



## 5. Implications of Goods and Services Tax on Revenue Productivity of Northeastern States: An Empirical Analysis

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### **ABSTRACT:**

*The adoption of Goods and Services Tax, popularly known as GST, is believed to unlock the strong revenue potential of the northeastern states in India. Being GST destination-based taxation, most of the northeastern states are collecting much more revenues as they are predominantly consuming states. With the phasing out of the Central Sales Tax from the state of origin to the consuming state, the tax collections for these states have seen a phenomenal increase. All the Northeastern states have gained higher revenues from State Goods and Services Tax (SGST), a component of GST representing taxes collected within the state. With a growing economy in the northeastern region, GST is likely to register a revenue boost in the future and would help in resource mobilization for the development of the region. The purpose of the study is to analyze the implication of GST on the revenue productivity of northeastern states via empirical analysis on data obtained from 8 Northeastern states of India from FY 2018-19 to FY 2022-23. The findings provide major, immediate, and minor benefits of GST implementation towards northeastern states which can be utilized by various researchers and policymakers for academic and administrative purposes. The outcome of the study reveals that the phasing out of “consumption-based taxation to destination-based taxation” and “elimination of cascading effect” had majorly benefited the Northeastern states.*

### **KEYWORDS:**

*GST, SGST, revenue productivity, NE states, elimination of cascading effect, implications.*

### **Introduction:**

On July 1, 2017, the Goods and Services Tax (GST) was implemented with the motive to simplify the indirect tax system in the country and ensure the country's balanced economic development. GST is a comprehensive tax levy on the manufacturing, sale, and consumption of goods and services at a national level, allowing commodities to move freely across state and national borders, cutting tax evasion and ramping up the taxpayer's base,

improving tax compliance, increasing government revenues and attracting investors by making it easier to do business in India. As many of the central and state taxes have been subsumed under GST, the GST Council has made new arrangements for collecting and sharing the tax proceeds. The GST Council comprises the Union Finance Minister as the Chairperson and representatives from the Centre and each of the States and Union Territories. The Council takes all decisions relating to the operation of goods and services tax. Under GST, the Central Goods and Services Tax (CGST) and the State Goods and Services Tax (SGST) are levied equally among the central government and the state governments i.e., half of the tax is credited to the Central Government towards CGST, and the other half is credited to the State Government based on destination towards SGST. Whereas, in the case of inter-state supply of goods and services, the Integrated Goods and Services Tax (IGST) is levied whereby the tax proceeds are allocated equally to the centre and the concerned destination state. In this regard, the Union Minister for Finance and Corporate Affairs Nirmala Sitharaman said that the northeastern states have scripted a success story in the collection and devolution of the Goods and Services Tax (*Source: The Economic Times dated July 23, 2023*). She also highlighted that the North East is the biggest beneficiary of GST as this tax regime is destination/consumption-based. According to the 2023 RBI report on state finances, the eight northeastern states have registered a compounded annual hike of 27.5% in GST Revenue. The number of registrations has increased significantly from 1 lakh to 3.45 lakhs in the northeastern region. Sitharaman also added that Assam was the first state to ratify the GST Act, four days after it was passed and since then there has been 12 times increase in the collection of taxes (i.e., from Rs 558.26 Crore sales tax collection prior to GST implementation to Rs 7,097 now). Meghalaya and Sikkim have registered a significant achievement with the former's collection increasing from Rs 587.21 Crore to Rs 2,078 Crore and the latter's from Rs 263.5 Crore to Rs 3,036 Crore (*Source: ABP News Bureau dated July 21, 2023*). The remaining northeastern states also witnessed a significant increase in tax collection and were well above the national average. Thus, the implementation of GST has not only brought about a significant improvement in the system and benefited the northeastern states but also the people in the region as well.

### **Significance of The Study:**

The execution of GST was presumed to benefit the consumer states. Since GST is based on destination principle, tax would go to the state where goods or services are consumed rather than where those are produced. Most of the northeastern states are consuming, and therefore, the present study aims to analyze the extent to which the implementation of GST has improved tax collections in the region. The paper also tries to verify trends of GST registration in this region.

### **Literature Review:**

Over a period of past few years, indirect taxation has received major attention from policymakers, academicians, and professionals. After long debates and discussions in both houses of the parliament, the Government of India implemented Goods and Services Tax (GST) in the country by replacing almost all indirect taxes under the ambit of GST (except some items like petroleum, alcohol for human consumption, etc.) which are still out of GST preview in India.

