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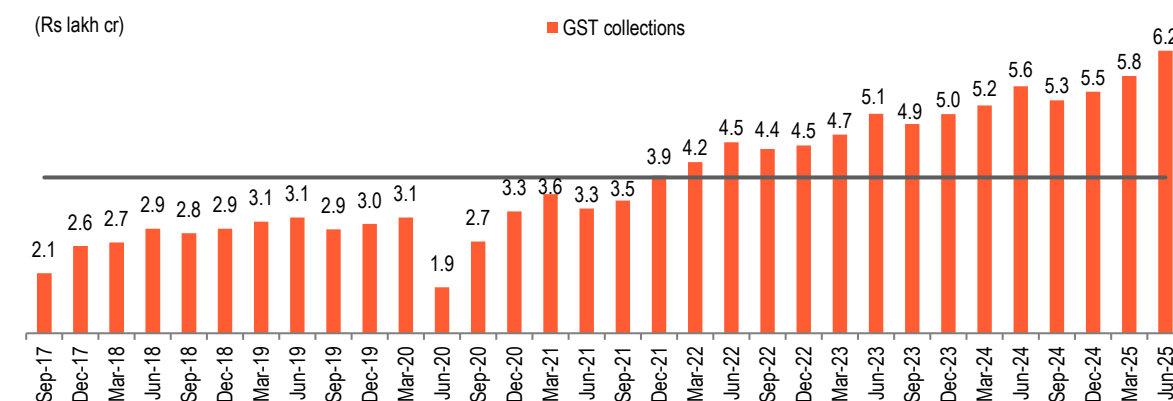
GST: A big transformational success story

GST collections over the past 8 years have become a significant source of revenue for both states and centre. Since its implementation on 1 July 2017, its coverage has also seen a notable rise, given the increase in economic activity due to ease of doing business, greater focus on compliance and higher tax payer base. As a result, between FY19 and FY25, collections have risen by ~11% on CAGR basis. Bigger states like Maharashtra, Karnataka and Tamil Nadu have benefitted the most. Tax buoyancy has also improved notably from 0.6 in FY20 to 1.0 in FY25, thus signalling the benefits of improved tax structure, which correctly reflects the change in revenue with changes in economic activity. This not only allows government to plan its revenue receipts better, but also acts as an early indicator to gauge GDP growth. Upon analysing the correlation of GST collections with nominal PFCE and net sales of all companies excluding banking and finance, we note that GST receipts almost perfectly correlate with the movement in private consumption and sales (0.97). Thus, given that GST collections rose by 11.8% in Q1FY26, we can expect nominal PFCE to also come in a similar range in Q1.

8 years of GST:

GST came into effect from 1 July 2017, and since then its coverage has grown leaps and bounds. Currently, different slabs are as follows—Nil (0%), 5%, 12%, 18%, 28%, and special tax rates for gold/silver/diamond jewellery, rough/polished diamonds. From the states' kitty, GST subsumed—taxes such as VAT/sales, entertainment, luxury, lottery/betting/gambling, octroi and purchase tax. From centre's pool, service tax, and duties such as—central excise, additional excise, additional custom, special additional custom, and those levied on medicinal and toiletries preparation were brought under the ambit of GST. Reflecting the level of formalisation of the economy, GST tax payer base has increased from 77.33 lakh as of Aug'17 to 1.52 crore by 30 Apr'25, recording nearly 2x increase. In quarterly terms, from Sep'17 quarter to Sep'24 quarter, GST collections have seen a 2.5x rise, from Rs 2.1 lakh crore to Rs 5.3 lakh crore. On an annual basis, we have full year data only from FY19. Taking that into account, GST collections have risen by ~11% on CAGR basis up until FY25.

Figure 1: GST collections have jumped sharply in 8 years



Source: CEIC, Bank of Baroda Research

States in GST era:

As per annual data available for how much each state was earning through taxes which have been subsumed in GST before it came into effect, it can be seen that majority of the states have benefitted significantly from uniform taxation. For states like Gujarat, Haryana, and Andhra Pradesh, data for pre-GST years is unavailable. Amongst others, apart from Chhattisgarh—which noted a decline in CAGR, other states have registered a stupendous growth. Bigger states like Maharashtra, Karnataka, Tamil Nadu, and UP have seen 15-23% growth on CAGR basis between FY17 and FY25. Even on an annual basis, these states recorded on an average 60% YoY increase in revenue FY18 (post GST). It should be noted here that for FY18, state taxes were applicable between April and June 2017 and, from July 2017 onwards these taxes were subsumed under GST. Hence, for full year calculation, both these data sets are combined. Even other states like Delhi, Jharkhand, Sikkim, Odisha and Rajasthan witnessed record jump in the first year of GST implementation itself. These states have continued to benefit since then, as is reflected in FY25 CAGR growth.

