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## COVID-19 and the Relief measures in GST

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### ABSTRACT

The COVID-19 pandemic has significantly impacted the Indian economy. The COVID-19 pandemic disrupted economies globally, posing unprecedented challenges to governments, business and the tax payers. Among this Goods and services tax GST played a central role in the fiscal responses to the pandemic. This paper examines the inter play between COVID-19 and GST system with a focus on how government adopted the GST structure to repond to the economic challenges posed by the pandemic . it discuss the immediate policy responses and the long term reforms that have emergred as a result of the pandemic

**Keywords:** COVID-19, GST, taxation, pandemic, reforms

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### INTRODUCTION

The COVID-19 pandemic has had a far-reaching impact on global economies, resulting in significant disruptions across sectors. Governments worldwide implemented a range of fiscal measures to mitigate the adverse effects, including targeted economic stimulus packages, tax reforms, and liquidity support for businesses. Goods and Services Tax (GST), as a key component of indirect taxation, played a pivotal role in these efforts.

GST is designed to be a broad-based tax on consumption, with the objective of ensuring that taxes are levied at each stage of the supply chain, while providing a mechanism for credits on inputs. While the structure of GST is theoretically designed to be simple and efficient, the pandemic placed considerable pressure on its implementation. This paper explores the response of GST systems to the challenges posed by the pandemic

### STATEMENT OF THE PROBLEM

The COVID-19 pandemic has resulted in severe disruptions to global economies, posing significant challenges to fiscal systems, taxation, and government revenue generation. Among the various economic policies in place, Goods and Services Tax (GST) has played a pivotal role in maintaining revenue flows, promoting consumption, and ensuring smooth business operations across supply chains. However, the pandemic has introduced unique complications in the implementation and administration of GST systems worldwide. These challenges include decreased tax revenues, delayed compliance, disruptions in the supply chain, and heightened economic uncertainty, which has led governments to introduce both temporary and permanent changes to the GST framework. So an attempt has made to know about the immediate relief measures that have been taken by the government and the GST slab rate changes during the pandemic.

### SCOPE OF THE STUDY

The scope of this study focuses on understanding the impact of the **COVID-19 pandemic on Goods and Services Tax (GST) systems** across different countries and the policy adjustments made in response to the economic challenges posed by the pandemic. The study seeks to examine both **changes** in GST rates, compliance

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requirements, and the administration of tax systems, while also assessing the effectiveness of these adjustments in supporting businesses and government revenues during the crisis.

#### **OBJECTIVES OF THE STUDY**

- 1.To know about the immediate tax relief measures taken by the Government.
2. To know about the GST slab rate changes during the pandemic period.

#### **LITERATURE REVIEW**

□ **Boadway & Keen (2020)** argue that while consumption taxes like GST are generally less volatile compared to income taxes, the economic contraction due to COVID -19 significantly undermined their ability to generate stable revenue. This was especially the case in countries with large informal economies, where GST compliance is often lower.

□ **IMF (2021)** highlights that many countries experienced an **unprecedented drop in VAT/GST revenue** during the pandemic due to reduced consumer demand, lower sales in key sectors, and temporary exemptions or rate reductions implemented as part of pandemic relief packages.

□ **Gupta & Singh (2020)** study the **Indian GST system** during the pandemic and show that the Indian government introduced several temporary rate reductions, including a **5% rate on medical supplies** and **exemptions for COVID -19 vaccines**. These changes were aimed at reducing the cost burden on healthcare providers and consumers.

□ **India's GST Council** took several steps to support small and medium-sized enterprises (SMEs), including the introduction of **quarterly filing for smaller businesses** (as opposed to monthly filings) and **extension of filing deadlines** without penalties.

**Bharadwaj & Kaur (2020)** focused on how **India's GST system** provided relief to the **healthcare sector**, reducing the tax rate on essential medicines and medical equipment, and exempting COVID -19 vaccines from GST. This helped make healthcare more affordable during the crisis and ensured that medical supplies were more accessible.

#### **RESEARCH METHODOLOGY**

The entire source of data is collected from secondary data source. The data for the research is collected from government reports and official publications ,Academic journals and research paper, GSTcouncil meetings

#### **VARIOUS RELIEF MEASURES FOR TAX PAYER**

The Government has issued notifications, all dated 1<sup>st</sup> May, 2021, providing various relief measures for taxpayers. These measures are explained below:

##### **1.Reduction in rate of interest:**

Concessional rates of interest in lieu of the normal rate of interest of 18% per annum for delayed tax payments have been prescribed in the following cases.

