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**Goods and Services Tax (GST) And Its Role in Transforming the Indian Economy****Ms. D. LAXMI**, Assistant professor

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ABSTRACT

The Goods and Services Tax (GST), introduced in India on 1 July 2017, is a significant indirect tax reforms in the economic history of India. GST replaced indirect taxes like excise duty, service tax, value-added tax (VAT), and entry tax, thereby creating a unified tax structure throughout India. The primary objective of GST was to establish a "One Nation, One Tax" system that simplifies taxation, reduces cascading tax effects, and promotes economic efficiency.

GST has played a significant role in transforming Indian economy by enhancing tax compliance, increasing transparency, and broadening the tax base through a technology-driven framework. The implementation of GST has minimized barriers for movement of goods across different states, minimized logistics costs, and enhanced supply chain efficiency. GST has brought many businesses and enterprises under organized tax structure and encouraging digital payments.

Furthermore, it has contributed to increased government revenues and strengthened fiscal federalism through cooperative decision-making under the GST Council. The reform has positively impacted. Despite initial challenges such as compliance complexities, technological issues, and adaptation costs for small businesses, continuous policy refinements have improved the effectiveness of the GST regime.

This study examines the implementation, benefits, challenges, and economic implications of GST in India. It highlights how GST has transformed the indirect taxation system and contributed to creating a more integrated, transparent, and competitive economy.

Keywords: Goods and Services Tax (GST), Indian Economy, Tax Reform, Economic Growth, Tax Compliance, Ease of Doing Business, Fiscal Federalism.

INTRODUCTION

The introduction of goods and service tax consider to be a significant reform in taxation system of India. Economic development depends heavily on an efficient taxation system. GST is not only the revenue generation source for the government but also it acts as the measurement factor for production, consumption and investment decisions.

The origin of GST in India is started in the year 2000 when Atal Bihari Vajpayee government first proposed the establishment of GST in India and to draft the law established a committee and after 17 years of political deliberation, the GST was officially implemented in India.

The introduction of GST on 1st July 2017 marked as significant step towards tax modernization in India and the objective of GST introduction in India is “One Nation- One Tax”. The indirect taxes subsumed Under GST are VAT, Exercise duty, Service tax etc., GST is a destination based consumption tax it is levied it on the value added at every stage of the supply chain.

NEED FOR THE STUDY

Before GST introduction the indirect taxation system in India suffered with the following limitations:

- High compliances and administrative cost.
- Lack of transparency in tax collection.
- Multiple tax regulations and authorities.
- Cascading effects.
- Increased cost of goods and services.

OBJECTIVES OF THE STUDY

- To examine the concept and framework of GST.
- To analyse the economic impact of GST on India.
- To evaluate the benefits and challenges associated with GST implementation.

RESEARCH METHODOLOGY

The study is descriptive and analytical in nature.

Secondary data have been collected from:

- GST Council reports
- Ministry of Finance Publications
- Research journals.

FRAMEWORK OF GST

GST operates through a dual taxation model both Central and state government levy the tax simultaneously on common base. The **CGST (Central Goods and Services Tax)** - central government will collect tax on Intra – state transactions. The **SGST (State Goods and Services Tax)** – State government will collect tax on Intra – state transactions. The **IGST (Integrated Goods and Services Tax)** – Central government levy tax on all interstate transactions. The **UTGST (Union Territory Goods and Services Tax)** - Union territory GST is applicable in union territories and is collected by central government. Transactions are classified under 4 tier rate structure (**5%, 12%, 18%, and 28%**). Along side zero rated.

The key operational pillars of GST

GST is a **Destination based taxation** i.e., revenue generates to the region where consumption takes place. **Input tax credit** allows registered businesses to reduce tax liability. **Tax brackets** revenue generates in distant tiers. A joint forum of Central and state representative that collectively decides on rate changes and policy updation.

ECONOMIC IMPACT OF GST

One of the positive impacts is increase in tax revenue. The revenue increased from **7, 40,648 crores in 2017 – 2018 to 22, 08,861 crores in 2024-2025**. GST promoted the **unified the national markets**. Businesses are now operating under a **standardized taxation framework**. Reduction in **Cascading tax**, lowers the **production cost** it encourages the **high productivity**. It encouraged business to formalise the financial records and participate in formal economic system by providing Input Tax Credit. Consumers increased due to transparency in taxation. A **simplified tax** system has

encouraged the ease of doing business. GST implementation has enhanced the Supply Chain efficiency. The GST implementation has a greater Impact on Inter- state transport of Goods.

BENEFITS OF IMPLEMENTING GST IN INDIA

The GST has streamlined India's indirect taxation system by replacing multiple cascading Levies with a unified “**One Nation-One tax**” system. Previously, the inter-state transactions were heavily taxed, GST removed this barriers and made it a seamless flow goods. Relief for small businesses and startup by increasing the Threshold limits for registration. Businesses in dealing of goods **₹40 lakhs** And Businesses in dealing of services **₹20 lakhs**. Under GST exports are treated zero rated making Indian product highly competitive in the Global markets. It eliminates the cascading effect and integrates the taxes and integrates the taxes and provides input tax credit. GST's technology-driven framework enables better tracking of transactions, reducing opportunities for tax evasion and corruption.

CHALLENGES OF IMPLEMENTING GST IN INDIA

Due to the greater focus on technology usage in GST, MSMEs face struggles with frequent return filings and digitalisation. The different slab rates create challenges to small business and enterprises in classification and administration. High dependency on digital platform is a big challenge for the business. GST blocks the Working Capital of the business because of delays in refunds. Frequent amendments will create uncertainty and difficulty.

FINDINGS OF THE STUDY

- GST implementation increased government revenue.
- GST implementation strengthens the interstate transactions in India.
- It reduced cascading tax, promoting increased productivity.
- Increased global market.
- Enhanced transparency.

SUGGESTIONS

- Simplification of GST return filing and strengthening the technological infrastructure in India.
- Rationalisation of tax slabs to reduce complexity.
- Conduction of awareness program for small business and enterprises.

CONCLUSION

Despite its numerous benefits, GST has faced challenges such as compliance complexities, multiple tax slabs, technological issues, and the adjustment burden on small and medium enterprises. However, continuous policy refinements and technological improvements have helped address many of these concerns.

The implementation of GST has a positive impact on Indian economy. GST has improved efficiency transparency and compliances. It facilitated market integration and collection of revenue strengthened. All though implementation challenges exist the GST has a positive impact on Indian economy. In Long run it is expected to play a vital role in support a sustainable economic growth and improving Tax administration.