



## GOODS AND SERVICES TAX IN NORTH-EASTERN STATES OF INDIA

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**ABSTRACT** Goods and Services Tax (GST) is called as One Nation One Tax. The GST Act was passed in the Lok Sabha on 29th March, 2017 and it came into effect from 1st July, 2017. The major objective of introducing GST in India is to remove the cascading effects of indirect taxation. It would remove to a large extent, the multiplicity of administrative mechanisms and tax rates across different states of India. This paper aims to study the trends of tax collections and to analyse the amount of GST collection in NEI. The study conducted in the North-Eastern States of India. The present study relies on secondary data. Secondary data collected from GST Council, Finance Ministry, GST Council Archives, GST portal (gst.gov.in) and annual reports. From 2017-18 to 2019-20, Assam had the highest amount of GST collection among the states in the Northeast and its share has been more than 60 per cent in these years. This study further shows that the total amount of collection of GST in Assam, Sikkim and Tripura has gradually increased.

**KEYWORDS :** Integrated Goods and Service Tax, Central Goods and Service Tax, State Goods and Service Tax, Cess.

## INTRODUCTION

GST Stands for Goods and Services Tax (GST). The GST was first proposed in 1999 during a meeting between then Prime Minister Atal Bihari Vajpayee and his economic advisory panel, which included three former RBI governors IG Patel, Bimal Jalan and C Rangarajan. Vajpayee set up a committee headed by the then finance minister of West Bengal, Asim Dasgupta to design a GST model. After 2004 general elections, during the Congress-led UPA government, the then Finance Minister P.Chidambaram in February 2006 continued work on the same and proposed a GST rollout by 1 April 2010. In 2014, the NDA government was re-elected into power and the GST Act was passed in the Lok Sabha on 29th March, 2017 and came into effect from 1st July, 2017. It was termed as One Nation One Tax. The major impact of introducing GST in India is the transformation in the fiscal structure of the Indian federal setup. The GST is governed by a GST Council and its Chairman is the Finance Minister of India. Keeping in mind the federal structure of India, there will be two components of GST – Central GST (CGST) and State GST (SGST). Both Centre and States will simultaneously levy GST across the value chain. GST Law has replaced many indirect tax laws that previously existed in India. In place of VAT, Service Tax etc the Government has come up with Central GST & State GST. So, by the implementation of GST the cost of the product can be reduced. Before GST, tax on tax was calculated and tax was paid by every purchaser including the final consumer. The taxation on tax is called the Cascading Effect of Taxes. But GST is payable at the final point of consumption, meaning that the 'taxable event' will be the 'supply of goods' and the 'supply of services'. In this paper thus attempt shall be made to analyse the amount of GST collections that have been achieved in the North-Eastern States of India along with focus upon its trend and progress.

## LITERATURE REVIEW

Dash (2017) in his study "Positive and Negative Impact of GST on Indian Economy" that GST is a single tax on the supply of goods and services, right from the manufacturer to the consumer. Input Tax Credits (ITC) paid at each stage will be available in the subsequent stage of value addition, which makes GST essentially a tax only on value addition at each stage. The paper also highlights the positive and negative impact of the GST in the Indian Tax System. Mishra (2018) in his study "Impact of GST on Indian Economy" stated that the concept of goods and services tax is a single national uniform tax levied across India on all goods and services and the study has also find out the impact of GST on Indian economy with the help of its effect on different sectors. A single taxation system would encourage new businesses and entrepreneurs to engage in service and manufacturing sector. Nayyar and Singh (2018) in their study "A comprehensive analysis of Goods and Services Tax in India" highlighted that the backdrop of the taxation system, the conceptual idea of GST along with significant mechanism, comparison of Indian GST taxation rates structure with other world economies. The paper also presented in detail coverage regarding advantages to various sectors of the Indian

economy and outlined several challenges of GST implementation. A study carried out by Kumaraswamy (2020) analysed that the working capital constraints created by the implementation of GST on the SMEs. The article has been developed by three research models to capture the effect of GST and concluded with a note of caution that "GST has a hard hit on SMEs short-term working capital needs in the short run". The foregoing review of available literature reveals that the studies on GST are very limited especially in the context of North-Eastern Region of India. The studies on components of GST in NEI like Tripura are also found negligible. In most of the studies, it is also evident that these studies are related to impact of GST on Indian economy, but not properly focused on the issues associated with North-Eastern States. The present study makes an attempt to understand the issues associated with GST in NE States based on the components of GST. The survey of the existing literature on GST indicates that at present there is no study on this issue. Therefore a comprehensive study on the issue of GST in NE states of India is the need of the hour.

