<u>നക്ഷത്ര ചിഹ്നം ഇല്ലാത്ത ചോദ്യം നം. 403</u>   <u>13-01-2021 - ൽ മറുപടിയ്ക്</u>

<u>സംസ്ഥാനത്തെ സാമ്പത്തിക പ്രതിസന്ധി</u>

ചോദ്യം	ഉത്തരം
ശ്രീ. അനിൽ അക്കര , ശ്രീ. അനൂപ് ജേക്കബ് , ശ്രീ . എം . വിൻസെൻറ് , ശ്രീ . ഐ .സി .ബാലകൃഷ്ണൻ	**Dr. T. M. Thomas Isaac** (ധനകാര്യവും കയറും വകുപ്പമന്ത്രി)
(എ) കേന്ദ്ര സർക്കാർ കൈക്കൊണ്ട വികലമായ സാമ്പത്തിക നയങ്ങളും വേണ്ടത്ര അവധാനത ഇല്ലാതെ നടപ്പിലാക്കിയ ചരക്ക് സേവന നികുതിയുടെ പരിണിതഫലവും സംസ്ഥാനത്തെ രൂക്ഷമായ സാമ്പത്തിക പ്രതിസന്ധിയിലാക്കിയെന്ന് വിലയിരുത്തുന്നുണ്ടോ;	(എ) ജി.എസ്.ടി റിട്ടേൺ സോഫ്റ്റ് വെയർ പൂർണ്ണമായും സജ്ജമാകാതെ ജി.എസ്.ടി നടപ്പിലാക്കിയതുമൂലം ഇൻപുട്ട് ടാക്സ് ക്രഡിറ്റിന്റെ വെരിഫിക്കേഷൻ, ഐ.ജി.എസ്.ടി സെറ്റിൽമെന്റ് എന്നിവ പൂർണ്ണമായും നടപ്പിലാക്കാൻ സാധിച്ചിട്ടില്ല. കൂടാതെ ജി.എസ്.ടിക്ക് മുമ്പ് നിലവിലുണ്ടായിരുന്ന നിരക്കുകളേക്കാൾ കുറവായിട്ടാണ് ജി.എസ്.ടിയിൽ നിരക്കുകൾ നിശ്ചയിച്ചത്. കൂടാതെ 28–ാം ജി.എസ്.ടി കൗൺസിലിൽ 28 ശതമാനം നിരക്കുണ്ടായിരുന്ന പ്രധാന ഉപഭോക്തൃ സാധനങ്ങളുടെ നികുതി നിരക്ക് 18 ശതമാനമായി കുറച്ചു. ഈ കാരണങ്ങളാൽ ജി.എസ്.ടി നികുതിയിൽ നിന്ന് പ്രതീക്ഷിച്ച വരുമാനം ലഭിക്കാതിരിക്കുവാൻ കാരണമായി.
(ബി) സർക്കാരിന്റെ ധൂർത്തും നികുതി പിരിവിലെ പിടിപ്പുകേടും സാമ്പത്തിക പ്രതിസന്ധി രൂക്ഷമാക്കുവാൻ കാരണമായിട്ടില്ലേയെന്ന് വ്യക്തമാക്കുമോ;	(ബി) നികുതി പിരിവിൽ പിടിപ്പുകേട് ഉണ്ടായിട്ടില്ല. നികുതി പിരിവിനായി സംസ്ഥാന ചരക്ക് സേവന നികുതി വകുപ്പ് നടത്തിയ പ്രവർത്തനങ്ങളെക്കുറിച്ച് 2021 ബഡ്ജറ്റിനോടൊപ്പം സഭയിൽ സമർപ്പിച്ച Medium Term Fiscal Policy Statement ന്റെ 1 മുതൽ 29 വരെയുള്ള പേജുകളിൽ വ്യക്തമാക്കിയിട്ടുണ്ട് (പകർപ്പ് അനുബന്ധമായി ചേർത്തിരിക്കുന്നു)
(സി) നിലവിലെ സാമ്പത്തിക പ്രതിസന്ധി മറികടക്കുവാൻ സ്വീകരിച്ച നടപടികൾ എന്തൊക്കെയെന്നറിയിക്കുമോ;	(സി) നികുതി പിരിവിൽ പിടിപ്പുകേട് ഉണ്ടായിട്ടില്ല. നികുതി പിരിവിനായി സംസ്ഥാന ചരക്ക് സേവന നികുതി വകുപ്പ് നടത്തിയ പ്രവർത്തനങ്ങളെക്കുറിച്ച് 2021 ബഡ്ജറ്റിനോടൊപ്പം സഭയിൽ സമർപ്പിച്ച Medium Term Fiscal Policy Statement ന്റെ 1 മുതൽ 29 വരെയുള്ള പേജുകളിൽ വ്യക്തമാക്കിയിട്ടുണ്ട് (പകർപ്പ് അനുബന്ധമായി ചേർത്തിരിക്കുന്നു)
(ഡി) റവന്യൂ റിക്കവറി നടപടികൾ ഊർജ്ജിതപ്പെടുത്തി	(ഡി) കോവിഡ് മൂലമുള്ള പ്രതിസന്ധി റവന്യൂ റിക്കവറി

2020-21ൽ അധിക ഇക പിരിച്ചെടുക്കുവാൻ സാധിച്ചിട്ടുണ്ടോ; കോവിഡ് മൂലമുള്ള പ്രതിസന്ധി റവന്യൂ റിക്കവറി നടപടികൾ സ്വീകരിക്കുന്നതിന് തടസ്സമായിട്ടുണ്ടോ എന്ന് വ്യക്തമാക്കുമോ?

നടപടികൾ സ്വീകരിക്കുന്നതിന് തടസ്സമായിട്ടുള്ളതിനാൽ 2020-21 സാമ്പത്തിക വർഷത്തിൽ റവന്യൂ റിക്കവറി നടപടികൾ ഊർജ്ജിതമാക്കി അധികഇക പിരിച്ചെടുക്കുവാൻ സാധിച്ചിട്ടില്ല. എന്നാൽ സംസ്ഥാന ചരക്ക് സേവന നികുതി വകുപ്പിൽ കൊണ്ടുവന്ന ആംനസ്റ്റി പദ്ധതി പ്രകാരം 32237 വ്യാപാരികളിൽ നിന്നായി 170.98 കോടി കുടിശ്ശിക സമാഹരിക്കാൻ കഴിഞ്ഞിട്ടുണ്ട്.

സെക്ഷൻ ഓഫീസർ

MEDIUM TERM FISCAL POLICY & STRATEGY STATEMENT WITH MEDIUM TERM FISCAL PLAN FOR KERALA

2021-22 to 2023-24

FINANCE DEPARTMENT

2021

The Kerala experience of Goods and Services Tax
(Prepared by Taxes Department)

1. GST Revenue Trends

1.1. Measuring GST revenue

1.1.1. GST revenue accruing to the states has two major components, the SGST collection and IGST settlement. The major factor of IGST settlement is IGST credit utilized by dealers in Kerala for payment of SGST in Kerala transferred by Central Government in cash monthly. Other significant components are IGST for interstate and import (business to consumer) transactions, IGST paid in assessment, enforcement etc. Adding to these components, there is the ad-hoc IGST settlement that the state has received. This is the distribution of accumulated IGST in the IGST account done by the Central Government in the ratio of protected revenue of all States. These ad-hoc settlements will be adjusted towards final settlements. Normally, final IGST settlements should happen as and when annual returns are filed. But since the originally devised GSTR 1-2-3 system with full invoice matching has not materialized due to technical constraints, an interim mechanism of returns through GSTR-3B was implemented. Therefore, due to the incompleteness of the system, the final settlement has been delayed. The committee of GST Council on IGST is expected to submit its recommendations soon on the matter of final settlements. Kerala has received an ad-hoc settlement of Rs 2734 crores in 2018-19 and Rs 693.53 crores in 2019-20. Also, Rs 709.36 crores was recouped from Kerala in 2019-20 as a part of ad-hoc settlement.
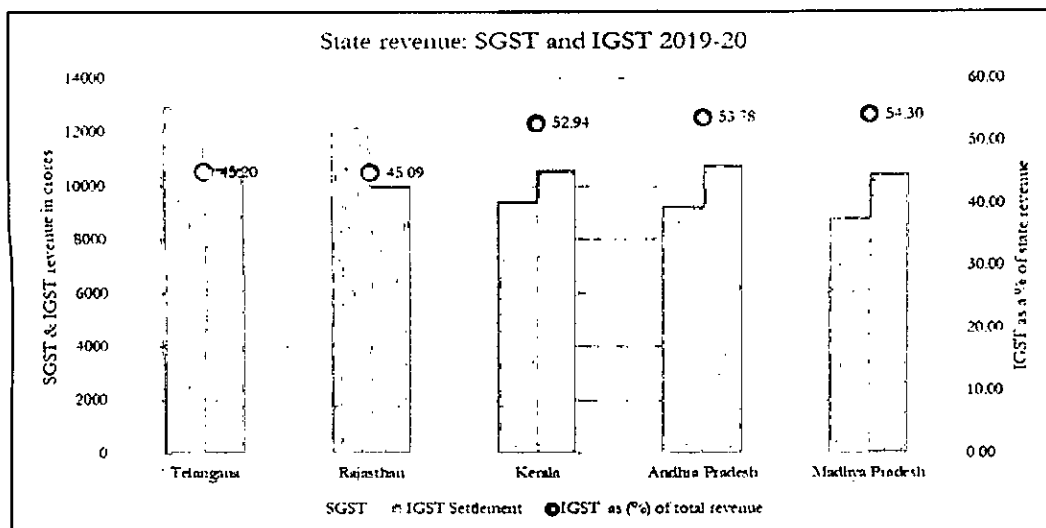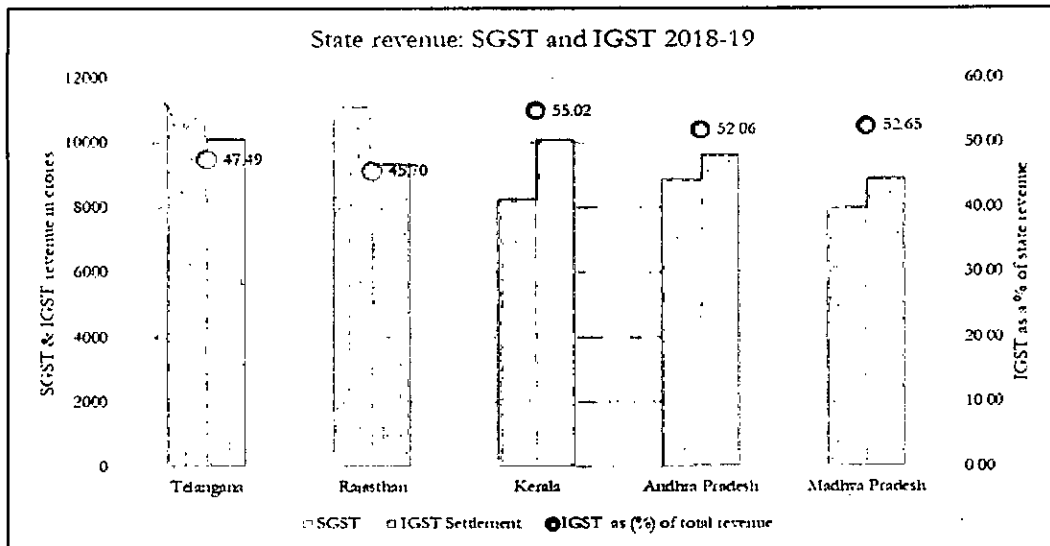
1.1.2. In view of the above, the efficacy of GST collection can be measured only with regular settlements (without considering ad-hoc settlements and recoupment's), since it reflects the exact transactions and compliance.

1.2. Comparison of revenue of states

STATE	2018-19				2019-20				Growth 18-19 to 19		
	SGST	IGST Settlement	Total	IGST as (%) of total revenue	SGST	IGST Settlement	Total	IGST as (%) of total revenue	SGST	IGST	Total
Maharastra	56940.25	19063.70	76003.95	25.08	62275.31	22388.73	84664.04	26.44	9.37	17.44	11.39
Uttar Pradesh	19952.20	21231.13	41183.32	51.55	22043.43	25168.59	47212.02	53.31	10.48	18.55	14.64
Karnataka	23416.49	13600.07	37016.56	36.74	26471.74	17347.98	43819.73	39.59	13.05	27.56	18.38
Tamil Nadu	24498.84	12425.95	36924.78	33.65	27141.64	14086.41	41228.05	34.17	10.79	13.36	11.65
Gujrat	25225.27	6805.21	32030.48	21.25	27271.42	8756.41	36027.82	24.30	8.11	28.67	12.48
West Bengal	14887.49	9216.88	24104.37	38.24	16814.91	10616.35	27431.26	38.70	12.95	15.18	13.80
Telangana	11243.30	10169.04	21412.34	47.49	12977.35	10703.70	23681.04	45.20	15.42	5.26	10.60
Rajasthan	11160.24	9392.21	20552.45	45.70	12197.41	10014.39	22211.80	45.09	9.29	6.62	8.07
Kerala	8270.24	10114.96	18385.20	55.02	9456.64	10639.42	20096.06	52.94	14.35	5.18	9.31
Andhra Pradesh	8896.93	9662.54	18559.47	52.06	9265.18	10782.63	20047.82	53.78	-4.14	11.59	8.02
Delhi	10339.20	5879.08	16718.27	35.17	11988.10	7948.26	19936.36	39.87	10.60	35.20	19.25
Haryana	12690.31	3876.65	16566.96	23.40	13921.94	5517.47	19439.42	28.38	9.71	42.33	17.34
Madhya Pradesh	8033.23	8931.99	16965.21	52.65	8840.57	10504.21	19344.78	54.30	10.05	17.60	14.03
Bihar	4872.16	8368.06	13240.22	63.20	5842.16	9941.08	15783.24	62.99	19.91	18.80	19.21
Punjab	5401.19	5817.17	11218.36	51.85	6132.66	7641.81	13774.46	55.48	13.54	31.37	22.79
Odisha	7006.17	3581.47	10587.64	33.83	8712.98	4747.29	13460.27	35.27	24.36	32.55	27.13
Jharkhand	5078.79	2080.14	7158.93	29.06	5490.14	2858.93	8349.07	34.24	8.10	37.44	16.62
Chattisgarh	5096.25	1926.47	7022.72	27.43	5581.00	2443.00	8024.00	30.45	-9.51	26.81	14.26

The GST revenue of major States for the year 2018-19 & 2019-20 is as above:

1.2.1. Kerala has a growth rate of 9.31% and the growth rate is comparable to other similar state's economies (in terms of GDP)such asTelangana, Rajasthan, Andhra Pradesh and Madhya Pradesh. In absolute numbers of IGST settlement, Kerala ranks in the 7th place after the bigger economies such as Uttar Pradesh, Maharashtra, Karnataka and Tamil Nadu. Andhra Pradesh, Telangana and Kerala has more or less similar figures in IGST settlement. The IGST settlement component as a percentage of State GST revenue was 55% in 2018-19 and 52.94% in 2019-20. While, the SGST component had shown a good growth of 14.35%, a modest growth rate of only 5.18% was achieved in the IGST component. The reason for the fall can be mainly attributed to the fall in tax collection of motor vehicles and building materials in 2019-20. Motor vehicle dealers pay 80% of the GST through IGST credit and motor vehicles as a sector contributed 18% of the GST revenue of the State in 2018-19 which was reduced to 15% in 2019-20. This is a Rs500 crore reduction in absolute terms. These sectors are picking up to pre-COVID-19 levels as the e-way bill data would show.

State revenue: SGST and IGST 2018-19

State revenue: SGST and IGST 2019-20

1.2.2. GST was expected to boost the revenue of Kerala since GST was a destination-based tax and Kerala was a consumer State. The pointer regarding this hypothesis has been validated by All India Regular IGST Settlement Data. However, certain factors have hindered the growth of revenue that ought to have accrued to the state of Kerala.

1.3. Factors hindering growth of revenue

1.3.1. One of the major decisions post GST was done in the 28[th]GST Council Meeting where the major consumer items in the 28% tax slab was slashed to 18%. This had an estimated revenue impact of 13000 crores annually, i.e., around 12% to 13% of GST collection. This has taken the rate structure to a level much below the originally envisaged Revenue Neutral Rate (RNR) discussed in the previous GST council meetings.

Evolution of GST rates structure

- GST Rates were initially worked out on RNR basis
- However, lower than RNR rates were prescribed on a number of items
- Items placed under 28% slab had pre-GST incidence in excess of 31%
- Items like tooth paste, mineral water, soap (pre-GST incidence~30%) kept in 18% slab
- Significant post GST rate reduction and other concessions

Meeting Date	GST rates reduction [No of goods]
09.09.2017	36
06.10.2017	26
10.11.2017	243
18.01.2018	24
21.7.2018	55
22.12.2018	16
20.9.2019	12
	[about 80 services]

Other concessions
Threshold increased to Rs 40 lakh in goods
Composition limit increase (Rs 75 lakh to Rs 1.5 Crore)
Composition rate lowered from 2% to 1% for manufacturers
Composition Scheme extended to services

Implications has been about Rs 1 lac crore in a year

1.3.2. GST originally envisaged monthly provisional invoice credit matching through its system of GSTR 1-2-3 returns. Due to technical issues, this system was not implemented. Instead, a summary statement in the form of GSTR 3B and a sales return in GSTR 1 was implemented. GSTR1 enabled auto generation of GSTR 2A (auto populated purchase). GSTR 1 was not mandated to be filed serially (one could file GSTR 3B without filing GSTR 1). So, there was no linkages of GSTR 3B with GSTR 2A and GSTR 1 (sales and purchase). Therefore, credit matching was virtually nonexistent and had to be done on case-by-case basis through departmental intervention. In an analysis conducted by Department of Revenue Government of India, it was found that in FY 2018-19 the total difference in FORM GSTR-2A and FORM GSTR-3B is 13% of total GSTR-2A. Therefore, approximately 13% of the total credit lies unmatched in the system.

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[1] Graphic courtesy GST Council Agenda Notes

1.3.3. The abrogation of GSTR 1-2-3 returns had made the IGST settlement mechanism faulty. This was compounded with fake invoicing and fake credit at national level. Ineligible credit and other credit reversals could not be properly accounted in the IGST settlement algorithm. This has been pointed out in the CAG's report on GST.

1.3.4. Kerala being a consumer State, the above structural issues have affected the IGST settlement revenue due to the State.