- Tiwari H and Singh S N (2018) found that the adoption of GST will most likely to give a spur to Indian economic growth prospects. It will direct the path of growth in government revenue and support government initiatives such as digital India, made in India and so on. The authors concludes that the superiority of the VAT/GST over the sales tax system regarding generation has presented a mix result worldwide.
- Mukherjee S (2020) analysed the performance of GST in terms of revenue collection and compliance gap at both national and state level. According to the study, he found that there is a gap in the filing rate of GSTR-1 and GSTR-3B which has caused problems for claim of input tax credit (ITC) for the taxpayers.
- Nayaka B and Panduranga V P (2020) in their paper analysed the impact of the indirect tax revenue of Karnataka state. They found that in spite of increases in the registrations, filing of returns, and tax collections in the GST regime for the Karnataka state, there is a delay in providing compensation to states. Such delay in releasing of the compensation cess by the Central Government would likely affect the spending of the state governments on various welfare activities.
- Damodar N and Konsam J (2021) in the paper pointed that the NE states lack industrialization and the governments should give special focus on infrastructural development for the purpose. The authors also added that the ‘Look East Policy’ initiated by the central government would open a number of opportunities on this front.
- Pinki and et al (2017) studied the impact of Goods and Services Tax in India. According to the authors, if businesses and consumers embrace the new tax reform, the government can help the Indian economy grow faster.
- Saha S and Debnath A (2021) conducted study on GST collection in the northeastern states of India between 2017-18 and 2019-20. The study reveals that Assam had the highest amount of GST collection among the states in the northeast. The study further shows that the total amount of collection of GST in Assam, Sikkim and Tripura has gradually increased.
- World Bank (2018) and et al concluded that the GST system adopted in India is among the most complicated ones in the world. With a large number of tax rates and its high tax rates is likely to have adverse impact on the Indian economy.

### **Objectives of The Study:**

- To examine the implication of the GST implementation on the revenue productivity of the Northeastern States.
- To study the growth of GSTR filing among the Northeastern states.

### **Research Methodology:**

The research is based on secondary data. It is derived from government data i.e., the Goods and Services Tax Council website. The study is based on the compiled GST data of the Northeastern states. The study technique is based on comparing the data collected for the pre-GST period between 2012-13 and 2015-16 and the post-GST period between 2018-19 and 2022-23 over ten years. The statistical tools used in the research are the percentage method and trend analysis.

**Analysis and Interpretation:**

**Table 1**  
**NE States Revenue from taxes subsumed in GST**  
**(Between 2012-13 and 2016-17)**

**(Figures in Crore)**

NE STATES	2012-13	2013-14	2014-15	2015-16	2016-17	Average
Arunachal Pradesh	***	***	***	256.03	***	***
Assam	4467.12	4878.21	5244.91	5985.5	6970.97	5509.34
Meghalaya	379.27	309.89	448.26	636.17	587.21	472.16
Manipur	263.71	386.57	432.78	347.06	499.05	385.83
Mizoram	109.10	135.56	148.9	188.91	210.17	158.53
Nagaland	195.51	178.43	215.94	256.10	303.67	229.93
Tripura	572.88	628.20	667.90	788.73	842.16	699.97
Sikkim	194.40	253.21	220.12	245.45	263.50	235.34
<b>NE Total</b>	<b>6181.99</b>	<b>6770.07</b>	<b>7378.81</b>	<b>8703.95</b>	<b>9676.73</b>	<b>7742.31</b>
<b>India Total</b>	<b>286186.06</b>	<b>308734.85</b>	<b>331825.85</b>	<b>397334.83</b>	<b>391930.53</b>	<b>343202.40</b>

