

## **SBI Research**

# **THE LOSS THAT NEVER WAS!**

The mind-boggling figures of revenue losses being touted post GST rationalization have been trumped by today's GST data release for October (based on September returns that effectively had 9 days post Sep 22 rate implementation)...also suggests that rationalization does not necessarily weaken revenue collections.... Instead, the evidence points to a temporary adjustment phase followed by stronger inflows as happened in 2018 and 2019...

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# GST Revenue Loss Estimated by Different Research Agencies were always mind boggling

- Following the GST implementation, many research agencies and independent estimates had estimated annual revenue loss up to Rs 10 crore.....

| Estimated Short-term Revenue Loss by Agencies<br>(Rs crore) |           |
|---|-----------|
| IDFC First Bank Research                                    | 1,80,000  |
| Axis Bank Research  | 1,80,000  |
| SBI Research  | 60,000    |
| Surjit Bhalla & Rajesh Shukla<br>(Independent Estimates)    | 10,00,000 |
| Finance Ministry, Gol                                       | 48,000    |
| Emkay Global Research                                       | 1,20,000  |
| Source: News Reports, SBI Research                          |           |

- ❑ Defying wild speculations of a great fall postulated by many economic voices, Gross GST collections for Oct'25 (actually returns of Sep'25 filed in Oct'25) **increased by 4.6% to Rs 1.96 lakh crore....** While the gross domestic collection increased by 2% yoy, the Gross import revenue for Oct'25 rose by 12.8%
- ❑ E-way bill generated in the month of Sep 25 was highest ever ~13.2 Cr... As an insignia of enhanced ease of business processes...total refund for Oct 25 stands at Rs 26934 cr, clocking a YoY growth of 39.6%
- ❑ **Interestingly, the strong momentum of GST collections belies not only the near absurd fear of large falls being circulated, it refutes the apprehension expressed by states about a perceived decline in GST revenue post rationalization. For example, Karnataka had estimated a monthly decline of Rs 7083 Crore while West Bengal had estimated a monthly decline of Rs 1667 Crore. In reality, gains for Karnataka are ~10% (Oct-25 compared to Oct-24) while Punjab has gained around 4% and Telangana's gain is again ~10%....The decline for West Bengal is marginal at 1% while Kerala has witnessed a decline of 2%.**
- ❑ Assuming that states experience same gains (and losses) post rationalization as in Oct-25, we project GST revenue for FY26 wherein on a very rudimentary basis, most of the states seem to experience positive gains for the entire fiscal post rationalization confirming overall states should remain Net Gainers post GST rationalization
- ❑ **While the Union's own estimate of likely revenue foregone due to GST rate rationalization was ~Rs 48,000 crore, many research agencies, and their key faces had jumped the guns, postulating revenue losses that had a stratospheric cap of Rs 10 lakh crore!**
- ❑ **Evidence from earlier rounds of GST rate changes, such as those in July 2018 and October 2019, suggests that rationalization does not necessarily weaken revenue collections. Instead, the evidence points to a temporary adjustment phase followed by stronger inflows**