2. Sector wise GST revenue of Kerala

2.1.   Overview

2.1.1.   The alternative word of GST is destination-based consumption tax. Conceptually and ideally what Kerala Government gets as GST revenue from goods and services is the reflection of its economy's final consumption. State's revenue from GST from the sectoral perspective - commodities (goods) and service groups - is analyzed based on the data of tax remittances made by the registered taxpayers through their periodical returns (monthly and quarterly).
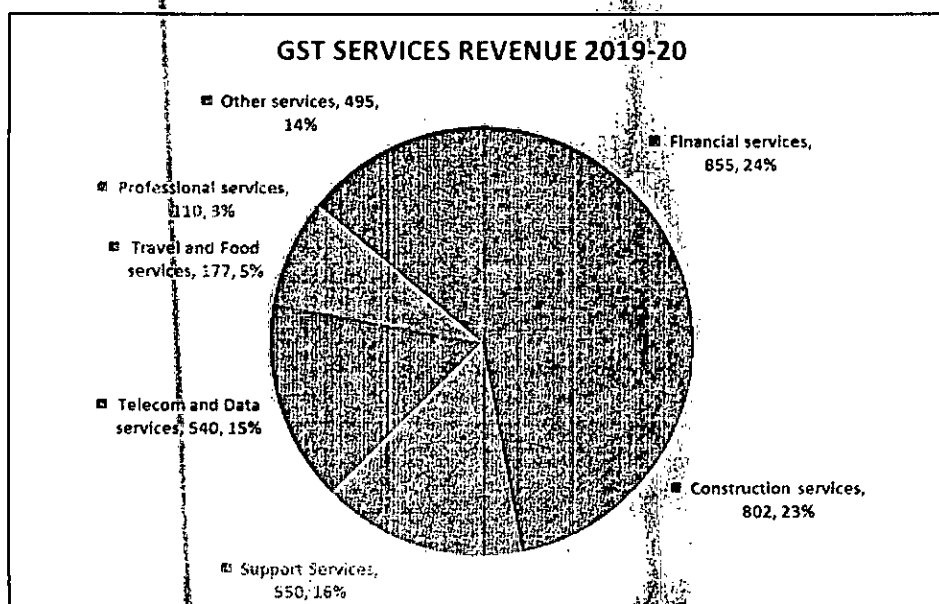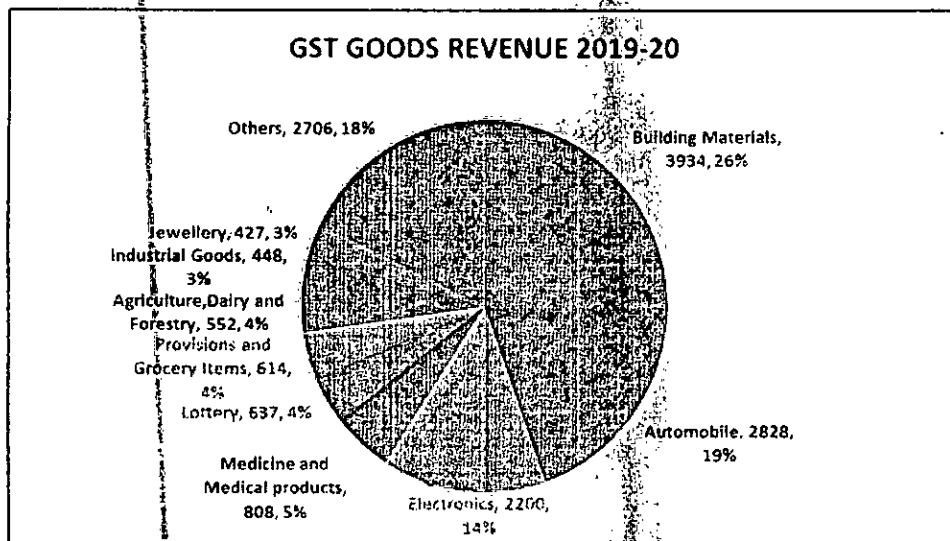
2.1.2.   Classifying taxpayers on the basis of commodity and service groups and collating the required data from the GSTN (Goods and Services Tax Network) is challenging. The Kerala State GST Department in association with Indian Institute of Information Technology and Management -Kerala (IIITM-K), had ventured Sectoral Classification of Tax Payers based on GST and other external data using Data Analytics. As the first phase of the study, the State GST Department had completed the Sectoral Classification of Goods into 66 Sectors and Service into 27 Sectors using various data sets like GSTR 1, GSTR 2A, e way bill data and registration datasets.

2.1.3.   For analytical purpose, the tax revenues of GST from goods and services are grouped into sixteen (16) major commodity groups (goods) twelve major (12) services groups for the purpose of this study. For the sake of the analysis each group is designated as 'Sector' though it is not head-on comparable with the sectors and sub-sectors under Gross Domestic Product (GDP). *Refer Annexure I for details of 16 commodity groups)*

2.1.4.   The tax revenue from the returns (Return GSTR-3B and PMT 08/GSTR-4) of the taxpayers submitted are analyzed and appropriately grouped under the commodity and services on the *'related return period liability basis.'* For year on year (2018-19 and 2019-20) and Covid period (March to August 2019 & 2020) analysis, the related returns (monthly/ quarterly) submitted till September 30, 2020 are taken. *(For example, if a taxpayer failed to submit the March 2020 return but submitted it belated before September 30,2020, then their tax revenue is considered for analysis).* This exercise is done to ensure and compare the revenue and consumption pattern during pre- and post-COVID periods as accurately as possible.

2.1.5.   By doing the above process, 91.8 per cent of returns during the period from March 2019 to August 2019 and 64.5 per cent during the period from March 2020 to August 2020 are included in the tax remittance for the relevant six months period. *Refer Annexure I for detailed methodology)*
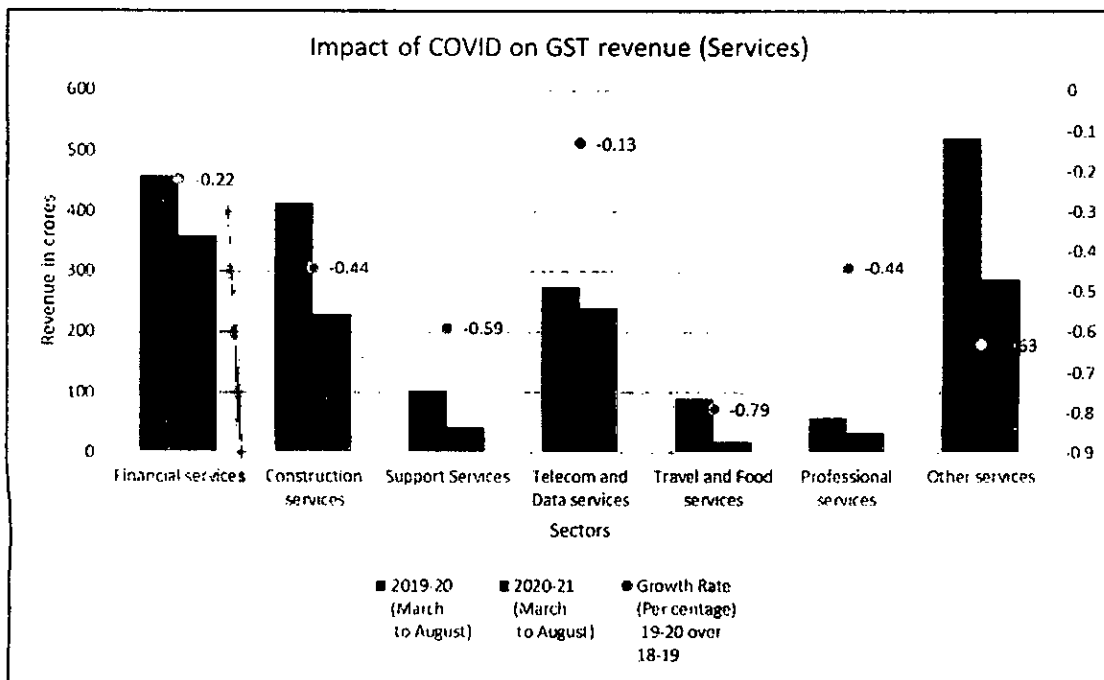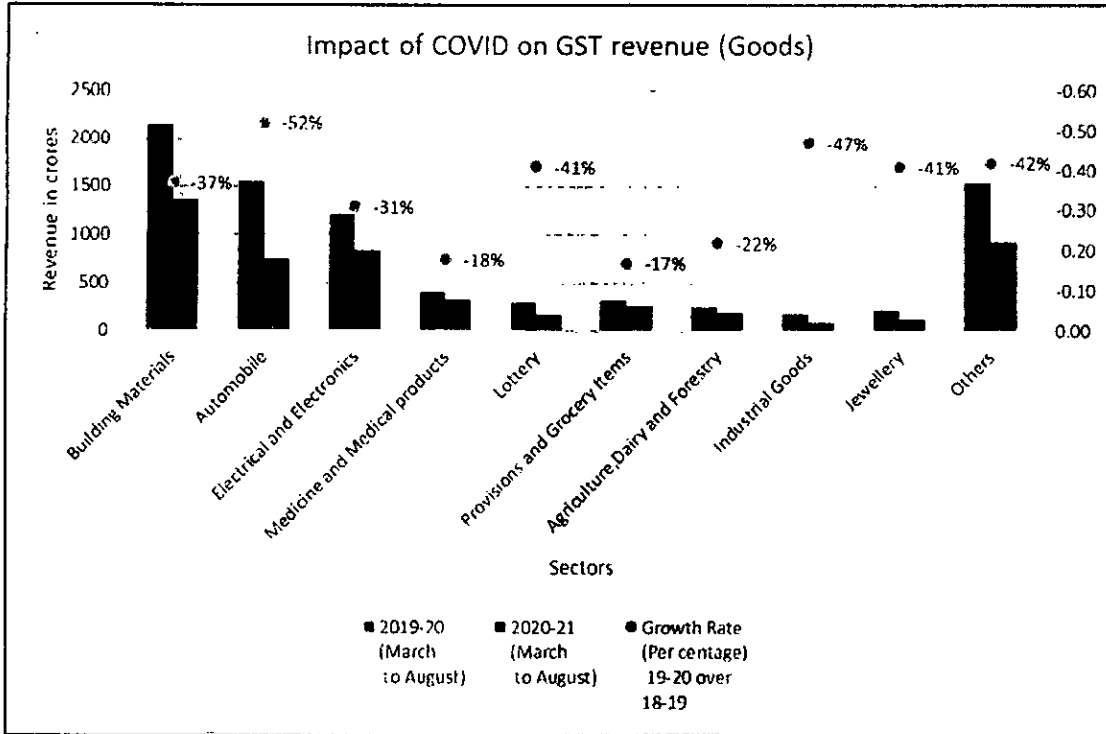
2.1.6. The Sector-wise commodity and Service groups tax revenue from the introduction of GST for the three years period with its percentage share on total and growth rate for 2019-20 over 2018-19 is depicted in Table No.1 (Annexures). Since GST was introduced only in July 2017, the growth rate calculation by taking 2017-18 as base year does not give a true picture and is hence not attempted.

GST GOODS REVENUE 2019-20

- Others, 2706, 18%
- Building Materials, 3934, 26%
- Jewellery, 427, 3%
- Industrial Goods, 448, 3%
- Agriculture,Dairy and Forestry, 552, 4%
- Provisions and Grocery Items, 614, 4%
- Lottery, 637, 4%
- Medicine and Medical products, 808, 5%
- Electronics, 2200, 14%
- Automobile, 2828, 19%

GST SERVICES REVENUE 2019-20

- Other services, 495, 14%
- Financial services, 855, 24%
- Professional services, 110, 3%
- Travel and Food services, 177, 5%
- Telecom and Data services, 540, 15%
- Construction services, 802, 23%
- Support Services, 550, 16%

2.1.7. Similarly, Table No.2 (Annexures) depicts the sector-wise tax revenue comparison during the six months COVID-19 induced period (March 2020 – August 2020) with previous year's normal period. Also, expected tax revenue from the pending returns during these six months period is also projected.

2.1.8. As the analysis is made on the premises of GST revenue remittance taken on the 'related return period liability basis' any comparison of these figure with month-on-month remittance will not tally due to difference in arrears payments of tax. The total tax revenue under each

sector represents the net taxes (after deducting eligible input tax credits) remitted by the taxpayer through their periodical returns under different tax rates for each of the goods/services.

Impact of COVID on GST revenue (Goods)

Impact of COVID on GST revenue (Services)

2.2. Sector-wise tax revenue from Goods and Services

2.2.1. Goods constitute around 82 per cent of the GST revenue in Kerala. The analysis of the 16 commodity groups reveals that the three major commodity groups contributing around 50 per cent share of the total GST revenue of the State. They are Building materials, Automobiles, Electrical and Electronics. This share shows a slight reduction of 2 per cent during 2019-20 as the COVID-19 impact started during the month of March 2020. Under GST, lottery is categorized as Goods and it constitutes an average 3 per cent share in the total revenue. Around nine household daily consumption commodity groups like Provisions and grocery, Agriculture, Jewellery, Textiles, FMCG, House hold articles, Footwear and other goods constitute around 18 per cent of the total GST of the State.

2.2.2. Services constitute 18 per cent of the GST Revenue in Kerala. The revenue from services is disproportionately low when compared to the service heavy nature of the state GSDP. This is due to the GST exemptions granted to the services related to education and healthcare which form a significant share of the state GDP. Financial, Construction, Telecom and Support services constitute 14 per cent of the total GST revenue and around two third of the GST revenue from the Service sector in Kerala. The balance eight out of 12 services like accommodation and food, professional, passenger transport, goods transport, lease and rental, education, entertainment and other services constitute only 4 per cent of the entire GST revenue.

2.3. Individual Sector wise analysis

2.3.1. Major Commodity Groups

2.3.1.1. Building materials: Consumption of building material constitutes 21 per cent of the total economic activity. However, the tax revenue shows a downward trend of -3.9 per cent during 2019-20 when compared to 2018-19. While observing the six months period (March to August) of 2020 with the same period of 2019 the tax revenue showed around 37 per cent reduction.

2.3.1.2. Automobiles: Automobiles sector having a 15 per cent share in the total revenue showed a worst hit negative growth rate of -15.3 per cent during normal year of 2019-20. During the COVID-19 affected six months it contributed only half the revenue (negative growth of -51.9 per cent) when compare to the similar months of previous year.

2.3.1.3. Electricals and Electronics: Electricals and Electronics showed a 4.6 growth rate during 2019-20 when compared to the previous year and constitute around 11 per cent share in the GST revenue of the State. But this during the COVID-19 period of six month's growth plunged down to -30.9 per cent when compared to the previous year's similar period.

2.3.1.4. Medicines and Medical Products: Medicines and Medical Products constitute 4.3 per cent of the total GST Revenue in Kerala. During 2019-20 it recorded a negative growth rate of -3.9 per cent when compared to 2018-19. During COVID-19 affected period medicine has recorded a negative rate of -17.9 per cent.

2.3.1.5. Lottery: Though with only a 3 per cent share in the GST revenue lottery showed a 14.5 per cent growth rate in GST remittance to state exchequer. During COVID-19 hit months the revenue slashed to more than 40 percent when compared to last year.

2.3.2. Major Services Groups

2.3.2.1. Financial Services: This sector constitutes around 4.6 per cent of the GST revenue of Kerala and remarked a 6.32 per cent growth during 2019-20 when compared to the previous year. During COVID-19 period a negative growth of -21.7 per cent is revealed from the return revenue.

2.3.2.2. Construction Services: In GST all construction is works contract and treated as service. A 4.3 per cent share is the contributor from this sector to the total GST revenue. During 2019-20 it recorded a satisfactory growth rate of 21.7 per cent. It plunged to -44.3 percent negative growth rates during COVID-19 period.

2.3.2.3. Support Services: Support Service means services provided in relations to business or commerce. It has 2.9 per cent share in the total GST and has a 5.4 per cent growth rate during 2019-20. During COVID-19 it recorded a downward growth of -58.5 per cent.

2.3.2.4. Telecom and Data Services: With around 3 per cent share in the total the Telecom and Data Services depicted a 12.37 per cent growth rate during 2019-20 when compared to the previous year. But during COVID-19 a negative growth of -12.5 per cent is reflected through the taxpayers return.

2.4. *Trends of post COVID scenario*

2.4.1. The following is the data obtain from e-way bill regarding incoming goods to the States and its IGST. There has been a reduction in movement of goods in 2019-20 compared to 2018-19. In the post COVID-19 revival months of September, October, November and December, the transactions are showing 14.58% increase in 2020-21 compared to 2019-20. This shows that the economy is recovering and also that the IGST settlement share for Kerala for the year 2020-21 and 2021-22 is bound to increase.

e-Way Bill Analysis - Total of IGST due - All Goods and Major Goods (in crores)														
ALL SECTORS														
YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	Cumulative growth for Sept. to Dec.
2018-19	1917.44	2086.94	1988.91	2097.24	1915.86	2081.66	1992.92	1961.14	2074.48	2005.17	1950.01	2317.51	24389.28	
2019-20	1933.20	2019.57	1938.19	2032.29	2075.96	1754.37	1684.17	1784.51	1895.26	1930.46	1931.06	1361.22	22340.26	-12.23
2020-21	281.02	1139.32	1639.97	1717.43	1841.56	1928.69	1961.05	1992.46	2273.88	0.00	0.00	0.00	14775.38	14.58
AUTOMOBILES														
2018-19	519.83	531.43	535.93	588.61	553.13	529.19	475.15	468.98	467.37	459.82	482.16	580.36	6191.96	
2019-20	405.86	416.77	434.88	451.71	540.43	392.97	389.55	366.85	374.14	387.88	421.68	287.12	4869.84	-21.50
2020-21	0.63	88.93	225.80	339.06	449.40	482.64	424.72	428.53	467.74	0.00	0.00	0.00	2907.45	18.39
BUILDING MATERIALS														
2018-19	420.88	460.46	397.60	376.12	319.43	450.68	476.64	457.18	462.01	469.96	463.69	532.09	5286.74	
2019-20	457.39	486.07	434.01	432.15	337.65	348.97	378.05	417.89	431.08	446.35	441.31	314.56	4925.48	-14.65
2020-21	20.70	313.16	362.11	371.21	343.34	384.95	449.26	470.59	520.69	0.00	0.00	0.00	3236.01	15.83
ELECTRICAL AND ELECTORNIC GOODS														
2018-19	366.32	370.37	372.67	433.46	340.68	378.45	344.28	322.91	412.86	365.85	351.05	452.28	4511.18	
2019-20	393.59	367.23	364.20	407.91	414.31	367.33	284.88	302.04	365.37	386.50	344.49	237.56	4235.41	-9.52
2020-21	24.14	216.93	387.91	367.14	420.76	388.70	366.58	363.92	445.15	0.00	0.00	0.00	2981.23	18.55

2.5. Conclusion

2.5.1.1. Around 37.5 per cent revenue loss is reflected in the 16 commodity groups based on the analysis made on the related return period tax revenue remittances. This amounts to a GST revenue loss from goods to the tune of Rs. 3063.53 crore during March to August 2020 when compared to same period during 2019. Nevertheless, during the next couple of months from the pending returns Rs.927 crore is expected as additional tax revenue. Once this is fully received the revenue loss during the COVID-19 period may shrink to 26 per cent. Similarly, out of the 11 Services Group Rs. 221 crores is expected as additional revenue. This may reduce the 36.8 per cent revenue loss to 25.36 per cent from services sector. Overall, the revenue loss is 37.4 per cent before the remittance of pending return period revenue. Once Rs.1149 crore is remitted by the taxpayers as their pending return period due tax during a couple of months, then the COVID revenue loss during the six months (March to August 2020) will reduce to 26 per cent.

