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GST: A Game-Changer in India's Taxation System (2017–2025)

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Abstract

The **Goods and Services Tax (GST)** in India during the period 2017 to 2025. GST replaced multiple indirect taxes with a single, unified system to simplify business processes and improve tax collection. The study examines how GST influenced government revenue, economic growth, inflation, and various sectors such as manufacturing, retail, and services. While GST helped increase tax revenue and facilitated smoother interstate trade, **small and medium enterprises (SMEs)** faced challenges due to compliance costs and technological barriers.The analysis of key economic indicators—**GST revenue, GDP growth, inflation rates**, and **ease of doing business rankings**—shows that GST has significantly enhanced tax compliance and fostered economic integration. However, issues like multiple tax slabs, system glitches, and impacts on exempted sectors remain concerns. The paper concludes that GST is a major reform for India's economy, but ongoing policy improvements and targeted support are necessary to maximize its benefits.

Keywords: GST, Tax Transparency, Ease of Doing Business, GST and Digitalization, Post-GST Economic Impact

1. Introduction

"The old India was economically fragmented; the new India will create one tax, one market, and one nation." —Arun Jaitley

The Goods and Services Tax (GST), India's most ambitious tax reform since Independence, was launched at midnight on July 1, 2017, during a historic session in the Central Hall of Parliament. The event was graced by dignitaries including President Pranab Mukherjee, Prime Minister Narendra Modi, and Finance Minister Arun Jaitley. The GST aimed to replace multiple indirect taxes imposed by the Centre and States, thereby simplifying the tax structure and improving compliance (Government of India, 2017).

GST is a comprehensive tax levied on the manufacture, sale, and consumption of goods and services at the national level. Previously, both central and state governments levied separate taxes such as VAT, excise duty, and service tax. GST unified these into a single tax (M. Devi, 2017).

One of the most significant post-independence tax reforms, GST eliminated cascading taxes and created a common national market (Mukherjee, 2017). It introduced a dual model structure comprising Central GST (CGST), State GST (SGST), and Integrated GST (IGST), ensuring revenue sharing between Centre and States and enhancing fiscal coordination (Desai, 2018).

The system allows for Input Tax Credit (ITC), where tax is only paid on value addition. This reduces costs, improves competitiveness, and streamlines supply chains (Wadhwa & Suri, 2018). GST is also aligned with the Government's digitization goals through mechanisms such as the Goods and Services Tax Network (GSTN), e-invoicing, and real-time tax return filing (Patel & Joshi, 2021).

This paper analyzes the economic impact of GST through a comparative review of indirect tax revenue, GDP growth, inflation, and ease of doing business. It also evaluates sectoral implications, especially for SMEs and manufacturing.

2. Key Features and Challenges of GST Implementation

Comprehensive Tax

GST is termed a comprehensive tax because it consolidates multiple indirect taxes previously levied separately by the central and state governments. Taxes such as central excise duty, service tax, VAT, CST, entry tax, and luxury tax have been subsumed into a unified tax system under GST, simplifying the taxation structure and reducing compliance burdens (Kumar & Singh, 2018).

Multi-Stage Taxation

GST is a multi-stage tax imposed at every point in the supply chain where value addition occurs—manufacturing, wholesaling, and retailing. However, tax is charged only on the incremental value added at each stage, not on the total transaction value. This feature prevents double taxation and ensures tax neutrality along the supply chain (Srinivasan & Reddy, 2019).

Destination-Based Tax

A foundational principle of GST is its destination-based nature. Tax revenue is allocated to the state where goods or services are consumed, rather than where they are produced. This aligns with international best practices and promotes equitable distribution of tax revenues among states (Patnaik & Gupta, 2021).

Input Tax Credit (ITC)

ITC is a critical mechanism under GST that allows businesses to offset the tax paid on inputs against their output tax liability. This system eliminates the cascading effect, wherein tax is paid on tax, thereby ensuring that the tax burden is only on the net value addition at each stage. ITC enhances transparency and efficiency in the tax system (Sharma, 2020).

