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Beyond Tax Reform: Evaluating the Socio-Economic Impact of GST on Relief, Equity, and Consumption in India

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Abstract

India's tax policy framework has a significant influence on the country's economic growth, business environment, and fiscal stability. GST, known as "Goods and Services Tax," is a comprehensive indirect tax that is levied on the manufacture, sale, and consumption of goods and services at the state and national levels. All the indirect taxes that are levied on goods and services by the Central Government and State Governments are merged into a single tax called GST. Now, it is the only indirect tax that directly affects all the sectors of the Indian economy. Before GST was introduced into the Indian taxation system, VAT was levied at different rates on goods. Despite the success of VAT, there are still certain limitations in its structure at both the central and state levels. To solve the issues untouched by vat, GST came into effect. In India, the GST was implemented from 1 July 2017. For this, the Constitution (One Hundred and Twenty Second Amendment) Bill, 2014 was Introduced in the Lok Sabha.

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This Study aims to understand the socio-economic impact of Goods and Services Tax in India, particularly in terms of tax relief, equity, and consumption patterns. Moreover, it analyzes the impact of GST on the Indian taxation system and economic structure, and the study is based on secondary data collected from government reports, research papers, and official publications.

Keywords: Goods and Services Tax, Indian Economy, Consumption, Tax Reforms, Tax Equity

Introduction

India is one of the world's biggest democratic countries that follows the federal tax system for the levy and collection of various taxes. Taxes play the role of a backbone in the economic development of a country. Tax policies in the economy have an impact on both efficiency and equity. A good tax system is viewed as the system that addresses the issues of income distribution, along with generating enough revenues to support government expenditures. (Adhana, 2015; Gupta, n.d.)

Before gaining independence, India had a highly complex and regressive taxation system that obstructed both domestic and foreign trade. To address the shortcomings, the Indian government has introduced the VAT system at the state level as an initial step to establish a transparent and competitive tax framework. This reform was expected to expand the tax base, improve tax buoyancy, and enhance the efficiency of India's indirect taxation system (Mukherjee 2015; Garg, Narwal, and Kumar 2023d). It transitioned the problematic sales tax system to VAT. The sales tax system was the primary source of revenue for the state governments of India, generating nearly 60% of government revenue receipts. (Garg et al., 2025) During 1960 -1990, global tax reforms aimed to reduce dependency on foreign trade taxes by introducing Value Added Tax (VAT), which simplifies income and corporate taxes in response to increasing global economic integration. (Garg et al., 2025)

The Value Added Tax (VAT) was considered to be a major improvement over the existing central excise duty at the national level and the sales tax system at the state level. However, this taxation system has several challenges, such as cascading tax effect, neglect of input tax credits, and a multiplicity of tax rates. These challenges are obstacles in business operations for dealers and increase the costs of legal compliance, failing to improve the revenue performance. Furthermore, it imposes additional levies such as entry taxes, surcharges, luxury taxes, and entertainment taxes that complicate the sales tax framework, making it more burdensome. There have been several instances at the international level where VAT regimes prove to be a failure and are consequently withdrawn by the government (Murty 1995; Purohit 2001; Mukherjee 2015; Mohanty, Kumar, and Patra 2017; Khoja and Khan 2020; Garg, Narwal, and Kumar 2023a)

The government failed to implement a harmonized VAT system at the state level due to two significant challenges: The prolonged opposition shown by Indian states and the constitutional framework of having a federal system of government. In 2017, after years of debate, the union government introduced a harmonized goods and services tax. (Naseer A. Khan2, n.d.)

Seeking inspiration from other countries, the Indian Government proposed the ideology of ‘one nation one tax’. The GST bill has merged more than ten types of indirect taxes into a single tax, which is collected at one place for both the state and central government. In India’s economic history, this tax reform is regarded as a landmark moment, which has impacted businesses, consumers, and government revenue since the economic liberalisation of 1991.(Dandona & Gupta, 2024; Dr. V. Lekha Prasath, 2026)

The implementation of the GST results in extensive collaboration between the central and state governments, which aims to create a more transparent, efficient, and uniform tax structure. It was expected that GST will bring about 2% incremental GDP growth of the country.(*PDF*, n.d.-a)

However, pricing imbalances, burden of legal compliance, and Inequitable distribution of tax burden resulted from the original GST framework's (GST 1.0) due to several GST slabs and classifications. In response to these challenges, the government revised the tax structure and introduced GST 2.0 in 2025, which rationalised tax rates and reclassified hundreds of goods.(Vipanshi Agarwal, 2025) This study therefore, assesses how GST 2.0 has affected the socio-economic factors, particularly in terms of tax relief, equity, and consumption patterns

