

# Rising commodity prices are boosting GST collections, say experts

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A surge in commodity prices is aiding the exchequer by boosting the government's revenue receipts from goods and services tax (GST), said experts.

Industry representatives said rising commodity prices, especially of metals over the past one year which raised the input costs in many industries, is one of the key factors contributing to buoyant GST collections, as rising costs get passed on to the final product.

Official data showed that

wholesale price index (WPI) based inflation has been in double digits for the three months up to July for manufactured goods. In the case of metals, it has been around 29% in the past three months from May to July.

Being a transaction-based tax, GST is directly linked with the prices of commodities, said Abhishek Jain, tax partner at consultancy firm EY.

"With the increase in product prices, the GST burden on final consumers would also be on the higher amount. While it may increase the government revenue from GST, final consumers would be burdened



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with the impact of both higher retail prices as well as GST on a higher base," Jain explained.

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to steer their way out of the pandemic woes.

"Pent-up demand and commodity prices have resulted in a record increase in GST collec-

tions in recent months. This indicates that covid-related concerns have subsided, and consumption demand is increasing," said Sanjay Aggarwal, president of industry chamber PHDCCI.

The average prices of key commodities such as copper, steel, aluminium, nickel and petroleum have surged more than 100% year-on-year from July 2020 to July 2021, which is adversely impacting the industry, particularly the micro, small and

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medium enterprises or MSMEs, Aggarwal said. The build-up of WPI-based inflation in manufactured products is a major worry at this juncture, he said further.

It has been in double digits since April. Inflation was at 11.16% in July over a 0.25% contraction seen in the same month a year ago, which gave a strong base effect.

Besides the base effect, increasing prices of crude petroleum and natural gas, mineral oils, manufactured

products such as basic metals, food products, textiles, chemicals and chemical products compared to the same month a year ago contributed to elevated level of inflation.

Central and state governments collected a total of ₹1.16 trillion in GST in July, recovering from a drop in June when collections dropped below the ₹1 trillion mark primarily due to the impact of mobility restrictions across regions.

Collections are expected to remain high in August too, going by an improvement reported in goods shipment (e-way bill) data.