Burden Falls on Final Consumer

Although GST is collected at every stage of production and distribution, the actual tax burden ultimately falls on the final consumer who cannot claim input tax credit. Businesses pass on the tax paid on inputs through the supply chain, making GST a consumption-based tax (Kumar & Singh, 2018).

Elimination of Cascading Effect

Prior to GST, India's indirect tax system suffered from cascading, where taxes levied at earlier stages were added to the tax base of subsequent stages, leading to tax-on-tax and inflated prices. GST's input tax credit system effectively eliminates this problem, resulting in lower costs and improved economic efficiency (Srinivasan & Reddy, 2019).

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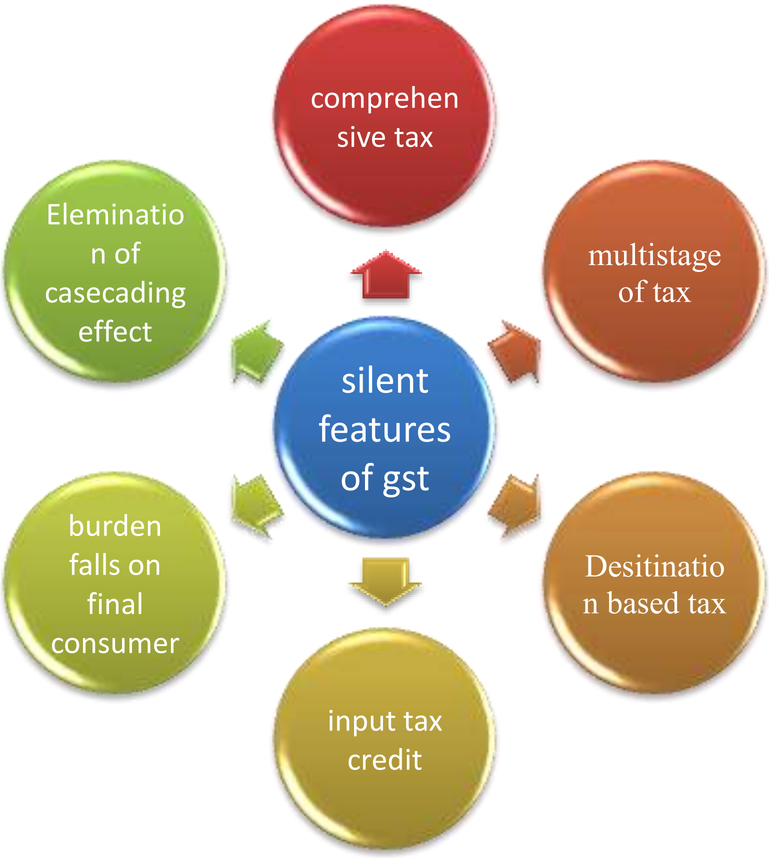


Figure: 1 Features of Goods and Services Tax (GST)
Source: Reproduced from gst.gov.in

In this section outlines how GST has transformed India's tax landscape by boosting revenue and simplifying taxes, while also highlighting critical challenges like compliance burdens on small businesses, technological setbacks, and ongoing tax evasion concerns (Figure 2).

Figure: 2 Key Impacts and Challenges of GST Implementation in India

Reduction in Tax Cascading	GST has eliminated the cascading effect of taxes by allowing businesses to claim input tax credits, reducing overall costs for businesses and consumers.	This has made products and services more affordable, encouraging interstate trade and improving supply chain efficiency.
Increased Revenue Generation	The shift to a unified tax system has broadened the tax base, leading to better tax compliance and increased revenue collection for both state and central governments.	Improved revenue collection suggests greater efficiency in tax administration, fostering economic growth and enabling better infrastructure investments.
Impact on Larger Businesses	Larger businesses have benefited significantly from the simplified tax structure, input tax credits, and more	This has increased the competitiveness of larger firms, contributing to better scalability