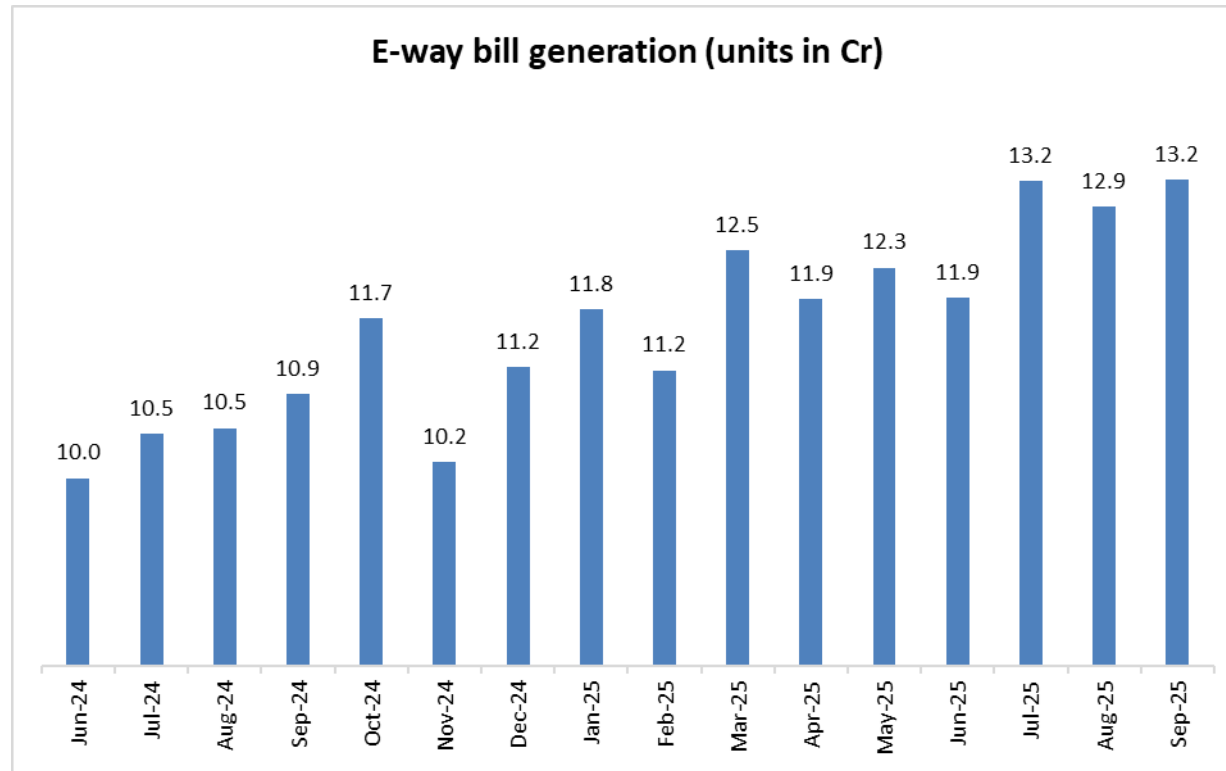
- Defying all speculations of a great fall, Gross GST collections for Oct'25 (returns of Sep'25 but filed in Oct'25) increased by 4.6% to Rs 1.96 lakh crore
- While the gross domestic collection increased by 2% yoy the Gross import revenue for Oct'25 (which is actually for Oct not for Sep) increased by 12.8%

| GST Gross Collections (FY25) Rs cr |                  |                |          | GST Gross Collections (FY26) Rs cr |                  |                |          | % YoY Growth (FY26 over FY25) |                |       |
|------------------------------------|------------------|----------------|----------|------------------------------------|------------------|----------------|----------|-------------------------------|----------------|-------|
| Month                              | Domestic Revenue | Import Revenue | Total    | Month                              | Domestic Revenue | Import Revenue | Total    | Domestic Revenue              | Import Revenue | Total |
| Apr-24                             | 1,71,433         | 38,835         | 2,10,267 | Apr-25                             | 1,89,803         | 46,913         | 2,36,716 | 10.7                          | 20.8           | 12.6  |
| May-24                             | 1,31,783         | 40,956         | 1,72,739 | May-25                             | 1,49,785         | 51,266         | 2,01,050 | 13.7                          | 25.2           | 16.4  |
| Jun-24                             | 1,32,800         | 41,012         | 1,73,813 | Jun-25                             | 1,38,906         | 45,690         | 1,84,597 | 4.6                           | 11.4           | 6.2   |
| Jul-24                             | 1,34,036         | 48,039         | 1,82,075 | Jul-25                             | 1,43,023         | 52,712         | 1,95,735 | 6.7                           | 9.7            | 7.5   |
| Aug-24                             | 1,24,986         | 49,976         | 1,74,962 | Aug-25                             | 1,36,962         | 49,354         | 1,86,315 | 9.6                           | -1.2           | 6.5   |
| Sep-24                             | 1,27,850         | 45,390         | 1,73,240 | Sep-25                             | 1,36,525         | 52,492         | 1,89,017 | 6.8                           | 15.6           | 9.1   |
| Oct-24                             | 1,42,251         | 45,096         | 1,87,346 | Oct-25                             | 1,45,052         | 50,884         | 1,95,936 | 2.0                           | 12.8           | 4.6   |