3. Departmental interventions

3.1.1. The Kerala State GST Department has undertaken various steps to ensure tax compliance ranging from scrutiny of returns to searches and arrest of tax evaders. The various efforts inthis direction is summarized as follows:

3.2. Scrutiny of GST returns

Around 58000 distinct taxpayers were selected for scrutiny centrally based on 9 risk parameters and mismatches for the period from 2017-18 to 2019-20. This process started in the month of February 2020 and as of December 30, 2020, 42,000 notices have been issued to taxpayers seeking explanation of the discrepancies found in their returns. Some taxpayers admittedto the discrepancies pointed out in full or in part and made voluntary payment of taxes. The voluntary payments (SGST+CGST+IGST) reported by the tax payers to whom notices were issued comes to 158.23 crores as on November 30,2020. These scrutinies were done by comparing various parameters available in the GST system

3.3. Formation of GST Audit wing

The next logical step after scrutiny of returns is the audit of tax payers under GST. Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person with reference to his accounts to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed and to assess the compliance with the provisions of GST. For this, a preliminary structure has been formed at major growth centers at Thiruvananthapuram, Ernakulam and Kozhikode utilizing the officers posted in the internal audit wing. This would be expanded into a full-fledged wing in tune with the re-organization of the department based on the functional needs of GST.
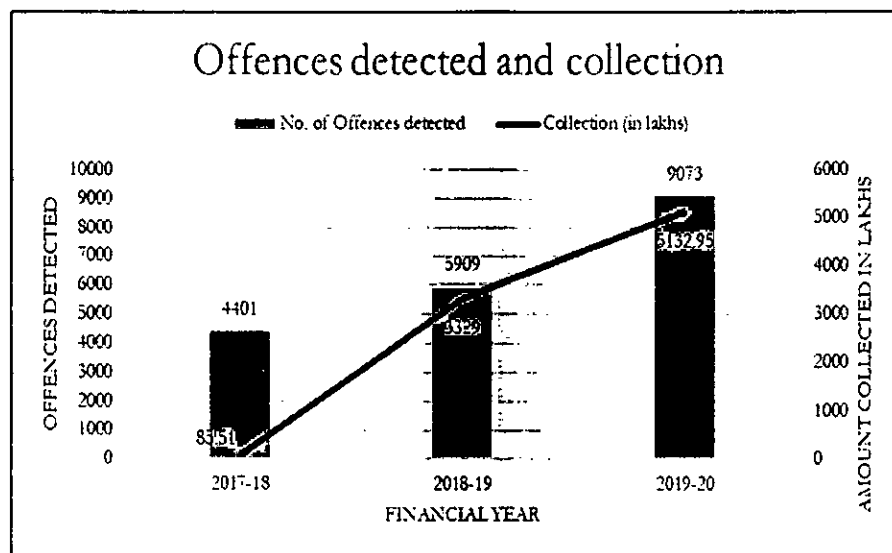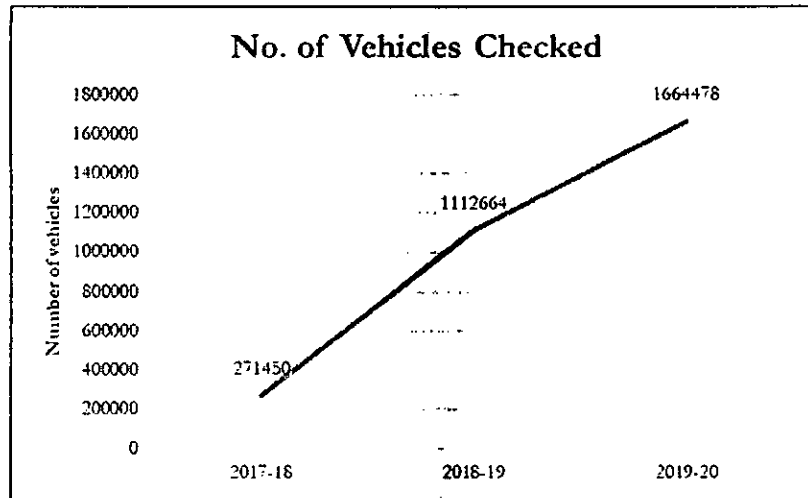
3.4. Enforcement Action

An efficient and vibrant intelligence wing is vital in the tax administration of the State. Efficient enforcement activity means better tax compliance which will increase the tax revenue. In spite of the COVID-19 situation, the Mobile Squads, Surveillance Squads and the special teams constituted for disposal of shop inspection files are actively engaged in their regular work. During this period, Intelligence Wing have made their presence felt in vehicle checking activities, shop inspections, second level verification of new registrations, survey and identification of prospective tax payers etc. A summary of the work done by the Squads during the period from 1st July, 2017 is given below:

3.4.1. Vehicle Checking:

3.4.2. Mobile Squads and Surveillance Squads are actively engaged in vehicle checking and border surveillance activities across the State. Confiscation proceedings under Section 130 have also been initiated in a number of cases including gold. The vehicle checking figures during the period from 1st July, 2017 to 31st March 2020 are as follows:

Zone	No. of Vehicles Checked			No. of Offences detected			Collection (in lakhs)		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Tvpm	56,591	3,32,774	4,49,833	982	1,862	2,962	34	860.77	1859.63
Ekm	1,34,276	4,14,674	6,98,601	1,814	2,574	3,502	23.54	1,560.94	1,643.32
Kkd	80,583	3,65,216	5,16,044	1,605	1,473	2,609	27.97	907.29	1630
Total	2,71,450	11,12,664	16,64,478	4,401	5,909	9,073	85.51	3329	5132.95

No. of Vehicles Checked

Offences detected and collection

3.4.3. Collection from gold:

3.4.3.1. The Department has booked many cases of transportation of gold without proper documents. Proceedings have been initiated under Section 129 as well as 130 of the Act. The results are summarized hereunder:
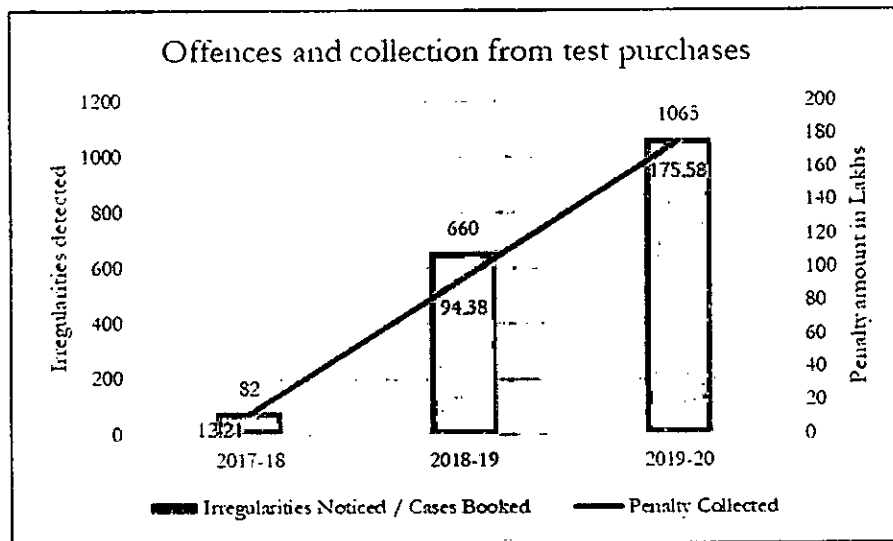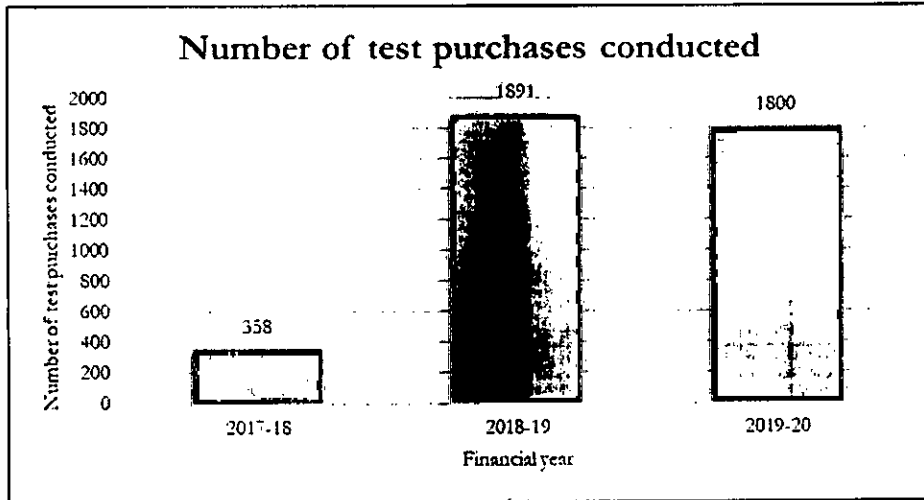
Cases U/s 129 (in lakhs)															
Zone	2017-18				2018-19				2019-20				2020-21 upto Nov 2020			
	Qty (in Grams)	Value	GST	Penalty	Qty (in Grams)	Value	GST	Penalty	Qty (in Grams)	Value	GST	Penalty	Qty (in Grams)	Value	GST	Penalty
Tvpm	57912.81	2072.01	70.98	70.98	18678.12	651.67	20.96	20.96	56692.3	2234.9	68.06	68.06	36697.6	1812.33	55.36	55.36
Ekm	33354.2	1025.44	30.64	32.52	22847.62	853.46	26.06	28.74	38600.18	1474.8	44.5	44.62	852705	415.01	12.4	12.4
Kkd	54735.06	1593.34	47.7	47.7	13173.98	400.76	12.03	12.03	8050.19	314	9.66	9.66	9212.34	455.08	13.5	13.5
Total	146001.24	4690.79	149.3	151.2	54699.72	1905.89	59.05	61.73	103342.7	4023.7	122.22	122.34	54437	2682.42	81.26	81.26

Year	Thiruvananthapuram						Ernakulam						Kozhikode
	No. of Cases	Qty (in Grams)	Value	GST	Penalty	Others	No. of Cases	Qty (in Grams)	Value	GST	Penalty	Others	
2017-18	0	0	0	0	0	0	0	0	0	0	0	0	
2018-19	0	0	0	0	0	0	0	0	0	0	0	0	NO CASES UNDER SECTION 130
2019-20	0	0	0	0	0	0	4	5057.76 (Gold) 52.77Ct (Diamond)	211.89	6.34	13.98	0	
2020-21 (upto 18.11.20)	3	2540.34	118.14	3.54	3.54	111.06	6	6423.251	323.45	9.52	9.52	275.44	
TOTAL	3	2540.34	118.14	3.54	3.54	111.06	10	11481.01 (Gold) 52.77Ct (Diamond)	535.34	15.86	23.5	275.44	

3.4.4. Test Purchase:

3.4.4.1. One of the most common methods of tax evasion practiced by the dealers is non-issuance of Invoices while making a Supply. Section 67(12) of the Act empowers the Department to conduct test purchases to check whether a tax payer is issuing Invoices as envisaged in the statute. Test purchases have turned out to be a viable method to prevent tax evasion. Test purchase details from 1st July, 2017 are extracted hereunder:
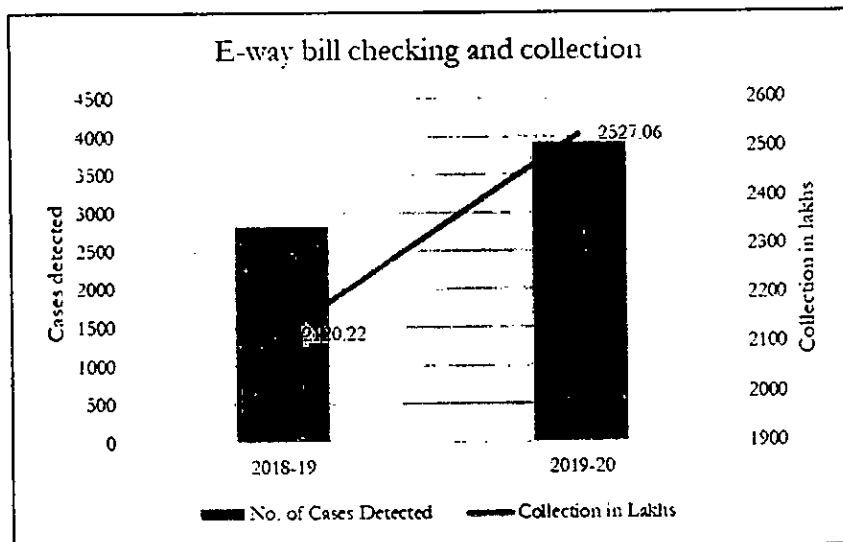
Zone	No. of Test Purchases Conducted			Irregularities Noticed / Cases Booked			Penalty Collected		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Tvpm	358	414	473	82	251	321	12.205	46	44.6
Ekm	0	1342	660	0	381	380	0	44.85	63.17
Kkd	0	135	667	0	28	364	0	3.53	67.81
Total	358	1891	1800	82	660	1065	12.21	94.38	175.58

Number of test purchases conducted

Number of test purchases conducted (Y-axis): 2000, 1800, 1600, 1400, 1200, 1000, 800, 600, 400, 200, 0

- 2017-18: 358
- 2018-19: 1891
- 2019-20: 1800

Financial year (X-axis)

Offences and collection from test purchases

Irregularities detected (left Y-axis): 1200, 1000, 800, 600, 400, 200, 0

Penalty amount in Lakhs (right Y-axis): 200, 180, 160, 140, 120, 100, 80, 60, 40, 20, 0

- 2017-18: 82, 12.21
- 2018-19: 660, 94.38
- 2019-20: 1065, 175.58

Irregularities Noticed / Cases Booked — Penalty Collected

3.4.5. E-Way Bill checking:

3.4.5.1. E-way Bills prescribed under Rule 138 is an important tool in preventing tax evasion. The number of EWBs getting verified, offences and irregularities detected etc. is a reflection of the performance of the Intelligence wing. The figures for the years 2018-2019 and 2019-2020 are as follows:

Zone	No. of Cases Detected		Collection in Lakhs	
	2018-19	2019-20	2018-19	2019-20
Tvpm	888	1211	551.28	821.66
Ekm	1476	1345	1139.6	813.9
Kkd	463	1364	429.34	891.5
Total	2827	3920	2120.22	2527.06

E-way bill checking and collection

1 EWB came into force from the financial year 2018-2019.

3.4.6. Shop Inspection:

3.4.6.1. Section 67(1) of the GST Act empowers the Department to conduct inspection, search, and seizure to prevent evasion of tax. The Department has conducted many inspections under the Kerala State GST Act and KGST Acts during the period from 1st July 2017 onwards as follows:

Shop inspection statistics

Zone	No. of Shop Inspection Files created			No. of Shop Inspection Files Disposed			Tax & Penalty Collected		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Tvpm	0	14	175	0	12	91		316.85	1320.52
Ekm	0	44	145	0	19	37		315.77	1125.21
Kkd	0	9	124	0	8	64		80.29	537.39
Total	0	67	444	000	39	192	0	712.91	2983.12

3.4.7. Arrest under GST act:

3.4.7.1. The Department unearthed a major scam in arecanut involving circular trading / input tax credit fraud in 2020. An arrest was also made in this connection and the mastermind was remanded to judicial custody.

3.4.8. Implementation of Automatic Number Plate Reading System (ANPR)

3.4.8.1. Kerala being a consumer state, major share of goods are coming from outside the state. Check posts were established to monitor such inward movement of goods into the state. This ensured proper accounting of goods movement to enable cross checking of the same with transactions declared by the tax payers in the returns. With the rollout of GST check posts were abolished. E Way bill System was introduced to track movement of goods having value above Rs.50,000. SGST department had deployed surveillance teams in the border areas to do verification of e way bill in the incoming vehicles to ensure proper accounting of the transactions. The major challenge in the new regime is inability to verify all the vehicles as done in pre-GST regime due to lack of permanent infrastructure. Other challenge includes multiple transportation using same e way bill, cancellation of e way bill after actual transportation.

3.4.8.2. To deal with the situation department had implemented Automatic Number Plate Reading System based Intelligent Goods Vehicle Surveillance system. The pilot project facilitated

capturing of goods vehicle picture snapshot and identification of vehicle number using ANPR system and categorization of vehicle using AI. The data captured is cross verified with the e-waybill data available in the State GST system to check the e-waybill issued to the vehicle. The validation result is used to generate alerts to surveillance teams for initiating appropriate remedial action. In this rollout the Department had implemented real-time alerts to field surveillance units on vehicles without e-waybills and with e-waybill having identified risk parameters for targeted vehicle checking. The system also generates alerts on suspected cases of multiple transportation and also provides data to identify e way bills cancelled after transportation of goods. The project is being rollout to 23 locations covering 90% of the inward vehicle movement into the State. Out of this, 18 locations are live now. After implementation, 1.29 lakhs e-way bills has been validated by the system. Based on alerts generated by the system, field units had identified tax evasion in 19 number of cases and collected Rs.84.58 Lakhs. As on date ANPR System have been installed in the following locations:

District	Locations
Thiruvananthapuram	Amaravaila, Uchakkada, Moolakkonam
Kollam	Aryankavu
Idukki	Kumily
Palakkad	Walayar, Govindapuram, Gopalapuram, Velanthavalam, Meenakshipuram, Ozhalappathy, Nadupunni
Malappuram	Vazhikkadavu
Kozhikode	Kunhipally
Kannur	New Mahe, Kootupuzha
Kasargod	Adur, Perla

3.4.8.3. A provisional report of the ANPR System alerts during the period from August, 2020 to 21ˢᵗ December, 2020 is extracted hereunder:

Zone	Vehicle count	Alert count	Valid EWB count	Verified count
Trivandrum	17,331	57,702	3,973	2,044
Ernakulam	14,60,539	4,17,403	10,4877	59,102
Kozhikode	5,92,008	1,73,032	20,572	11,707
Total	22,25,878	6,48,137	1,29,422	72,853

3.4.9. Analytical tools,MIS reports, backend processing and other IT initiatives

3.4.9.1. Kerala is a model 2 state where the backend systems for GST Processes is developed by the state itself based on real-time data provided by GSTN through API's. The taxpayers are

currently divided in the system into 4 categories based on the tax paid previous year and into 3 categories based on the turnover. This helps the tax authority in prioritization of action and in monitoring compliance.
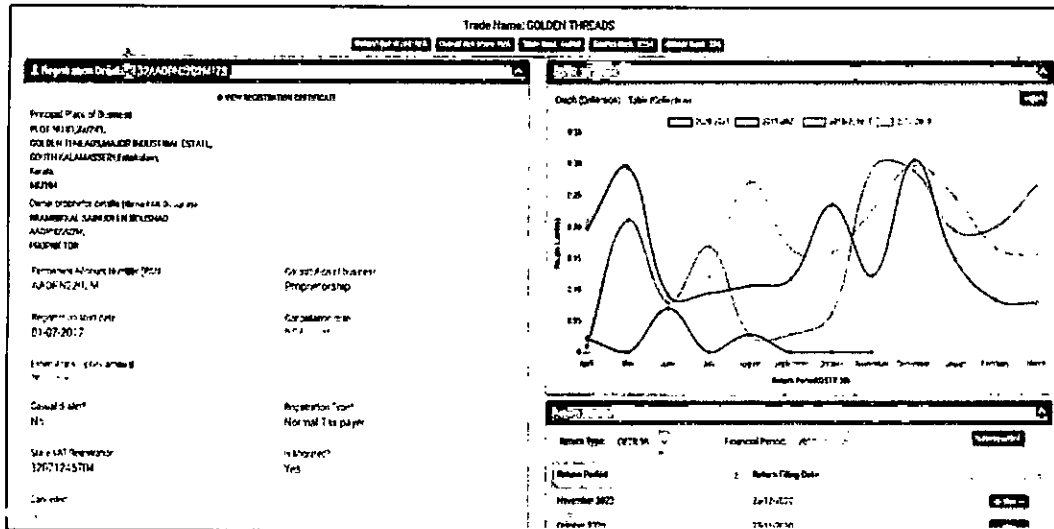
3.4.9.2. GST envisages a complete online and digital work flow for every officeraction viz. Assessments adjudication, enforcement, refunds, audit, appeals and recovery. All payments are also made online. Kerala has integrated major statutory functions like registration refunds assessments and adjudication appeals payment etc. with the GST system. As a result, all statuary functions and interface with the taxpayer is now online. Functionalities in enforcement module and audit module are being integrated.This has enabled the department for generating error free reports from top down to individual officer levels at any time which will enable fruitful review of the work. It also enables the Commissionerate to optimize manpower, and prioritize the work in a realistic fashion for achieving the targets. At present, 15 officer-wise daily reports on key performance areas are generated from the system and are made available to all the supervisory officers and the Commissionerate.

