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Working Paper

1. Sacchidananda Mukherjee, **Distributional Impact of Indian GST**, NIPFP Working Paper No. 403

Abstract: We estimate GST rate-wise distributional impact of GST across different consumer groups in India for 2021-22. Multiple rate structure and fixation of GST rates based on product specification make it difficult to assign a specific GST rate (or estimation effective GST rate) across items (or group of items) of consumption. In absence of recent consumer expenditure survey of the National Sample Survey Organisation (NSSO), we use CMIE's Consumer Pyramids Household Survey (CPHS) for 2021-22. We distribute all India average monthly per capita consumption expenditure (MPCE) on 123 items (or group of items) across 9 tax categories [viz., exempted, very low (exempt to 5%), low (5%), lower middle (5 to 12%), middle (12 to 18%), upper middle (18%), upper (28%), high (>28%) and 'Out of GST'] by regions (i.e., rural and urban) and estimate the share of each tax category in aggregate average MPCE across fractile classes of MPCE. Given the tax category, as the share of consumption expenditure increases (or decreases) with increasing size of the consumption basket (or as represented by fractile class of MPCE), tax burden will increase (or decrease).

We find that on average 24.5 per cent of average MPCE is exempted from GST. When we add the shares of very low tax and low tax categories with exempt category for all regions, we find that 57.6 per cent of average MPCE (or average size of the consumption basket) is either exempted or face lower tax rate (upto 5%) in the GST regime. On average

14.5 per cent of average MPCE constitutes consumption of 'Out-of-GST' items. Therefore, only 28 per cent of average MPCE of consumers face GST rates above 5 per cent. Out of 28 per cent of average MPCE, on average 14 per cent attracts GST rate 18 per cent and the rest is distributed across lower middle, middle and high GST rate categories.

Consumer groups with higher average MPCE benefits the most from the tax (GST) exemptions – both in rural and urban areas. Very low and low tax rate benefit the consumers with lower average MPCE. Except for fractile class greater than P95 in urban areas, consumption of items under lower middle tax category shows proportionate tax burden across all fractile classes of MPCE. It is lower strata of consumer groups (having relatively lower average MPCE) who bear the burden of tax on items falling under middle tax category the most. Both in rural and urban areas, lower strata of consumers (upto fractile class P30) face progressive tax burden on consumption of items falling under middle GST rate. Items falling under high tax rate category are intoxicants (cigarettes, bidi and other tobacco products) and in addition to the highest GST rate these items attract GST compensation cess. Distributional effects of tax burden of intoxicants differ across consumer groups and across regions. Consumption of alcoholic beverages, liquor at restaurants, petrol & CNG (compressed natural gas), diesel, and electricity attract taxes other than GST. There is progressivity of tax burden for this category across fractile classes in all regions.

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- Sanjay Mitra, and Rohit Chandra, **Deep De-Carbonization and Regional Equity**, NIPFP Working Paper No. 402.

Abstract: This paper presents a preliminary assessment of the nature and extent of the financial impact of the mitigation policies centered on deep decarbonization of India's electricity sector on the budget deficits of the states with relatively low endowments of solar and wind power. The impact could be quite substantial, adding 8.66% to the combined deficits of the VRE poor states under fairly conservative assumptions. The impact is most severe on the three coal-rich states of Jharkhand, Odisha and Chhattisgarh. Absent an acceptable framework for an equitable sharing of costs and benefits across the states and with the centre, these developments could impede the realization of the national goals for climate change mitigation.

India's ambitious targets call for a deep decarbonization of the electricity sector through an accelerated deployment of renewable energy and reduced use of coal. This could exacerbate existing regional inequalities, between the states in the west and the south and those in the north and east. While variable renewable energy (VRE) sources namely, solar and wind are concentrated in a few states in the western and southern parts of the country, coal reserves occur mainly in the eastern part that also happen to have the lowest VRE endowments. As the share of VRE in electricity production and consumption rises, these locational characteristics and the dominant role of state ownership in the electricity sector together play into the finances of the VRE poor states through higher expenditure and lower revenues

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- Amandeep Kaur, Ajay Narayan Jha and Lekha Chakraborty, **G20 and Climate Responsive Budgeting**, NIPFP Working Paper No. 401

Abstract: Against the backdrop of G20, we analyze the climate responsive budgeting as a tool of transparency and accountability towards climate change commitments. The detail Demand for Grants across sectors in India is analyzed for the climate intensive allocations under the identified eight components of adaptation matrices, incorporating crop improvement and research, drought proofing and flood control, forest conservation, poverty alleviation and

livelihood preservation, rural education and infrastructure, health, risk financing and disaster management, for the period 2020-21 to 2023-24 for adaptation accountability in India. We found that more than forty sectoral ministries have adaptation related expenditure, accounting for around 5 per cent of GDP in India. The fiscal marksmanship and PEFA scores related to these eight core areas revealed that there are deviations between Budget Estimates and Actual spending across sectors. The template for climate responsive budgeting attempted in the paper has policy contributions to make the climate responsive budgeting matrices sustainable and comparative across G20 countries.

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- Rudrani Bhattacharya, Manish Gupta, Dinesh Kumar Nayak, Radhika Pandey in Association with Sudipto Mundle, **How is India Doing? Mid-Year Macroeconomic Review**, NIPFP Working Paper No. 400.

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Policy Brief

- **How is India Doing? *Mid-Year Macroeconomic Review***, Rudrani Bhattacharya, Manish Gupta, Dinesh Kumar Nayak, Radhika Pandey, Sudipto Mundle, September 2023, No. 24

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