Table 1: Tax collection of states in pre and post GST periods

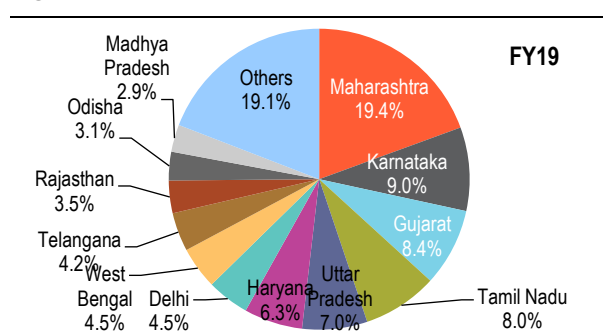
States/Rs cr	FY17 (pre-GST)	FY18*	FY19	FY25	CAGR (FY25/FY17)
Maharashtra	67,459	1,25,860	1,70,289	3,59,855	23.3
Karnataka	39,505	59,151	78,762	1,59,564	19.1
Gujarat	NA	NA	73,440	1,36,748	-
Tamil Nadu	31,304	52,678	70,562	1,31,115	19.6
Haryana	NA	NA	55,233	1,19,362	-
Uttar Pradesh	36,468	49,328	61,323	1,12,212	15.1
Delhi	16,411	30,472	39,845	77,002	21.3
West Bengal	22,657	28,983	39,780	66,892	14.5
Telangana	19,340	26,744	36,408	62,987	15.9
Odisha	12,682	17,815	26,948	60,928	21.7
Rajasthan	17,684	22,992	30,721	54,785	15.2
Madhya Pradesh	17,374	19,527	25,683	45,072	12.7
Andhra Pradesh	15,935	18,783	25,331	44,825	13.8
Jharkhand	8,061	16,011	23,916	36,841	20.9
Kerala	18,547	17,363	16,343	33,109	7.5
Punjab	18,442	14,333	13,977	26,721	4.7
Uttarakhand	5,935	12,353	15,150	20,670	16.9
Bihar	14,574	7,846	10,755	20,208	4.2
Assam	6,971	6,930	8,988	17,415	12.1
Himachal Pradesh	3,559	6,224	7,593	10,352	14.3
J & K	4,668	3,619	3,792	7,175	5.5
Goa	2,398	2,876	3,419	5,955	12.0
Sikkim	264	1,245	1,917	4,063	40.8
Chhattisgarh	8,070	3,940	1,778	2,915	(12.0)
Puducherry	1,182	1,629	1,924	2,865	11.7
Meghalaya	587	648	1,368	2,192	17.9
Arunachal Pradesh	NA	NA	398	1,201	-
Tripura	842	439	556	1,193	4.5
Manipur	499	232	309	699	4.3
Nagaland	304	171	227	682	10.6
Mizoram	210	121	213	512	11.8

Source: GST, CEIC, Bank of Baroda Research| *Apr-Jun'17 data is as per state revenue records and Jul'17-Mar'18 data is as per GST records

State wise, 12 states alone accounted for ~81% of total GST collections in the 1st years of its launch (FY19). Since then, share of top 12 states has risen to ~83% and some interesting changes can be observed:

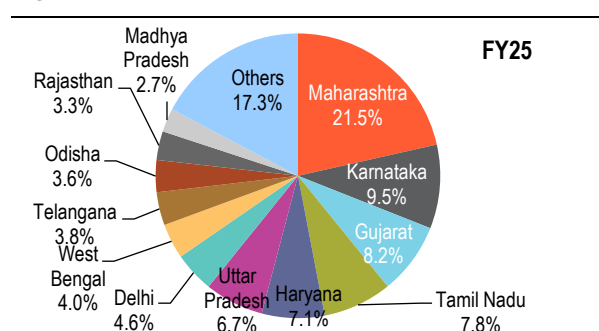
- States like Maharashtra and Karnataka continue to hold the title of top 2 contributing states and have even seen an increase in their share.
- Other major states such as Haryana, Delhi, and Odisha have also recorded an improvement in their shares as a percentage of total GST collections.
- Amongst the smaller states, Kerala, Assam, Sikkim, Tripura and Arunachal Pradesh have taken efforts to improve their GST collections.
- In contrast, Gujarat, Tamil Nadu, Uttar Pradesh, W. Bengal, Telangana, Rajasthan, and Madhya Pradesh have noted a decline in their share of overall GST collections.

