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## A Contemporary Evaluation of India's Goods and Services Tax (GST)

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### Abstract

The implementation of the Goods and Services Tax (GST) on July 1, 2017, marked a transformative milestone in India's fiscal policy, fundamentally altering its indirect taxation system. This paper revisits the GST journey, from conceptualization to execution, analyzing its structural framework, fiscal performance, sectoral impact, and the ongoing adjustments as of mid-2025. Drawing from recent official statistics and economic assessments, this paper provides an evidence-based overview of GST's role in shaping India's economic architecture.

### Article Info

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### Keywords

Goods and Services Tax, Indian Taxation Reform, Indirect Tax, Economic Unification, GST Council, Fiscal Policy.

### Introduction

India's transition to the Goods and Services Tax represents one of the most significant tax reforms in the country's post-independence era. Designed to eliminate the inefficiencies of a multilayered indirect tax structure, GST amalgamated a spectrum of central and state taxes into a unified system. Its core objectives include reducing the cascading effect of taxes, fostering a single national market, improving compliance, and enhancing revenue transparency.

### Evolution and Policy Milestones

The discourse around tax reform in India dates back several decades, with a gradual progression leading up to GST's implementation:

- 1986: Introduction of MODVAT laid the foundation for value-added taxation.
- 1991: The Chelliah Committee on tax reforms proposed a shift toward a unified tax structure.
- 2000–2006: The Vajpayee-led administration formed a GST Task Force and facilitated states' adoption of VAT.
- 2011–2016: A series of constitutional amendments and consultations led to the formation of the GST Council.
- 2017: GST was formally rolled out across the nation on July 1.

### Framework of GST

India employs a dual GST model, distributing tax authority between the Centre and the States:

- Central GST (CGST): Levied by the Union Government on intra-state supplies.

- State GST (SGST) and Union Territory GST (UTGST): Levied by states or UTs on intra-state supplies.
- Integrated GST (IGST): Applied to inter-state supplies and imports, collected by the Centre and apportioned.

### Taxes replaced by GST

GST does not replace direct taxes such as income tax, capital gains tax, and securities transaction tax. These continue to be collected separately. GST is levied at different tax slabs:

0%, 5%, 12%, 18%, and 28%

Some items, such as petroleum products, alcoholic beverages, and electricity, are taxed separately by state governments.

### Tax Slabs (2025 update)

- 0% – Unprocessed food items, public healthcare services
- 5%, 12%, 18% – Common goods and services
- 28% – Luxury and sin goods (often with additional cess)
- Special rates – 0.25% on rough diamonds; 3% on gold and jewelry

### Thresholds and Compliance Schemes

Businesses with annual turnover up to ₹40 lakh (₹20 lakh for select northeastern states) are exempt. Under the Composition Scheme, businesses with turnover up to ₹1.5 crore can pay a nominal GST rate (ranging from 1% to 6%) with reduced compliance requirements.

### Economic Indicators and Fiscal Performance

As per the Ministry of Finance:

- Gross GST revenue for FY 2024–25 touched ₹22.08 lakh crore, reflecting a 9.5% year-on-year increase (Press Information Bureau, May 2025).
- Monthly average revenue stood at approximately ₹1.84 lakh crore.
- The GSTN (Goods and Services Tax Network) database now hosts over 1.5 crore active taxpayers (GSTN Annual Report, 2025).

The World Bank (2023) estimates that India's GDP growth received a 1.5–2% boost post-GST due to increased efficiency and formalization. Additionally, NITI Aayog's (2025) review noted a 15–20% decline in logistics costs, attributing the gain to the removal of inter-state check posts and standardization of tax rates.

### Key Benefits of GST

- **Unified Market Access:** GST has dismantled inter-state trade barriers, encouraging fluid commerce.
- **Input Tax Credit (ITC):** It eliminates the tax-on-tax effect by allowing credit for taxes paid on inputs.
- **Digitization:** E-filing, e-invoicing, and real-time data sharing through GSTN increase compliance.
- **SME Support:** Higher exemption thresholds and simplified schemes reduce the burden on small enterprises.
- **Improved Tax Compliance:** The system's inbuilt checks and digitized audit trails deter tax evasion.

**Table.1** Key GST Milestones

Year	Event Description
2000	GST Task Force formed
2004	Drafting of GST models by Empowered Committee
2011	GST Bill introduced in Parliament
2016	GST Council established; Amendment Bill passed
2017	Nationwide GST rollout

Source: GST Portal

### Challenges

Despite its benefits, certain hurdles persist:

- **Dual Administration:** The Centre–State tax division sometimes results in overlapping jurisdictional issues.

- **Sectoral Grievances:** Industries like textiles and hospitality have raised concerns over increased effective tax rates.

- **Digital Infrastructure Gaps:** Many micro and small businesses, especially in rural areas, struggle with digital tax systems.
- **Transition Pains:** Manufacturing-heavy states like Tamil Nadu and Gujarat initially experienced revenue losses, partially offset through compensation funds.

## Conclusion

In eight years since its launch, GST has evolved into a robust and transparent taxation mechanism, playing a crucial role in India's fiscal ecosystem. While administrative complexities and sector-specific challenges remain, the economic gains—from broader tax compliance to faster goods movement—demonstrate its potential as a cornerstone of modern public finance. As the GST Council continues to refine policy and adapt

slabs, India's tax system inches closer to global standards in simplicity and efficiency.

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