3.4.10. Partnership with Indian Institute of Information Technology and Management Kerala (IIITMK):

3.4.10.1. In 2019, state SGST department partnered with Indian Institute of Information Technology and Management Kerala (IIITMK), an autonomous premier educational institution established by Government of Kerala for providing services to design and develop a Analytics framework considering the requirement of Kerala specific needs, as well as analysis data from other external agencies using Advanced Data Analytics/Machine Learning Procedures. The MoU provides for Integration of data sets provided by GST for analytics purpose to an Online Analytical Process (OLAP) using standard procedures and make it available online, use of Standard Exploratory analytics on available data, application of data analytics to the data set to interpret the data, do sectoral analysis, finding patterns from the data for further analysis, find out correlations and provide results in the form of graphical visualization / numerical through a standard web interface. It is also envisaged to use a wide range of analytics tools and methodologies to do descriptive, diagnostic and predictive analytics based on a risk-based framework for actionable reports.
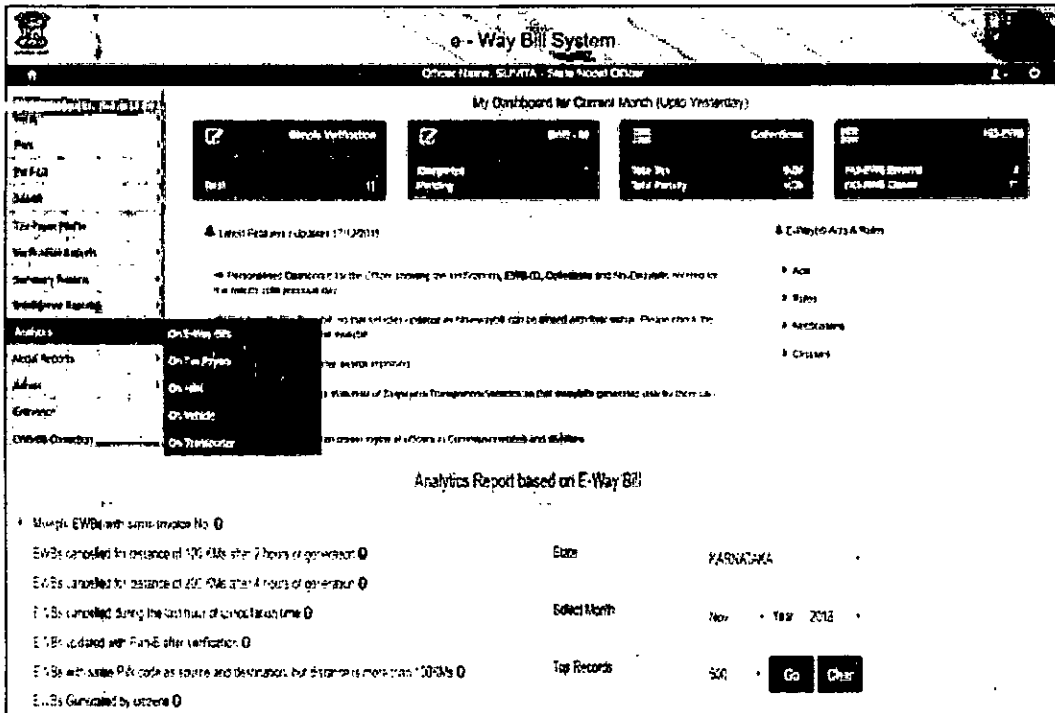
3.4.10.2. The following MIS reports, analytical reports and analytical tools for the assessing authorities/enforcement authorities and supervisory officials.

- At present there are around 70 MIS reports developed in the GST backend. It also provides a 360-degree profile of the tax payers.
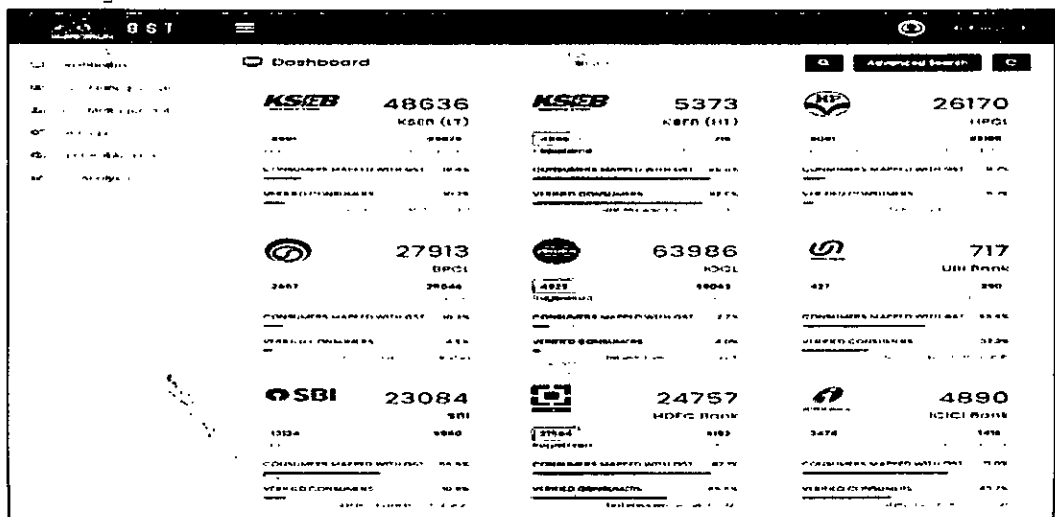
- Report builder this helps the individual assessing officer of a jurisdiction to create any number of custom-made analytical reports and to list out dealers falling within a particular criterion using various the return data registration data classification criteria etc.
- The GST Prime was developed by NIC it an Analytical System / Product to help the tax administrators to analyze and monitor the tax collection and compliance within their jurisdiction. The system caters to the requirements of the Field-level officers and Enforcement/Intelligence officers to help improve the tax collection. It provides analyzed and actionable reports and helps to enforce GST in a more efficient and effective manner. At present around 30 reports are available through this functionality.

- E-way bill analytic portal for officers developed by NIC which has E-way bill data as the primary input, contains Search Tax-payer Profile Verification Reports, Summary Reports, Intelligence Reports including circular trading. This analytical portal has around 80 types of reports.
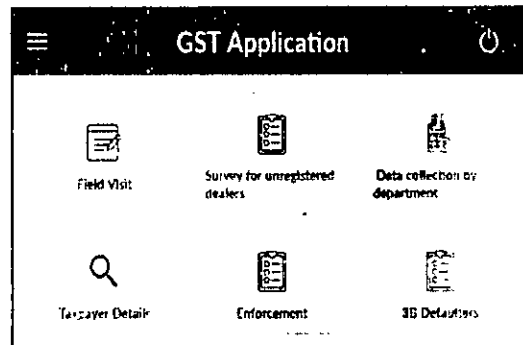

- Tax Analyzer portal: Developed in partnership with Indian Institute of Information Technology and Management Kerala (IIITMK), presently designated as Digital University of Kerala. It provides a role-based search for third party data, ITC analysis, sectoral analysis and sectoral profile of tax payers and other analysis developed by IIITMK.

- Business Intelligence and Fraud Analytics platform: A Business Intelligence and Fraud Analytics platform is developed by GSTN. The BIFA portal provides analytic reports on tax gap analysis based on GST returns e-way bills, ITC declarations network analysis for visualizations of forward and inward supply chains for origin and distribution of fake ITC, related party transaction analysis, visualizing commodity supply chain Anomaly detection based on return level and GSTN level ratio analysis and cluster based anomaly detection Risk score assignments for registration and refunds, Area or jurisdiction based compliance and risk analysis Identifying inconsistent behavior based on spike in supplies/high ITC utilization Comparative trend analysis based on sector and nature of business and revenue forecasting and predicting tax payment defaulters. It also has a scrutiny and audit selection tool. Comparison of Income tax data including Form 26AS, with GST data is also in the pipeline.
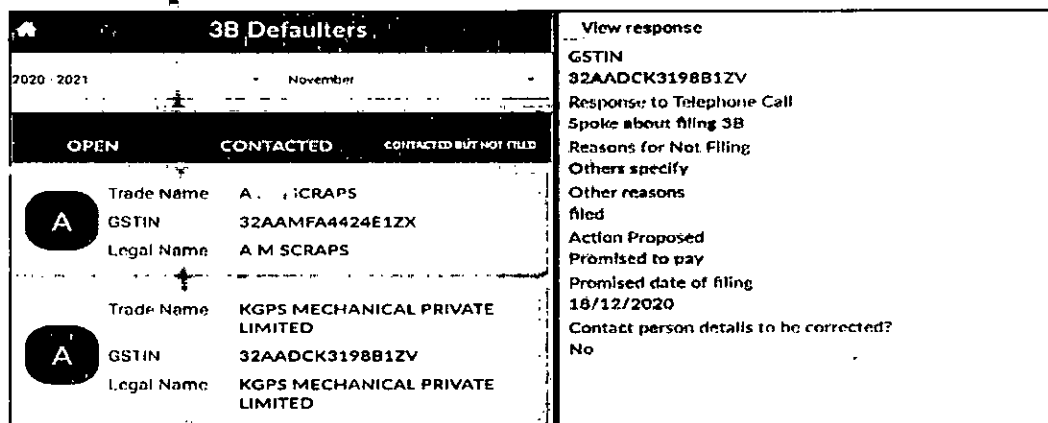
3.4.10.3.   Mobile Applications deployed for field officers:

3.4.10.4.   GSTR3B Defaulters App:A Mobile App was developed to follow up GSTR 3B return defaulters. This App would help the jurisdictional officers to follow up the defaulters and record the response received from the defaulters. Here, the list of 3B defaulters under the jurisdiction of the concerned officer will be available in theapp. The officer has to conduct enquiry with the taxpayer and to enter details of enquiry in the app. Officers can contact the return defaulters until they file the defaulted returns.

Cases allotted for follow up in December,2020	No. of cases contacted as on Jan 1st,2021	No. of returns filed on follow up
45503	36884	4855

3.4.10.5.   Data Collection App:The primary intention of this app is data collection by field Officers by upload the invoice that they come across while conducting vehicle checking etc. This uploaded data will be used later for audit selection, investigation, adjudication etc. so far 23248 invoices were uploaded by the officers.

3.4.10.6.   App for Survey of unregistered Persons: The data obtained from third parties have been analyzed and a list of unregistered persons were prepared and shared with the field formation to conduct the survey on these cases and make an assessment of turnover and compel them to take registration if required so as to widen the tax base of the state. So far 3550 surveys were conducted.

3.4.10.7.   Field Visit App: It is mandatory to conduct filed visits prior to granting registration on cases where Aadhar authentication failed. Officers can also conduct field visits on suspected cases also. In order to smoothen the procedure of conducting visits, an app was developed to record the field visit details in android tablets provided by the department.

3.4.10.8.   Document Identification Number (DIN): In order to ensure the objectives of transparency and accountability in tax administration through widespread use of information technology, the State GST department has implemented a system in March 2020 for electronic (digital) generation of a Document Identification Number (DIN) for all communications sent by the department to taxpayers and other concerned persons. Generation of DIN is meant for digitalizing the offline communications sent from the department to taxpayers/other concerned persons. The electronic generation of DIN and its use in official communications to taxpayers

and other concerned persons is a transformative initiative. Any communication/document that is issued without the electronically generated DIN shall be treated as invalid and shall be deemed to have never been issued. Therefore, it ensures transparency and accountability in tax administration. The DIN details shall be attached to all the communications sent from the offices. The taxpayers can verify the authenticity and genuineness of the document received by searching DIN in the departmental website. The details of DIN generated by the department are as shown below.

	Notices	Letters	Orders	Total
Total	16,768	1,570	1,327	19,665

3.4.10.9.   Sectoral data and dealer classification: Sectoral information of dealers is the key to targeted enforcement and audit action since the approach is varied for different types of taxpayers in goods and services. The data collected by the GST system does not provide any direct information regarding sector level details of goods and services dealt by tax payers. Hence, the goods and services dealt in the GST has been classified into 65 goods and 27 service sectors. This is also further classified into broad categories. Based on the analysis of registration data e-waybill data and GSTR-1 data, legacy data and certain external data the sectoral classification of the taxpayer is identified.

3.4.10.10.   This sectoral data is used for further tax analysis like irregular input tax claim like ITC on passenger Motor Vehicles, Construction Services and goods and services used for construction of Immovable Property,(Ineligible ITC) irregular input tax apportionment in cases of dealers having both taxable and exempted supply etc. in this case the suspected cases of 13,000 taxpayers Involving 1200 crores has been identified for action.

3.4.10.11.   The details are made available in the Tax Analysis Portal for users. This data is also used for selection of Inspection and Audit cases. Kerala is the first state to do such an analysis at Sectoral level. This is also used for sectoral level collection trend analysis.

3.4.10.12.   Maintenance and use of third-party information repository: Use of third-party transactions to match with reported data and to increase the tax base is one of the major features of modern tax administrations. Apart from the mismatches thrown up by the system from returns filed by the dealers, compliance can be measured only through analysis of reported figures with third party data.

3.4.10.13.   During budget speech 2020-21 it was stated that efforts will be taken to increase the tax base of GST. The old strategy used by the department is to go for Street Survey on random basis without any information on a tax payer. Instead of this department has decided to leverage the process with the used of External Data Collection from various sources and to used Data Analytics to process and make it useful for identification of potential unregistered tax payers. To achieve this objective, the GST department had collected information about potential tax payers from all external data in the economy like commercial electricity consumption, labors employed, sales through e-Commerce platform, food safety license, card swiping machines, commercial gas consumption, flat registration, were collected from sources like KSEB, Labour

Department, food integrators, Food Safety Authority, Banks, Registration department and Gas Companies. The collection of this data will be a continuing process and the aim is to maintain a repository for data analytics.

3.4.10.14. External Data Analysis for increasing Registration base:Since some these data does not contain direct identifiers like GSTIN or PAN details department had used advanced Data Analytics algorithms to identify the persons registered in GST and these data were linked. The balance-unregistered cases were provided in the Tax Analysis Portal for verification by field formations. The field formations are provided with Tablets to conduct Survey of the unregistered persons and they have to update the Survey Report a mobile application. The Tax Analysis Portal provides facility to view all the external source data related to an unregistered person so that, the field formations can identify the persons liable for registration effectively based information available on all data points inrespect of a person based on various parameters like Name and Address, Phone No., PAN,etc. Using this field officials can proceed with best judgment assessment. Kerala is the first state to do such an analysis at using external data.

3.4.10.15. The process is now ongoing in the field and the result as on date is shown below. The drive had also created an environment that all businesses are alerted that they are monitored closely and this exercise will have a long-lasting influence in this field.

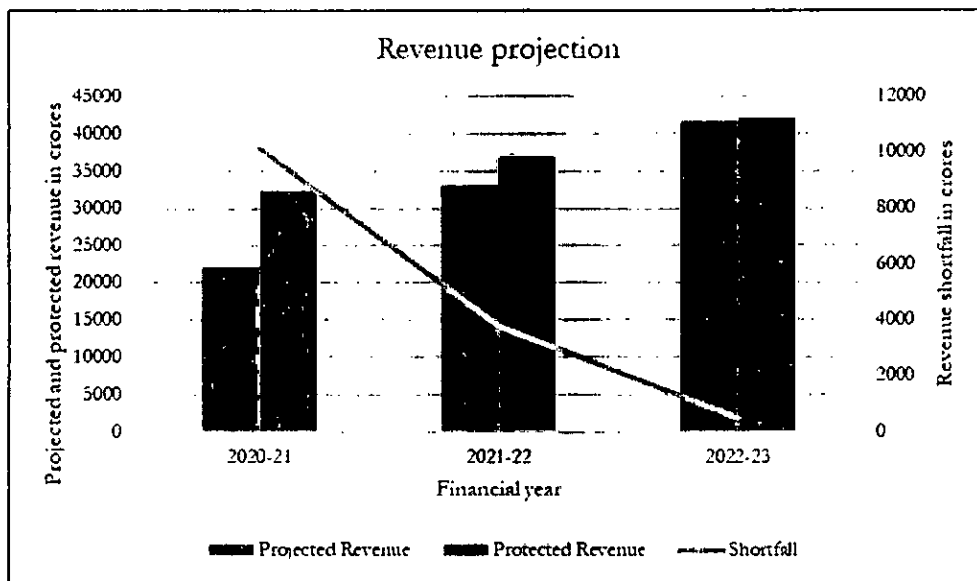|	Total Data collected	Cases prioritized for processing	Mapped with GSTIN	Identified as Unregistered	Cases prioritized for verification
Bank	1,02,079	1,02,079	68,509	33,570	19,955
Food Aggregator	22,506	21,701	14,399	7,302	2,265
Electricity	17,58,746	54,009	13,218	40,791	40,791
Food Safety	34,724	29,183	4,151	25,032	28,499
Gas	2,44,010	1,18,069	10,443	1,07,626	15,002
Labour	5,44,940	25,961	11,852	14,109	15,323
Registration	27,033	27,033	2,4567	2,466	2,466
Total	27,34,038	3,78,035	1,47,139	2,30,896	1,24,301

3.4.10.16. External Data Analysis for Cross checking of Returns: This analysis has just been initiated. Analysis of such data shows difference with turnover declared in GST returns in many cases. An example based on linking of GST Return Data with Bank POS data (Card swiping machines data) of 15 banks is given below:

POS to GSTR 3B linking Result for 2017-18 and 2018-19						
Particulars	Turnover declared less than POS	POS as a Component in Turnover				
		70% to 100%	50% to 69%	25% to 49%	0% to 24%	Total
Total No. of tax payers	1629	249	356	1236	10492	13962
Percentage	11.67	1.78	2.55	8.85	75.15	100

3.4.10.17. Analysis shows that in 11.67% cases verified there is suppression of turnover related to GST Return. Also, component wise analysis shows that nearly 13.18 % tax payers are showing POS transaction as a component of 25% to 100% of their turnover, where as 75% is showing the component of 25% only. An analysis on this line will contribute more to the scrutiny of returns filed by the tax payers. This process will be replicated across various data sets like Gas Consumption, Food aggregator, etc. which will work as a tool to validate the self-declaration made by the tax payer in the GST return.

4. Revenue Projection for Kerala from 2020-21 to 2022-23

	Projected Revenue	Protected Revenue	Shortfall	Growth of projected revenue (%)
2020-21	22,232.4	32,400	10,168	10.7
2021-22	33,146.0	36,936	3790	49.1
2022-23	41,610.0	42,107	497	25.5

4.1.   Comments on revenue projection

4.1.1.   In 2020-21 the GST collection is affected due to COVID. However, the post COVID months beginning from October 2020 have shown a V shaped recovery. The building materials, construction and automobiles sector which contributes nearly 40% of state revenue is rebounding. The IGST unsettled amount and revenue due to filing of Annual Returns of both 2018-19 and 2019-20 is expected to reach the state coffers by the end of March 2021. At this rate, the expected revenue comes to around Rs 22232 Crores for this Financial Year. The department has initiated various steps such as audit and scrutiny which will translate into higher revenue and improve the general compliance in the next financial years.

4.1.2.   In the year 2021-22 the GST collection will get an automatic fillip due to resumption of economic activities post COVID. The e-invoicing system which was rolled out in phased manner will be fully operational for B2B transaction from 1ˢᵗ April 2021. This is a big boon for Kerala which depends substantially on IGST revenues which have to be collected from other states. Secondly, in the course of implementation of GST the GST council had reduced the rates to a level far below the recommended Revenue Neutral Rates. The course correction in this regard is

on the agenda of the GST council which has been deferred due to COVID. This is expected to be taken up in 2021-22. In addition, the inverted duty structure in footwear and textile is expected to be fixed resulting in higher revenues from these two sectors. The linking of GSTR-3B and GSTR-1 along with auto drafted GSTR-3B brings in input tax credit matching. The audit, scrutiny and enforcement measures covering the escaped revenue from the inception of GST will start yielding recoveries in the year 2021-22. Also, the GST Group of ministers of the council has reached an agreement regarding E-way bills for intrastate movement of gold in the state of Kerala, further aiding revenue collection. Based on all these, the revenue expected in the year 2021-22 is projected at Rs 33146 Crores.

4.1.3. In the year 2022-23, the revenue is expected to increase at a normal rate compared to the quantum jump seen in the previous year. The benefits accruing from a settled and restructured GST department, increased audit and scrutiny, and a stable GST IT infrastructure will form the backbone of increase in GST collection in 2022-23. The revenue expected at the end of 2022-23 is Rs 41610 Crores.

4.1.4. The revenue that has accrued to the state from GST has fallen short of expectations in the last three years. The potential of 'destination principle' remains only partially fulfilled. However, sincere efforts from the Government have laid a solid foundation for future growth, and the ironing out of technical and structural problems hold great promise for the days ahead. If this projected revenue of Rs 41,610 crores for 2022-23 is realized, the revenue gap between protected revenue and projected revenue will be a relatively small amount of Rs 497 crores. This will ensure smooth sailing for the state finances beyond the GST compensation period.