**A .For registered persons having aggregate turnover above Rs. 5 crore:** A lower rate of interest of 9 per cent for the first 15 days from the due date of payment of tax and 18 per cent thereafter, for the tax payable for tax periods March 2021 and April 2021, payable in April 2021 and May 2021 respectively, has been notified.

**b. For registered persons having aggregate turnover upto Rs. 5 crore:** Nil rate of interest for the first 15 days from the due date of payment of tax, 9 per cent for the next 15 days, and 18 per cent thereafter, for both normal taxpayers and those under QRMP scheme, for the tax payable for the periods March 2021 and April 2021, payable in April 2021 and May 2021 respectively, has been notified.

**c. For registered persons who have opted to pay tax under the Composition scheme:** NIL rate of interest for first 15 days from the due date of payment of tax and 9 per cent for the next 15 days, and 18 per cent thereafter has been notified for the tax payable for the quarter ending 31st March, 2021, payable in April 2021.

##### **2. Waiver of late fee**

**a. For registered persons having aggregate turnover above Rs. 5 crore:** Late fee waived for 15 days in respect of returns in FORM GSTR-3B furnished beyond the due date for tax periods March, 2021 and April, 2021, due in the April 2021 and May 2021 respectively;

**b. For registered persons having aggregate turnover upto Rs. 5 crore:** Late fee waived for 30 days in respect of the returns in FORM GSTR-3B furnished beyond the due date for tax periods March, 2021 and April, 2021 (for taxpayers filing monthly returns) due in April 2021 and May 2021 respectively /

and for period Jan-March, 2021 (for taxpayers filing quarterly returns under QRMP scheme) due in April 2021.

### 3. Extension of due date of filing GSTR-1, IFF, GSTR-4 and ITC-04

a. Due date of filing FORM GSTR-1 and IFF for the month of April (due in May) has been extended by 15 days.

b. Due date of filing FORM GSTR-4 for FY 2020-21 has been extended from 30th April, 2021 to 31st May, 2021.

c. Due date of furnishing FORM ITC-04 for Jan-March, 2021 quarter has been extended from 25th April, 2021 to 31st May, 2021.

### 4. Certain amendments in CGST Rules:

a. Relaxation in availment of ITC: Rule 36(4) i.e. 105% cap on availment of ITC in FORM GSTR-3B to be applicable on cumulative basis for period April and May 2021, to be applied in the return for tax period May 2021. Otherwise, rule 36(4) is applicable for each tax period.

b. The filing of GSTR-3B and GSTR-1/ IFF by companies using electronic verification code has already been enabled for the period from the 27.04.2021 to 31.05.2021.

### 5. Extension in statutory time limits under section 168A of the CGST Act:

Time limit for completion of various actions, by any authority or by any person, under the GST Act, which falls during the period from 15th April, 2021 to 30th May, 2021, has been extended upto **31st** May, 2021, subject to some exceptions as specified in the notification

Date	Relief Measure	Description
March 2020	Extension of Due Dates for GST Returns	The due dates for filing GST returns (GSTR-3B and GSTR-1) for businesses with turnover up to ₹5 crore were extended.
March 2020	Late Fee Waiver for GST Returns	A waiver of late fees for the delayed filing of GST returns for a specified period (March-May 2020).
March 2020	Relaxation in Income Tax Compliance	Extension of the deadline for filing Income Tax Returns (ITR) for FY 2019-20 from 31st July 2020 to 30th November 2020.
April 2020	Extension of GST Compliance Dates	Further extension of the due dates for GST returns for Q4 of FY 2019-20, and for the first quarter of FY 2020-21, due to the pandemic's impact on
April 2020	Income Tax Deadline Extension	businesses. Extension of the deadline for payment of Income Tax for FY 2019-20 to 30th June 2020.
May 2020	Interest Rate Reduction on Late Tax Payment	Reduced interest rate on late payment of GST, bringing it down to 9% per annum instead of the regular 18%.
May 2020	Relief in Statutory Audits and Returns	For large taxpayers (corporates, etc.), the requirement for filing GST audits and annual returns was extended by 3 months.
June 2020	Income Tax Refunds	Processing and disbursement of pending income tax refunds, especially for MSMEs, was expedited to provide liquidity relief.