Source: <https://www.gst.gov.in/download/gststatistics>

## GST E –way bills generated in Sep 25 was at 13.2 Cr

- E way bill generated in the month of Sep 25 was highest ever, 13.2 Cr, resulted in a robust GST collection in Oct'25



Source: GST Council, CEIC

# Net GST Collections is at Rs 1.69 lakh crore in Oct 25 implying better efficiency...

- ❑ Total Refund for Oct 25 stands at Rs 26934 cr, registering a YoY growth of 39.6%
- ❑ Total Refund for Apr- Oct 25 is Rs 1.8 Lakh cr, YoY growth of 23.9%
- ❑ Total refund increased from Rs 1.3 lakh cr in FY21 to Rs 2.5 lakh cr in FY25

| GST Gross and Net collection Rs Lakh cr  |              |             |             |             |             |             |               |               |
|--|--------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|
| Item   |              | FY21        | FY22        | FY23        | FY24        | FY25        | FY25 Till Oct | FY26 Till Oct |
| Gross GST Collection   | CGST         | 2.1         | 2.7         | 3.2         | 3.8         | 4.1         | 2.4           | 2.6           |
|  | SGST         | 2.7         | 3.4         | 4.1         | 4.7         | 5.2         | 2.9           | 3.2           |
|  | IGST         | 5.7         | 7.6         | 9.5         | 10.3        | 11.3        | 6.5           | 7.3           |
|  | CESS         | 0.9         | 1.1         | 1.3         | 1.4         | 1.5         | 0.9           | 0.8           |
|  | <b>Total</b> | <b>11.4</b> | <b>14.8</b> | <b>18.1</b> | <b>20.2</b> | <b>22.1</b> | <b>12.7</b>   | <b>13.9</b>   |
| Refund   | CGST         | 0.2         | 0.3         | 0.3         | 0.3         | 0.3         | 0.2           | 0.2           |
|  | SGST         | 0.2         | 0.3         | 0.4         | 0.4         | 0.4         | 0.2           | 0.3           |
|  | IGST         | 0.8         | 1.2         | 1.5         | 1.5         | 1.7         | 1.0           | 1.3           |
|  | CESS         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0           | 0.0           |
|  | <b>Total</b> | <b>1.3</b>  | <b>1.8</b>  | <b>2.2</b>  | <b>2.2</b>  | <b>2.5</b>  | <b>1.5</b>    | <b>1.8</b>    |
| Net collection   | CGST         | 1.9         | 2.4         | 2.9         | 3.5         | 3.8         | 2.2           | 2.4           |
|  | SGST         | 2.5         | 3.1         | 3.7         | 4.3         | 4.7         | 2.7           | 2.9           |
|  | IGST         | 4.9         | 6.4         | 8.0         | 8.8         | 9.5         | 5.5           | 6.0           |
|  | CESS         | 0.8         | 1.0         | 1.2         | 1.4         | 1.5         | 0.9           | 0.8           |
|  | <b>Total</b> | <b>10.1</b> | <b>13.0</b> | <b>15.9</b> | <b>18.0</b> | <b>19.6</b> | <b>11.3</b>   | <b>12.1</b>   |
| Source: <a href="https://www.gst.gov.in/download/gststatistics">https://www.gst.gov.in/download/gststatistics</a> , SBI Research |              |             |             |             |             |             |               |               |

- Various states expected a decline in GST revenue post rationalization. Karnataka estimated a monthly decline of Rs 7083 Crore while West Bengal estimated a monthly decline of Rs 1667 Crore
- However, the estimated declines have not materialized as Karnataka actually gained 10% in Oct-25 compared to Oct-24. Similarly, Punjab has gained around 4%, while Telangana gained 10%**
- The decline for West Bengal is marginal at 1% while Kerala has witnessed a decline of 2%

| The monthly GST revenue loss as states were projecting that never was! |   |   |
|--|---|---|
|  | Actual Monthly Gain/Loss (Oct over Sep) (Rs crores) | Monthly Loss postulated by states post GST implementation (Rs crores) |
| Karnataka  | 900   | -7083   |
| Kerala   | -180  | -750  |
| Punjab   | 117   | -500  |
| West Bengal  | -126  | -1667   |
| Telangana  | 728   | -583  |
| Jharkhand  | -349  | -167  |