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MEDIUM TERM FISCAL POLICY & STRATEGY STATEMENT WITH MEDIUM TERM FISCAL PLAN FOR KERALA

2021-22 to 2023-24

FINANCE DEPARTMENT
2021

The Kerala experience of Goods and Services Tax
(Prepared by Taxes Department)

1. GST Revenue Trends

1.1. *Measuring GST revenue*

1.1.1. GST revenue accruing to the states has two major components, the SGST collection and IGST settlement. The major factor of IGST settlement is IGST credit utilized by dealers in Kerala for payment of SGST in Kerala transferred by Central Government in cash monthly. Other significant components are IGST for interstate and import (business to consumer) transactions, IGST paid in assessment, enforcement etc. Adding to these components, there is the ad-hoc IGST settlement that the state has received. This is the distribution of accumulated IGST in the IGST account done by the Central Government in the ratio of protected revenue of all States. These ad-hoc settlements will be adjusted towards final settlements. Normally, final IGST settlements should happen as and when annual returns are filed. But since the originally devised GSTR 1-2-3 system with full invoice matching has not materialized due to technical constraints, an interim mechanism of returns through GSTR-3B was implemented. Therefore, due to the incompleteness of the system, the final settlement has been delayed. The committee of GST Council on IGST is expected to submit its recommendations soon on the matter of final settlements. Kerala has received an ad-hoc settlement of Rs 2734 crores in 2018-19 and Rs 693.53 crores in 2019-20. Also, Rs 709.36 crores was recouped from Kerala in 2019-20 as a part of ad-hoc settlement.
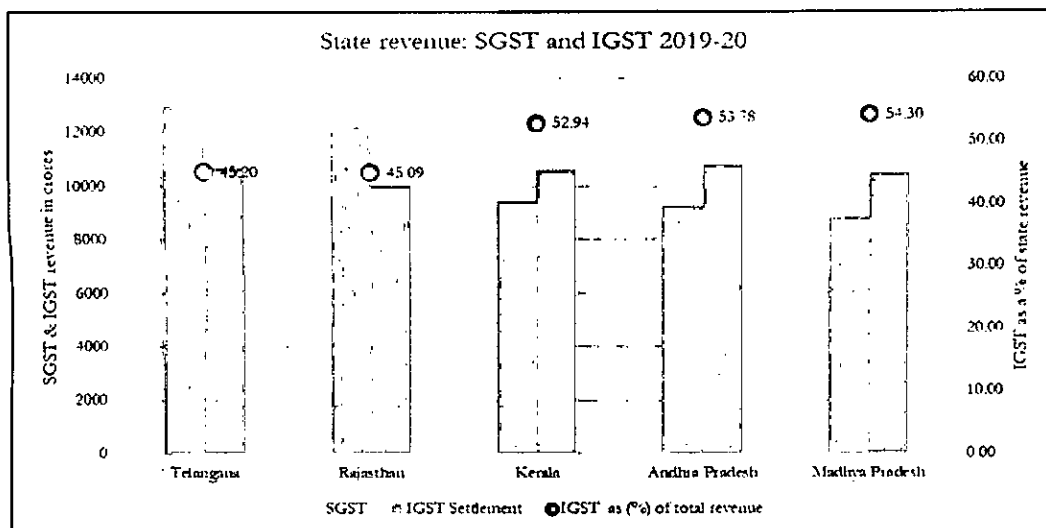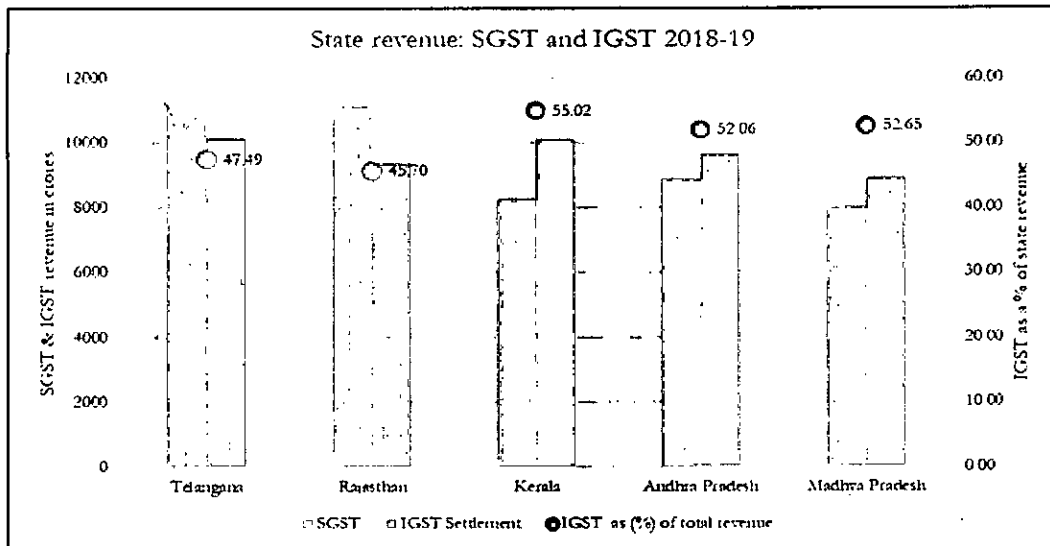
1.1.2. In view of the above, the efficacy of GST collection can be measured only with regular settlements (without considering ad-hoc settlements and recoupment's), since it reflects the exact transactions and compliance.

1.2. *Comparison of revenue of states*

STATE	2018-19				2019-20				Growth 18-19 to 19		
	SGST	IGST Settlement	Total	IGST as (%) of total revenue	SGST	IGST Settlement	Total	IGST as (%) of total revenue	SGST	IGST	Total
Maharastra	56940.25	19063.70	76003.95	25.08	62275.31	22388.73	84664.04	26.44	9.37	17.44	11.39
Uttar Pradesh	19952.20	21231.13	41183.32	51.55	22043.43	25168.59	47212.02	53.31	10.48	18.55	14.64
Karnataka	23416.49	13600.07	37016.56	36.74	26471.74	17347.98	43819.73	39.59	13.05	27.56	18.38
Tamil Nadu	24498.84	12425.95	36924.78	33.65	27141.64	14086.41	41228.05	34.17	10.79	13.36	11.65
Gujrat	25225.27	6805.21	32030.48	21.25	27271.42	8756.41	36027.82	24.30	8.11	28.67	12.48
West Bengal	14887.49	9216.88	24104.37	38.24	16814.91	10616.35	27431.26	38.70	12.95	15.18	13.80
Telangana	11243.30	10169.04	21412.34	47.49	12977.35	10703.70	23681.04	45.20	15.42	5.26	10.60
Rajasthan	11160.24	9392.21	20552.45	45.70	12197.41	10014.39	22211.80	45.09	9.29	6.62	8.07
Kerala	8270.24	10114.96	18385.20	55.02	9456.64	10639.42	20096.06	52.94	14.35	5.18	9.31
Andhra Pradesh	8896.93	9662.54	18559.47	52.06	9265.18	10782.63	20047.82	53.78	-4.14	11.59	8.02
Delhi	10339.20	5879.08	16718.27	35.17	11988.10	7948.26	19936.36	39.87	10.60	35.20	19.25
Haryana	12690.31	3876.65	16566.96	23.40	13921.94	5517.47	19439.42	28.38	9.71	42.33	17.34
Madhya Pradesh	8033.23	8931.99	16965.21	52.65	8840.57	10504.21	19344.78	54.30	10.05	17.60	14.03
Bihar	4872.16	8368.06	13240.22	63.20	5842.16	9941.08	15783.24	62.99	19.91	18.80	19.21
Punjab	5401.19	5817.17	11218.36	51.85	6132.66	7641.81	13774.46	55.48	13.54	31.37	22.79
Odisha	7006.17	3581.47	10587.64	33.83	8712.98	4747.29	13460.27	35.27	24.36	32.55	27.13
Jharkhand	5078.79	2080.14	7158.93	29.06	5490.14	2858.93	8349.07	34.24	8.10	37.44	16.62
Chattisgarh	5096.25	1926.47	7022.72	27.43	5581.00	2443.00	8024.00	30.45	9.51	26.81	14.26

The GST revenue of major States for the year 2018-19 & 2019-20 is as above:

1.2.1. Kerala has a growth rate of 9.31% and the growth rate is comparable to other similar state's economies (in terms of GDP)such asTelangana, Rajasthan, Andhra Pradesh and Madhya Pradesh. In absolute numbers of IGST settlement, Kerala ranks in the 7th place after the bigger economies such as Uttar Pradesh, Maharashtra, Karnataka and Tamil Nadu. Andhra Pradesh, Telangana and Kerala has more or less similar figures in IGST settlement. The IGST settlement component as a percentage of State GST revenue was 55% in 2018-19 and 52.94% in 2019-20. While, the SGST component had shown a good growth of 14.35%, a modest growth rate of only 5.18% was achieved in the IGST component. The reason for the fall can be mainly attributed to the fall in tax collection of motor vehicles and building materials in 2019-20. Motor vehicle dealers pay 80% of the GST through IGST credit and motor vehicles as a sector contributed 18% of the GST revenue of the State in 2018-19 which was reduced to 15% in 2019-20. This is a Rs500 crore reduction in absolute terms. These sectors are picking up to pre-COVID-19 levels as the e-way bill data would show.

State revenue: SGST and IGST 2018-19

State revenue: SGST and IGST 2019-20

1.2.2. GST was expected to boost the revenue of Kerala since GST was a destination-based tax and Kerala was a consumer State. The pointer regarding this hypothesis has been validated by All India Regular IGST Settlement Data. However, certain factors have hindered the growth of revenue that ought to have accrued to the state of Kerala.

1.3. Factors hindering growth of revenue

1.3.1. One of the major decisions post GST was done in the 28[th]GST Council Meeting where the major consumer items in the 28% tax slab was slashed to 18%. This had an estimated revenue impact of 13000 crores annually, i.e., around 12% to 13% of GST collection. This has taken the rate structure to a level much below the originally envisaged Revenue Neutral Rate (RNR) discussed in the previous GST council meetings.

Evolution of GST rates structure

- CST Rates were initially worked out on RNR basis
- However, lower than RNR rates were prescribed on a number of items
- Items placed under 28% slab had pre-GST incidence in excess of 31%
- Items like tooth paste, mineral water, soap (pre-GST incidence~30%) kept in 18% slab
- Significant post GST rate reduction and other concessions

Meeting Date	GST rates reduction [No of goods]
09.09.2017	36
06.10.2017	26
10.11.2017	243
18.01.2018	24
21.7.2018	55
22.12.2018	16
20.9.2019	12
	[about 80 services]

Other concessions

Threshold increased to Rs 40 lakh in goods

Composition limit increase (Rs 75 lakh to Rs 1.5 Crore)

Composition rate lowered from 2% to 1% for manufacturers

Composition Scheme extended to services

Implications has been about Rs 1 lac crore in a year

1.3.2. GST originally envisaged monthly provisional invoice credit matching through its system of GSTR 1-2-3 returns. Due to technical issues, this system was not implemented. Instead, a summary statement in the form of GSTR 3B and a sales return in GSTR 1 was implemented. GSTR1 enabled auto generation of GSTR 2A (auto populated purchase). GSTR 1 was not mandated to be filed serially (one could file GSTR 3B without filing GSTR 1). So, there was no linkages of GSTR 3B with GSTR 2A and GSTR 1 (sales and purchase). Therefore, credit matching was virtually nonexistent and had to be done on case-by-case basis through departmental intervention. In an analysis conducted by Department of Revenue Government of India, it was found that in FY 2018-19 the total difference in FORM GSTR-2A and FORM GSTR-3B is 13% of total GSTR-2A. Therefore, approximately 13% of the total credit lies unmatched in the system.

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[1] Graphic courtesy GST Council Agenda Notes

1.3.3. The abrogation of GSTR 1-2-3 returns had made the IGST settlement mechanism faulty. This was compounded with fake invoicing and fake credit at national level. Ineligible credit and other credit reversals could not be properly accounted in the IGST settlement algorithm. This has been pointed out in the CAG's report on GST.

1.3.4. Kerala being a consumer State, the above structural issues have affected the IGST settlement revenue due to the State.

2. Sector wise GST revenue of Kerala

2.1.   Overview

2.1.1.   The alternative word of GST is destination-based consumption tax. Conceptually and ideally what Kerala Government gets as GST revenue from goods and services is the reflection of its economy's final consumption. State's revenue from GST from the sectoral perspective - commodities (goods) and service groups - is analyzed based on the data of tax remittances made by the registered taxpayers through their periodical returns (monthly and quarterly).
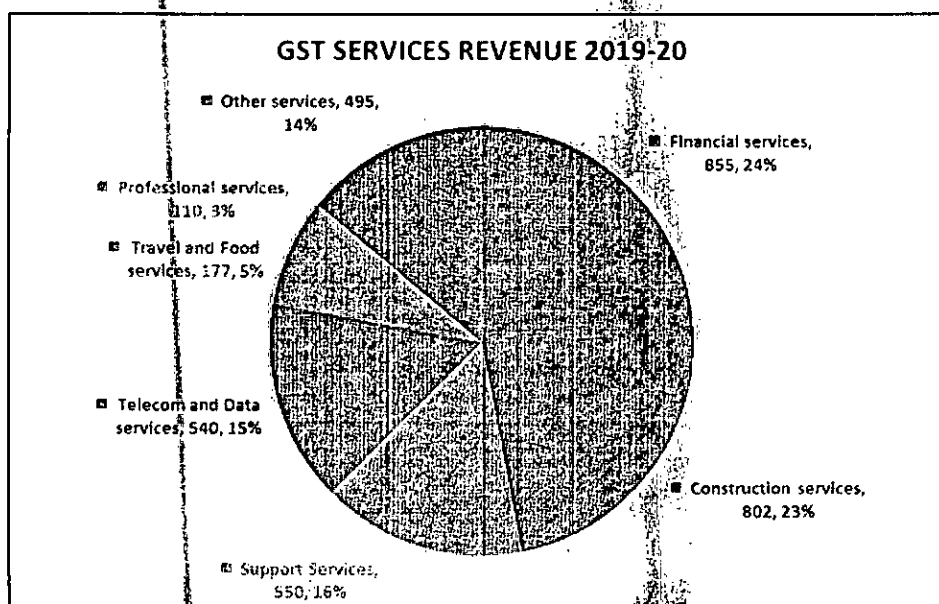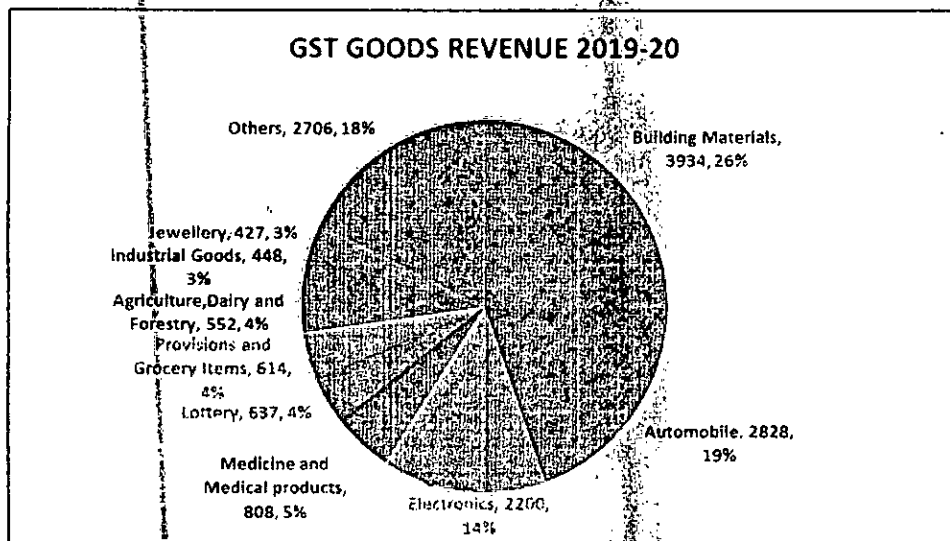
2.1.2.   Classifying taxpayers on the basis of commodity and service groups and collating the required data from the GSTN (Goods and Services Tax Network) is challenging. The Kerala State GST Department in association with Indian Institute of Information Technology and Management -Kerala (IIITM-K), had ventured Sectoral Classification of Tax Payers based on GST and other external data using Data Analytics. As the first phase of the study, the State GST Department had completed the Sectoral Classification of Goods into 66 Sectors and Service into 27 Sectors using various data sets like GSTR 1, GSTR 2A, e way bill data and registration datasets.

2.1.3.   For analytical purpose, the tax revenues of GST from goods and services are grouped into sixteen (16) major commodity groups (goods) twelve major (12) services groups for the purpose of this study. For the sake of the analysis each group is designated as 'Sector' though it is not head-on comparable with the sectors and sub-sectors under Gross Domestic Product (GDP). *(See Annexure I for details of 16 commodity groups)*

2.1.4.   The tax revenue from the returns (Return GSTR-3B and PMT 08/GSTR-4) of the taxpayers submitted are analyzed and appropriately grouped under the commodity and services on the *'related return period liability basis.'* For year on year (2018-19 and 2019-20) and Covid period (March to August 2019 & 2020) analysis, the related returns (monthly/ quarterly) submitted till September 30, 2020 are taken. *(For example, if a taxpayer failed to submit the March 2020 return but submitted it belated before September 30,2020, then their tax revenue is considered for analysis).* This exercise is done to ensure and compare the revenue and consumption pattern during pre- and post-COVID periods as accurately as possible.