Evolution of GST – Timeline

The process to implement Goods and Services Tax in India began during the period of Shri Atal Bihari Vajpayee's government, almost two decades before its actual implementation in 2017. (Dr. V. Lekha Prasath, 2026) The following timeline traces the major milestones in the evolution of GST:

YEAR	PROCESS
2000	For the first time, in the Atal Bihari Vajpayee Government, the idea of GST was suggested.
2004	A task force led by Shri Vijay L. Kelkar observed that existing tax structure had several problems, which could be reduced or resolved through the introduction of GST.
February 2005	The then Finance Minister Shri.P. Chidambaram highlights GST in the budget session for the financial year 2005 – 2006
2006	It was announced that the Goods and Service Tax would be implemented from 1st April, 2010
2009	Then President Shri. Pranab Mukherjee announced the basic structure of GST
2010	The implementation of GST was delayed for one year

2011	The Constitution (115th Amendment) Bill focused on the introduction of GST but the dissatisfaction expressed by opposition leaders over the Bill, and hence, the Bill was forwarded to the Standing Committee.
November 2012	Shri.P. Chidambaram along with the finance ministers of all the states hold meetings and set the deadline for the resolution of issues by 31st December, 2012
August 2013	After detailed examination, the Standing Committee of the Parliament, submitted a final report
May 2014	The deadline for the 115th Amendment Bill expired.
December 2014	In 2014, the new Finance Minister, Shri. Arun Jaitley introduced the 122nd Constitutional Amendment Bill to implement GST in India. The opposition insisted that the Bill be sent to the Standing Committee for discussion.
February 2015	The finance minister announced that Goods and Service Tax would be implemented on the 1st of April, 2016
May 2015	122nd Amendment Bill was passed in the Lok Sabha
August 2015	Rajya Sabha did not pass the Bill.
March 2016	Shri. Arun Jaitley accepted the Congress's demand that the GST rate should not exceed 18%. but the demand by Congress to fix the GST rate at 18% was rejected on the grounds of future emergencies might require changes in tax rates.
June 2016	The draft model law on GST was released by The Ministry of Finance to the public for seeking clarifications and suggestions
August 2016	Rajya Sabha passed the Bill

September 2016	President Shri. Pranab Mukherjee gave his approval to the Bill, and Assam became the 1st state to officially endorse the Bill
2017	Four Bills related to GST became Acts: The Central GST Bill, the Integrated GST Bill, the Union Territory GST Bill, and the GST (Compensation to States) Bill.
1st July 2017	The GST Bill was announced to be applicable from 1st July 2017. The GST Council finalised the GST Rates, GST Rules, and the GST Bill.
September 2025	Introduction of a new simplified two-slab structure (GST 2.0) of 5% and 18%, replacing the previous 4-tier structure

Source: GST Council press releases and Press Information Bureau Factsheet (PIB, Government of India).

Table 1: Evolution of GST

Literature Review

Since the implementation of GST in 2017, Many researchers studied its impact on Indian economy in terms of equity, relief and consumption patterns. This section reviews the studies related to the socio-economic impact of GST.

(Dr. V. Lekha Prasath, 2026) observed the impact of GST reform on the common man and the Indian economy. By replacing the cascading effect of indirect taxes with a unified tax structure, GST improved transparency, compliance, and trade efficiency. The 2025 reform of GST enhanced the affordability of essentials and strengthened growth. However, challenges such as compliance burden, technological hurdles, and complex slabs continue to affect its full effectiveness.

(Vipanshi Agarwal, 2025) evaluates the impact of GST 2.0 on India's FMCG sector. The study revolves around consumer welfare and taxes paid by them. The revised GST rate structure increases the affordability for necessity-based consumption baskets, enhancing equity and purchasing power. The study found that GST 2.0 can strengthen consumption-led growth.

(Naik et al., 2025) highlights the two-slab GST 2.0 framework, which represents a balanced reform aimed at improving efficiency, equity, and simplification in India's tax system. By reducing multiple tax slabs to two core rates, this structure is expected to lower compliance costs, minimize classification disputes, and enhance the affordability of essential goods. They reported that GST 2.0 can strengthen transparency, inclusivity, and long-term economic stability.

The Indian Express, in discussion with policy experts on GST 2.0, which was introduced in September 2025. The goal of GST 2.0 is to reduce the number of tax slabs. Instead of having four different tax rates, the new structure moved towards fewer and simpler rates. Essential goods are taxed less. Luxury goods are taxed more. This makes the system fairer and easier to understand. It aims to increase the purchasing power of lower-income families by reducing the cost of everyday items

(Garg et al., 2025) examines the impact of revenue generated from GST on India's economic growth using data from 2017–2024. The findings reveal that GST revenue and FDI have a positive influence on growth in both the short and long run.

