

# A Study on Overview of Goods and Services Tax (GST) in India

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## Abstract:

The Goods and Services Tax (GST) is a comprehensive indirect tax reform introduced in India on July 1, 2017. This system was aimed at simplifying and unifying India's complex indirect tax structure by replacing multiple taxes like VAT, excise duty, and service tax with a single tax regime. The GST operates on a dual system, encompassing both the Central and State governments. This paper provides an overview of GST in India, examining its historical evolution, features, and its economic and policy implications. Additionally, numerical data on GST revenue trends, the number of registered taxpayers, and the impact on various sectors are discussed. The study also highlights challenges and areas for improvement, offering an in-depth understanding of the GST system's role in India's economic development.

Keywords: GST, Economy, Goods and Service etc

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## I. Introduction

The introduction of the Goods and Services Tax (GST) marks a significant reform in the indirect tax structure of India. The Goods and Services Tax (GST) is a comprehensive indirect tax system implemented to unify the taxation structure across a country. Introduced in India on July 1, 2017, GST replaced multiple indirect taxes, such as sales tax, service tax, and value-added tax, with a single tax regime. It subsumed various indirect taxes levied by both the Central and State governments and created a uniform tax regime across the country. The rationale behind the implementation of GST was to bring about greater efficiency in tax collection, reduce tax evasion, and promote ease of doing business. GST is a destination-based tax, which means the

tax is collected at the point of consumption rather than at the point of origin. The GST regime has four tax slabs 5%, 12%, 18%, and 28% depending on the type of goods and services.

Since its inception, the GST has witnessed various amendments, and compliance mechanisms have evolved to accommodate the needs of businesses and the economy. The GST Council, the governing body responsible for overseeing the tax, has played a pivotal role in shaping the system to ensure its smooth functioning. However, the GST has not been without challenges. This study aims to review the GST's impact, growth, challenges, and future prospects in India.

## II. Review of Literature

Aggarwal, A. (2018), "Impact of GST on Indian Economy," highlighted the macroeconomic implications of GST, focusing on its effect on inflation and consumption patterns. Patel, S. (2019), "GST: A Game Changer for the Indian Economy," studied the benefits of GST for small and medium enterprises (SMEs). Mehta, R. (2020), "GST Compliance and Efficacy in India," explored the compliance burden on businesses post-GST and proposed solutions for improving the system. Batra, P. (2020), "GST and Indian Taxation: A Historical Perspective," provided an analysis of indirect tax systems in India before and after the introduction of GST. Dey, S. (2021), "Challenges and Opportunities under GST," discussed the operational difficulties faced by businesses, particularly in the initial years of implementation. Mukherjee, S. (2021), "The Effectiveness of GST Reforms," focused on the administrative aspects of GST and its effectiveness in curbing tax evasion. Jain, A. (2022), "Impact of GST on Indian Manufacturing Sector," analyzed the effect of GST on the manufacturing sector's growth and productivity. Singh, P. (2022), "GST in India: Lessons Learned," examined the learnings from GST implementation and its policy ramifications. Roy, D. (2022), "GST and Consumer Behavior," discussed how GST has influenced consumer spending across various income brackets. Sharma, V. (2023), "Taxation Reform: GST and Digital Transformation," linked GST's implementation to the broader theme of digital transformation in tax administration.

### III. Objective of the study

- To study the historical evolution of GST in India.
- To analyze the impact of GST on the Indian economy, focusing on revenue collection and ease of business.
- To assess the challenges faced by businesses and the government in the implementation of GST.

### IV. Introduction to GST

1. **Unified Taxation:** By merging various taxes into one, GST reduces complexity for businesses and consumers,

streamlining compliance and administration.

2. **Destination-Based Tax:** GST is levied at the point of consumption, which means that revenue is allocated to the state where the goods or services are ultimately consumed, promoting fairness and equity.
3. **Input Tax Credit Mechanism:** Businesses can claim credits for taxes paid on inputs, mitigating the cascading effect of taxes and lowering the overall tax burden, thus encouraging investment and consumption.
4. **Three-Tier Structure:** GST operates on three levels:
  - Central GST (CGST): Collected by the central government.
  - State GST (SGST): Collected by individual states
  - Integrated GST (IGST): Applicable to inter-state transactions, ensuring seamless movement of goods and services across state lines.
5. **Single Tax System:** GST combines various taxes into one, simplifying the tax structure for consumers and businesses.
6. **Destination-Based Tax:** GST is levied at the point of consumption, ensuring that the tax revenue goes to the state where the goods or services are consumed.
7. **Input Tax Credit:** Businesses can claim credit for taxes paid on inputs, which helps avoid the cascading effect of taxes.

#### ➤ Key features:

1. **Threshold Limits:** Small businesses below a certain turnover are exempt from GST, promoting ease of compliance.
2. **Multiple Rate Structure:** Goods and services are taxed at different rates (e.g., 5%, 12%, 18%, 28%) based on categories, ensuring fairness.
3. **Digital Compliance:** GST encourages electronic filing of returns and payments, promoting transparency and reducing paperwork.
4. **Seamless Flow of Credit:** Businesses can easily pass on the tax credit, enhancing cash flow and reducing tax burdens.

