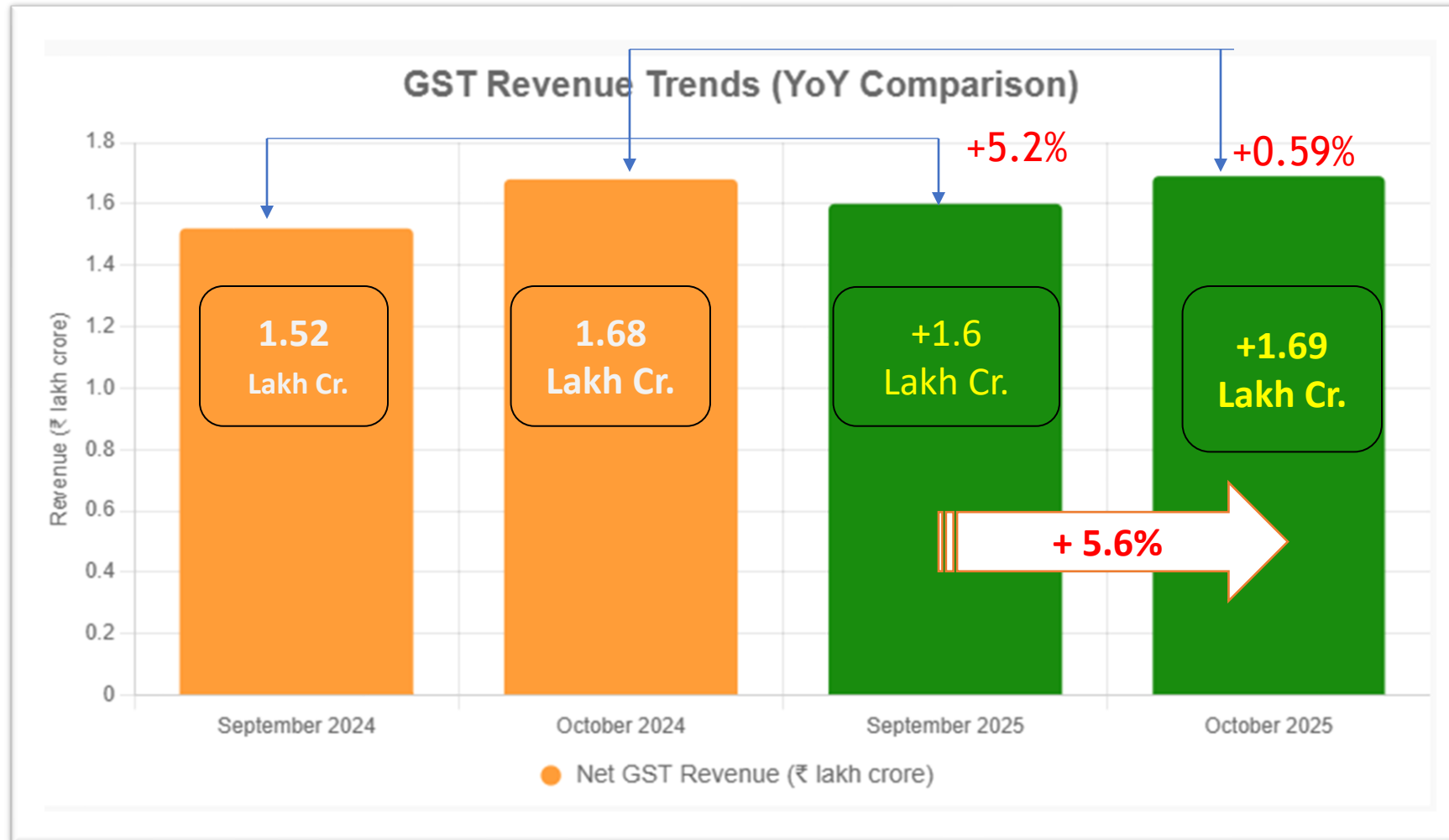


# Post GST Rate Cut Scenario (Revenue Loss or Gain Yet ?)

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Internal



## Quick Observations

- ✓ Government Estimate: ₹48,000 crore annual loss (based on FY23-24 consumption base).
- ✓ Economist Projections: Higher at ₹60,000-₹70,000 crore due to broader coverage.
- ✓ Short-term dip evident in net growth slowdown
- ✓ Refunds (Increased Sharply by 39.6% to 26.9 Cr.) surged due to better compliance