## OBJECTIVES

To study the trends of tax collections through CGST, SGST, IGST and Cess; and to analyse the amount of Goods and Services Tax collection in North-Eastern States of India.

## METHODOLOGY

The required data for the present study to analyse the amount of GST collections in the NE States of India have been collected from various websites of Indian Government like GST Council (gstcouncil.gov.in), Finance Ministry (finmin.gov.in), GST Council Archives (gstindia.com), GST portal (gst.gov.in) and literature review from journal papers; annual reports; newspapers and magazines. The components that have been used to analyse the amount of GST collections in North-Eastern India comprise of Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST) and cess. The study mainly relates to covering a period from July-2017 to June-2020.

**Table 1: Year-wise Central Goods and Services Tax Collection (Rupees in Crore)**

Sl. No.	State	Year-1 (July-17 to June-18)		Year-2 (July-18 to June-19)		Year-3 (July-19 to June-20)	
		Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI
1	Sikkim	88.97	3.67	129.29	3.66	129.24	3.23
2	Arunachal Pradesh	67.11	2.77	167.44	4.75	222.22	5.55
3	Nagaland	36.17	1.49	72.56	2.06	109.71	2.74
4	Manipur	65.51	2.70	114.35	3.24	151.29	3.78
5	Mizoram	32.34	1.33	73.99	2.10	74.42	1.86
6	Tripura	152.67	6.29	212.46	6.02	249.5	6.24
7	Meghalaya	142.05	5.86	212.85	6.03	201.51	5.04

8	Assam	1840.52	75.89	2545.26	72.14	2862.62	71.56
<b>North-East India</b>		<b>2425.34</b>	<b>100.00</b>	<b>3528.20</b>	<b>100.00</b>	<b>4000.49</b>	<b>100.00</b>
<b>India</b>		<b>169368.56</b>		<b>209302.36</b>		<b>204479</b>	

Source: [gst.gov.in](http://gst.gov.in)

### FINDINGS AND DISCUSSION

The tax collection plays an important role in the economic development of any country. GST as an indirect tax has been introduced in India since 2017. The extent to which tax collection in the states of North-Eastern and India as a whole has increased since the implementation of GST mechanism in India can be clearly seen from the following discussion.

From the Table 1 above it is clear that a total of Rs.2425.34 crore CGST was collected from the North-Eastern (NE) states in 2017-18. After that in 2018-19 and 2019-20 the amount of CGST of NEI increased to Rs.3528.20 crore and Rs.4000.49 crore respectively. In the year 2017-18, NEI states collected 1.43 per cent of India's total CGST. In 2018-19 its amount was 1.68 per cent and now it has increased to 1.96 per cent. An important point to note from this Table 1 is that the amount of CGST collection in India in 2018-19 (Rs.209302.36 crore) has increased from 2017-18 (Rs.169368.56 crore) onwards. But in 2019-20 (Rs.204479 crore) it has gradually declined. Although the amount of CGST collection in the whole of India decreased in 2019-20, the amount of CGST collection in the North-Eastern states did not decrease at all, but increased. One of the reasons for this increase is that Assam is a North-eastern state, which is doing major portion of collection of CGST of the entire North-East India from 2017-18 to 2019-20. It is noted that the first four states in the CGST collection of NE states in 2017-18 were Assam (Rs.1840.52 crore), Tripura (Rs.152.67 crore), Meghalaya (Rs.142.05 crore) and Sikkim (Rs.88.97 crore). In 2018-19, CGST had the highest collection among the four NE states, Assam (Rs.2545.26 crore), Meghalaya (Rs.212.85 crore), Tripura (Rs.212.46 crore) and Arunachal Pradesh (Rs.167.44 crore). At present, the four states with the highest CGST collection among the NE states in 2019-20 are Assam (Rs.2862.62 crore), Tripura (Rs.249.5 crore), Meghalaya (Rs.201.51 crore) and Arunachal Pradesh (Rs.222.22 crore). From the above discussion it is clear that the state of Tripura besides Assam has an important role to play in the amount of revenue generated through collection of CGST in these three years. However, Arunachal Pradesh, Nagaland and Manipur have seen an increase in the amount of CGST collection from 2017-18 to 2019-20. On the other hand, the percentage of CGST collection in Assam and Sikkim among the eight states in the NEI has been declining.

