBC	LJH	MJB	PDH	NFR	UGH	DMJ
3,405 (+210)	7,542 (+128)	2,409 (+35)	7,654 (+149)	6,522 (+132)	1,432 (+54)	3,452 (+184)
YDV	DMH	MMJ	IT	KLM	CDK	EMH
3,204 (+33)	5,211 (+154)	7,100 (+45)	7,150 (+150)	782 (+70)	1,901 (+101)	3,280 (+125)
MBB	WFF	HJM	DDK	LSH	SDA	GMS
3,320 (+128)	712 (+12)	134 (+5)	3,022 (+78)	432 (+5)	6,282 (+71)	12,630 (+30)



01	1,822	12,349,000
3,680	238,681,000	
1,062	85,678,000	
485	8,369,000	
8,569	189,301,000	
6,602	102,698,000	
890	24,697,000	
6,280	76,002,000	
2,434	57,610,000	



*GST collections rose by 11.7% YoY in June 2023, reflecting healthy domestic activity amid a dip in collections on imported goods*

*A fall in merchandise imports could constrain IGST revenues on imports, impacting IGST settlement to CGST*

*To meet the CGST revenue target of Rs. 8.1 trillion for FY2024, GST collections need to exceed Rs.1.65 trillion/month in July-March FY2024*



After a seasonal moderation in May 2023, GST collections rose to Rs. 1.61 trillion in June 2023, a healthy year-on-year (YoY) expansion of 11.7%. This was driven by a 17.5% surge in revenues from domestic transactions (including import of services), amid a 3% dip in collections on imported goods.



Going ahead, a normalising base and some cooling of inflation may moderate the growth in GST collections through FY2024, although it would remain in high single digits benefitting from the continuing anti tax-evasion activities, and expectations of healthy momentum in domestic activity.



In the budget estimates (BE) for FY2024, the Government of India (GoI) has placed the target for CGST inflows at Rs. 8.1 trillion, a YoY growth of 12.9%, while that for GST compensation cess (GSTCC) and net Integrated GST (IGST) have been pegged at Rs. 1.45 trillion and nil, respectively.



The YoY growth in the IGST collected on imported goods has largely been in sync with that in India's merchandise imports (in INR terms), which displayed a downtrend in H2 FY2023, impacted by lower commodity prices. Thereafter, IGST on imports contracted in two of the three months in Q1 FY2024.



Going forward, a contraction in merchandise imports could constrain IGST revenues on imports, which is levied on ad-valorem basis. Moreover, the regular IGST settlement to CGST may be impacted, given the IGST revenues on imports typically amount to 48% of the total IGST collections.



As per ICRA's analysis, GST collections need to exceed Rs. 1.65 trillion/month in the remaining nine months of this fiscal to meet the FY2024 target for CGST revenues of Rs. 8.1 trillion. If GST revenue/month averages at Rs. 1.60 trillion, there could be a shortfall of Rs. 260 billion from CGST, whereas if it averages at a higher Rs. 1.70 trillion, CGST may exceed the target by Rs. 140 billion.



Buoyancy in GST inflows, higher surplus transfer by the RBI, and the positive impact of lower commodity prices on corporate margins and direct tax collections augur well for the GoI's revenues in FY2024, while upside risks to expenditure over BE appear to be limited at the current juncture.



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