Source: www.gst.gov.in

**Table 2**  
**NE States GST Collection**  
**(Between 2018-19 and 2022-23)**

**(Figures in Crore)**

NE STATES	2018-19	2019-20	2020-21	2021-22	2022-23	Average	%Change	Trend (2030)
Arunachal Pradesh	398.27	581.11	649.22	709.62	1022.87	***	***	***
Assam	8988.38	10423.36	10012.25	12006.88	13710.37	11028.25	100.17	20953.00
Meghalaya	1968.41	1521.67	1336.04	1764.10	2075.83	1733.21	267.08	2289.21
Manipur	309.12	434.74	391.62	551.15	614.84	460.29	19.29	-128.42
Mizoram	213.12	295.82	256.50	316.15	418.59	300.04	89.26	330.69
Nagaland	226.81	316.75	388.51	419.99	566.23	383.66	66.86	1855.66
Tripura	556.22	679.51	730.55	776.75	883.50	725.31	3.62	3216.32
Sikkim	1917.41	2248.41	2264.99	2811.29	3155.74	2479.57	953.63	8628.12
<b>NE Total</b>	<b>14577.74</b>	<b>16501.37</b>	<b>16029.68</b>	<b>19355.93</b>	<b>22029.38</b>	<b>17698.82</b>	<b>128.60</b>	<b>47734.49</b>
<b>India Total</b>	<b>876746.65</b>	<b>944407.30</b>	<b>865060</b>	<b>1097545.36</b>	<b>1324985.21</b>	<b>1021749</b>	<b>197.71</b>	<b>855600.42</b>

Source: www.gst.gov.in

Table 1 and 2 presents a precise comparison of the total collections of the two tax regimes, i.e., pre-GST era between FY 2012-13 and FY 2016-17, where taxpayers have to comply with a multiplicity of taxes and post-GST era from 2018 to 2023 wherein GST subsumed the other taxes with effect from July 1, 2017 onward. In the pre-GST period, taxpayers have to comply with significant taxes such as VAT, CST, octroi, entry tax and 13 more such state and local levies. The comparison explicitly reveals drastic upswing in GST revenues between 2018 and 2023 compared with the taxes collected between 2012 and 2017. For instance, average revenue collection figures between 2018-19 and 2022-23 shows a very high growth for the states like Sikkim (953.63%) followed by Meghalaya (267.08%). While other northeastern states are below the northeastern states average of 128.60%, i.e., Assam (100.17%), Mizoram (89.26%), Nagaland (66.86%), Manipur (19.29%) and Tripura (3.62%). Also, the revenue growth of Sikkim (953.63%) and Meghalaya (267.08%) are above the national growth rate of 197.71%. The trend analysis shows that the total GST collection of NE states will reach Rs. 47734.49 Crores in 2030 in comparison to the total collection of Rs 22029.38 in 2022-23.

**Table 3**  
**No. of taxpayers eligible to file GSTR-1 among NE States**  
**(Between FY 2018-19 and FY 2022-23)**

<b>NE STATES</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>Percentage (%) Increase/Decrease on no. of taxpayers eligible to file</b>
Arunachal Pradesh	88504	109284	125554	135744	143428	<b>62.1</b>
Assam	1279603	1361885	1484062	1586881	1713007	<b>33.9</b>
Meghalaya	195026	233865	249032	234348	239427	<b>22.8</b>
Manipur	97804	106214	120382	119526	119419	<b>22.1</b>
Mizoram	49192	58650	69381	74743	79612	<b>61.8</b>
Nagaland	59195	67477	73725	76000	81396	<b>37.5</b>
Tripura	171546	189707	228649	249439	260110	<b>51.6</b>
Sikkim	50135	62451	73143	79468	86673	<b>72.9</b>
<b>NE Total</b>	<b>1991005</b>	<b>2083319</b>	<b>2423928</b>	<b>2556149</b>	<b>2723072</b>	<b>36.8</b>
<b>India Total</b>	<b>75697667</b>	<b>81457191</b>	<b>98045251</b>	<b>102016148</b>	<b>109459607</b>	<b>44.6</b>

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

Table 3 shows that the eligibility for GSTR-1 filing has increased between FY 2018-19 and FY 2022-23 among NE states. Sikkim showed the highest growth rate of 72.9%, followed by Arunachal Pradesh (62.1%) and Mizoram (61.8%). Manipur had the lowest growth with

22.1%. The overall growth of eligible taxpayers to file GSTR-1 among northeastern states between FY 2018-19 and FY 2022-23 was 36.8%.