Sl. No.	State	Year-1 (July-17 to June-18)		Year-2 (July-18 to June-19)		Year-3 (July-19 to June-20)	
		Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI
1	Sikkim	149.19	4.02	202.50	3.93	182.36	3.35
2	Arunachal Pradesh	105.94	2.86	225.77	4.38	285.7	5.25
3	Nagaland	62.05	1.67	109.52	2.12	155.63	2.86
4	Manipur	115.95	3.13	193.50	3.75	233.39	4.29
5	Mizoram	60.38	1.63	120.07	2.33	122.2	2.25
6	Tripura	234.04	6.31	319.27	6.19	358.48	6.59
7	Meghalaya	215.08	5.80	308.99	5.99	282.62	5.19
8	Assam	2764.43	74.57	3677.51	71.31	3820.54	70.22
<b>North-East India</b>		<b>3707.07</b>	<b>100.00</b>	<b>5157.13</b>	<b>100.00</b>	<b>5440.93</b>	<b>100.00</b>
<b>India</b>		<b>24124.44</b>		<b>28801.278</b>		<b>273457.2</b>	

Source: [gst.gov.in](http://gst.gov.in)

It is clear from Table 2 that the total SGST collection of North-Eastern states in 2017-18 was Rs.3707.07 crore. It has 1.53 percent of the revenue collection through SGST of the whole of India. Later in 2018-19 and in 2019-20, it increased to 1.79 percent and 1.99 percent respectively. Moreover, the amount of SGST collection from all over India in 2017-18 has increased in 2018-19 but now stands at Rs.273457.2 crore in 2019-20. It can also be seen from this Table that the second-highest percentage of SGST collection of North-Eastern states is from Tripura, followed by Assam. It is worth mentioning that

Tripura is playing an important role among the eight states of NE India as the amount of SGST collection of a percentage of NEI in 2018-19 decreased as compared to 2017-18, but it has increased to Rs.358.48 crore (6.59% of NEI) in 2019-20. Table 2 reveals that Tripura ranks second among NE states from 2017-18 to 2019-20 and in the first two years, Meghalaya be ranked third, but in 2019-20, it was ranked fourth. Although Sikkim is ranked fourth after Meghalaya in 2017-18, it has been ranked fifth and sixth in the state in 2018-19 and 2019-20 respectively. On the other hand, the picture of Arunachal Pradesh is just the opposite that means its position was sixth in 2017-18; fifth in 2018-19 and currently (2019-20) the state ranks third among the rest of the NE. It is also found that Arunachal Pradesh, Nagaland and Manipur these three NE states have seen a steady increase in SGST collection, but the total amount of SGST collection in Sikkim and Assam is quite different from the other three states of NEI. However, the amount of SGST collection in Mizoram and Meghalaya has increased in 2018 as compared to 2017 but declined in 2019.

Sl. No.	State	Year-1 (July-17 to June-18)		Year-2 (July-18 to June-19)		Year-3 (July-19 to June-20)	
		Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI
1	Sikkim	1435.20	32.44	1647.04	31.11	1904.25	34.17
2	Arunachal Pradesh	35.42	0.80	54.65	1.03	59.78	1.07
3	Nagaland	46.93	1.06	61.05	1.15	51.42	0.92
4	Manipur	12.33	0.28	19.78	0.37	25.42	0.46
5	Mizoram	14.81	0.33	58.36	1.10	61.22	1.10
6	Tripura	38.87	0.88	64.01	1.21	79.06	1.42
7	Meghalaya	648.96	14.67	862.75	16.29	840.03	15.08
8	Assam	2191.14	49.53	2526.97	47.73	2551	45.78
<b>North-East India</b>		<b>4423.67</b>	<b>100.00</b>	<b>5294.60</b>	<b>100.00</b>	<b>5572.17</b>	<b>100.00</b>
<b>India</b>		<b>272117.81</b>		<b>311531.19</b>		<b>285782.7</b>	

Source: [gst.gov.in](http://gst.gov.in)