Date	Relief Measure	Description
June 2020	Easing of TDS/TCS Provisions	Reduction of TDS/TCS rates by 25% for certain specified payments, effective from 14th May 2020, to increase liquidity for taxpayers.
July 2020	Extension of GST Returns Filing for Small Taxpayers	Extension of the due date for GST returns filing for small taxpayers (with turnover under ₹5 crore) to the 5th of the following month for Q1 FY 2020-21.
August 2020	Relaxation on GSTR-9 Filing (Annual Return)	Extension of the deadline for filing GST Annual Returns (GSTR-9) for FY 2018-19 and FY 2019-20 to 30th September 2020.
September 2020	GST Late Fees Waiver for Small Taxpayers	A one-time waiver of late fees for GST returns filed by taxpayers with turnover up to ₹5 crore, for the months of July and August 2020.
October 2020	Postponement of Due Date for Income Tax Returns	The deadline for filing ITR for FY 2019-20 was extended to 31st December 2020 for individual taxpayers and businesses.
October 2020	Extension of Tax Audit Deadlines	The deadline for tax audit report submission was extended to 31st January 2021.
November 2020	Relaxation for MSMEs	MSMEs were granted a moratorium period on tax dues and allowed to file returns with reduced penalties.
April 2021	Relief on GST Returns for Q4 FY 2020-21	For taxpayers with turnover up to ₹5 crore, the due dates for filing GST returns for Q4 of FY 2020-21 and Q1 of FY 2021-22 were extended.
May 2021	Extension of Income Tax Filing Due Date	The due date for filing income tax returns for FY 2020-21 was extended to 30th September 2021.
June 2021	GST Compliance Relaxation	The due date for GST returns was extended to October 2021 for businesses affected by the second wave of COVID-19.
July 2021	Relaxation of TDS/TCS Rates for FY 2020-21	Reduced TDS/TCS rates extended for the first half of FY 2021-22, allowing taxpayers more time to pay taxes without penalties.
August 2021	COVID-19 Related Tax Relief for	GST reliefs for exporters such as extension of deadlines for filing export-related documents and deferred tax payments.

#### Support for Small and Medium Enterprises (SMEs)

SMEs, which constitute a large portion of the informal sector, faced the most severe challenges during the pandemic. In several countries, including India, temporary tax exemptions and simplified GST compliance procedures were introduced to reduce the burden on SMEs. For instance:

- **Quarterly Filing for Small Businesses:** SMEs were permitted to file GST returns quarterly instead of monthly, easing the administrative burden.
- **Waiver of Penalties:** Several jurisdictions waived penalties and interest for late payment of GST for SMEs to mitigate the impact of delayed cash flows.

- **Simplification of GST Compliance:** Several countries introduced simplified GST filing formats for smaller businesses, which reduced the complexity and administrative burden.

#### 1.1. Permanent GST Reforms

Several permanent changes to the GST system were introduced in response to the pandemic. These included:

- **Expansion of Exemptions for Essential Goods:** Many countries made permanent adjustments to exempt essential goods and services from GST or reduced the tax rate on such items. This change was aimed at supporting the recovery of sectors most impacted by the pandemic.
- **Taxpayer Support Mechanisms:** Governments created mechanisms for faster tax refunds and credits for businesses affected by the pandemic. This included accelerating the processing of refunds for export-oriented businesses and industries severely impacted by supply chain disruptions.
- **GST Rate Restructuring:** Some countries, such as India, revised the GST rate structure to ensure that the system remained progressive and aligned with post-pandemic economic conditions. Rate adjustments were made to encourage consumption in certain sectors, such as hospitality and tourism, which faced prolonged downturns.

During the COVID -19 pandemic, several countries, particularly those with Goods and Services Tax (GST) systems in place, made temporary or permanent changes to GST rates and compliance requirements in response to the economic disruptions caused by the pandemic. The goal was to support businesses, stimulate consumption, and ease the financial burden on citizens and businesses. Below are some of the notable GST rate changes and related measures that took place during the pandemic period

India, with one of the largest GST systems in the world, introduced several rate changes and measures to support businesses and consumers during the pandemic.

#### **GST Rate Reductions on Essential Goods:**

**Healthcare Supplies:** The GST rate on medical devices, personal protective equipment (PPE), ventilators, and other healthcare supplies was reduced or exempted to support the healthcare response to the pandemic.

**Reduction to 5%:** The GST rate on hand sanitizers, face masks, and other essential COVID -19 items was reduced to 5%.

**Zero Rate on Vaccines:** In line with global efforts to combat the pandemic, India also exempted COVID -19 vaccines from GST for a certain period.