Figure 2: Share of states in total GST in FY19



Source: CEIC, Bank of Baroda Research

Figure 3: Share of states in total GST in FY25



Source: CEIC, Bank of Baroda Research

Key reasons why GST collections have grown multi-fold in the past few years is the uniform tax rates and stress on compliance. Centre and states work together in tandem to ensure that there is minimal tax evasion. In addition, the GST framework is such that small shops/companies have also come under the tax ambit which is leading to more formalisation of the economy. To track this, we looked at GST per capita of top contributing states. For this purpose, we have used annual population projections (2011-2036) made by the National Commission on Population, Ministry of Health and Family Welfare.

Using that data, it can be seen that Haryana, Delhi and Maharashtra have the highest GST per capita. This is indicative of greater compliance, improved business activity due to uniform rates and more formalisation of the economy. Even Karnataka, Gujarat, Tamil Nadu, Odisha and Jharkhand have shown improvement in GST per capita. In contrast, for states like UP, MP, W. Bengal and Rajasthan, the change in pre and post GST era is not so stark.

Table 2: GST per capita of top 12 states

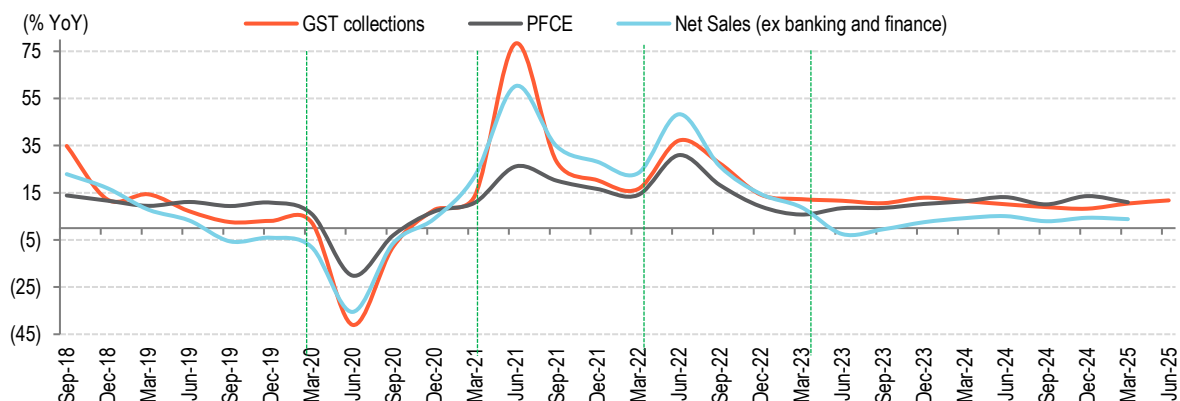
States/Rs cr	FY17	FY19	FY25
Haryana	NA	19,264	38,584
Delhi	8,612	20,109	34,770
Maharashtra	5,628	13,941	28,040
Karnataka	6,101	11,970	23,281
Gujarat	NA	10,810	18,675
Tamil Nadu	4,175	9,322	16,958
Odisha	2,862	5,988	13,003
Jharkhand	2,218	6,394	9,105
Rajasthan	2,350	3,976	6,619
West Bengal	2,368	4,105	6,686
Madhya Pradesh	2,173	3,123	5,085
Uttar Pradesh	1,665	2,726	4,666

Source: GST, CEIC, Bank of Baroda Research

What moves the GST needle?

In this section we explore the relationship between GST, nominal private consumption and net sales of ex banking and finance companies. In the chart below, it can be seen that in the past 8 years, GST collections have gone through five phases.

- During the early years of GST implementation (till Mar'20), GST collections on an average rose by ~11%, while consumption was up by ~10% and net sales increased by ~5%.
- After this, as Covid-19 pandemic struck and economic activity got significantly impacted, consumption (~-1%), net sales (~-4%) and GST collections (~-7%) dropped, and then eventually began recovering from Mar'21 onwards, when the economy re-opened.
- As pandemic related restrictions were gradually removed, there came a period of 'revenge spending', which led to sharp rise in net sales of companies (~37%) and thus GST collections (~36%). Nominal private consumption rose less sharply (~19%) during this period (till Mar'22).
- As favourable base effect waned from Jun'22 onwards, GST receipts, net sales, and private consumption all began normalising until Mar'23.
- Since then, till the current period, GST collections have stabilised. During the brief period when net sales turned negative in mid-FY24, tax collections held ground, as also reflected in stability of private consumption. Extra efforts to increase compliance and measures to tackle frauds, have helped government's GST revenues.