	efficient administrative procedures.	and market reach while enabling more compliance-driven behaviour.
Challenges for SMEs	Small and medium enterprises (SMEs) face difficulties in adapting to the new GST system due to high compliance costs, complex filing requirements, and technology adoption challenges.	While GST presents long-term benefits, SMEs may struggle in the short term, risking slower growth or even business closures without targeted support.
Technological Advancements	The introduction of GSTN (Goods and Services Tax Network) has facilitated digital tax filing, but technical issues like system crashes, delays, and user errors have hindered smooth implementation.	These technological barriers may delay full compliance and tax collection efficiency, highlighting the need for further system optimization and user training.
Multiple Tax Rates	The existence of multiple tax slabs under GST creates confusion, especially among businesses with diverse product lines, leading to compliance errors.	The complexity of tax slabs reduces the effectiveness of GST in simplifying the tax process, suggesting that simplification or rationalization of rates could improve overall efficiency.
Ease of Doing Business	GST has improved the ease of doing business by harmonizing tax rates, improving transparency, and reducing logistical barriers for businesses across states.	This reform has the potential to foster greater investment and ease of market entry, encouraging a more integrated national economy and improved business conditions.
Improvement in Tax Compliance	GST's digital filing system has led to improved tax compliance, though many businesses still face challenges in adhering to deadlines and processes due to technical issues and lack of awareness.	The increase in compliance rates reflects the success of digital platforms, but the persistence of filing issues calls for greater user education and system stability.
Revenue Leakages and Tax Evasion	Despite improvements, there are ongoing concerns regarding tax evasion, especially in the informal sector, and revenue leakages through loopholes in the system.	While GST has curbed some tax evasion, persistent issues suggest that additional reforms and tighter monitoring mechanisms are needed to prevent revenue losses.

Sources: onlinelegalquery.com, Hindustan Times, The Statesman, LegalWiz.in, Indian Express, Vaithilegal.com

3. Economic Impact of GST on India

The implementation of the Goods and Services Tax (GST) in India has had a significant impact on the economy. GST has made goods and services produced in India more competitive in both national and international markets (Mukherjee, 2017; Wadhwa & Suri, 2018). It aims to unify the country into a single common market by streamlining tax rates and procedures and eliminating various economic barriers (Desai, 2018).

3.1 Positive Impact of GST on India

GST is largely seen as a positive reform. It benefits industries, consumers, and the government by creating a more organized tax structure and reducing overall tax burdens (Gupta, 2019). This has made the retail and business ecosystem more productive and growth-oriented (Singh & Verma, 2020). GST also supports the 'Make in India' initiative by encouraging domestic manufacturing through simplified compliance procedures and reduced cumulative tax on products (Patel & Joshi, 2021).

Moreover, GST has eliminated the need to maintain multiple tax records, such as Central Excise, VAT, Service Tax, Entertainment Tax, Entry Tax, etc., imposed earlier by both central and state governments (Government of India, 2017). It has also reduced export duties, boosted India's export volumes, and opened foreign markets for Indian businesses (Chaurasia & Soni, 2018).

Simpler Tax Structure

GST has significantly simplified India's tax system. With a single, unified tax, it has become easier for businesses and consumers to understand and comply with tax regulations. This ensures greater transparency and minimizes the scope for tax evasion (Poonam, 2018; Sharma, 2020).

More Funds for Production

Reduced tax burden under GST has freed up working capital, especially for manufacturers. Businesses have been able to reinvest savings into production and infrastructure, leading to improved output and operational efficiency (Wadhwa & Suri, 2018).

Support for Small and Medium Enterprises (SMEs)

GST offers special schemes like the Composition Scheme for SMEs, where tax liability is based on turnover. Key benefits include reduced paperwork, lower tax liability, and improved liquidity due to input tax credits (Chaurasia & Soni, 2018; Narayana, 2019). However, compliance and digital adaptation remain key challenges (Patel & Joshi, 2021).

Increase in Export Volume

Lower taxes on exported goods and services have reduced the cost of production and logistics. This has enhanced export competitiveness and profitability, enabling Indian businesses to expand globally (Desai, 2018; Wadhwa & Suri, 2018).

Enhanced Operations Across India

A uniform tax system under GST has eased the interstate movement of goods. This has improved supply chain efficiency, reduced transit times, and helped companies optimize logistics operations (Sharma, 2020; Singh & Verma, 2020).

