

A Comparative Study of Pre-GST and Post-GST Taxation System on Trade and Commerce in Rajasthan with Special Reference to Alwar District

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Abstract

The implementation of the Goods and Services Tax (GST) on 1 July 2017 brought a significant transformation to India's indirect taxation system. Before GST, businesses had to comply with numerous central and state taxes, creating a complex and fragmented tax structure. GST introduced the concept of "One Nation, One Tax" by replacing multiple indirect taxes with a unified tax system. This study compares the pre-GST and post-GST taxation systems and examines their impact on trade and commerce in Rajasthan, with special reference to Alwar district. The research highlights the advantages and challenges experienced by traders, manufacturers, wholesalers, and service providers after the implementation of GST. The study is descriptive in nature and is based on secondary data collected from government reports, research journals, GST Council publications, and published literature. The findings indicate that while GST initially created compliance-related challenges for businesses, it has significantly improved tax transparency, interstate trade, supply chain efficiency, and revenue collection in the long run. The paper concludes that GST has contributed positively to the formalization and modernization of trade in Alwar district despite certain operational difficulties.

Keywords: GST, Indirect Taxation, Trade, Commerce, Rajasthan, Alwar District, Tax Reform.

Introduction

Taxation forms the backbone of every nation's public finance system. It enables governments to generate revenue for infrastructure development, social welfare, education, healthcare, and public services. Prior to the introduction of the Goods and Services Tax (GST), India's indirect taxation system consisted of numerous taxes imposed by both the Central and State Governments. Businesses were required to comply with taxes such as Central Excise Duty, Service Tax, Value Added Tax (VAT), Entry Tax, Luxury Tax, Purchase Tax, Entertainment Tax, and Octroi. The existence of multiple taxes often resulted in tax cascading, higher compliance costs, and barriers to interstate trade.

Recognizing these challenges, the Government of India introduced GST on 1 July 2017 as a comprehensive indirect tax reform. GST consolidated most indirect taxes into a single taxation framework applicable across the country. The reform aimed to simplify tax administration, eliminate double taxation, increase transparency, and establish a unified national market.

Rajasthan is one of India's important industrial and commercial states, while Alwar district has emerged as a rapidly developing industrial centre due to its strategic location within the National Capital Region (NCR). Industrial areas such as Bhiwadi, Neemrana, Khushkhera, and Tapukara have experienced rapid economic growth through manufacturing, logistics, automobile components, pharmaceuticals, engineering goods, textiles, and service industries. Therefore, studying the impact of GST on trade and commerce in Alwar district provides valuable insights into the effectiveness of this major tax reform.

Objectives of the Study

The study has the following objectives:

- To compare the taxation system before and after the implementation of GST.
- To examine the impact of GST on trade and commercial activities in Alwar district.
- To identify the advantages and challenges experienced by businesses under GST.
- To analyse the effect of GST on business operations, tax compliance, and revenue collection.
- To provide recommendations for improving GST implementation.

Research Methodology

The present research is descriptive and comparative in nature. It relies on secondary sources of information, including reports of the Ministry of Finance, GST Council publications, Government of Rajasthan documents, RBI reports, research articles, books, and academic journals. The comparative analysis focuses on the differences between the pre-GST and post-GST taxation systems and their implications for trade and commerce in Alwar district.

Pre-GST Taxation System

Before the introduction of GST, India's indirect tax structure was highly fragmented. Different taxes were imposed by the Central and State Governments independently, requiring businesses to comply with multiple tax laws.

The major taxes before GST included:

- Central Excise Duty
- Service Tax
- Value Added Tax (VAT)
- Central Sales Tax (CST)
- Entry Tax
- Luxury Tax
- Entertainment Tax
- Purchase Tax
- Octroi

Each state had its own VAT rates, documentation procedures, and compliance requirements. Businesses engaged in interstate trade often encountered delays at state borders because of entry taxes and inspection procedures. The absence of seamless input tax credit resulted in cascading taxation, where taxes were levied on previously taxed goods and services, increasing the final cost of products.

Major Limitations of the Pre-GST System

- Multiple indirect taxes increased administrative complexity.
- Cascading effect of taxation raised production costs.
- Interstate movement of goods involved delays and additional expenses.
- Different tax rates across states created market distortions.
- High compliance costs affected small businesses.
- Tax evasion opportunities were relatively higher due to fragmented administration.

These issues reduced business efficiency and affected the competitiveness of Indian industries.

Post-GST Taxation System

GST replaced most indirect taxes with a comprehensive tax structure consisting of Central GST (CGST), State GST (SGST), and Integrated GST (IGST). The reform introduced a destination-based tax system where tax revenue is collected in the state where goods or services are consumed rather than where they are produced.

The GST framework provides seamless Input Tax Credit (ITC), enabling businesses to claim credit for taxes paid on purchases. This mechanism reduces cascading taxation and lowers the overall tax burden.