**Table 4**  
**No. of Taxpayers filed GSTR-1 among NE States**  
**(Between FY 2018-19 and 2022-23)**

NE STATES	Total returns filed					Average	S.D.	Trend (2030)
	2018-19	2019-20	2020-21	2021-22	2022-23			
Arunachal Pradesh	50067	59869	62089	100887	114,960	77574	28509.19	231298
Assam	767938	874189	867209	1396937	1573121	1095879	363103.8	3015681
Meghalaya	117252	135502	118352	166704	193829	146328	33229.5	312248
Manipur	52672	61079	59503	86390	98760	71681	19822.18	177419
Mizoram	31293	38627	39403	58549	65683	46711	14633.42	126543
Nagaland	38689	47219	47302	65247	73099	54311	14283.33	132474
Tripura	120451	135984	135324	222129	239820	170742	55686.92	463136
Sikkim	37073	45709	43572	66070	73851	53255	15819.13	137780
<b>NE Total</b>	<b>1215435</b>	<b>1398178</b>	<b>1372754</b>	<b>2162913</b>	<b>2433123</b>	1716481	543918.5	4596579
<b>India Total</b>	<b>58800054</b>	<b>64652061</b>	<b>73372461</b>	<b>94843827</b>	<b>103801242</b>	79093929	19440002	187268657

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

Table 4 reveals that the number of GSTR-1 filing between FY 2018-19 and FY 2022-23 has increased for all the NE states. The average GSTR-1 filling for the NE States was 1,716,481. The overall growth rate of NE states between FY 2018-19 and FY 2022-23 is 100.2%, which is above the national growth rate of 76.5%. The trend analysis shows that number of GSTR-1 filing for northeastern states will increase by more than 100% between 2022-23 and 2029-30. According to the analysis, Assam will lead returns filing with 30,15,681, followed by Tripura with 4,63,136 filing and Meghalaya with 3,12,248 filing.

**Table 5**  
**GSTR-3B: No. of Taxpayers eligible to fill**

NE STATES	2018-19	2019-2020	2020-2021	2021-22	2022-2023	Percentage (%) Increase/ Decrease on no. of taxpayers eligible to file
Arunachal Pradesh	115789	142753	144250	135744	143428	<b>23.9</b>
Assam	1730339	1889947	1744731	1586881	1713007	<b>(1.0)</b>
Meghalaya	261360	309457	293382	234348	239247	<b>(8.5)</b>

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NE STATES	2018-19	2019-2020	2020-2021	2021-22	2022-2023	Percentage (%) Increase/ Decrease on no. of taxpayers eligible to file
Manipur	120132	127448	129700	119526	119419	(0.6)
Mizoram	57944	69894	76,049	74,743	79612	37.4
Nagaland	69879	79569	79,669	76,000	81396	16.5
Tripura	252264	290965	281801	249431	260110	3.1
Sikkim	68355	86864	87,414	79,468	86673	26.8
<b>NE Total</b>	<b>2676062</b>	<b>2996897</b>	<b>2836996</b>	<b>2556141</b>	<b>2722892</b>	<b>1.7</b>
<b>India Total</b>	<b>115707817</b>	<b>124736213</b>	<b>119416567</b>	<b>102016148</b>	<b>109459607</b>	<b>(5.4)</b>

Source: www.gst.gov.in

Table 5 shows that the eligibility for GSTR-3B filing has increased for states like Arunachal Pradesh (23.9%), Mizoram (37.4%), Nagaland (16.5%), Tripura (3.1%), and Sikkim (26.8%). However, Assam, Meghalaya, and Manipur have shown a sharp decline of 1%, 8.5%, and 0.6% respectively. The overall growth of eligible taxpayers to file GSTR-3B among northeastern states between FY 2018-19 and FY 2022-23 was 1.7%.

**Table 6**  
**No. of Taxpayers filed GSTR-3B among NE States**  
**(Between FY 2018-19 and 2022-23)**

NE STATES	Total returns filed					Average	S.D.	Trend (2030)
	2018-19	2019-20	2020-21	2021-22	2022-23			
Arunachal Pradesh	87943	98590	95392	92371	116454	98150	10959.2	143873
Assam	1301513	1412515	1352874	1321967	1592322	1396238	117349	1838201
Meghalaya	203043	228205	208677	175032	201060	203203	19061	151778
Manipur	84251	88,219	84,469	84,271	100829	88,408	7145.42	114695
Mizoram	43575	51507	52478	54910	66197	53733	8161.67	97516
Nagaland	53855	60459	60215	60143	73454	61625	7173.6	96619
Tripura	207251	231893	221,782	208,175	241109	222042	14762.5	261640
Sikkim	57960	70160	68002	61769	74382	66455	6578.02	88462
<b>NE Total</b>	<b>2039391</b>	<b>2241548</b>	<b>2143889</b>	<b>2058638</b>	<b>2391425</b>	2174978	145057	2644020
<b>India Total</b>	<b>102935289</b>	<b>111411583</b>	<b>107394327</b>	<b>94803757</b>	<b>90344011</b>	101377793	8721578	63766449