(Dandona & Gupta, 2024) surveyed consumers and asked what they thought about GST and how it impacted their life. Most people had a positive view of GST. They see the system as more organized and transparent than the previous taxation system. Besides this, one big problem kept coming up in their research. People were confused about the different tax slabs. They concluded that while GST was a good idea, it still needs communication and simplification.

The National Council of Applied Economic Research found in their study about GST that its implementation could help India's economy grow by 0.9% to 1.7% extra every year.

By replacing the old rigid tax system with a simplified one. They also state in their report that Indian exports could increase by 3.2% to 6.3%, which means Indian businesses sell more goods to other countries. As more & more businesses would start paying taxes, more revenue for the government to spend on public services.

(Garg, Narwal, and Kumar, 2023) demonstrated how GST changed the process of tax collection. They observed that GST had made a big positive difference in India. As now, everything moved online and businesses could claim back the tax they already paid on raw materials. On the contrary, they noted that small and medium businesses struggled a lot in the beginning. The new system of taxation was complicated for them. They had to learn new software, file returns online, and maintain detailed records. This was expensive and time consuming, especially for shop owners and small manufacturers who were not used to digital systems.

(Satyajit Mallick & Rashmi Tanwar, 2023) showcased GST as a major indirect tax reform introduced in India to replace multiple taxes and reduce corruption and cascading effects. Further, study reveals the mixed impacts of GST on the common man, with short-term inflation but long-term transparency and revenue growth.

(A. K. Yadav & Kumar, 2018) studied whether GST was fair to everyone, especially people who belong to the lower-income group. They highlighted that exempting essential goods and services from being taxed is beneficial. Things like basic food items, healthcare, and education were either fully exempted or taxed at very low rates. This was important because poor families spend most of their income on these basic things. By not taxing them heavily, the government made sure that GST did not become an extra burden on people who could least afford it.

(Mohanty et al., 2017) observed the countries around the world where VAT systems had failed. They suggested that having too many different tax rates and complicated rules could slowly damage the benefits of GST. If the policy makers do not keep the tax system simple, the same problems that existed before GST could come back.

(Adhana, 2015) explains the concept, evolution, and structure of GST in India, showcasing its dual model (CGST, SGST, IGST) and Input Tax Credit mechanism. It discusses the replacement of multiple indirect taxes and the removal of cascading effects. The study examines expected economic benefits, implementation challenges, and political developments.

(*PDF*, n.d.-b) reported that before the implementation of GST, India had a taxation system called VAT. While VAT has its own advantages, it still has many problems that businesses faced such as different tax rules in different states, which ultimately increase the cost. Moving goods from one state to another was complicated and expensive. Mukherjee emphasized the need for GST as it would solve these problems by creating a single tax system for the whole country. This would make it easier for businesses to operate and would bring down the cost of moving goods across nation.

In conclusion, one clear picture emerges that GST has significantly improved India's tax system. It has made tax collection easier, brought more businesses into the economy, and reduced the burden of multiple taxes. Overall, the previous studies provide valuable insights into the economic and distributive effects of the Goods and Services Tax; however, findings remain inconclusive regarding its combined impact on relief, equity, and consumption. This gap justifies the need for further empirical investigation.

Research Gap

Although many studies have examined the Goods and Services Tax in terms of revenue growth, tax administration, and overall impact on the economy(Bhattarai, n.d.; Dandona & Gupta, 2024; Rajamani & Jayakodi, 2018; Satyajit Mallick & Rashmi Tanwar, 2023; Sharma & Sharma, 2023; A. Yadav, n.d.)Very few empirical studies have been done to look at its effects in a combined and holistic manner(Garg et al., 2025). Recent discussions on GST 2.0 mainly focus on the rationalisation of rates and simplification of tax slabs. However, limited research clearly evaluates the structural changes that affect tax relief, equity, and household consumption simultaneously(Dr. V. Lekha Prasath, 2026; Naik et al., 2025). Most existing studies analyze these aspects separately, without understanding their interconnected impact on different income groups(Vipanshi Agarwal, 2025; A. Yadav, n.d.). Therefore, there is a need for a comprehensive socio-economic assessment of GST 2.0. The present study attempts to examine relief, fairness, and consumption patterns in an integrated framework.