From the Table 3, it can be said that in 2017-18, the amount of IGST allocation in the whole of India was Rs.272117.81 crore and in 2018-19, the amount was Rs.311531.19 crore and in 2019-20 it has come down to Rs.285782.7 crore. Although the amount of IGST increased from 2017-18 to 2018-19, its amount has decreased a lot from 2018-19 to 2019-20. On the other hand, in the case of NE states, its picture is different, i.e., from 2017-18 to 2019-20, the amount of IGST collection in the states has gradually increased. It may be noted here that the total IGST collection of NE states in 2017-18 was Rs.4423.67 crore, then in 2018-19 it was Rs.5294.60 crore and now in 2019-20 it has increased to Rs.5572.17 crore. From this Table 3 it can be also seen that the share of Assam (45.78%), Sikkim (34.17%) and Meghalaya (15.08%) among the NE states in 2019-20 is much higher than the rest of the states. The four NE states that collected the highest amount of IGST in 2017-18 was Assam (1<sup>st</sup>), Sikkim (2<sup>nd</sup>), Meghalaya (3<sup>rd</sup>) and Nagaland (4<sup>th</sup>). After that in the year 2018-19 the highest amount of IGST has been collected by Assam (Rs.2526.97 crore), Sikkim (Rs.1647.04 crore), Meghalaya (Rs.862.75 crore) and Tripura (Rs.64.01 crore). At present in 2019-20 the highest amount of IGST has been collected by the NE states are Assam (Rs.2551 crore), Sikkim (Rs.1904.25 crore), Meghalaya (Rs.840.03 crore) and Tripura (Rs.79.06 crore). Another important point to note from Table 3 is that the total amount of IGST collection in Assam has decreased, while the IGST collection in Tripura and Arunachal Pradesh has increased. The percentage of Sikkim's IGST collection has decreased in 2018-19 (31.11% of NEI) as compared to 2017-18 (32.44% of NEI), but it has increased to 34.17 per cent in 2019-20.

Sl. No.	State	Year-1 (July-17 to June-18)		Year-2 (July-18 to June-19)		Year-3 (July-19 to June-20)	
		Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI
1	Sikkim	1.39	0.28	1.74	0.34	1.68	0.37
2	Arunachal Pradesh	1.49	0.30	2.11	0.42	2.86	0.64
3	Nagaland	3.11	0.63	12.27	2.43	7.11	1.58
4	Manipur	1.26	0.26	1.08	0.21	1.48	0.33
5	Mizoram	0.43	0.09	0.54	0.11	0.87	0.19
6	Tripura	6.41	1.30	3.07	0.61	2.51	0.56

7	Meghalaya	37.12	7.54	12.20	2.41	3.91	0.87
8	Assam	440.86	89.59	472.19	93.46	428.54	95.45
<b>North-East India</b>		<b>492.08</b>	<b>100.00</b>	<b>505.21</b>	<b>100.00</b>	<b>448.98</b>	<b>100.00</b>
<b>India</b>		<b>78005.32</b>		<b>88472.47</b>		<b>78707.62</b>	

Source: [gst.gov.in](http://gst.gov.in)

From the Table 4 it is clear that the total amount of cess collection in India increased from 2017-18 (Rs.78005.32 crore) to 2018-19 (Rs.88472.47 crore) but decreased in 2019-20 (Rs.78707.62 crore). The total collection of the North-eastern states was Rs.492.08 crore in 2017-18, it increased to Rs.505.21 crore in 2018-19, but now (2019-20) it has come down to about Rs.448.98 crore. From this Table it can be said that the highest percentage of share of cess is collected from Assam among the NE states in India. Meghalaya was ranked second position in 2017-18 but later it has ranked third (3<sup>rd</sup>) in 2018-19 and 2019-20. After Meghalaya, Tripura has ranked third (3<sup>rd</sup>) position among the eight states in NEI in the first year of GST implementation, but later it has ranked fourth (4<sup>th</sup>) and fifth (5<sup>th</sup>) in 2018-19 and 2019-20 respectively. Moreover, Nagaland occupied the 1<sup>st</sup> place in the first year of GST, but later it became the 2<sup>nd</sup> place due to the gradual increase in the percentage of cess collection of the state. Another important aspect is that the states of Sikkim (6<sup>th</sup>), Manipur (7<sup>th</sup>) and Mizoram (8<sup>th</sup>) occupy the same position from 2017-18 to 2019-20. From the above discussion it is clear that the amount of cess collection in Tripura and Meghalaya has been gradually declining. In 2017-18 the percentage of cess collection of Arunachal Pradesh after Nagaland, was 0.30 then in 2018-19 and 2019-20 its share of percentage has been 0.42 and 0.64 respectively.