2.1.5.   By doing the above process, 91.8 per cent of returns during the period from March 2019 to August 2019 and 64.5 per cent during the period from March 2020 to August 2020 are included in the tax remittance for the relevant six months period. *(Refer Annexure I for details of commodity groups)*
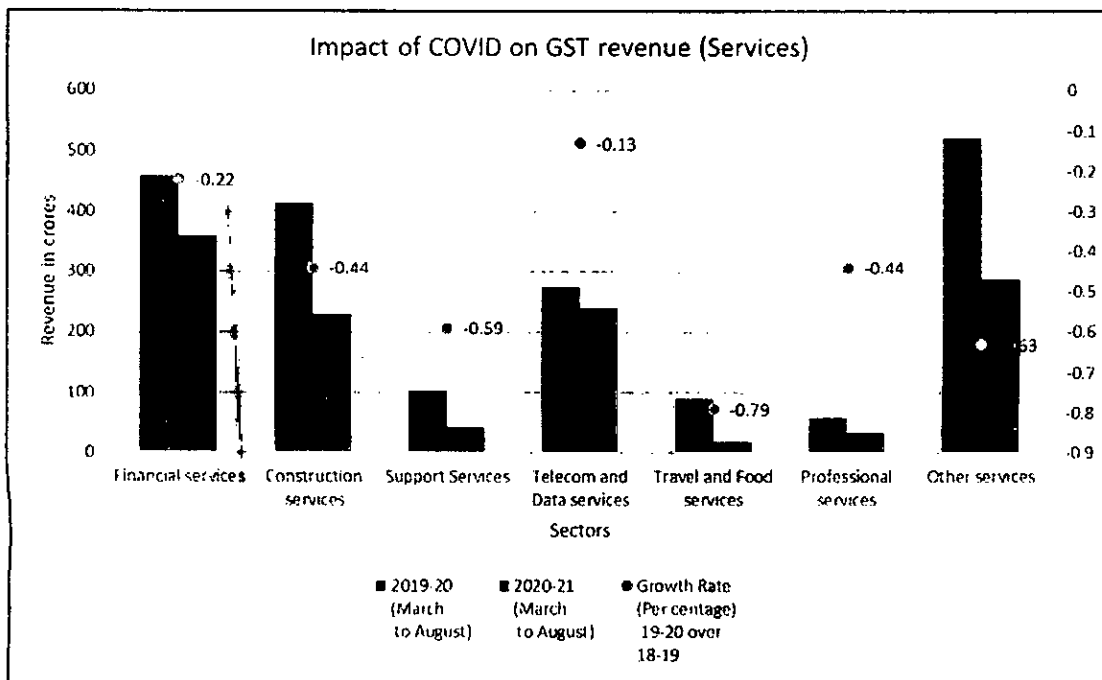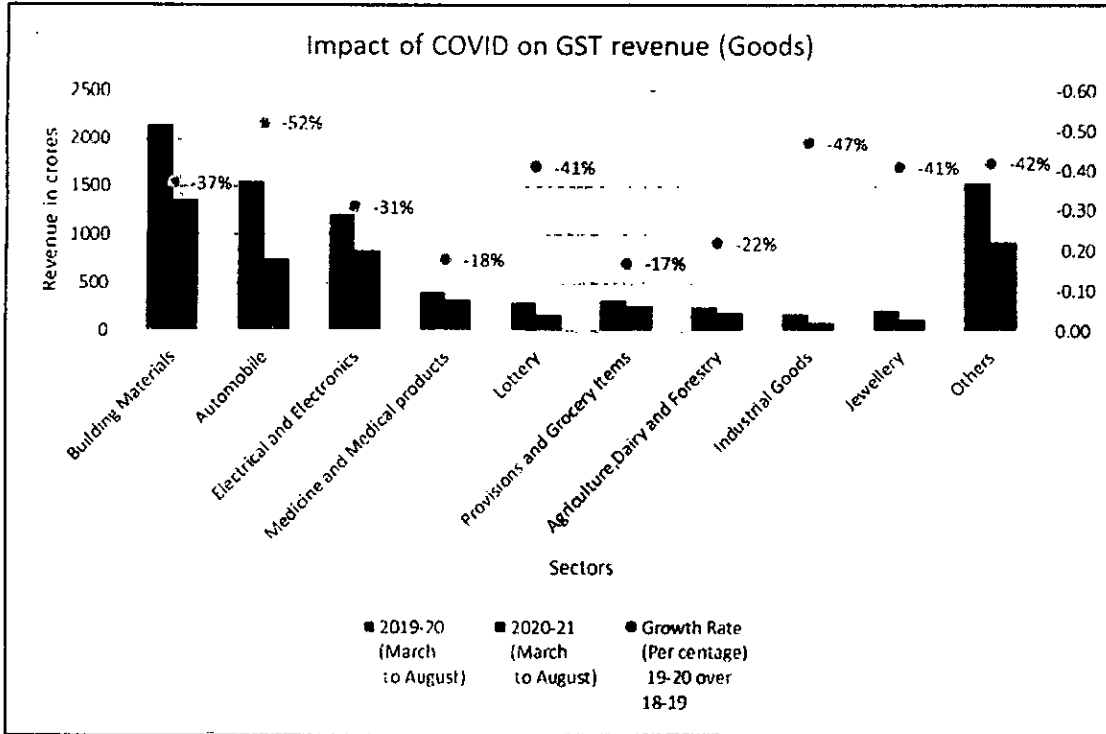
2.1.6. The Sector-wise commodity and Service groups tax revenue from the introduction of GST for the three years period with its percentage share on total and growth rate for 2019-20 over 2018-19 is depicted in Table No.1 (Annexures). Since GST was introduced only in July 2017, the growth rate calculation by taking 2017-18 as base year does not give a true picture and is hence not attempted.

GST GOODS REVENUE 2019-20

Others, 2706, 18%
Building Materials, 3934, 26%
Jewellery, 427, 3%
Industrial Goods, 448, 3%
Agriculture, Dairy and Forestry, 552, 4%
Provisions and Grocery Items, 614, 4%
Lottery, 637, 4%
Medicine and Medical products, 808, 5%
Electronics, 2200, 14%
Automobile. 2828, 19%

GST SERVICES REVENUE 2019-20

Other services, 495, 14%
Financial services, 855, 24%
Professional services, 110, 3%
Travel and Food services, 177, 5%
Telecom and Data services, 540, 15%
Construction services, 802, 23%
Support Services, 550, 16%

2.1.7. Similarly, Table No.2 (Annexures) depicts the sector-wise tax revenue comparison during the six months COVID-19 induced period (March 2020 – August 2020) with previous year's normal period. Also, expected tax revenue from the pending returns during these six months period is also projected.

2.1.8. As the analysis is made on the premises of GST revenue remittance taken on the 'related return period liability basis' any comparison of these figure with month-on-month remittance will not tally due to difference in arrears payments of tax. The total tax revenue under each

sector represents the net taxes (after deducting eligible input tax credits) remitted by the taxpayer through their periodical returns under different tax rates for each of the goods/services.

Impact of COVID on GST revenue (Goods)

Sectors

■ 2019-20 (March to August) ■ 2020-21 (March to August) ● Growth Rate (Percentage) 19-20 over 18-19

Impact of COVID on GST revenue (Services)

Sectors

■ 2019-20 (March to August) ■ 2020-21 (March to August) ● Growth Rate (Percentage) 19-20 over 18-19

2.2. Sector-wise tax revenue from Goods and Services

2.2.1. Goods constitute around 82 per cent of the GST revenue in Kerala. The analysis of the 16 commodity groups reveals that the three major commodity groups contributing around 50 per cent share of the total GST revenue of the State. They are Building materials, Automobiles, Electrical and Electronics. This share shows a slight reduction of 2 per cent during 2019-20 as the COVID-19 impact started during the month of March 2020. Under GST, lottery is categorized as Goods and it constitutes an average 3 per cent share in the total revenue. Around nine household daily consumption commodity groups like Provisions and grocery, Agriculture, Jewellery, Textiles, FMCG, House hold articles, Footwear and other goods constitute around 18 per cent of the total GST of the State.

2.2.2. Services constitute 18 per cent of the GST Revenue in Kerala. The revenue from services is disproportionately low when compared to the service heavy nature of the state GSDP. This is due to the GST exemptions granted to the services related to education and healthcare which form a significant share of the state GDP. Financial, Construction, Telecom and Support services constitute 14 per cent of the total GST revenue and around two third of the GST revenue from the Service sector in Kerala. The balance eight out of 12 services like accommodation and food, professional, passenger transport, goods transport, lease and rental, education, entertainment and other services constitute only 4 per cent of the entire GST revenue.

2.3. Individual Sector wise analysis

2.3.1. Major Commodity Groups

2.3.1.1. Building materials: Consumption of building material constitutes 21 per cent of the total economic activity. However, the tax revenue shows a downward trend of -3.9 per cent during 2019-20 when compared to 2018-19. While observing the six months period (March to August) of 2020 with the same period of 2019 the tax revenue showed around 37 per cent reduction.

2.3.1.2. Automobiles: Automobiles sector having a 15 per cent share in the total revenue showed a worst hit negative growth rate of -15.3 per cent during normal year of 2019-20. During the COVID-19 affected six months it contributed only half the revenue (negative growth of -51.9 per cent) when compare to the similar months of previous year.

2.3.1.3. Electricals and Electronics: Electricals and Electronics showed a 4.6 growth rate during 2019-20 when compared to the previous year and constitute around 11 per cent share in the GST revenue of the State. But this during the COVID-19 period of six month's growth plunged down to -30.9 per cent when compared to the previous year's similar period.

2.3.1.4. Medicines and Medical Products: Medicines and Medical Products constitute 4.3 per cent of the total GST Revenue in Kerala. During 2019-20 it recorded a negative growth rate of -3.9 per cent when compared to 2018-19. During COVID-19 affected period medicine has recorded a negative rate of -17.9 per cent.

2.3.1.5. Lottery: Though with only a 3 per cent share in the GST revenue lottery showed a 14.5 per cent growth rate in GST remittance to state exchequer. During COVID-19 hit months the revenue slashed to more than 40 percent when compared to last year.

2.3.2. Major Services Groups

2.3.2.1. Financial Services: This sector constitutes around 4.6 per cent of the GST revenue of Kerala and remarked a 6.32 per cent growth during 2019-20 when compared to the previous year. During COVID-19 period a negative growth of -21.7 per cent is revealed from the return revenue.

2.3.2.2. Construction Services: In GST all construction is works contract and treated as service. A 4.3 per cent share is the contributor from this sector to the total GST revenue. During 2019-20 it recorded a satisfactory growth rate of 21.7 per cent. It plunged to -44.3 percent negative growth rates during COVID-19 period.

2.3.2.3. Support Services: Support Service means services provided in relations to business or commerce. It has 2.9 per cent share in the total GST and has a 5.4 per cent growth rate during 2019-20. During COVID-19 it recorded a downward growth of -58.5 per cent.

2.3.2.4. Telecom and Data Services: With around 3 per cent share in the total the Telecom and Data Services depicted a 12.37 per cent growth rate during 2019-20 when compared to the previous year. But during COVID-19 a negative growth of -12.5 per cent is reflected through the taxpayers return.

2.4. *Trends of post COVID scenario*

2.4.1. The following is the data obtain from e-way bill regarding incoming goods to the States and its IGST. There has been a reduction in movement of goods in 2019-20 compared to 2018-19. In the post COVID-19 revival months of September, October, November and December, the transactions are showing 14.58% increase in 2020-21 compared to 2019-20. This shows that the economy is recovering and also that the IGST settlement share for Kerala for the year 2020-21 and 2021-22 is bound to increase.

e-Way Bill Analysis - Total of IGST due - All Goods and Major Goods (in crores)														
ALL SECTORS														
YEAR	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	TOTAL	Cumulative growth for Sept. to Dec.
2018-19	1917.44	2086.94	1988.91	2097.24	1915.86	2081.66	1992.92	1961.14	2074.48	2005.17	1950.01	2317.51	24389.28	
2019-20	1933.20	2019.57	1938.19	2032.29	2075.96	1754.37	1684.17	1784.51	1895.26	1930.46	1931.06	1361.22	22340.26	-12.23
2020-21	281.02	1139.32	1639.97	1717.43	1841.56	1928.69	1961.05	1992.46	2273.88	0.00	0.00	0.00	14775.38	14.58
AUTOMOBILES														
2018-19	519.83	531.43	535.93	588.61	553.13	529.19	475.15	468.98	467.37	459.82	482.16	580.36	6191.96	
2019-20	405.86	416.77	434.88	451.71	540.43	392.97	389.55	366.85	374.14	387.88	421.68	287.12	4869.84	-21.50
2020-21	0.63	88.93	225.80	339.06	449.40	482.64	424.72	428.53	467.74	0.00	0.00	0.00	2907.45	18.39
BUILDING MATERIALS														
2018-19	420.88	460.46	397.60	376.12	319.43	450.68	476.64	457.18	462.01	469.96	463.69	532.09	5286.74	
2019-20	457.39	486.07	434.01	432.15	337.65	348.97	378.05	417.89	431.08	446.35	441.31	314.56	4925.48	-14.65
2020-21	20.70	313.16	362.11	371.21	343.34	384.95	449.26	470.59	520.69	0.00	0.00	0.00	3236.01	15.83
ELECTRICAL AND ELECTORNIC GOODS														
2018-19	366.32	370.37	372.67	433.46	340.68	378.45	344.28	322.91	412.86	365.85	351.05	452.28	4511.18	
2019-20	393.59	367.23	364.20	407.91	414.31	367.33	284.88	302.04	365.37	386.50	344.49	237.56	4235.41	-9.52
2020-21	24.14	216.93	387.91	367.14	420.76	388.70	366.58	363.92	445.15	0.00	0.00	0.00	2981.23	18.55

2.5.   Conclusion

2.5.1.1. Around 37.5 per cent revenue loss is reflected in the 16 commodity groups based on the analysis made on the related return period tax revenue remittances. This amounts to a GST revenue loss from goods to the tune of Rs. 3063.53 crore during March to August 2020 when compared to same period during 2019. Nevertheless, during the next couple of months from the pending returns Rs.927 crore is expected as additional tax revenue. Once this is fully received the revenue loss during the COVID-19 period may shrink to 26 per cent. Similarly, out of the 11 Services Group Rs. 221 crores is expected as additional revenue. This may reduce the 36.8 per cent revenue loss to 25.36 per cent from services sector. Overall, the revenue loss is 37.4 per cent before the remittance of pending return period revenue. Once Rs.1149 crore is remitted by the taxpayers as their pending return period due tax during a couple of months, then the COVID revenue loss during the six months (March to August 2020) will reduce to 26 per cent.

3. Departmental interventions

3.1.1. The Kerala State GST Department has undertaken various steps to ensure tax compliance ranging from scrutiny of returns to searches and arrest of tax evaders. The various efforts inthis direction is summarized as follows:

3.2. Scrutiny of GST returns

Around 58000 distinct taxpayers were selected for scrutiny centrally based on 9 risk parameters and mismatches for the period from 2017-18 to 2019-20. This process started in the month of February 2020 and as of December 30, 2020, 42,000 notices have been issued to taxpayers seeking explanation of the discrepancies found in their returns. Some taxpayers admittedto the discrepancies pointed out in full or in part and made voluntary payment of taxes. The voluntary payments (SGST+CGST+IGST) reported by the tax payers to whom notices were issued comes to 158.23 crores as on November 30,2020. These scrutinies were done by comparing various parameters available in the GST system

3.3. Formation of GST Audit wing

The next logical step after scrutiny of returns is the audit of tax payers under GST. Audit under GST is the process of examination of records, returns and other documents maintained by a taxable person with reference to his accounts to verify the correctness of turnover declared, taxes paid, refund claimed and input tax credit availed and to assess the compliance with the provisions of GST. For this, a preliminary structure has been formed at major growth centers at Thiruvananthapuram, Ernakulam and Kozhikode utilizing the officers posted in the internal audit wing. This would be expanded into a full-fledged wing in tune with the re-organization of the department based on the functional needs of GST.
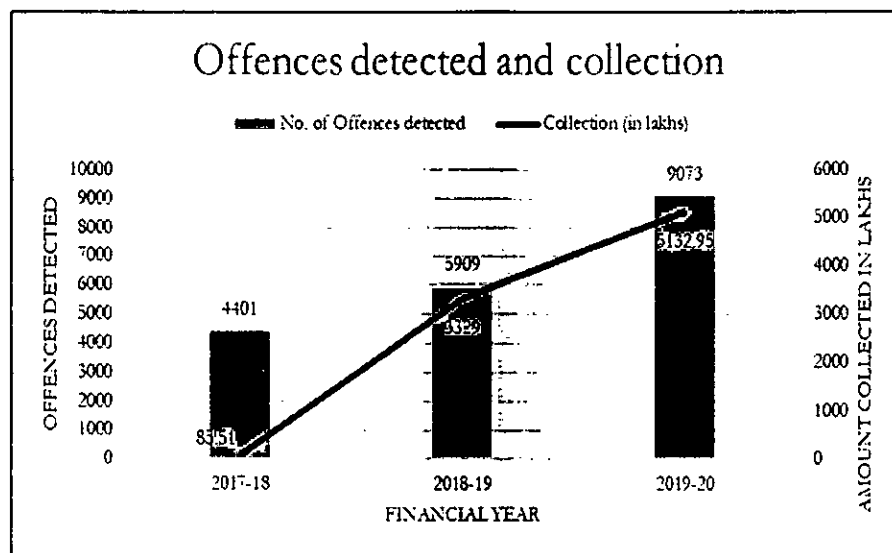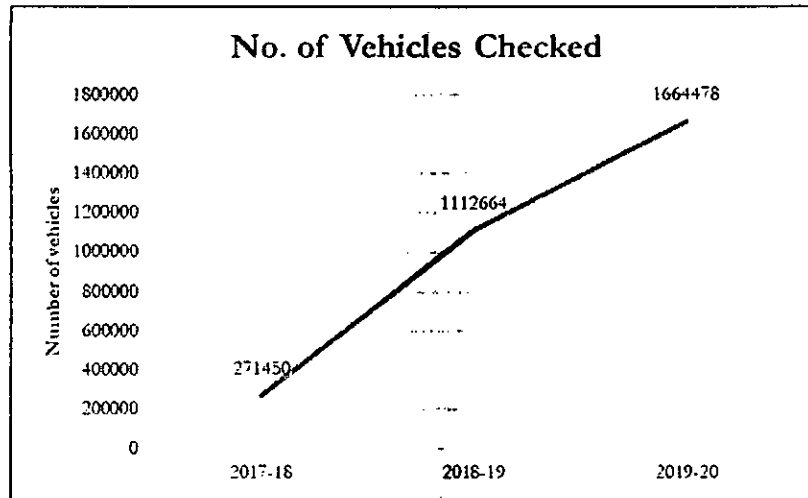
3.4. Enforcement Action

An efficient and vibrant intelligence wing is vital in the tax administration of the State. Efficient enforcement activity means better tax compliance which will increase the tax revenue. In spite of the COVID-19 situation, the Mobile Squads, Surveillance Squads and the special teams constituted for disposal of shop inspection files are actively engaged in their regular work. During this period, Intelligence Wing have made their presence felt in vehicle checking activities, shop inspections, second level verification of new registrations, survey and identification of prospective tax payers etc. A summary of the work done by the Squads during the period from 1st July, 2017 is given below:

3.4.1. Vehicle Checking:

3.4.2. Mobile Squads and Surveillance Squads are actively engaged in vehicle checking and border surveillance activities across the State. Confiscation proceedings under Section 130 have also been initiated in a number of cases including gold. The vehicle checking figures during the period from 1st July, 2017 to 31st March 2020 are as follows:

Zone	No. of Vehicles Checked			No. of Offences detected			Collection (in lakhs)		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Tvpm	56,591	3,32,774	4,49,833	982	1,862	2,962	34	860,77	1859.63
Ekm	1,34,276	4,14,674	6,98,601	1,814	2,574	3,502	23.54	1,560.94	1,643.32
Kkd	80,583	3,65,216	5,16,044	1,605	1,473	2,609	27.97	907.29	1630
Total	2,71,450	11,12,664	16,64,478	4,401	5,909	9,073	85.51	3329	5132.95

No. of Vehicles Checked

- 2017-18: 271450
- 2018-19: 1112664
- 2019-20: 1664478

Offences detected and collection

Legend: No. of Offences detected, Collection (in lakhs)

- 2017-18: 4401 (83?51)
- 2018-19: 5909 (3323)
- 2019-20: 9073 (5132.95)