#### **Rate Reductions for Essential Goods and Services:**

**GST Rate on COVID-19-Related Supplies:** The government made several reductions to make essential goods and services more affordable:

**5% GST on Medicines and Vaccines:** COVID-19-related drugs, vaccines, and testing kits were exempt from GST for a period to reduce the cost burden.

**Reduction to 5%:** Medical devices, oxygen concentrators, and certain other critical medical equipment were taxed at a reduced rate of 5%.

#### **Temporary GST Rate Reductions in Other Sectors:**

**Hospitality and Tourism:** To support the hospitality sector, which was severely impacted by the pandemic, certain services like hotel accommodation and packaged food were subject to rate cuts:

**18% to 5% on Hotel Rooms:** The GST rate on hotel accommodation was reduced to 5% for lower-cost hotels, which had a direct impact on businesses in the tourism and hospitality sector.

#### **Temporary Reduction in GST Rates**

##### **Medical Supplies and Equipment:**

In response to the pandemic, the Indian government reduced the GST rate on medical supplies such as masks, sanitizers, and personal protective equipment (PPE) kits from 18% to 5%.

The GST on COVID -19 vaccines was also exempted entirely to make them more affordable for the general population.

##### **Essential Goods:**

The GST rate on certain essential items, such as food grains, pulse crops, and other basic necessities, remained at 5%, but in some cases, exemptions were introduced for essential food items.

##### **Hospitality and Tourism:**

The government introduced temporary reductions in GST for tourism and hotel industry services to help recover from the severe downturn caused by travel restrictions and the decline in tourist arrivals. The GST on hotel

accommodation was reduced, especially for smaller hotels.

### **E-invoicing and Other Technology-Driven Changes**

#### **Mandatory E-invoicing:**

As part of efforts to streamline GST compliance and curb tax evasion, e-invoicing was made mandatory for businesses with turnover above ₹100 crore starting from October 2020.

The government also introduced a new system for real-time invoice matching, enabling better transparency and quicker reconciliation of GST input tax credits.

GST Compliance Through GSTN Portal:

To minimize physical interactions and streamline processes, all GST filings were conducted online through the GSTN portal. The government also introduced features like auto-population of GST returns based on e-invoices and simplified GST filing procedures.

Reforms in GST Structure

In the long term, the Indian government also proposed structural reforms to simplify and streamline the GST system, many of which were accelerated or brought forward as a result of the pandemic's impact on businesses.

#### **Rationalization of GST Rates:**

The GST Council began deliberating on rationalizing the GST rate structure, moving towards fewer tax slabs to reduce complexity. In response to the pandemic's economic impact, some of these reforms were fast-tracked, including efforts to make the GST system simpler and more transparent.

Simplified Return Filing:

Efforts were made to make GST returns simpler, with the introduction of GST 2.0, a simplified return filing system, which was to replace the existing system of GSTR-3B and GSTR-1 returns.

#### **GST Appellate Tribunal:**

The government also proposed the setting up of a National GST Appellate Tribunal to resolve disputes more efficiently, which had been a persistent issue with the GST system before the pandemic.

Impact on GST Revenue Collections

Despite the relief measures, India's GST revenue collections were significantly impacted due to the sharp decline in consumption and business activities. However, the relief measures were largely aimed at ensuring that businesses could weather the economic impact of the pandemic and return to profitability, while also reducing the immediate pressure on the government's finances.

### **Conclusion**

The Indian government's response to the COVID -19 pandemic through the GST system was multi-faceted, focusing on rate reductions, deferrals, exemptions, and simplified compliance measures. These changes were aimed at helping businesses cope with the liquidity crisis, reducing the burden of compliance, and supporting the recovery of critical sectors, particularly healthcare and tourism.

In the longer term, these temporary measures laid the foundation for broader GST reforms, which could simplify the tax structure, improve compliance, and promote digitalization in the Indian taxation system.

The COVID-19 pandemic has highlighted the resilience and flexibility of GST systems worldwide. Governments responded quickly by adjusting tax policies to support businesses, stimulate consumption, and maintain fiscal stability during an unprecedented global crisis. The temporary and permanent adjustments to GST systems demonstrated the adaptability of indirect tax systems in times of economic distress.

Looking ahead, while the immediate measures have been effective in alleviating some of the burden, there is still room for improvement in making GST systems more efficient, transparent, and resilient to future crises. In particular, the digitalization of GST operations offers an opportunity for continuous improvement in compliance and revenue collection. Future reforms should focus on enhancing taxpayer services, simplifying compliance procedures, and ensuring that GST remains a critical tool for economic recovery and sustainable growth.

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