Impact of GST on Real Estate

Real estate, contributing nearly 8% to India's GDP, has seen reforms under GST. Taxes on under-construction properties are streamlined at 5% without input tax credit, while affordable housing is taxed at 1%, benefiting both buyers and developers (M. Devi, 2017; Gupta, 2019).

Impact of GST on the Common Man

In the short term, GST led to higher prices on non-essential goods, but most essential items were exempt or taxed at lower rates (Sharma, 2019). Small businesses faced compliance hurdles initially, which affected consumer pricing. However, over time, lower manufacturing taxes are expected to reduce product costs, increase consumer demand, and raise tax revenues (Poonam, 2018; Sharma, 2019). This virtuous cycle supports employment generation and economic growth.

4. Methodology

This research adopts a qualitative approach, analysing secondary data collected from government reports, academic journals, industry case studies, and various websites focusing on different aspects of the Goods and Services Tax (GST). A comparative analysis is employed to examine the taxation structure before and after the implementation of GST, with a specific focus on transparency, compliance, and economic impact.

5. Results & Discussion

5.1 GST Revenue Collection

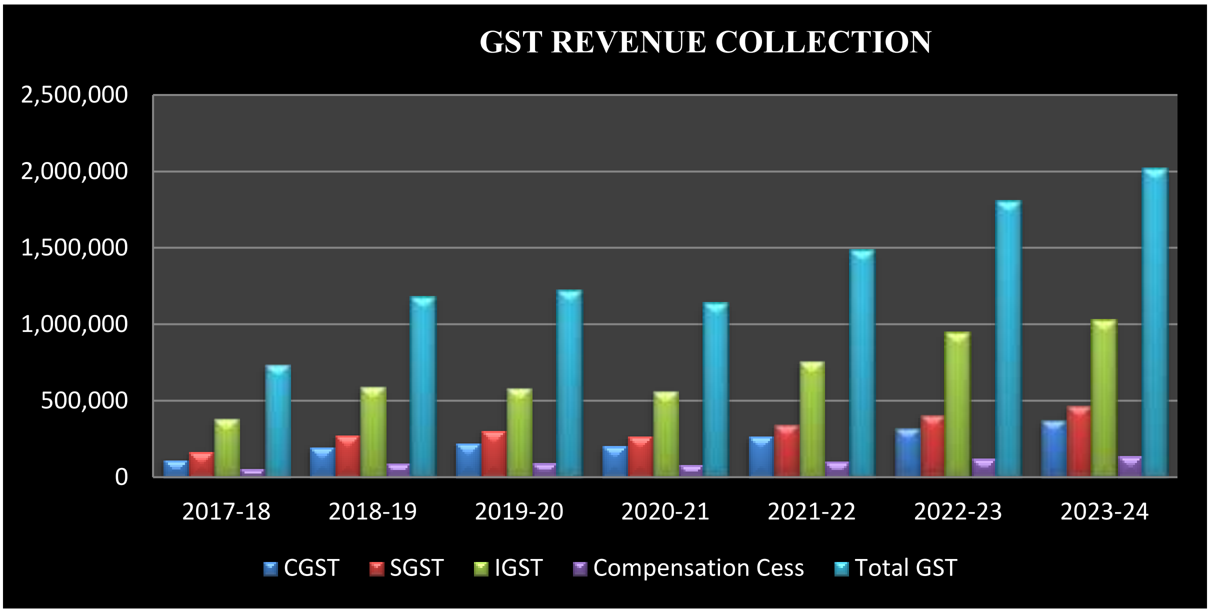
The year-wise breakdown of **GST revenue collection** from 2017–18 to 2023–24, including CGST, SGST, IGST (domestic and imports), and Compensation Cess (Table-1)

Table 1: GST REVENUE COLLECTION (2017-2024) (In Crores)