Objectives of The Study

The present study has been conducted to understand the socio-economic impact of the Goods and Services Tax (GST) in India. The study aims to address the following objectives:

1. To examine the impact of Goods and Services Tax (GST) on the Indian taxation system.
2. To analyze the role of GST in providing tax relief and promoting tax equity.
3. To study the influence of GST on consumption patterns.

Research Methodology

The present study adopts a descriptive and analytical research design to examine the socio-economic impact of the Goods and Services Tax (GST) reforms in India. The descriptive approach has been used to systematically analyze policy developments, structural changes, and fiscal outcomes associated with the implementation of GST.

The study is primarily based on secondary data collected from official sources, including reports of the Government of India, GST Council publications, Reserve Bank of India (RBI) reports, Union Budget documents (2017–2026), Ministry of Finance publications, research articles, and policy analyses. The study covers the period from 2017 to 2025, covering the initial implementation of GST (GST 1.0) and the subsequent structural rationalization under GST 2.0.

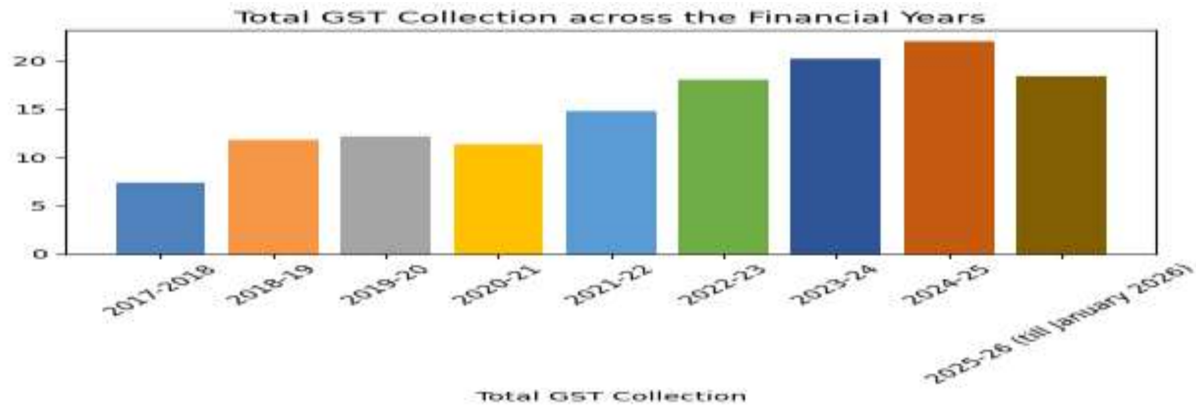
Pre- and post-reform developments are examined using comparative analysis and trend analysis. Changes in revenue performance, tax base expansion, slab restructuring, and consumption trends are analysed through year-wise data evaluation.

However, the study is limited by its reliance on secondary data and does not incorporate primary survey-based empirical testing. Therefore, findings are interpretative in nature and based on available macro-level evidence.

Analysis and Discussion

Impact of GST on The Indian Taxation System

GST has impacted the overall Indian taxation system. It improves the country's GDP ratio, and to a certain extent, it also controls inflation. The implemented rates of GST provide great tax increments to the government. (Shokeen et al., 2017) The most important effect that can be seen with the introduction of GST was that it eradicated the tax-on-tax system and the cascading effect; as a result, this expanded the tax base by encouraging greater business participation in the economy. Since the introduction of GST, the number of registered taxpayers has increased at a high pace, from approximately 66.5 lakh in 2017 to over 1.51 crore by April 2025. The revisions are made time to time in GST, such as enhancing the compliance procedure and introducing a technology-driven GST framework, which led to a consistent rise in government revenue. For instance, In April 2025, a hit record was made with the gross GST collections of around Rs. 2.37 lakh crore, which demonstrates strong economic activity. (Dr. V. Lekha Prasath, 2026) The digital system, which includes online registration, e-filing of return and the e-way bill system, has reduced evasion of taxes and brought transparency.



Source: Press Information Bureau (Government of India)

Figure 1: Total GST Collection across the Financial Years 2017-18 to 2025-2026(till January 2026)

GST simplifies India's tax structure by replacing all previous indirect taxes. According to a report published by the National Council of Applied Economic Research, GST has led to an increase in economic growth by 0.9 per cent to 1.7 per cent. Exports are increasing by 3.2 per cent to 6.3 per cent, while imports are also rising, likely by 2.4-4.7 per cent, the study found.(Gupta, n.d.)