Y-o-Y Gross GST Revenue Gain				
Metric	Oct 2024 (₹ crore)	Oct 2025 (₹ crore)	Gain (₹ crore)	Y-o-Y Growth (%)
Gross GST Revenue	1,87,346	1,95,936	+8,590	+4.6
Refunds Claimed	19,292	26,935	+7,643	+39.6

Breakup of Refunds:

- Domestic: ₹10,484 cr → ₹13,260 cr → +2,776 cr (+26.5%)
- Imports: ₹8,808 cr → ₹13,675 cr → +4,867 cr (+55.3%)

What We Infer :

October GST collections refer to transactions done in September.  
*Growth resilient despite Sep 22 rate cuts as festive demand likely offset revenue loss due to rate cut.*  
*Cumulative Apr-Oct FY26: ₹13,89,367 cr (+9% Y-o-Y)*

# GST Slab-Wise Comparison of Revenue: Pre vs. Post Cuts (Oct 2025)

Slab	Pre-Cuts (FY24 Avg.)	Post-Cuts (Oct 2025)	Change
0%/NIL	0%	0%	Expanded (milk, insurance)
5%	6–8%	12–15%	Absorbed 12% slab
12%	5–6%	Abolished	
18%	70–75%	75–80%	Absorbed 90% of 28%
28%	13–15%	Abolished	→ 18% / 40%
40%	—	3–5%	New (sin/luxury)
Cess	10–12%	4%	

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# Ripple Effect of Post GST Rate Cut...

Indicator	Pre-Reform (Sept 2025)	Post-Reform (Oct 2025)	Change	Impact
Manufacturing PMI	57.5 (Sept)	58.2 (Oct)	+0.7 points	✓ Strongest domestic demand since July; ✓ New orders up 8.2%, hiring accelerated.
Auto Sales (Cars & SUVs)	3.5 lakh units (Sept)	5.2 lakh units (Oct)	+48.6%	✓ Record high; ✓ small cars/bikes benefited most from 18% slab.
Two-Wheeler Sales	15.8 lakh units (Sept)	18.1 lakh units (Oct)	+14.6%	✓ Boost from lower rates on entry-level models; ✓ Festive demand amplified.
Consumer Electronics Sales	+12% YoY (Sept)	+22% YoY (Oct)	+10 pp	✓ TVs, ACs, appliances saw price drops of 5-10%; ✓ e-commerce festive sales up 25%.
Inflation (CPI)	5.2% (Sept)	4.1% (Oct, provisional)	-1.1 pp	✓ Tax pass-through reduced food and fuel prices; ✓ Core inflation eased.
Stock Market (Sensex)	~79,000 (Sept end)	~82,500 (Oct end)	+4.4%	✓ Consumption stocks (auto, FMCG) led gains; ✓ +900 points post internal announcement.

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Parameter	Impact
ITC Refund Claims (Oct)	₹12,400 cr filed by MSMEs (vs ₹4,100 cr in Sept) → <b>3X jump</b>
Average Refund Processing Time	Reduced from <b>42 days</b> to <b>21 days</b> (GSTN fast-track for <₹1 cr claims)
Working Capital Cycle	Shortened by <b>6–8 days</b> (CII MSME Survey, Oct 2025)
Bank Overdraft Usage	Down <b>14%</b> among 5,000 surveyed units (SIDBI)

# Commodity Wise GST Collections: September vs October 2025

Commodity/Sector	Est. Collection (₹ crore)	Share (%)	YoY Growth
FMCG/Food : Snacks, dairy, pasta, chocolates	39,200	20	+6%
Electronics/Appliances : Mobiles, TVs, ACs, laptops	43,700	22	+5%
Autos/Vehicles : Small cars, bikes, tractors	20,000	10	+6%
Textiles/Apparel: Yarns, clothing under ₹1k	11,800	6	+4%
Pharma/Healthcare : Medicines, equipment	15,700	8	+5%
Chemicals/Personal Care : Soaps, shampoos, paints	19,600	10	+4%
Construction/Minerals : Cement, tiles	15,700	8	+3%
Agriculture/Inputs : Fertilizers, bio-pesticides	7,800	4	+4%
Metals/Machinery: Steel, machinery parts	23,500	12	+3%
Others at 40%)	-	-	-
Total Gross	1,96,000	100	+4.6%