5. **Anti-Profiteering Measures:** Provisions to ensure that businesses pass on the benefits of reduced tax rates to consumers.
  6. **Harmonized Registration:** Simplified registration process across states, allowing businesses to operate in multiple states with ease.
- **Advantages of the Goods and Services Tax (GST):**
1. **Simplification of Tax Structure:** GST replaces multiple indirect taxes with a single tax, reducing complexity and making compliance easier for businesses.
  2. **Elimination of Cascading Effect:** By allowing input tax credits, GST avoids the tax-on-tax scenario, lowering the overall tax burden on consumers and businesses.
  3. **Uniform Tax Rate:** GST provides a standardized tax rate across states, promoting fairness and encouraging interstate trade.
  4. **Increased Revenue:** A broader tax base and improved compliance can lead to enhanced revenue collection for both central and state governments.
  5. **Boost to Economic Growth:** By promoting a common market and reducing barriers to trade, GST encourages economic activity and investment.
  6. **Encouragement of Digital Transactions:** GST promotes electronic filing and payments, enhancing transparency and reducing cash transactions.
  7. **Greater Transparency:** The digital nature of GST reduces opportunities for tax evasion and corruption, fostering a more honest business environment.
  8. **Ease of Doing Business:** Simplified compliance processes and reduced paperwork make it easier for businesses to operate and expand.
  9. **Support for Small Businesses:** With threshold limits and exemptions, GST helps small businesses compete more effectively in the market.

**V. Research Methodology**

The study uses secondary data from government reports, the GST Council, and various research

papers published in journals. Numerical data was collected from:

- GST revenue collection reports from 2017 to 2023.
- Reports from the Ministry of Finance and the Reserve Bank of India (RBI).
- Data from industry associations and research bodies to understand sectoral impacts.

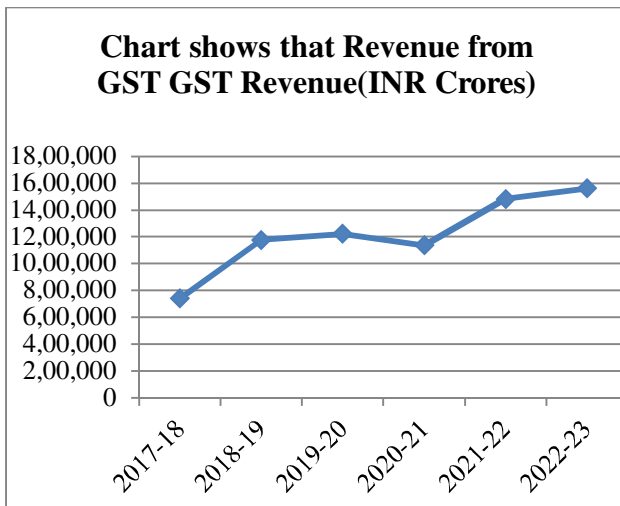
The data analysis primarily involves descriptive statistics to understand trends in GST revenue, compliance, and sectoral impacts. Comparative analysis was also done to evaluate the performance before and after GST implementation.

**VI. Data and Interpretation**

6.1 The table and Chart shows that revenue collected by the Government from 2017-2023

Year	GST Revenue(INR Crores)	Mean	SD	SK	Ku
2017-18	7,41,000	1219993	290900.6112	-0.64626542	0.675900911
2018-19	11,77,368				
2019-20	12,22,131				
2020-21	11,36,308				
2021-22	14,83,151				
2022-23	15,60,000 (est.)				

6.2 Chart shows that revenue collected by the Government from 2017-2023



**Data Analysis:**

**Revenue Collection:** *Trends:* GST revenue has generally shown an upward trend since its implementation in July 2017, indicating better compliance and administration. *Monthly Collections:* Analyzing monthly GST collections can reveal seasonal patterns, economic activity levels, and the impact of policy changes. **Number of Registered Taxpayers:** *Growth Rate:* The number of GST registrants has increased significantly, with millions of businesses now registered. This growth reflects increased compliance and the broadening of the tax base. **Input Tax Credit (ITC) Utilization:** *Trends:* Monitoring ITC claims helps assess businesses' operational efficiency and the flow of credit within the supply chain. **Sectoral Performance:** *Impact Analysis:* Different sectors exhibit varying responses to GST. For example, the e-commerce sector may have seen rapid growth, while sectors like textiles or real estate might face challenges. **Compliance Rates:** *Filing Frequency:* Data on the timely filing of GST returns helps evaluate taxpayer compliance and the effectiveness of enforcement measures.

**1) Interpretation:**

**Revenue Trends:** *Implications:* Consistent growth in GST revenue suggests that the economy is recovering or expanding, while dips may indicate economic slowdowns or compliance issues. **Economic Indicators:** *Link to GDP:* Higher GST collections often correlate with

economic growth, serving as a barometer for overall economic health. **Compliance**

**Challenges:** *Issues for Small Businesses:* Data may reveal that smaller enterprises struggle more with compliance, leading to discussions on easing burdens or providing support. **Sectoral Insights:**

*Policy Adjustments:* Performance data can inform policy adjustments, helping to target sectors that may need more support or face challenges under the GST regime.

**Administrative Efficiency:** *System Improvements:* Analyzing ITC utilization and filing rates can help identify areas where administrative processes may need enhancement

**Conclusion**

While GST has achieved significant milestones, ongoing efforts are crucial to address compliance challenges, refine tax slabs, and support sectors facing difficulties. A collaborative approach involving government, businesses, and stakeholders will be vital for realizing the full potential of GST in fostering economic growth and ensuring a fair tax system. By continuously evaluating and improving the GST framework, India can enhance its economic landscape, promote business growth, and ensure equitable tax distribution.

GST has undoubtedly been one of the most significant tax reforms in India, bringing about transparency, efficiency, and uniformity in tax administration. The increase in revenue collections and the rise in the number of registered taxpayers indicate positive growth trends. However, challenges remain, particularly in areas like compliance, rate rationalization, and addressing the grievances of certain sectors. Moving forward, there is a need for continuous improvement in the GST framework to ensure it remains aligned with the dynamic needs of the Indian economy.

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