MONTH	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
CGST	1,18,876	2,02,444	2,27,442	2,09,916	2,70,701	3,23,923	3,75,710
SGST	1,71,803	2,78,817	3,09,231	2,72,827	3,46,186	4,10,251	4,71,195
IGST	3,87,355	5,98,739	5,86,698	5,65,720	7,63,632	9,45,220	10,26,789
– Domestic	1,93,092	3,08,244	3,19,422	3,03,947	3,86,676	4,73,421	5,43,704
– Imports	1,94,264	2,90,496	2,67,277	2,61,773	3,76,956	4,71,799	4,83,085
Compensation Cess	62,614	97,369	98,745	88,338	1,07,708	1,28,286	1,44,555
– Domestic	56,319	87,289	88,304	79,153	98,918	1,17,390	1,32,639
– Imports	6,294	10,079	10,443	9,185	8,790	10,896	11,915
Total GST	7,40,648	11,77,369	12,22,116	11,36,801	14,88,227	18,07,680	20,18,249

Source: Ministry of Finance (2024), CBIC Annual Reports (2024)

Graph 1: GST REVENUE COLLECTION (2017-2024)



As depicted in **Table 1** and **Graph 1**, India's indirect tax income has generally increased from 2014-15 to 2024-25. Before GST (from 2014-15 to 2016-17), tax collection was rising annually. In 2017-18, the initial year of GST implementation, there was a slight drop in tax collection due to initial challenges. However, from 2018-19 onwards, tax collection showed consistent growth each year. This trend indicates that GST has contributed to improving the tax system and increasing government revenue over time.

5.2 GDP Growth Rate

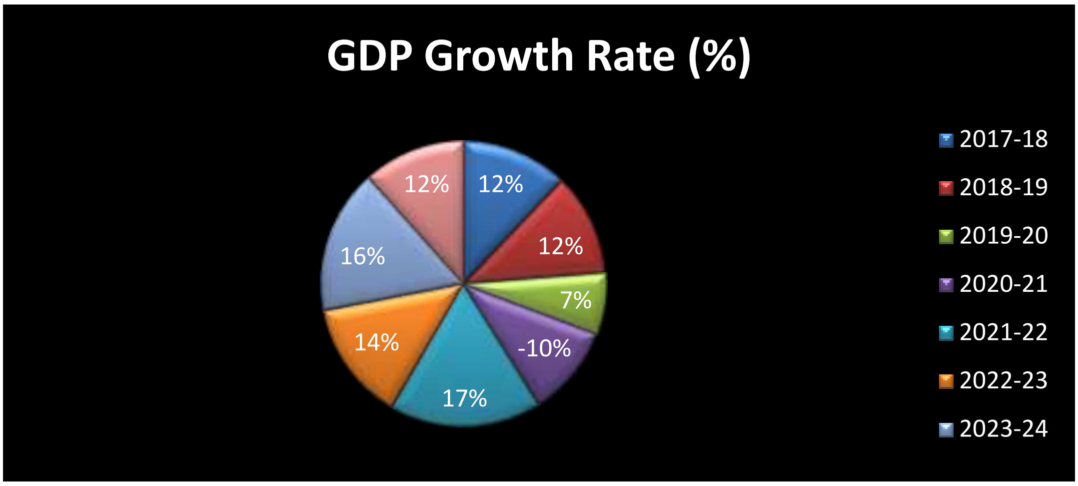
India's annual **GDP growth rate** from FY 2017–18 to FY 2024–25, illustrating the impact of GST, economic reforms, and COVID-19 disruptions (Table-2).

Table 2: GDP Growth Rate (%)

Year	GDP Growth Rate (%)
2017-18	6.8
2018-19	6.5
2019-20	3.9
2020-21	-5.8
2021-22	9.7
2022-23	7.6
2023-24	9.2
2024-25	6.5

Source: Ministry of Statistics and Programme Implementation (MoSPI); World Bank Data (2024)

Graph 2: GDP GROWTH RATE %



India's GDP growth rate has experienced notable shifts from 2017–18 to 2024–25. In the first two years (2017–18 and 2018–19), the economy grew steadily at around 6.5% to 6.8%. Growth slowed to 3.9% in 2019–20, indicating early signs of economic weakness. Subsequently, in 2020–21, the economy contracted by -5.8% due to the COVID-19 pandemic and nationwide lockdowns. The country then saw a strong recovery with high growth in 2021–22 (9.7%), 2022–23 (7.6%), and 2023–24 (9.2%) as businesses reopened and demand surged. For 2024–25, growth is projected to normalize to 6.5%, suggesting a return to a more stable pace. Overall, the data illustrates the economic downturn during the pandemic and its subsequent robust recover are shown in **Table 2** and **Graph 2**.