GST and Tax Relief

GST offers long-term welfare benefits to taxpayers. It increases the real disposable income of the taxpayer by reducing taxes on necessities. With the merger of a large number of Central and State taxes into a single tax system, the burden on producers has reduced, as the incidence of tax is now shared by all stakeholders.(*PDF*, n.d.-a) With development in the fields of employment, education, and infrastructure, along with growing incomes, and an increasing number of organised retail and digital platforms, rural markets have seen to be growing more rapidly than urban ones. GST 2.0 aims to further strengthen this trend by reducing the tax burden on necessary goods by making staples more affordable and accessible. Food items, such as bread, buttermilk, milk, fresh fruits and vegetables, etc., are exempted under GST, hence ensuring to contribute towards zero hunger. Now, GST 2.0 is viewed as a means to boost affordable household welfare. A typical rural household on a purchase of essential goods could see monthly savings of about 5%, which increases their purchasing power and real income to spend on other needs too. This increases the volume of consumption, thereby stimulating the FMCG sector's growth. In this way, GST 2.0 supports consumption-driven economic growth by bridging the gap in spending between urban and rural areas. (Vipanshi Agarwal, 2025)

In addition, increasing economic activity leads to higher growth rates and new employment opportunities, that benefits the urban poor directly. Besides this, the services that contribute to basic survival needs, such as the health sector and education sector services. They are also exempt from being taxed under the GST framework. In order to make these services affordable to the poor. Thus, GST reduces the tax burden by lowering the prices of goods consumed and providing tax relief on necessary goods of daily consumption. (A. K. Yadav & Kumar, 2018)

ITEM CATEGORY	**PREVIOUS GST**	**NEW GST**
Ultra-High Temperature (UHT) milk	5%	0%
Pre-packaged & labelled chena/paneer	5%	0%
Pizza bread, khakhra, chapati/roti	5%	0%
Paratha, parotta	18%	0%
Tender coconut water (pre-packaged and labelled)	12%	5%
Drinking Water (20 litre bottles)	12%	5%
Condensed milk, cheese	12%	5%
Jams, jellies, marmalades, purees, nut pastes	12%	5%
Preserved vegetables and pickles	12%	5%
Fruit & vegetable juices/drinks (fruit pulp juices, nut juices, vegetable juice)	12%	5%

Beverages containing milk, soya milk	12%	5%
Ice cream and edible ice	18%	5%
Plant-based milk drinks	18%	5%
Soups and broths	18%	5%
Soaps for washing/detergents (select categories)	18%	18%

Source: The Economic Times, 2024; The Times of India, 2024; Goods and Services Tax Council, 2025; ClearTax, 2024; Finvest, 2024

Table 2: GST Rationalisation for Everyday Food Item

GST and Tax Equity & Transparency

GST Equity is not merely just a principle; it is a structured design and a goal to ensure equity among taxpayers. The principle of tax equity assures that those who consume more commodities or consume luxury should contribute more to the economy by paying more tax, while essential consumption should be protected. By moving everyday food items into the lower slab and luxury products in higher slab, the government aims to provide relief to households and growth opportunities for industries, while simultaneously ensuring equity in the GST policy framework.

Transparency has been one of the quiet but powerful reforms that GST brought along with it. Before GST, the layered system of central and state taxes made it genuinely difficult for an ordinary business owner — let alone a consumer — to understand exactly how much tax was embedded in the price of any product. GST changed this by creating a unified, digitally-driven system where every invoice is recorded, every credit is matched, and every transaction leaves a trail.

The introduction of the GSTN portal meant that filing returns, claiming input tax credits, and tracking compliance all happened in one visible, auditable space. For the government, this meant better data and fewer opportunities for tax leakage. For businesses, it meant that the rules, rates, and obligations were at least knowable and consistent across state borders. And for consumers, the single tax line on a bill — however imperfect the system still is in practice — represented a more honest picture of what they were actually paying. Transparency in GST is still a work in progress, with challenges like fake invoicing and return-filing gaps remaining real concerns, but the foundational shift toward a system where transactions are visible and accountable marks a significant step forward in building a more honest tax culture in India.

The technology advancement in the GST reforms brings online registration and a digital invoicing system, have supress the tax evasion practices and increased accountability of taxpayers. This has helped in fostering a more equitable and competitive market environment, which ensures that inflation that arises because of tax evasion will not target rational consumers. GST has simplified the tax system and made pricing more stable and transparent for consumers. (Sharma & Sharma, 2023)

The Input Tax Credit (ITC) mechanism allows businesses to reduce their output tax liability by the amount of tax that is already paid by the taxpayer on their inward supplies. The main aim is to eliminate the tax-on-tax or cascading effect, ensuring that a taxpayer only pays tax on the value that adds to the supply chain. It allows service providers to set off their tax to be paid on inputs against their final tax liability, thereby reducing the overall tax burden and bringing transparency. If a service provider pays tax on input goods or services, then they are allowed to deduct that amount from the final tax they owe on the services they provide. (Dr. V. Lekha Prasath, 2026)

Illustration: A manufacturer buys raw material for Rs.30,000 and pays Rs.1,500 in GST. The manufacturer sells the finished product for Rs.35,000 and collects Rs.1,750 in GST from the customer. The manufacturer can use the Rs.1,500 (input tax) to offset the Rs.1,750 (output tax). Thus, the net tax payable to the government is Rs.250.