Source: www.gst.gov.in

Table 6 shows that in spite of country's decline in GSTR-3B filing between 2018-19 and 2022-23, there is a growth in GSTR-3B filing among the northeastern states. Among them, Mizoram had the highest growth rate with 51.6%, followed by Nagaland with 36.4% and Arunachal Pradesh with 32.4%. The overall growth rate of northeastern states between FY 2018-19 and 2022-23 was 17.3%. The trend analysis shows that GSTR-3B filing for northeastern states will increase by 10.56% between 2022-23 and 2029-30. According to this analysis, Assam will likely lead in GSTR-3B with 18,38,201 filing, followed by Tripura with 2,61,640 filing and Meghalaya with 1,51,778 filing.

### **Findings:**

1. The study reveals that the adoption of the GST has improved the tax ratio of the northeastern states.
2. The implementation of GST improves the revenues of the northeastern states from SGST, a component of GST representing taxes collected within the state.
3. Sikkim witnessed the highest increase in tax collections among northeastern states between two tax regimes i.e., pre-GST period between 2012-13 and 2016-17 and post-GST period between 2018-19 and 2022-23. The percentage increase in average collection between these two periods was 953.63%. (i.e., from Rs 235.34 Cr to Rs 2479.57). The other northeastern states: Meghalaya, Assam, Mizoram and Nagaland also witnessed a remarkable growth in tax collection. However, there were no major changes in tax collection for Manipur and Tripura.
4. According to trend analysis, the overall GST tax collection of the northeastern states by is likely to reach Rs 47734.49 Cr by 2029-30. Among these states, Assam is likely to have highest collection of Rs 20953.00 Cr, followed by Sikkim Rs 8628.12 Cr and Tripura Rs 3216.32 Cr. However, trend analysis shows negative growth for Manipur (i.e., - Rs 128.42 Cr).
5. Regarding taxpayers eligible to file GSTR -1 between 2018-19 and 2022-23, Sikkim recorded the highest growth rate of 72.9%, followed by Arunachal Pradesh (62.1%) and Mizoram (61.8%). However, Assam recorded the highest number of average GSTR-1 filing between 2018-19 and 2022-23, which is more than 50% of total average filing of northeastern states. According to the trend analysis, Assam likely to mark the highest GSTR-1 filings i.e., 30,15,681 by 2029-30, followed by Tripura with 4,63,136 filing and Meghalaya with 3,12,248 filing.
6. Regarding taxpayers eligible to file GSTR-3B between 2018-19 and 2022-23, Mizoram recorded the highest growth rate of 37.4%, followed by Sikkim (26.8%) and Arunachal Pradesh (23.9%). On the other hand, there were decline in eligible filers for the states like Meghalaya (-8.5%), Assam (-1%) and Manipur (- 0.6%). Trend analysis reveals that Assam is likely to mark the highest GSTR-3B filings i.e., 18,38,201 by 2029-30 and would account 69.52% of all northeastern states.

### **Conclusion:**

The introduction of Goods and Services Tax (GST) have witnessed a robust growth in tax collections in the eight northeastern states. The main reason behind increased tax collections is basically due to the GST's principle, which is on the basis of tax and consumption not just on the basis of where it is produced. Speaking at the Central Board of Indirect Taxes and Customs (CBIC) Investiture Ceremony at Guwahati on July 21 2023, Union Finance



Minister Ms Nirmala Sitharaman said that there still exists scope to widen the tax base in the northeast if officials focus bringing more small and medium enterprise, traders and other businesses with the ambit of the GST (Source: *The Economics Times Bureau dated July 21 2023*). With more industrialization in the NE states, GST is likely to register a strong revenue performance in the future and help in much-needed resource mobilisation for the development of the region. Hence, the region has vast potential to boost GST revenue growth if backed by huge investments and infrastructural development.

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