Note: The above estimations have been taken from multiple news sources and monthly data has been derived from yearly projections

| State wise Growth of GST Revenues |        |        |            |
|-----------------------------------|--------|--------|------------|
| State/UT                          | Oct-24 | Oct-25 | Growth (%) |
| Andhra Pradesh                    | 3,815  | 3,490  | -9%        |
| Arunachal Pradesh                 | 58     | 84     | 44%        |
| Assam                             | 1,478  | 1,440  | -3%        |
| Bihar                             | 1,604  | 1,652  | 3%         |
| Chhattisgarh                      | 2,656  | 2,598  | -2%        |
| Delhi                             | 8,660  | 8,538  | -1%        |
| Goa                               | 559    | 545    | -3%        |
| Gujarat                           | 11,407 | 12,113 | 6%         |
| Haryana                           | 10,045 | 10,057 | 0%         |
| Jharkhand                         | 2,974  | 2,518  | -15%       |
| Karnataka                         | 13,081 | 14,395 | 10%        |
| Kerala                            | 2,896  | 2,833  | -2%        |
| Madhya Pradesh                    | 3,649  | 3,449  | -5%        |
| Maharashtra                       | 31,030 | 32,025 | 3%         |
| Manipur                           | 67     | 65     | -3%        |
| Meghalaya                         | 164    | 161    | -2%        |
| Mizoram                           | 41     | 40     | -3%        |
| Nagaland                          | 45     | 66     | 46%        |
| Odisha                            | 4,592  | 4,824  | 5%         |
| Punjab                            | 2,211  | 2,311  | 4%         |
| Rajasthan                         | 4,469  | 4,330  | -3%        |
| Sikkim                            | 333    | 308    | -8%        |
| Tamil Nadu                        | 11,188 | 11,588 | 4%         |
| Telangana                         | 5,211  | 5,726  | 10%        |
| Tripura                           | 105    | 99     | -6%        |
| Uttar Pradesh                     | 9,602  | 9,806  | 2%         |
| Uttarakhand                       | 1,834  | 1,604  | -13%       |
| West Bengal                       | 5,597  | 5,556  | -1%        |

Source: GSTN

- Assuming that states experience same gains and losses post rationalization as in Oct-25, we project GST revenue for FY26 will still be higher than budgeted GST collections. The projections are based on the growth rate as released by the GST Council
- Even given these simpler assumptions, most of the states experience positive gains for the entire fiscal post rationalization
- Maharashtra is projected to gain by 6% while Karnataka will gain by 10.7%
- Thus, overall states will remain net gainers post GST rationalization