GST and Consumption Patterns

Ramkumar and Chitra (2021) conducted a quantitative study to analyze how GST affected consumption patterns. It was revealed from the study that the relationship between GST and Consumption is significantly positive. Ramkumar and Chitra (2021) summarized the survey-based studies that show that generally, consumers have a positive attitude towards GST as a simplified tool. Moreover, many report shows the confusion about tax slab structures, tax incidence, and the actual impact of changed prices of necessary goods.(Vipanshi Agarwal, 2025)

Holistically, this tax reform shows a clear consumer-centric approach, basic survival commodities are exempted from being taxed, Staples are made affordable, and even Luxury goods have been made more affordable to expand their market reach.

The revision of GST reform: the GST 2.0 (2025). Strengthen the Consumption patterns, Indian Express (The Indian Express), and policy experts describe GST 2.0 as a “rate rationalisation” move to blend the earlier tax structure of 5%, 12% 18% and 28% into 5% for essential goods, 18% for standard goods, and 40% for luxury goods. Every day commodities such as processed food, medicines, toiletries, and basic personal care products have been shifted from the 12-18% slab into the lower slab of 5%, while luxury products are now subject to a price hike of 40% rate.

GST 2.0 is an attempt to boost consumption while maintaining fiscal stability by increasing taxes on harmful goods. This reform is expected to increase disposable income with households, specifically lower and middle-income consumers whose expenditure is largely on necessities. and to stimulate demand in sectors like FMCG, autos, electronics, and construction. Alongside, aggressively high taxation on harmful goods is subject to lower consumption of harmful products and simultaneously recovers the revenue losses on essentials.(Vipanshi Agarwal, 2025)

In a budget constraint economy like India, the Taxation policies and framework influence the economic conditions of a country. Changes in tax policy also change the tax structure in the economy, and India witnessed these changes at both levels of government. This analysis is primarily concerned with tax structure and its subsequent effects on the economy. The adequate tax structure provides a revenue-neutral tax policy so that both the exchequer and the taxpayer are harmonized.(Dr Kiran Kumar et al., 2025) The revenue-sharing model of GST is designed to maintain a balance between the central and state governments, ensuring the cooperative federal setup of government (Kir, 2021). As a consumption-based tax, also called destination-based tax, GST ensures that revenues are collected where goods and services are consumed, which promotes fairness and equity in the distribution of resources among states and the centre.

Findings of The Study

1. Structural Transformation of The Indirect Tax System

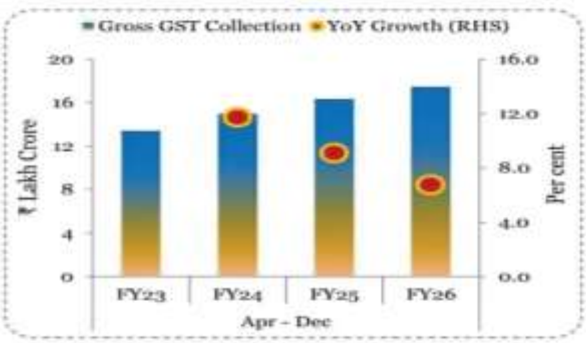
The implementation of GST has significantly transformed India's old, rigid indirect tax regime into a simplified and unified national tax framework. The removal of the cascading effect of taxes and integration of dual central and state levies enhanced tax efficiency(Dr. V. Lekha Prasath, 2026). This structural change in Tax reform improves the government revenue, along with reducing prices; both parties are harmonized.

Source: Union Budget Document, Published by the Ministry of Finance, Government of India

Figure 2: GST 2.0 Reforms and Impact

2. **Expansion of The Tax Base and Formalization**

The study finds an increase in the number of registered taxpayers after the introduction of GST.