Figure 4: GST collections versus consumption and net sales

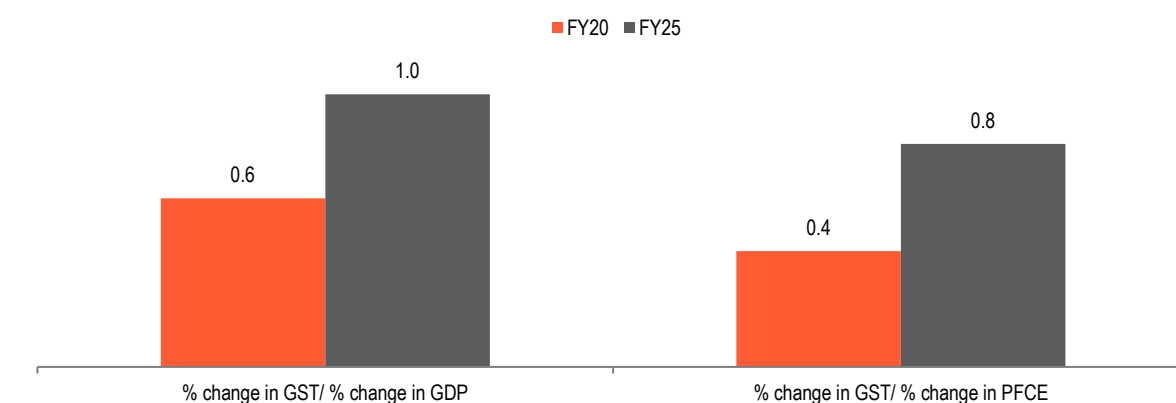
Source: CEIC, Bank of Baroda Research

Tax buoyancy:

We have also analysed tax buoyancy of GST, by noting how GST collections respond to changes in GDP and even nominal consumption. Data for first full year of GST is available from FY19. As a result, to calculate tax buoyancy, we compare growth rates of FY20 and FY25.

It can be seen that GST's tax buoyancy has risen from 0.6 in FY20 to 1 in FY25. In general, tax buoyancy below 1 implies that the tax is not very responsive to changes in economic activity. In case of indirect taxes it is very important that the tax structure is such that movement in economic activity is adequately reflected in the revenue receipts. In case of GST, the framework has been designed in such a manner that most businesses (from small shops to large companies) fall under its ambit and the taxpayer base is as broad as possible. In addition, given the effective focus on compliance and usage of both state and central resources to do so, tax evasion has become very difficult. Thus, buoyancy of GST with respect to nominal private consumption has also improved from 0.4 in FY20 to 0.8 in FY25.

Figure 5: Tax buoyancy of GST w.r.t GDP and consumption



Source: CEIC, Bank of Baroda Research

Impact of GST:

As per a survey conducted by [Deloitte](#), industries pertaining to consumers, government and public services, global capability centre, and banking and financial services responded most positively to implementation of GST. This was reportedly on the back of ease of doing business. When surveyed as per business size, the report notes that very large businesses received GST implementation most positively, followed by large scale businesses. MSMEs have registered notable improvement in positive perception in 2025. Across industries, it was felt that 'compliance digitisation (real-time reporting/data analytics)' and 'supply chain optimisation' were the areas in which most significant impact of GST was seen.

Conclusion:

Upon mapping the trend in GST collections with movement in private consumption and net sales of 2,023 companies (ex-banking and finance), we note that tax receipts are highly correlated with both consumption and net sales. With both nominal consumption (PFCE) and net sales, we get a correlation coefficient of 0.97. Further tax buoyancy of GST has also significantly improved from the early years of GST implementation to FY25 now. This indicates not only increase in tax payer base but also lower

tax evasion. Bringing all businesses under the tax ambit helps government maintain not only tax revenue growth but also provides the correct indication of the movement in economic activity. For instance for the quarter ending Jun'25, GST collections have recorded 11.8% growth. This signals that nominal PFCE growth will be around similar levels in that quarter.

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