3.4.3. Collection from gold:

3.4.3.1. The Department has booked many cases of transportation of gold without proper documents. Proceedings have been initiated under Section 129 as well as 130 of the Act. The results are summarized hereunder:
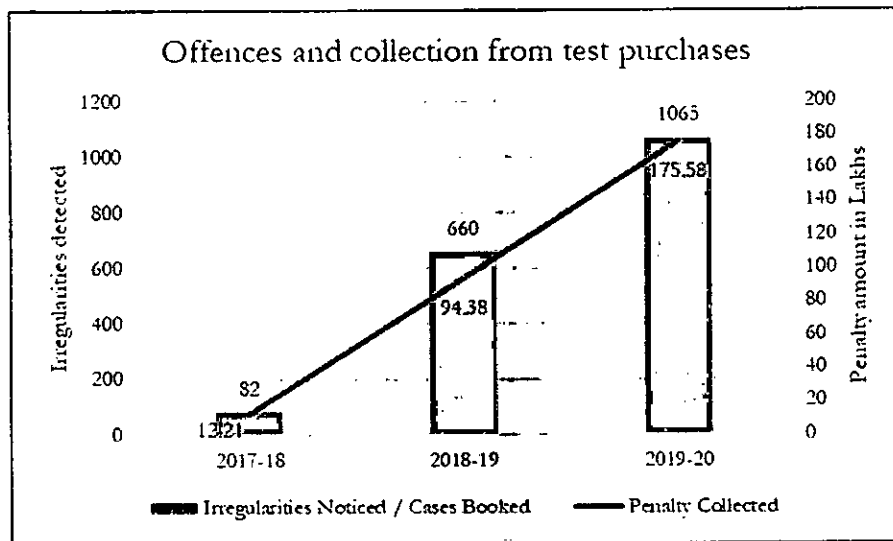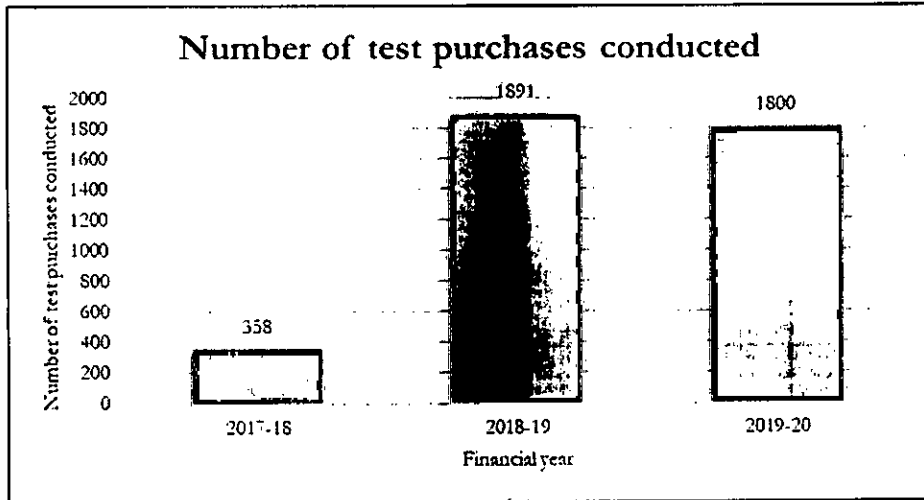
| Zone | Cases U/s 129 (in lakhs) | | | | | | | | | | | | | | | |
| | 2017-18 | | | | 2018-19 | | | | 2019-20 | | | | 2020-21 upto Nov 2020 | | | |
	Qty (in Grams)	Value	GST	Penalty	Qty (in Grams)	Value	GST	Penalty	Qty (in Grams)	Value	GST	Penalty	Qty (in Grams)	Value	GST	Penalty
Tvpm	57912.81	2072.01	70.98	70.98	18678.12	651.67	20.96	20.96	56692.3	2234.9	68.06	68.06	36097.6	1812.33	55.36	55.36
Ekm	33354.2	1025.44	30.64	32.52	22847.62	853.46	26.06	28.74	38600.18	1474.8	44.5	44.62	852705	415.01	12.4	12.4
Kkd	54735.06	1593.34	47.7	47.7	13173.98	400.76	12.03	12.03	8050.19	314	9.66	9.66	9212.34	455.08	13.5	13.5
Total	146001.21	4690.79	149.3	151.2	54699.72	1905.89	59.05	61.73	103342.7	4023.7	122.22	122.34	54437	2682.42	81.26	81.26

	CASES BOOKED U/s 130 (in lakhs)											
Year	Thiruvananthapuram						Ernakulam					Kozhikode
	No. of Cases	Qty (in Grams)	Value	GST	Penalty	Others	No. of Cases	Qty (in Grams)	Value	GST	Penalty	Others	
2017-18	0	0	0	0	0	0	0	0	0	0	0	0	
2018-19	0	0	0	0	0	0	0	0	0	0	0	0	NO CASES UNDER SECTION 130
2019-20	0	0	0	0	0	0	4	5057.76 (Gold) 52.77Ct (Diamond)	211.89	6.34	13.98	0	
2020-21 (upto 18.11.20	3	2540.34	118.14	3.54	3.54	111.06	6	6423.251	323.45	9.52	9.52	275.44	
TOTAL	3	2540.34	118.14	3.54	3.54	111.06	10	11481.01 (Gold) 52.77Ct (Diamond)	535.34	15.86	23.5	275.44	

3.4.4. Test Purchase:

3.4.4.1. One of the most common methods of tax evasion practiced by the dealers is non-issuance of Invoices while making a Supply. Section 67(12) of the Act empowers the Department to conduct test purchases to check whether a tax payer is issuing Invoices as envisaged in the statute. Test purchases have turned out to be a viable method to prevent tax evasion. Test purchase details from 1st July, 2017 are extracted hereunder:
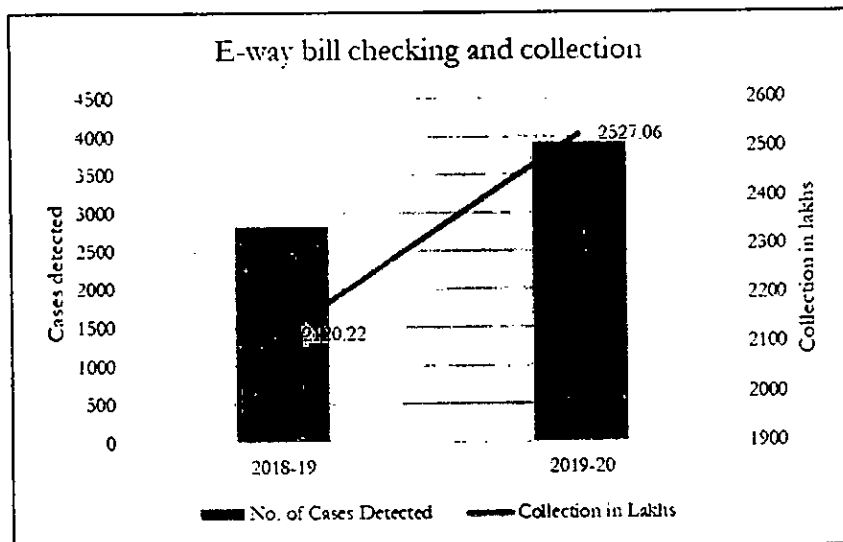
Zone	No. of Test Purchases Conducted			Irregularities Noticed / Cases Booked			Penalty Collected		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Tvpm	358	414	473	82	251	321	12.205	46	44.6
Ekm	0	1342	660	0	381	380	0	44.85	63.17
Kkd	0	135	667	0	28	364	0	3.53	67.81
Total	358	1891	1800	82	660	1065	12.21	94.38	175.58

Number of test purchases conducted

Chart: Number of test purchases conducted (Y-axis: Number of test purchases conducted, X-axis: Financial year)
- 2017-18: 358
- 2018-19: 1891
- 2019-20: 1800

Offences and collection from test purchases

Chart: Offences and collection from test purchases (Left Y-axis: Irregularities detected, Right Y-axis: Penalty amount in Lakhs)
- 2017-18: 12/21, 82
- 2018-19: 660, 94.38
- 2019-20: 1065, 175.58

Legend: Irregularities Noticed / Cases Booked — Penalty Collected

3.4.5. E-Way Bill checking:

3.4.5.1. E-way Bills prescribed under Rule 138 is an important tool in preventing tax evasion. The number of EWBs getting verified, offences and irregularities detected etc. is a reflection of the performance of the Intelligence wing. The figures for the years 2018-2019 and 2019-2020 are as follows:

Zone	No. of Cases Detected		Collection in Lakhs	
	2018-19	2019-20	2018-19	2019-20
Tvpm	888	1211	551.28	821.66
Ekm	1476	1345	1139.6	813.9
Kkd	463	1364	429.34	891.5
Total	2827	3920	2120.22	2527.06

E-way bill checking and collection

1 EWB came into force from the financial year 2018-2019.

3.4.6. Shop Inspection:

3.4.6.1. Section 67(1) of the GST Act empowers the Department to conduct inspection, search, and seizure to prevent evasion of tax. The Department has conducted many inspections under the Kerala State GST Act and KGST Acts during the period from 1st July 2017 onwards as follows:

Shop inspection statistics

Legend: No. of Shop Inspection Files created ▪ No. of Shop Inspection Files Disposed ▪ Tax & Penalty Collected in Lakhs

Zone	No. of Shop Inspection Files created			No. of Shop Inspection Files Disposed			Tax & Penalty Collected		
	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18	2018-19	2019-20
Tvpm	0	14	175	0	12	91		316.85	1320.52
Ekm	0	44	145	0	19	37		315.77	1125.21
Kkd	0	9	124	0	8	64		80.29	537.39
Total	0	67	444	000	39	192	0	712.91	2983.12

3.4.7.   Arrest under GST act:

3.4.7.1. The Department unearthed a major scam in arecanut involving circular trading / input tax credit fraud in 2020. An arrest was also made in this connection and the mastermind was remanded to judicial custody.

3.4.8.   Implementation of Automatic Number Plate Reading System (ANPR)

3.4.8.1. Kerala being a consumer state, major share of goods are coming from outside the state. Check posts were established to monitor such inward movement of goods into the state. This ensured proper accounting of goods movement to enable cross checking of the same with transactions declared by the tax payers in the returns. With the rollout of GST check posts were abolished. E Way bill System was introduced to track movement of goods having value above Rs.50,000. SGST department had deployed surveillance teams in the border areas to do verification of e way bill in the incoming vehicles to ensure proper accounting of the transactions. The major challenge in the new regime is inability to verify all the vehicles as done in pre-GST regime due to lack of permanent infrastructure. Other challenge includes multiple transportation using same e way bill, cancellation of e way bill after actual transportation.

3.4.8.2. To deal with the situation department had implemented Automatic Number Plate Reading System based Intelligent Goods Vehicle Surveillance system. The pilot project facilitated

capturing of goods vehicle picture snapshot and identification of vehicle number using ANPR system and categorization of vehicle using AI. The data captured is cross verified with the e-waybill data available in the State GST system to check the e-waybill issued to the vehicle. The validation result is used to generate alerts to surveillance teams for initiating appropriate remedial action. In this rollout the Department had implemented real-time alerts to field surveillance units on vehicles without e-waybills and with e-waybill having identified risk parameters for targeted vehicle checking. The system also generates alerts on suspected cases of multiple transportation and also provides data to identify e way bills cancelled after transportation of goods. The project is being rollout to 23 locations covering 90% of the inward vehicle movement into the State. Out of this, 18 locations are live now. After implementation, 1.29 lakhs e-way bills has been validated by the system. Based on alerts generated by the system, field units had identified tax evasion in 19 number of cases and collected Rs.84.58 Lakhs. As on date ANPR System have been installed in the following locations:

District	Locations
Thiruvananthapuram	Amaravaila, Uchakkada, Moolakkonam
Kollam	Aryankavu
Idukki	Kumily
Palakkad	Walayar, Govindapuram, Gopalapuram, Velanthavalam, Meenakshipuram, Ozhalappathy, Nadupunni
Malappuram	Vazhikkadavu
Kozhikode	Kunhipally
Kannur	New Mahe, Kootupuzha
Kasargod	Adur, Perla

3.4.8.3. A provisional report of the ANPR System alerts during the period from August, 2020 to 21st December, 2020 is extracted hereunder:

Zone	Vehicle count	Alert count	Valid EWB count	Verified count
Trivandrum	17,331	57,702	3,973	2,044
Ernakulam	14,60,539	4,17,403	10,4877	59,102
Kozhikode	5,92,008	1,73,032	20,572	11,707
Total	22,25,878	6,48,137	1,29,422	72,853

3.4.9.   Analytical tools,MIS reports, backend processing and other IT initiatives

3.4.9.1. Kerala is a model 2 state where the backend systems for GST Processes is developed by the state itself based on real-time data provided by GSTN through API's. The taxpayers are

currently divided in the system into 4 categories based on the tax paid previous year and into 3 categories based on the turnover. This helps the tax authority in prioritization of action and in monitoring compliance.
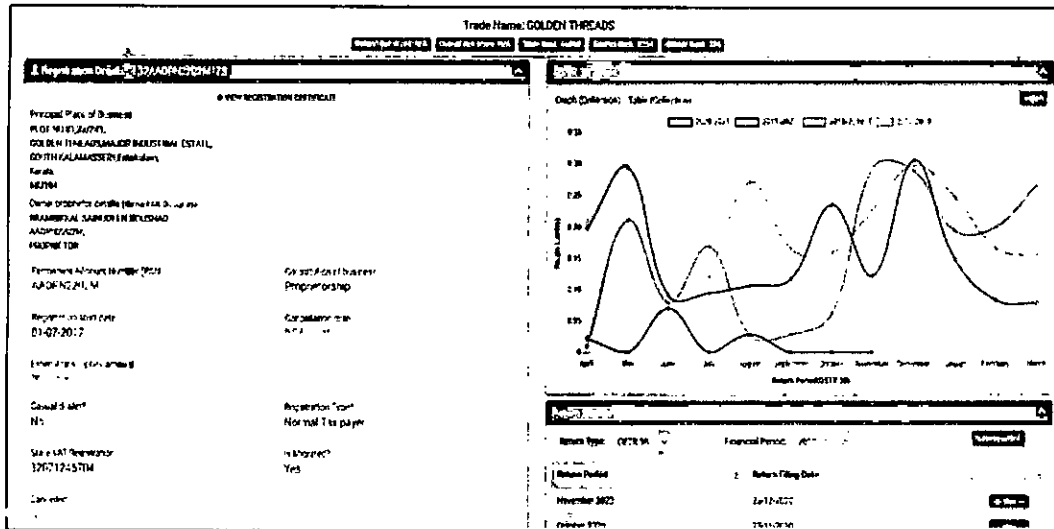
3.4.9.2. GST envisages a complete online and digital work flow for every officeraction viz. Assessments adjudication, enforcement, refunds, audit, appeals and recovery. All payments are also made online. Kerala has integrated major statutory functions like registration refunds assessments and adjudication appeals payment etc. with the GST system. As a result, all statuary functions and interface with the taxpayer is now online. Functionalities in enforcement module and audit module are being integrated.This has enabled the department for generating error free reports from top down to individual officer levels at any time which will enable fruitful review of the work. It also enables the Commissionerate to optimize manpower, and prioritize the work in a realistic fashion for achieving the targets. At present, 15 officer-wise daily reports on key performance areas are generated from the system and are made available to all the supervisory officers and the Commissionerate.

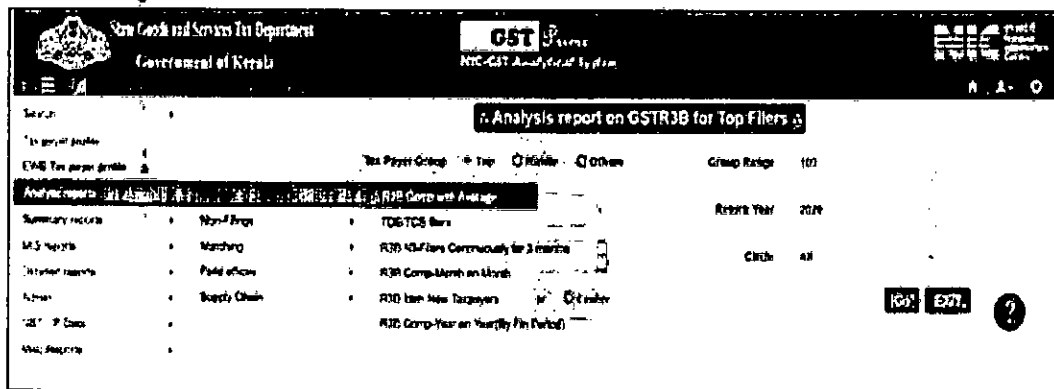3.4.10. Partnership with Indian Institute of Information Technology and Management Kerala (IIITMK):

3.4.10.1. In 2019, state SGST department partnered with Indian Institute of Information Technology and Management Kerala (IIITMK), an autonomous premier educational institution established by Government of Kerala for providing services to design and develop a Analytics framework considering the requirement of Kerala specific needs, as well as analysis data from other external agencies using Advanced Data Analytics/Machine Learning Procedures. The MoU provides for Integration of data sets provided by GST for analytics purpose to an Online Analytical Process (OLAP) using standard procedures and make it available online, use of Standard Exploratory analytics on available data, application of data analytics to the data set to interpret the data, do sectoral analysis, finding patterns from the data for further analysis, find out correlations and provide results in the form of graphical visualization / numerical through a standard web interface. It is also envisaged to use a wide range of analytics tools and methodologies to do descriptive, diagnostic and predictive analytics based on a risk-based framework for actionable reports.