5.3 Inflation Rate

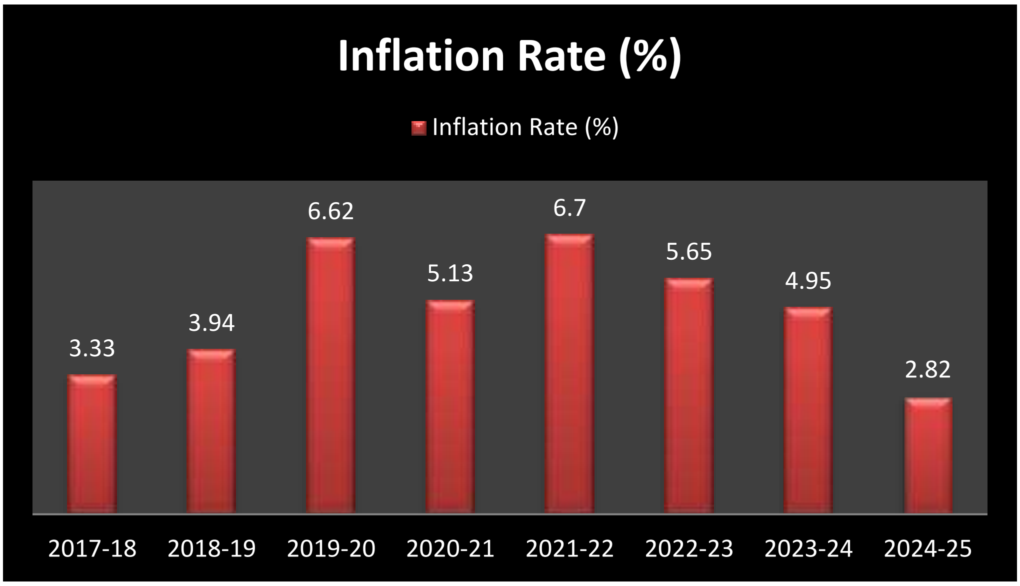
The year-wise **Consumer Price Index (CPI)-based inflation rate** from 2017–18 to 2024–25, showing trends before and after GST and during the pandemic (Table-3).

Table 3: Inflation Rate (%)

Year	Inflation Rate (%)
2017-18	3.33
2018-19	3.94
2019-20	6.62
2020-21	5.13
2021-22	6.70
2022-23	5.65
2023-24	4.95
2024-25	2.82

Source: RBI;MoSP (2024).

Graph 3: INFLATION RATE %



As observed in **Table 3** and **Graph 3**, India's CPI-based inflation has shown significant fluctuations from fiscal year 2017–18 to 2024–25 (up to May 2025), reflecting both domestic and global economic challenges. Inflation was relatively low in 2017–18 (3.33%) and 2018–19 (3.94%), indicating a stable price environment. However, it surged to 6.62% in 2019–20, primarily due to supply-side disruptions and food price volatility. Inflation remained elevated during and after the pandemic, reaching 6.70% in 2021–22, influenced by high global commodity prices and supply chain constraints. Subsequently, inflation began to ease, dropping to 5.65% in 2022–23 and 4.95% in 2023–24. The most notable development occurred in 2024–25, with inflation falling sharply to 2.82% by May 2025, marking its lowest level in over six years

5.4 Ease of Doing Business Rank

India's **Ease of Doing Business (EoDB) rank** from 2017 to 2020 (after which the World Bank ceased rankings) and summarizes key reforms that contributed to improved rankings (Table-4).

Table 4 Ease of Doing Business Rank (India)

Fiscal Year	EoDB Rank	Key Developments
2017–18	100	India improved by 30 places from 130 in 2016, marking a significant leap.
2018–19	77	Continued progress with reforms in construction permits and trading across borders.

