Major states staring at revenue loss worth ₹97,100 cr in April

States like Goa, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Tamil Nadu & Telangana stand out as 65-76 per cent of their revenue comes from their own sources

MUMBAI: Major states are collectively looking at a revenue loss of around Rs 97,100 crore in April alone due to the COVID-driven lockdown, which has hit the revenues of businesses and the government alike, according to a report.

According to an estimate by India Ratings on Wednesday, both the Centre and states are struggling due to the dried-up cash inflow but the problems of states are more precarious because the actual battle against the pandemic and the associated expenditure are met by them.

The lockdown-driven disruptions to production, supply-chains, trade and the total washout of activities in aviation, tourism, hotels and hospitality have taken place with such a speed and scale that even if the lockdown is lifted next week, economic activity is unlikely to normalise until Q2, warns the report that pegged “the revenue loss for the 21 major states in April alone at Rs 97,100 crore”.

But, the lockdown has more debilitating impact on the states, which have a high share of own revenue in the total revenue mix. And in this regard, Goa, Gujarat, Haryana, Karnataka, Kerala, Maharashtra, Tamil Nadu and Telangana stand out as 65-76 per cent of their revenue comes from their own sources.

Of these states, Gujarat will be the worst hit as its own revenue head is the highest at 76 per cent, closely followed by Telangana with 75.6 per cent, Haryana at 74.7 per cent, Karnataka at 71.4 per cent, Tamil Nadu at 70.4 per cent, Maharashtra 69.8 per cent, Kerala 69.6 per cent and Goa at 66.9 per cent.

These states’ collective GST revenue budgeted for April was Rs 26,962 crore, VAT at Rs 17,895 crore, excise duty at Rs 13,785 crore, stamp & registration duties worth Rs 11,397 crore, auto tax Rs 6,055 crore, tax & duties on electricity Rs 3,464 crore, and their own non-tax revenue at Rs 17,595 crore.

Under this circumstance, there is a fair amount of uncertainty regarding the quantum and timings of the states’ receivables from the Centre even as their own sources of revenue have fallen to abysmally low levels. This is pushing them to adopt austerity measures and combine it with exploring new more ways of generating revenues. Unfortunately the measures announced by the Reserve Bank and the Centre are only temporary relief to the states.

States own revenue mainly comes from seven heads -- state GST (40 per cent), VAT (mainly on petroleum items which constitutes 30 per cent), excise (mainly on liquor), stamps and registration fees, tax on vehicles, tax and duty on electricity (10 per cent) and own non-tax revenue that constitutes 10 per cent of the total revenue.

During the lockdown, nearly 40 per cent of the economy was functional as economic activities defined as essentials were allowed to operate. This means that despite the lockdown some amount of revenue did accrue to the states under the head of SGST, state VAT, tax and duty on electricity and own non-tax revenue.

But despite making these adjustments, the states are faced with a significant revenue loss in April, which run to the tune of Rs 97,100 crore.

Things may improve somewhat in May due to the easing of some restrictions, the liquor sale being allowed is the most prominent one and a number of states while allowing have also raised the excise duty and some have raised VAT on petrol and diesel.