3.4.10.2. The following MIS reports, analytical reports and analytical tools for the assessing authorities/enforcement authorities and supervisory officials.
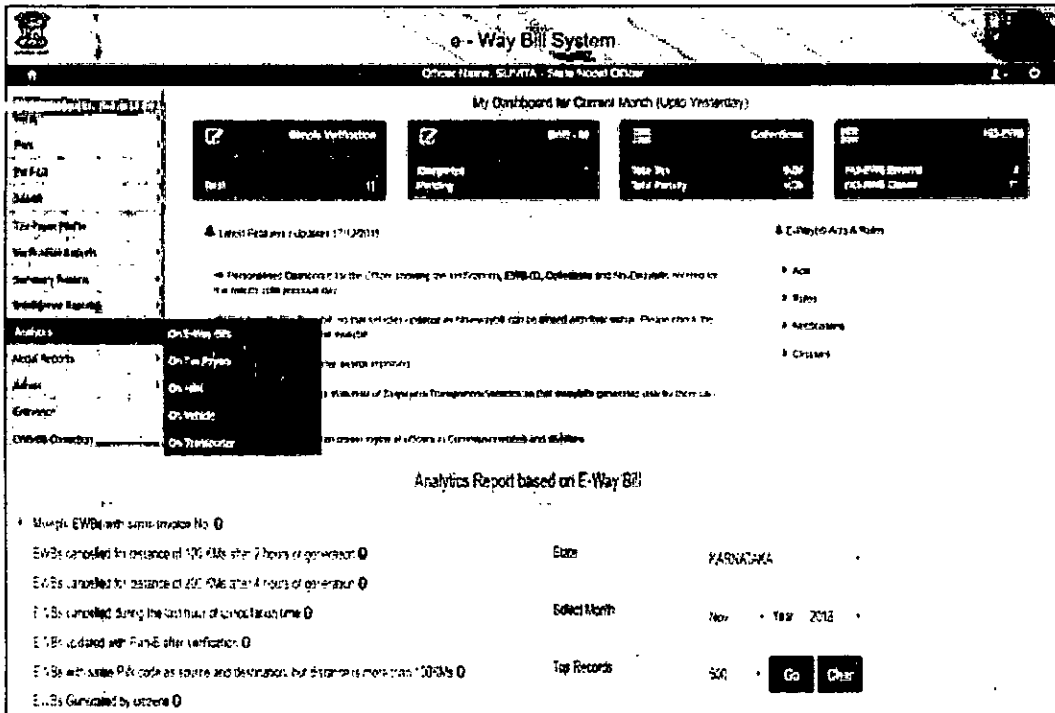
- At present there are around 70 MIS reports developed in the GST backend. It also provides a 360-degree profile of the tax payers.
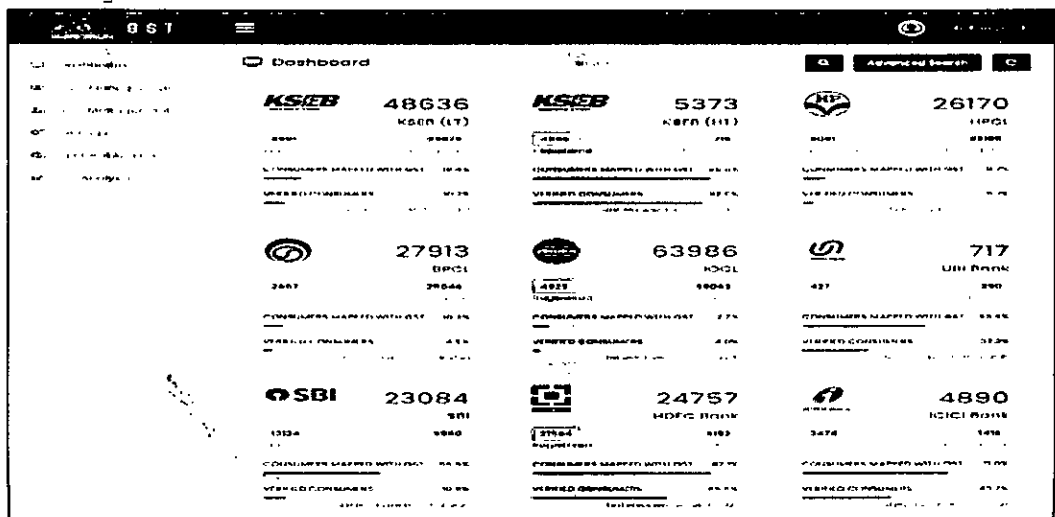
- Report builder this helps the individual assessing officer of a jurisdiction to create any number of custom-made analytical reports and to list out dealers falling within a particular criterion using various the return data registration data classification criteria etc.
- The GST Prime was developed by NIC it an Analytical System / Product to help the tax administrators to analyze and monitor the tax collection and compliance within their jurisdiction. The system caters to the requirements of the Field-level officers and Enforcement/Intelligence officers to help improve the tax collection. It provides analyzed and actionable reports and helps to enforce GST in a more efficient and effective manner. At present around 30 reports are available through this functionality.
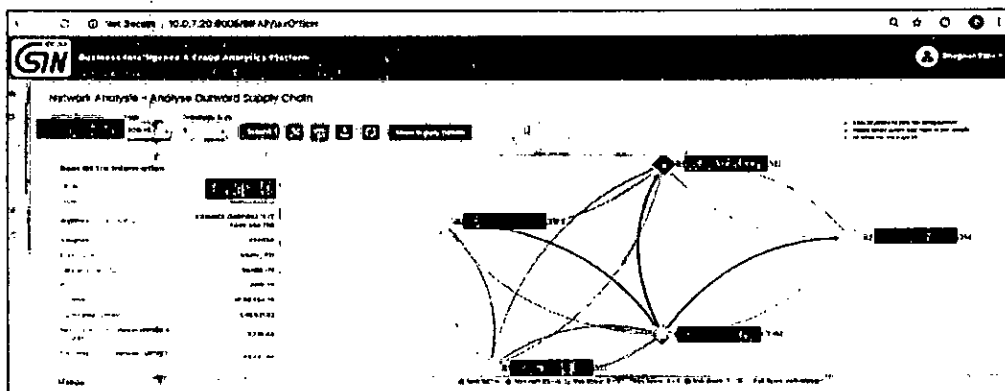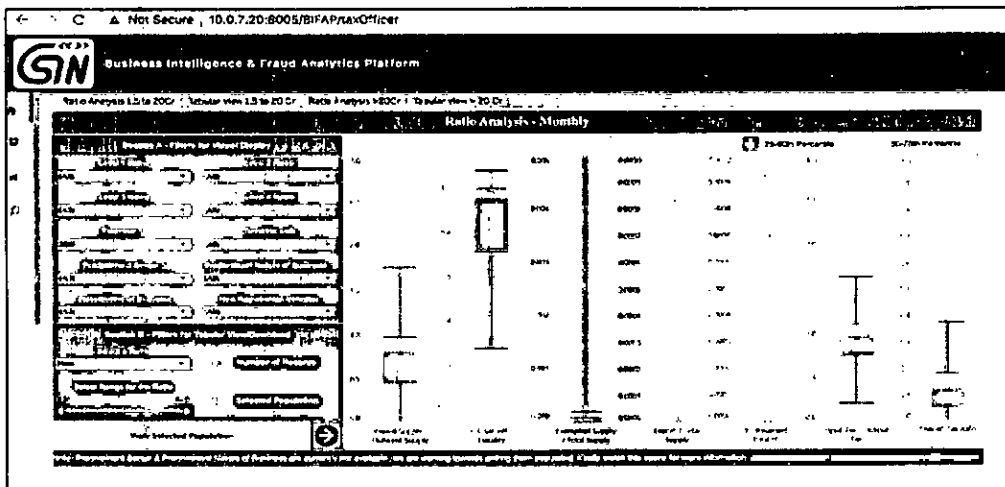
- E-way bill analytic portal for officers developed by NIC which has E-way bill data as the primary input. contains Search Tax-payer Profile Verification Reports, Summary Reports, Intelligence Reports including circular trading. This analytical portal has around 80 types of reports.
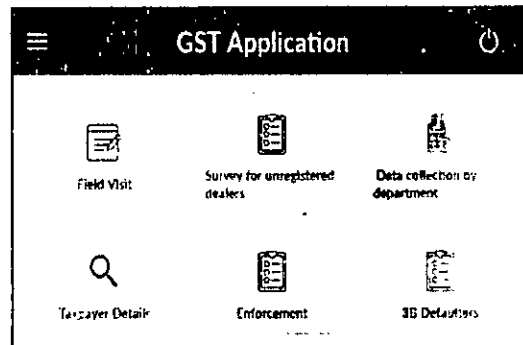

- Tax Analyzer portal: Developed in partnership with Indian Institute of Information Technology and Management Kerala (IIITMK), presently designated as Digital University of Kerala. It provides a role-based search for third party data, ITC analysis, sectoral analysis and sectoral profile of tax payers and other analysis developed by IIITMK.

- Business Intelligence and Fraud Analytics platform: A Business Intelligence and Fraud Analytics platform is developed by GSTN. The BIFA portal provides analytic reports on tax gap analysis based on GST returns e-way bills, ITC declarations network analysis for visualizations of forward and inward supply chains for origin and distribution of fake ITC, related party transaction analysis, visualizing commodity supply chain Anomaly detection based on return level and GSTN level ratio analysis and cluster based anomaly detection Risk score assignments for registration and refunds, Area or jurisdiction based compliance and risk analysis Identifying inconsistent behavior based on spike in supplies/high ITC utilization Comparative trend analysis based on sector and nature of business and revenue forecasting and predicting tax payment defaulters. It also has a scrutiny and audit selection tool. Comparison of Income tax data including Form 26AS, with GST data is also in the pipeline.
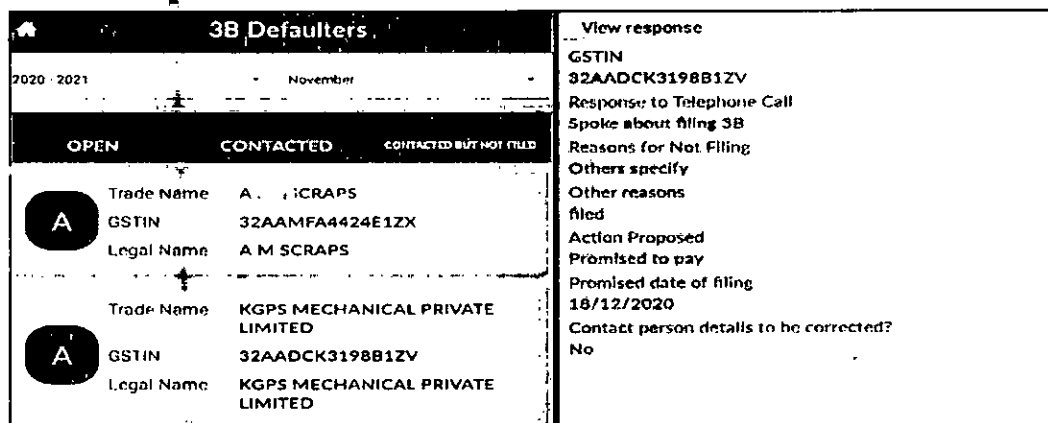
3.4.10.3. Mobile Applications deployed for field officers:

3.4.10.4. GSTR3B Defaulters App:A Mobile App was developed to follow up GSTR 3B return defaulters. This App would help the jurisdictional officers to follow up the defaulters and record the response received from the defaulters. Here, the list of 3B defaulters under the jurisdiction of the concerned officer will be available in theapp. The officer has to conduct enquiry with the taxpayer and to enter details of enquiry in the app. Officers can contact the return defaulters until they file the defaulted returns.

Cases allotted for follow up in December,2020	No. of cases contacted as on Jan 1st,2021	No. of returns filed on follow up
45503	36884	4855

3.4.10.5. Data Collection App:The primary intention of this app is data collection by field Officers by upload the invoice that they come across while conducting vehicle checking etc. This uploaded data will be used later for audit selection, investigation, adjudication etc. so far 23248 invoices were uploaded by the officers.

Invoices submitted

Submission Date 23 Nov 2020	GSTIN : 32AATFM6243N1ZQ Legal name : MASKABA TRADERS Invoice no. : L1931 Total : 32340.00
Submission Date 23 Nov 2020	GSTIN : 32AATFM6243N1ZQ Legal name : MASKABA TRADERS Invoice no. : L1931 Total : 37340.00
Submission Date 23 Nov 2020	GSTIN : 32AATFM6243N1ZQ Legal name : MASKABA TRADERS Invoice no. : L1930 Total : 39251.00
Submission Date 25 Nov 2020	GSTIN : 32ABOPT7374D1ZC Legal name : KAIPRATH THAMPAN Invoice no. : 558 Total : 32400.00
Submission Date 18 Dec 2020	GSTIN : 32AADFP50H8L1ZY Legal name : PAVITHRA JEWELLERY Invoice no. : 981 Total . 11300.00

Invoice Details

C1703

04/01/2021

Enter

49909

Photo

3.4.10.6. App for Survey of unregistered Persons: The data obtained from third parties have been analyzed and a list of unregistered persons were prepared and shared with the field formation to conduct the survey on these cases and make an assessment of turnover and compel them to take registration if required so as to widen the tax base of the state. So far 3550 surveys were conducted.

3.4.10.7. Field Visit App: It is mandatory to conduct filed visits prior to granting registration on cases where Aadhar authentication failed. Officers can also conduct field visits on suspected cases also. In order to smoothen the procedure of conducting visits, an app was developed to record the field visit details in android tablets provided by the department.

Submitted form details

| Dealer details | Person details | Location details | Building d |

First Name

Middle Name

Last Name

Father's First Name

Father's Middle Name

Father's Last Name

Mobile Number

Designation
Managing partner
Relationship with taxable person
Managing partner
Photo

3.4.10.8. Document Identification Number (DIN): In order to ensure the objectives of transparency and accountability in tax administration through widespread use of information technology, the State GST department has implemented a system in March 2020 for electronic (digital) generation of a Document Identification Number (DIN) for all communications sent by the department to taxpayers and other concerned persons. Generation of DIN is meant for digitalizing the offline communications sent from the department to taxpayers/other concerned persons. The electronic generation of DIN and its use in official communications to taxpayers

and other concerned persons is a transformative initiative. Any communication/document that is issued without the electronically generated DIN shall be treated as invalid and shall be deemed to have never been issued. Therefore, it ensures transparency and accountability in tax administration. The DIN details shall be attached to all the communications sent from the offices. The taxpayers can verify the authenticity and genuineness of the document received by searching DIN in the departmental website. The details of DIN generated by the department are as shown below.

	Notices	Letters	Orders	Total
Total	16,768	1,570	1,327	19,665

3.4.10.9.   Sectoral data and dealer classification: Sectoral information of dealers is the key to targeted enforcement and audit action since the approach is varied for different types of taxpayers in goods and services. The data collected by the GST system does not provide any direct information regarding sector level details of goods and services dealt by tax payers. Hence, the goods and services dealt in the GST has been classified into 65 goods and 27 service sectors. This is also further classified into broad categories. Based on the analysis of registration data e-waybill data and GSTR-1 data, legacy data and certain external data the sectoral classification of the taxpayer is identified.

3.4.10.10.   This sectoral data is used for further tax analysis like irregular input tax claim like ITC on passenger Motor Vehicles, Construction Services and goods and services used for construction of Immovable Property,(Ineligible ITC) irregular input tax apportionment in cases of dealers having both taxable and exempted supply etc. in this case the suspected cases of 13,000 taxpayers Involving 1200 crores has been identified for action.

3.4.10.11.   The details are made available in the Tax Analysis Portal for users. This data is also used for selection of Inspection and Audit cases. Kerala is the first state to do such an analysis at Sectoral level. This is also used for sectoral level collection trend analysis.

3.4.10.12.   Maintenance and use of third-party information repository: Use of third-party transactions to match with reported data and to increase the tax base is one of the major features of modern tax administrations. Apart from the mismatches thrown up by the system from returns filed by the dealers, compliance can be measured only through analysis of reported figures with third party data.

3.4.10.13.   During budget speech 2020-21 it was stated that efforts will be taken to increase the tax base of GST. The old strategy used by the department is to go for Street Survey on random basis without any information on a tax payer. Instead of this department has decided to leverage the process with the used of External Data Collection from various sources and to used Data Analytics to process and make it useful for identification of potential unregistered tax payers. To achieve this objective, the GST department had collected information about potential tax payers from all external data in the economy like commercial electricity consumption, labors employed, sales through e-Commerce platform, food safety license, card swiping machines, commercial gas consumption, flat registration, were collected from sources like KSEB, Labour

Department, food integrators, Food Safety Authority, Banks, Registration department and Gas Companies. The collection of this data will be a continuing process and the aim is to maintain a repository for data analytics.

3.4.10.14.   External Data Analysis for increasing Registration base:Since some these data does not contain direct identifiers like GSTIN or PAN details department had used advanced Data Analytics algorithms to identify the persons registered in GST and these data were linked. The balance-unregistered cases were provided in the Tax Analysis Portal for verification by field formations. The field formations are provided with Tablets to conduct Survey of the unregistered persons and they have to update the Survey Report a mobile application. The Tax Analysis Portal provides facility to view all the external source data related to an unregistered person so that, the field formations can identify the persons liable for registration effectively based information available on all data points inrespect of a person based on various parameters like Name and Address, Phone No., PAN,etc. Using this field officials can proceed with best judgment assessment. Kerala is the first state to do such an analysis at using external data.

3.4.10.15.   The process is now ongoing in the field and the result as on date is shown below. The drive had also created an environment that all businesses are alerted that they are monitored closely and this exercise will have a long-lasting influence in this field.

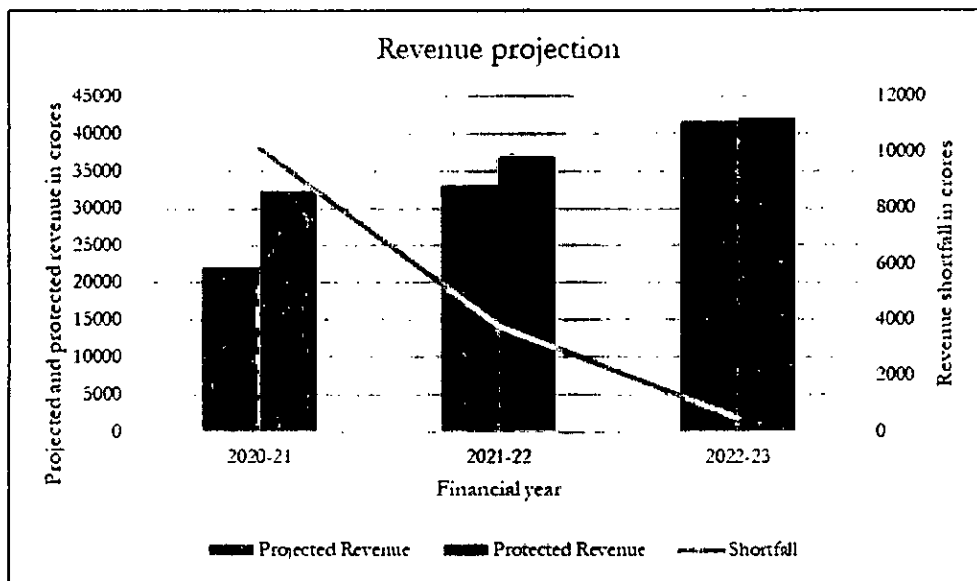|	Total Data collected	Cases prioritized for processing	Mapped with GSTIN	Identified as Unregistered	Cases prioritized for verification
Bank	1,02,079	1,02,079	68,509	33,570	19,955
Food Aggregator	22,506	21,701	14,399	7,302	2,265
Electricity	17,58,746	54,009	13,218	40,791	40,791
Food Safety	34,724	29,183	4,151	25,032	28,499
Gas	2,44,010	1,18,069	10,443	1,07,626	15,002
Labour	5,44,940	25,961	11,852	14,109	15,323
Registration	27,033	27,033	2,4567	2,466	2,466
Total	27,34,038	3,78,035	1,47,139	2,30,896	1,24,301

3.4.10.16.   External Data Analysis for Cross checking of Returns: This analysis has just been initiated. Analysis of such data shows difference with turnover declared in GST returns in many cases. An example based on linking of GST Return Data with Bank POS data (Card swiping machines data) of 15 banks is given below:

POS to GSTR 3B linking Result for 2017-18 and 2018-19						
Particulars	Turnover declared less than POS	POS as a Component in Turnover				
		70% to 100%	50% to 69%	25% to 49%	0% to 24%	Total
Total No. of tax payers	1629	249	356	1236	10492	13962
Percentage	11.67	1.78	2.55	8.85	75.15	100

3.4.10.17.   Analysis shows that in 11.67% cases verified there is suppression of turnover related to GST Return. Also, component wise analysis shows that nearly 13.18 % tax payers are showing POS transaction as a component of 25% to 100% of their turnover, where as 75% is showing the component of 25% only. An analysis on this line will contribute more to the scrutiny of returns filed by the tax payers. This process will be replicated across various data sets like Gas Consumption, Food aggregator, etc. which will work as a tool to validate the self-declaration made by the tax payer in the GST return.

4. Revenue Projection for Kerala from 2020-21 to 2022-23

	Projected Revenue	Protected Revenue	Shortfall	Growth of projected revenue (%)
2020-21	22,232.4	32,400	10,168	10.7
2021-22	33,146.0	36,936	3790	49.1
2022-23	41,610.0	42,107	497	25.5

4.1. Comments on revenue projection

4.1.1. In 2020-21 the GST collection is affected due to COVID. However, the post COVID months beginning from October 2020 have shown a V shaped recovery. The building materials, construction and automobiles sector which contributes nearly 40% of state revenue is rebounding. The IGST unsettled amount and revenue due to filing of Annual Returns of both 2018-19 and 2019-20 is expected to reach the state coffers by the end of March 2021. At this rate, the expected revenue comes to around Rs 22232 Crores for this Financial Year. The department has initiated various steps such as audit and scrutiny which will translate into higher revenue and improve the general compliance in the next financial years.

4.1.2. In the year 2021-22 the GST collection will get an automatic fillip due to resumption of economic activities post COVID. The e-invoicing system which was rolled out in phased manner will be fully operational for B2B transaction from 1ˢᵗ April 2021. This is a big boon for Kerala which depends substantially on IGST revenues which have to be collected from other states. Secondly, in the course of implementation of GST the GST council had reduced the rates to a level far below the recommended Revenue Neutral Rates. The course correction in this regard is

on the agenda of the GST council which has been deferred due to COVID. This is expected to be taken up in 2021-22. In addition, the inverted duty structure in footwear and textile is expected to be fixed resulting in higher revenues from these two sectors. The linking of GSTR-3B and GSTR-1 along with auto drafted GSTR-3B brings in input tax credit matching. The audit, scrutiny and enforcement measures covering the escaped revenue from the inception of GST will start yielding recoveries in the year 2021-22. Also, the GST Group of ministers of the council has reached an agreement regarding E-way bills for intrastate movement of gold in the state of Kerala, further aiding revenue collection. Based on all these, the revenue expected in the year 2021-22 is projected at Rs 33146 Crores.

4.1.3.   In the year 2022-23, the revenue is expected to increase at a normal rate compared to the quantum jump seen in the previous year. The benefits accruing from a settled and restructured GST department, increased audit and scrutiny, and a stable GST IT infrastructure will form the backbone of increase in GST collection in 2022-23. The revenue expected at the end of 2022-23 is Rs 41610 Crores.

4.1.4.   The revenue that has accrued to the state from GST has fallen short of expectations in the last three years. The potential of 'destination principle' remains only partially fulfilled. However, sincere efforts from the Government have laid a solid foundation for future growth, and the ironing out of technical and structural problems hold great promise for the days ahead. If this projected revenue of Rs 41,610 crores for 2022-23 is realized, the revenue gap between protected revenue and projected revenue will be a relatively small amount of Rs 497 crores. This will ensure smooth sailing for the state finances beyond the GST compensation period.

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