Source: Union Budget Document, Published by the Ministry of Finance, Government of India

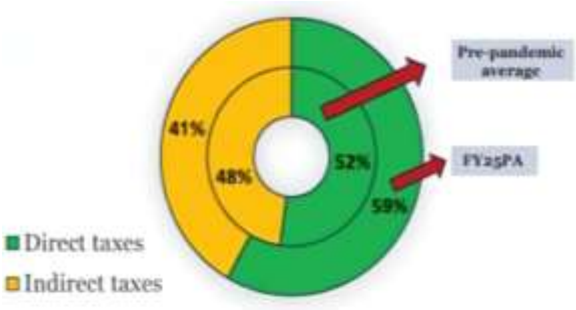
Figure 3: Tax Buoyancy in India during 1981-82 to 2018-19

Figure 4: Gross Collection of GST from 2023 to 2026

This indicates that the number of taxpayers has significantly increased over the years, which led to more revenue generation for the government and thereby increased the tax base. The digital integration in the GST reform has reduced the paperwork, and the process to comply with tax obligations has become much easier than before. The technology-driven framework (online returns, e-way bills, and ITC matching) has strengthened revenue monitoring and reduced tax evasion.(Satyajit Mallick & Rashmi Tanwar, 2023; Udai et al., 2019)

3. **Improvement in Revenue Performance**

GST collections have shown a consistent upward trend over the years, which demonstrates that the compliance procedure is easy and accessible to the taxpayer, leading to an increase in government revenue. Revenue receipts of the government have significantly increased after the implementation of GST(Naseer A. Khan2, n.d.). This steady rise in tax collection reflects improved compliance, enhanced transparency, and greater efficiency in the indirect tax system.



Source: Union Budget Document, Published by the Ministry of Finance, Government of India

Figure 5: Share of Indirect Taxes in Gross Tax Revenue

Figure 6: Revenue Performance after GST Implementation

This suggests that GST has strengthened fiscal capacity without significantly increasing the direct tax burden.

4. **Tax Relief on Essential Goods**

The relief and lower tax slabs for the commodities that are necessary for survival, such as food items, healthcare, and education services, have resulted in increasing the real disposable income of taxpayers. Moreover, the rationalization of GST 2.0's rate enhances the affordability of daily consumption goods.(Dr. V. Lekha Prasath, 2026; Vipanshi Agarwal, 2025)

5. **Strengthening of Tax Equity**

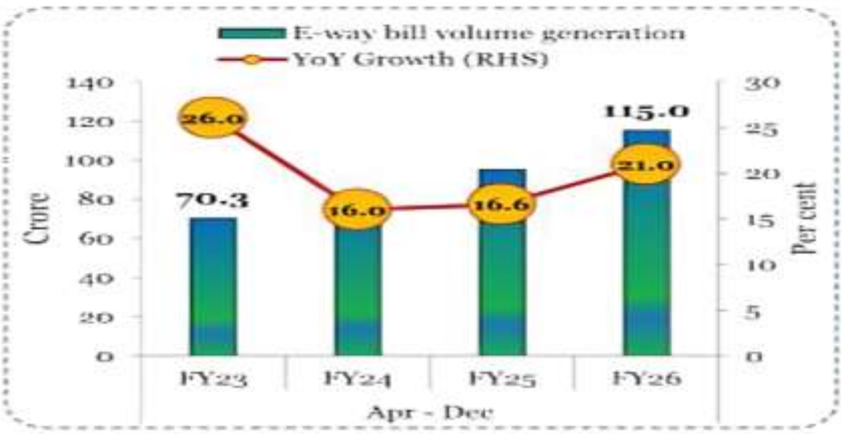
The new two-slab structure promotes the principle of equity as the essential goods, such as Food items and health care services, are taxed at a lower or zero rate. Standard goods are taxed at a moderate tax rate of 5% to 18%. Further, Demerit or Sin goods are taxed at a higher tax rate of 40%. (Vipanshi Agarwal, 2025)This design supports equitable tax contribution based on consumption capacity.

6. **Impact on Consumption Patterns**

The study shows that GST has had a significant positive influence on consumption behaviour, particularly in the FMCG sector. GST 2.0 leads to an increase in demand as tax rates are reduced, and on the contrary, it shows a decline in the consumption of harmful commodities due to higher tax rates.(Naik et al., 2025; Vipanshi Agarwal, 2025)

7. **Transparency and Digital Governance**

GST has improved transparency with the integration of the technology-driven framework through the Invoice matching system, Input Tax Credit mechanism, and Digital compliance procedure. It allows the government to track transactions more effectively and maintain better control over revenue collection.(Dr Kiran Kumar et al., 2025; A. K. Yadav & Kumar, 2018)



Source: Union Budget Document, Published by the Ministry of Finance, Government of India

Figure 7: Expansion of E-Way Bill Transactions

This has increased the accountability of taxpayers and reduced practices that lead to tax evasion.