Sl. No.	State	Year-1 (July-17 to June-18)		Year-2 (July-18 to June-19)		Year-3 (July-19 to June-20)	
		Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI	Amount (Rs.)	% of NEI
1	Sikkim	1674.75	15.16	1980.57	13.67	2217.53	14.34
2	Arunachal Pradesh	209.96	1.90	449.97	3.11	570.56	3.69
3	Nagaland	148.26	1.34	255.4	1.76	323.87	2.09
4	Manipur	195.05	1.77	328.71	2.27	411.58	2.66
5	Mizoram	107.96	0.98	252.96	1.75	258.71	1.67
6	Tripura	431.99	3.91	598.81	4.13	689.55	4.46
7	Meghalaya	1043.21	9.44	1396.79	9.64	1328.07	8.59
8	Assam	7236.95	65.50	9221.93	63.66	9662.7	62.49
<b>North-East India</b>		<b>11048.16</b>	<b>100.00</b>	<b>14485.14</b>	<b>100.00</b>	<b>15462.57</b>	<b>100.00</b>
<b>India</b>		<b>760736.1</b>		<b>897318.8</b>		<b>842426.5</b>	

Source: [gst.gov.in](http://gst.gov.in)

The amount of GST collected over the last three years in the whole of India and in the North-Eastern states can be seen from the table above. From July 2017 to June 2020, the total amount of GST collection in the North-Eastern states has been steadily increasing. But the total GST collection in India has decreased in 2019-20 as compared to 2018-19. One of the reasons for this is the low GST collection in the North-Eastern state of Meghalaya like other states in India. Among the states in the North-East, the highest amount of GST was collected in 2017-18 from Assam and it had a share of 65.5 per cent. From the Table 5 above, it can be further noted that from 2017-18 to 2019-20, Assam's GST collection has gradually increased. After Assam, the state of Sikkim ranks second among the states in the North-East. The total GST collected by the state in 2017-18 was Rs.1674.75 crore which has now increased to Rs.2217.53 crore in 2019-20. In Meghalaya, on the other hand, GST collection in 2018-19 was highest than in 2017-18, but it has come down in 2019-20. Tripura, another small hill state in the North-East India, has seen a steady increase in the amount of GST collection from 2017-18 to 2019-20. Its share of NEI was 3.91 per cent in 2017-18, 4.13 per cent in 2018-19 and now in 2019-20 stands at 4.46 per cent. Moreover, there is another significant issue is among the states of North-East India, Mizoram, Nagaland, Manipur and Arunachal Pradesh are collecting less amount of GST.

## CONCLUSION

The mechanism of GST is planned in such a manner that it is expected to generate good amount of collection of revenue for both Central and State Government. At present GST is at the preliminary stage of development in Indian economy. It will take a few times to know-how

its effects on the economy of NE states as well as India also. From the date of the current three years, it can be said that Assam has the highest amount of CGST collection among the states in the Northeast. It is also inferred that the North-Eastern States of Tripura besides Assam has played an important role in the amount of revenue collection of CGST in these three years. Although the amount of SGST collection in India is less in 2019-20 as compared to 2018-19, its picture is completely opposite in the case of NE states. One of the reasons for this instance is to increase is that Assam is a North-eastern state, which is doing major portion of collection of SGST of the entire North-East India from 2017-18 to 2019-20. It is clear that the share of IGST collection of Assam, Sikkim and Meghalaya from 2017-18 to 2019-20 is much higher than as compared to the rest of the NE states of India. Moreover, the total amount of GST collection in Mizoram, Nagaland, Manipur and Arunachal Pradesh are very low in these three years. From the data for 2019-20, it can be seen that the total amount of cess collection in the states of Northeast as well as the whole of India has decreased a lot. In this circumstance, the representatives of the Central Government and the State Government have to play an important role in achieving the main objective of the GST through Indirect tax collection.

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