Major Features of GST

- Unified indirect taxation system.
- Elimination of multiple indirect taxes.
- Online registration, return filing, and tax payment.
- Seamless Input Tax Credit.
- Uniform tax rates across states.
- Greater transparency and accountability.
- Simplified interstate trade.

The implementation of GST has promoted digitalization and encouraged businesses to adopt modern accounting and compliance practices.

Comparative Analysis of Pre-GST and Post-GST Taxation

Basis	Pre-GST System	Post-GST System
Tax Structure	Multiple taxes	Single integrated tax framework
Tax Credit	Limited availability	Seamless Input Tax Credit
Compliance	Different laws and authorities	Unified online compliance system
Interstate Trade	Entry taxes and border delays	Free movement of goods
Documentation	Extensive paperwork	Digital documentation
Tax Transparency	Comparatively low	High transparency
Cost of Compliance	Higher	Moderate after initial adaptation
Business Efficiency	Lower	Improved efficiency

The comparison demonstrates that GST has simplified tax administration and enhanced operational efficiency despite initial implementation challenges.

Impact of GST on Trade and Commerce in Alwar District

Positive Impact

Improvement in Business Environment

GST has simplified tax procedures for traders operating in Alwar. Businesses no longer need to comply with multiple indirect tax laws, reducing administrative burdens.

Growth in Interstate Trade

Alwar's industrial units regularly supply products to Delhi, Haryana, Uttar Pradesh, and other states. The removal of interstate tax barriers has reduced transportation delays and logistics costs.

Better Supply Chain Management

The elimination of state-level entry taxes has improved inventory management and distribution efficiency. Manufacturing units in Bhiwadi and Neemrana now operate with greater supply chain flexibility.

Increased Tax Transparency

Digital invoicing and online return filing have strengthened transparency and reduced opportunities for tax evasion. Businesses maintain better financial records under GST.

Formalization of Business

GST has encouraged many unregistered businesses to become part of the formal economy. This has expanded the tax base and improved government revenue.

Negative Impact

Compliance Burden

Initially, traders faced difficulties in understanding GST provisions, filing returns, and maintaining digital records.

Technology Dependence

Small businesses lacking digital infrastructure experienced challenges in adapting to online tax filing systems.

Working Capital Issues

Businesses often pay GST before receiving payment from customers, creating temporary cash flow problems.

Frequent Policy Changes

Several amendments to GST rates and filing procedures created uncertainty among traders during the early years of implementation.

Increased Professional Costs

Many businesses hired accountants and GST consultants to ensure compliance, increasing operational expenses.

Impact on Various Sectors

Manufacturing Sector

Manufacturers benefited from reduced tax cascading and improved input tax credit. However, compliance requirements initially increased administrative responsibilities.

Wholesale and Retail Trade

Retailers experienced easier procurement from different states and benefited from uniform pricing structures. Small traders initially found GST compliance challenging but gradually adapted.

Service Sector Service providers now operate under a standardized tax framework, reducing ambiguity and improving tax administration.

Consumers

The removal of cascading taxation has stabilized prices of several goods and services, although GST rates vary across product categories.

Challenges Faced by Businesses in Alwar

Despite the benefits of GST, businesses continue to face several practical challenges:

- Complex compliance procedures for small enterprises.
- Delay in processing GST refunds.
- Frequent amendments to GST rules.
- Limited awareness among micro-enterprises.
- Technical issues on the GST portal.
- Requirement for continuous updating of accounting systems.

Addressing these challenges will further improve business confidence.

Suggestions

The following measures can strengthen GST implementation:

- Simplify return filing procedures for small businesses.
- Conduct regular GST awareness programmes in industrial areas.
- Improve the efficiency of the GST portal.
- Ensure faster refund processing.
- Provide financial support for digital infrastructure.
- Reduce compliance requirements for micro-enterprises.
- Strengthen grievance redressal mechanisms.

These initiatives will enhance the effectiveness of GST and promote sustainable business growth.

Conclusion

The introduction of the Goods and Services Tax represents one of the most significant tax reforms in India's economic history. Compared with the pre-GST regime, the present taxation system offers greater simplicity, transparency, and efficiency. The replacement of multiple indirect taxes with a unified framework has reduced cascading taxation, improved interstate trade, and facilitated easier business operations.

In Alwar district, where industrial and commercial activities contribute significantly to Rajasthan's economy, GST has positively influenced manufacturing, logistics, wholesale trade, and services. Industrial hubs such as Bhiwadi, Neemrana, Khushkhera, and Tapukara have particularly benefited from improved supply chain efficiency and seamless movement of goods.

Although businesses encountered initial challenges related to digital compliance, technological adaptation, and working capital management, these issues have gradually diminished as enterprises gained familiarity with the GST framework. The long-term benefits of increased transparency, formalization of business, enhanced revenue collection, and improved competitiveness outweigh the short-term implementation difficulties.

Overall, GST has strengthened India's indirect taxation system and created a more integrated national market. Continued policy simplification, technological support, and capacity-building initiatives will further enhance its effectiveness,

enabling businesses in Alwar district and across Rajasthan to achieve sustained economic growth and greater competitiveness.

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