Persistent Challenges

GST, despite having positive impacts on the economy, has certain challenges that remain a hindrance to the smooth flow:

Filing of GST involves several technical steps, which lead to high compliance costs for small and medium enterprises. Frequent technical glitches on the portal make it difficult for small and medium enterprises to complete the GST compliance procedure.

The multi-tax slab system of GST makes the filing of tax complex. As the taxpayer will face difficulty in understanding and classifying the tax slabs, according to the government's regulations.

India adopted a dual GST Concept due to its constitutional framework of federal setups of government taxes are charged at both the state and central levels. Thus, the Business Enterprises that are running in multiple states have registered separately in each state for GST compliance. These multiple registrations may add administrative burden and increase the compliance cost for GST.

The successful implementation of GST heavily relies on a robust technological framework, but the lack of technological familiarity among businesses and disparities in technological adoption in rural areas obstruct the smooth functioning of the GST network

Thus, while GST has enhanced efficiency and equity, continuous structural refinements are required.

Policy Implications and Recommendations

The findings of the study indicate that the Goods and Services Tax (GST) has significantly improved transparency in the taxation system and expanded the tax base in India. However, some policy challenges remain. One major concern is the possible revenue loss that may arise due to rate rationalisation and exemptions on several goods. This may create financial pressure for both the central and state governments. Therefore, continuous review of tax rates and exemptions is necessary to maintain a balance between revenue generation and consumer welfare.

Further, a clear classification of goods and services is important to minimize confusion related to tax slab rates. The clear tax rates make it easier for businesses to comply with the tax system. The Input Tax Credit (ITC) mechanism needs to be more strengthened so as to ensure a smooth flow of tax credit and to reduce the cascading effects of tax.

The government should also focus on improving digital tax administration. Particularly, better use of technology and data systems within the GST Network (GSTN). This will lead to an increase in tax compliance and reduce tax evasion. Besides this, the GST Appellate Tribunal (GSTAT) will have to be fully functional in all the states so that it can help in resolving tax disputes more quickly and improve taxpayer confidence.

Finally, special attention is needed for Micro, Small, and Medium Enterprises (MSMEs) by providing simplified compliance procedures and policy support so that small businesses can adapt to the GST reforms more easily.

Conclusion

Before GST, India had a very complicated tax system. Multiple taxes were charged at different stages before it reached the customer. This complicated the process and increased the cost of the product.

To solve this problem and strengthen the taxation system, all indirect taxes were merged into a single, unified and simplified tax system, GST. Which means buying goods or services anywhere across the country applies the same tax rule. This made things simpler and fairer for everyone.

One of the biggest benefits of GST was the removal of the cascading effects of taxes. Before this, tax on tax was charged, which increased the prices unnecessarily. GST eliminated this problem. Businesses now pay tax only on the value they add. This keeps costs under control. A taxpayer can also claim back the tax credit if the tax is paid multiple times, which reduces the tax burden and provides relief.

With the inception of GST, It is seen that the number of businesses officially registered has increased at a high rate. Small traders and shops that previously operated outside the system now register themselves. This expanded the tax base and thereby generated more revenue for the government. More people paying taxes means more revenue and, thereby, more expenditure on public services like roads, schools, and hospitals.

With the integration of digital technology in GST, from filing returns to claiming refunds, everything happens online. This reduces paperwork, and also the scope to hide transactions or evade taxes has been significantly reduced. The system becomes more transparent and accountable, but on the contrary side, the technological framework makes the procedure to file a tax complex, and it increases the cost of compliance.

The GST framework promotes equity by lowering the tax rate on. Essential items like food, medicines, and healthcare, and moreover, exempting the tax levied on the commodities that are necessary for basic survival. This led to an increase in the income of poor and middle-class families.

GST reforms were revised in September 2025. Now, the new GST reform is GST2.0, which aims to make the system even better. One of the main goals is to simplify the tax slabs. Previously, goods fell into multiple rate categories. This creates confusion. Reducing the number of slabs will simplify things and make it easier to understand.

GST 2.0 promotes fairness by lowering taxes on essential goods and charging high taxes on luxury items. This ensures that those who can afford more contribute more to the economy.

However, challenges remain. Compliance needs to become simpler, especially for small businesses. Tax evasion must be tackled more effectively. Policies must keep changing with economic realities.

Despite these challenges, GST has laid a strong foundation. It has made India's tax system more modern, more efficient, and more just. In the taxation history of India since the economic liberalisation of 1991, India sees the hike in the GDP.

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