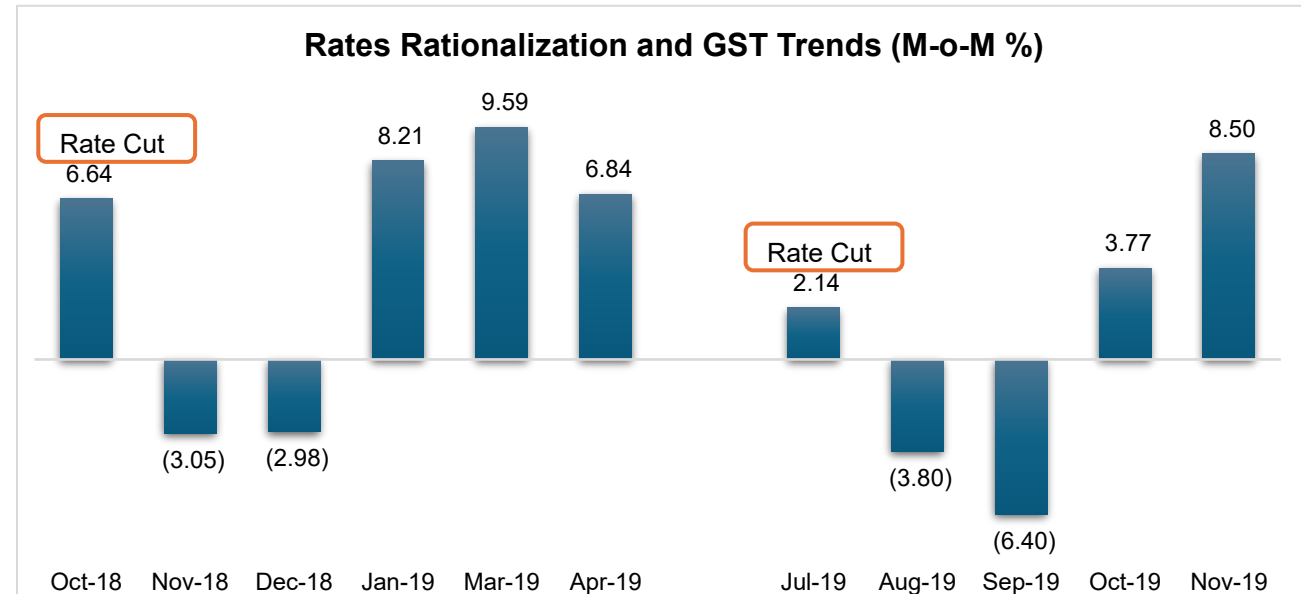
| State wise GST Gross Domestic Collection (Rs crore) |        |          |       |
|---|--------|----------|-------|
| State   | FY25   | FY26 (P) | % YoY |
| Maharashtra   | 359855 | 381331   | 6.0   |
| Karnataka   | 159564 | 176620   | 10.7  |
| Gujarat   | 136748 | 144768   | 5.9   |
| Tamil Nadu  | 131115 | 140369   | 7.1   |
| Haryana   | 119362 | 125807   | 5.4   |
| Uttar Pradesh                                       | 112212 | 116697   | 4.0   |
| Delhi   | 77002  | 80356    | 4.4   |
| West Bengal   | 66892  | 70239    | 5.0   |
| Telangana   | 62987  | 68417    | 8.6   |
| Odisha  | 60928  | 63393    | 4.0   |
| Rajasthan   | 54785  | 56381    | 2.9   |
| Madhya Pradesh                                      | 45072  | 46644    | 3.5   |
| Andhra Pradesh                                      | 44825  | 43866    | -2.1  |
| Chhattisgarh  | 37183  | 37472    | 0.8   |
| Jharkhand   | 36841  | 34909    | -5.2  |
| Kerala  | 33109  | 34561    | 4.4   |
| Punjab  | 26721  | 28507    | 6.7   |
| Bihar   | 20208  | 22083    | 9.3   |
| Uttarakhand   | 20670  | 19725    | -4.6  |
| Assam   | 17415  | 18071    | 3.8   |
| Himachal Pradesh                                    | 10352  | 9700     | -6.3  |
| Goa   | 7146   | 7175     | 0.4   |

Source: GST Council, SBI Research; P: SBI Research Projections



# GST post rates Rationalization always results in higher revenue per se

- Evidence from earlier rounds of GST rate changes, such as those in July 2018 and October 2019, suggests that rationalization does not necessarily weaken revenue collections. **Instead, the evidence points to a temporary adjustment phase followed by stronger inflows. While an immediate reduction in rates can cause a short-term dip of around 3–4% month-on-month (roughly ₹5,000 crore, or an annualized ₹60,000 crore), revenues typically rebound with sustained growth of 5–6% per month**
- In past episodes, this dynamics is translated into additional revenues of nearly ₹1 trillion. **Importantly, rationalisation should be seen less as a short-lived stimulus to demand and more as a structural measure that simplifies the tax system, reduces compliance burdens, and enhances voluntary compliance, thereby widening the tax base.** In this broader sense, the Hon'ble PM's vision of a streamlined GST framework is best understood as a step towards long-term revenue buoyancy and greater efficiency in the economy



Source: GST Council

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