2019–20	63	Further advancement, reflecting ongoing reforms and improved business environment.
2020–21	—	World Bank discontinued the global EoDB rankings due to data irregularities.
2021–22	—	No official global ranking; focus shifted to state-level assessments.
2022–23	—	Continued emphasis on state-level ease of doing business initiatives.
2023–24	—	Ongoing reforms at the state level to enhance business climate.
2024–25	—	No official global ranking; state-level improvements continue.

Source: World Bank (2020); Government of India Projections (2024)

As seen in **Table 4**, from 2017–18 to 2019–20, India's Ease of Doing Business rank improved significantly from 100 to 63, largely due to key reforms simplifying business processes. After 2020, the World Bank discontinued global rankings. However, India continued its focus on improving the business environment at the state level, with states like Andhra Pradesh and Uttar Pradesh leading these efforts, maintaining India's reform momentum despite the absence of official global data.

5.5 Overview of GST Revenue and Economic Indicators

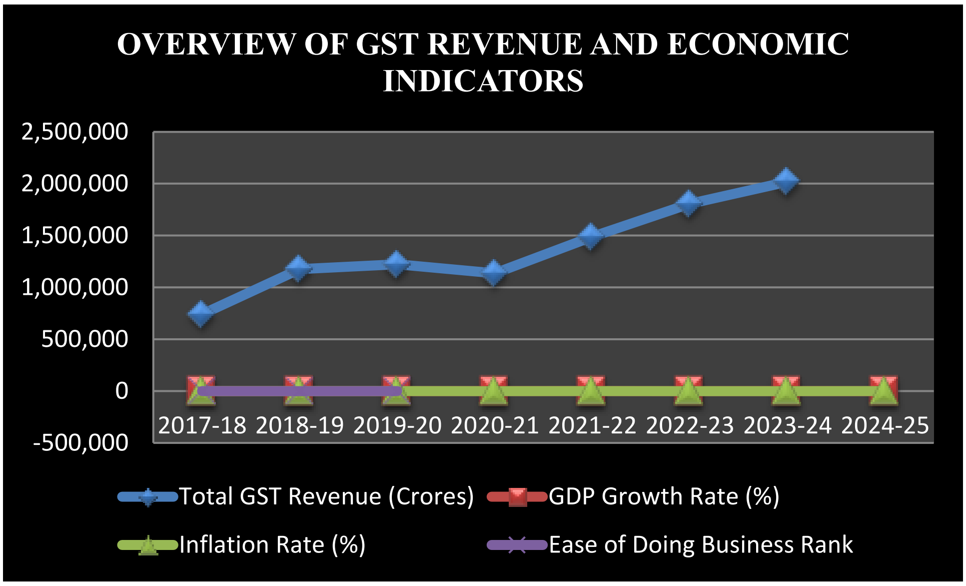
A comprehensive overview of GST revenue alongside key economic indicators (Table-5)

Table 5: Overview of GST Revenue and Economic Indicators

Fiscal Year	**Total GST Revenue (Crores)**	**GDP Growth Rate (%)**	**Inflation Rate (%)**	**Ease of Doing Business Rank**
2017-18	7,40,648	6.8	3.33	100
2018-19	11,77,369	6.5	3.94	77
2019-20	12,22,116	3.9	6.62	63
2020-21	11,36,801	-5.8	5.13	— (No ranking)
2021-22	14,88,227	9.7	6.7	— (No ranking)

2022-23	18,07,680	7.6	5.65	— (No ranking)
2023-24	20,18,249	9.2	4.95	— (No ranking)
2024-25		6.5	2.82	— (No ranking)

Graph 5: Overview of GST Revenue and Economic Indicators



GST Revenue: GST collections increased steadily from ₹7.40 lakh crores in 2017-18 to ₹20.18 lakh crores in 2023-24, demonstrating robust growth in tax revenues over the years. This trend is clearly visible in **Table 1** and **Graph 1**.

GDP Growth Rate: GDP growth ranged from 6.8% in 2017-18 to a low of -5.8% in 2020-21 due to the pandemic. It then rebounded sharply to 9.7% in 2021-22 and remained strong around 6.5%-9.2% in subsequent years. This is highlighted in **Table 2** and **Graph 2**.