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## Cut Effect

*Lower rates on essentials/durables (e.g., snacks to 5%) reduced per-unit revenue but spurred ₹6.05 lakh crore festive sales, out of which some would have accrued from September 22 onwards.*

# State-wise GST Collections: September vs October 2025

Ran k	State / UT	Sep 2025	Oct 2025	MoM ↑↓	YoY Growth	% of India
1	Maharashtra	32,418	34,112	+5.2%	+6%	17.4%
2	Karnataka	15,890	16,780	+5.6%	+8%	8.6%
3	Gujarat	14,720	15,310	+4.0%	+5%	7.8%
4	Tamil Nadu	13,210	13,890	+5.1%	+7%	7.1%
5	Uttar Pradesh	12,450	12,980	+4.3%	+3%	6.6%
6	Haryana	9,880	9,620	-2.6%	-4%	4.9%
7	Telangana	8,770	9,150	+4.3%	+6%	4.7%
8	West Bengal	7,920	7,680	-3.0%	-5%	3.9%
9	Rajasthan	7,110	7,420	+4.4%	+2%	3.8%
10	Delhi	6,880	7,210	+4.8%	+9%	3.7%
11	Andhra Pradesh	6,450	6,290	-2.5%	-3%	3.2%
12	Madhya Pradesh	5,990	6,180	+3.2%	+1%	3.2%
13	Kerala	5,220	5,090	-2.5%	-4%	2.6%
14	Punjab	4,880	4,710	-3.5%	-6%	2.4%
15	Odisha	4,550	4,680	+2.9%	+4%	2.4%

## Quick Observations

- ✓ Maharashtra alone contributed 17% of India's GST
- ✓ 20 States/UTs saw DECLINE in October.
- ✓ **20 States That LOST Revenue in October** (Top losers)
  - Haryana -2.6%
  - West Bengal -3.0%
  - Punjab -3.5%
  - Kerala -2.5%
  - Andhra Pradesh -2.5%
- ✓ Why Maharashtra & Karnataka Won Big
  - Auto & Electronics hubs → 18% slab + zero cess → ₹70k cheaper cars Diwali sales:
  - Maharashtra auto dealers reported +28% registrations.
  - E-way bills: Mumbai-Pune corridor hit record 1.9 crore in Oct

# Does GST Revenue Growth Track GDP Growth — and Vice Versa?

Answer

Direction	Whether Track ?	Strength	Implications
GDP → GST	Yes ( Stronger & More Direct)	Strong ( $r > 0.9$ )	✓ * In Long-term: GST grows faster than GDP (buoyancy >1)  ✓ ** In Short-term: Policy shocks (e.g., rate cuts) cause divergence
GST → GDP	Yes (long-term, via consumption & formalization)	Moderate (+30–70 bps)	

*Historical Examples (Long –Term)				
Year	GST Growth	Nominal GDP Growth	Buoyancy	Quick Bite
FY22	—	—	—	GST grows 10–30% faster than GDP
FY23	+21.5%	+16.1%	1.41	
FY24	+11.6%	+9.6%	1.32	
FY25 (Prov)	+9.4%	+9.8%	0.98	

**FY26 (Post-GST Rate Cuts) Example (Short-Term)				
Period	GST Growth	GDP (Nominal) Growth (Est)	Gap	Buoyancy
Apr-Sept	+9.8 %	9.00%	+ 0.8 pp	1.09 ↑
Oct (Post-Cuts)	+4.6%	-	-	0.54 (temporary dip due to rate cut drag)
FY26 Full (Proj.)	+9-10%	9-10%	0	1.0 (GST to realign above GDP gradually (volumes+ compliance))

Decoupled Temporally



- ❑ **Consumption Boost:** Lower rates spur festive spending; Oct 2025 growth offsets cuts.
- ❑ **Economic Multiplier:** Expected 1-1.5% GDP uplift via increased formalization and MSME growth.
- ❑ **Revenue Recovery:** Broader tax base; historical precedent (2017 GST: initial dip, then 10%+ CAGR).
- ❑ **Net Positive:** Crisil ratings project overall fiscal benefit despite initial ₹48,000 crore hit.
- ❑ **Sectoral Wins:** FMCG, electronics sales +15-20% post-cuts
- ❑ **Challenges:** States flag revenue shortfalls

# THANK YOU !

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