Inflation Rate: Inflation fluctuated between 2.82% and 6.7%, peaking post-pandemic in 2021-22 and projected to decline to 2.82% in 2024-25. **Table 3** and **Graph 3** illustrate these fluctuations.

Ease of Doing Business Rank: The ranking improved from 100 in 2017-18 to 63 in 2019-20, reflecting a better business environment. Data is not available for years after 2019-20, as the World Bank discontinued global rankings. This improvement is depicted in **Table 4**.

6. Conclusion

The Goods and Services Tax (GST), since its implementation in July 2017, has marked a fundamental transformation in India's taxation structure. Designed to replace a fragmented system of multiple indirect taxes, GST has succeeded in unifying the country into a single economic market. This study critically examined the multi-dimensional impacts of GST from 2017 to 2025 across fiscal, economic, sectoral, and administrative fronts using government data, economic reports, and academic insights.

As seen in **Table 1**, GST collections rose significantly from ₹7.40 lakh crore in 2017–18 to ₹20.18 lakh crore in 2023–24. This increase is a result of improved tax compliance, the widening of the tax base, and the introduction of digital tax filing mechanisms. The use of e-invoicing, online return filing, and the Goods and Services Tax Network (GSTN) has made the tax process more transparent and efficient, contributing to reduced revenue leakages.

The GDP trends analyzed in **Table 2** show the broader economic influence of GST. While the COVID-19 pandemic caused a sharp decline in GDP growth to –5.8% in 2020–21, the economy rebounded quickly in the following years, with a growth rate of 9.7% in 2021–22. GST played a supportive role in this recovery by simplifying interstate trade, lowering input costs through credit mechanisms, and enhancing operational efficiency, especially in the manufacturing and logistics sectors.

Inflation data from **Table 3** highlights the price impact of GST during this period. Initially, there were concerns about rising prices due to compliance costs and higher tax rates on certain goods. However, over time, inflation moderated from a high of 6.7% in 2021–22 to 2.82% in 2024–25. This downward trend indicates that GST has contributed to better price stability by removing the cascading effect of taxes and promoting supply chain efficiencies.

The reform has also improved India's business environment, as indicated by the Ease of Doing Business rankings in **Table 4**. Between 2017 and 2019, India's rank improved from 100 to 63, due in part to GST's simplification of tax procedures and uniformity in tax rates across states. Although global rankings were discontinued after 2020, the emphasis on improving business regulations at the state level has continued, keeping the reform momentum alive.

Despite these achievements, several challenges remain. Small and medium enterprises (SMEs) have faced difficulties in adapting to GST due to complex return filing processes, high compliance costs, and limited access to digital tools. The presence of multiple tax slabs continues to create confusion, particularly for businesses dealing in multiple product categories. Technical glitches, delays in refunds, and portal issues have also affected taxpayer experience, particularly during peak filing periods.

Sector-specific impacts also highlight GST's mixed outcomes. While large businesses have benefited from easier interstate trade and streamlined compliance, SMEs and unorganized sectors still require targeted policy support. Real estate, exports, and logistics have seen operational benefits due to reduced tax burdens and input credit availability. However, sectors like petroleum and alcohol remain outside the GST framework, limiting full integration.

This study contributes to the understanding of GST not just as a tax policy, but as a comprehensive reform influencing the broader economy. It provides evidence that GST has positively affected revenue generation, economic growth, inflation control, and business facilitation. However, it also points out that continuous refinement—such as rationalization of tax slabs, improved IT infrastructure, and greater support for SMEs—is essential for achieving the full potential of GST.

In conclusion, GST has indeed been a game-changer for India's taxation system. It has replaced a fragmented and inefficient tax structure with a more transparent, centralized, and digitized system. However, to sustain its positive impact and overcome its limitations, ongoing reforms are necessary. These should focus on simplifying compliance, expanding the tax base further, and ensuring that the benefits of GST reach businesses of all sizes. With sustained efforts, GST will continue to serve as a cornerstone of India's economic modernization in the years to come

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