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Department of MBA

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**GST Implementation in India: Sectoral Challenges, Policy Innovations, and Administrative Reforms.****Zareena Begum , Janyavula Naga Keerthi**MBA – 1st year ,CMR TECHNICAL CAMPUS

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Abstract

The Goods and Services Tax (GST), implemented in India on 1 July 2017, represents one of the most comprehensive indirect tax reforms aimed at creating a unified national market through the concept of “One Nation, One Tax.” GST replaced multiple indirect taxes such as Value Added Tax (VAT), service tax, excise duty, octroi, and entry tax with a single integrated tax system. This study examines sector-specific experiences under GST with special focus on construction, real estate, logistics, retail trade, supply chains, and the IT and service sectors.

The construction and real estate sectors experienced increased transparency, formalization, and availability of Input Tax Credit (ITC), although compliance burden, high taxation on construction materials, and complexities in ITC provisions created challenges. Retail trade and supply chains witnessed improved efficiency, standardized taxation, and greater integration of markets across states. Similarly, the IT and service sectors experienced simplified taxation and increased digitalization, but faced challenges relating to multiple registrations, compliance costs, and changing tax provisions.

The study also analyzes policy innovations and administrative reforms introduced under GST implementation. Key initiatives such as the GST Network (GSTN), e-way bill system, e-invoicing, digital return filing, and simplified compliance schemes enhanced transparency and improved tax administration.

It highlights important lessons for future tax reforms, including the importance of strong technological infrastructure, stakeholder participation, simplified procedures, stable tax policies, and phased implementation strategies.

Key words: Goods and Services Tax (GST), Indirect Tax Reform, Digitalization, Tax Policy Reforms.

I.Introduction

Before the introduction of GST, India's indirect tax system was highly fragmented and complex. Businesses operating across different states had to comply with multiple tax laws, tax rates, and administrative procedures. This created inefficiencies in trade, increased operational costs, and hindered the smooth movement of goods and services across the country. GST was introduced as a destination-based consumption tax to overcome these limitations and strengthen the overall taxation system.

The implementation of GST brought major structural and operational changes across various sectors of the Indian economy. Sectors such as construction, real estate, logistics, retail trade, supply chains, information technology (IT), and services experienced both opportunities and challenges under the new tax regime. In the construction and real estate sectors, GST improved transparency and encouraged formalization, although issues relating to compliance burden and

taxation on raw materials continued to affect businesses. The logistics sector benefited greatly from the removal of interstate barriers and check posts, leading to faster transportation and improved supply chain efficiency. Similarly, retail trade and supply chain management became more organized and efficient due to uniform tax rates and better inventory management systems.

The IT and service sectors also witnessed substantial changes under GST. The introduction of digital tax administration, online return filing, e-invoicing, and electronic payment systems accelerated the growth of technology-driven business operations. At the same time, businesses faced challenges related to frequent changes in tax provisions, multiple state registrations, and increased compliance requirements.

In addition to sector-specific impacts, the government introduced several policy innovations and administrative reforms to ensure the effective implementation of GST. Initiatives such as the GST Network (GSTN), e-way bill system, composition scheme, QRMP scheme, and grievance redressal mechanisms improved transparency, simplified compliance procedures, and strengthened tax administration. These reforms also promoted digital governance and enhanced coordination between the central and state governments through the GST Council. Despite certain implementation challenges, GST has significantly transformed India's indirect tax system by creating a more transparent, integrated, and technology-oriented taxation framework.

II.Literature Review

According to scholars such as Kumar and Sharma (2018), GST significantly transformed the construction industry by replacing multiple taxes like VAT, service tax, and excise duty with a unified tax structure. Their study found that GST improved tax transparency and reduced cascading taxation through the Input Tax Credit (ITC) mechanism. However, the authors also observed that compliance requirements increased administrative burdens on small contractors and builders. Rao (2019) examined the financial impact of GST on construction companies and concluded that although ITC reduced tax duplication, higher GST rates on construction materials such as cement and steel increased project costs. The study further highlighted that delays in refunds and complex documentation procedures affected the working capital management of firms.

Another study by Mehta and Jain (2020) emphasized that GST encouraged formalization in the construction sector. Unorganized contractors found it difficult to compete without GST registration, leading to increased participation in the formal economy. Several researchers have analyzed the impact of GST on the real estate industry. Gupta (2018) argued that GST improved transparency in property transactions by reducing tax evasion and black-money practices. The study observed that home buyers benefited from greater accountability and standardized taxation. Singh and Verma (2019) reported that affordable housing projects gained significant advantages through reduced GST rates. Their findings indicated that government incentives under GST encouraged housing development and promoted home ownership among middle-income groups.

However, studies by Patel (2020) revealed that the real estate sector also faced challenges due to frequent changes in GST rules and ITC provisions. The exclusion of stamp duty from GST created partial tax overlap, which increased the financial burden on buyers. The logistics sector is widely recognized as one of the major beneficiaries of GST. Research conducted by NITI Aayog (2019) highlighted that the removal of interstate check posts and entry taxes improved transportation efficiency and reduced travel time for trucks. According to Agarwal (2020), GST enabled companies to redesign their warehouse networks based on operational efficiency rather than tax considerations. This led to warehouse consolidation, cost reduction, and improved supply chain management.

Despite these advantages, Sharma and Kulkarni (2021) identified initial challenges in adapting to the e-way bill system and digital compliance procedures, particularly for small transport operators. Researchers have extensively discussed GST's impact on retail trade in India. Bansal (2018) noted that GST created a uniform tax system across states, reducing pricing differences and encouraging market integration. According to Iyer and Rao (2019), organized retail businesses benefited from simplified taxation, better inventory management, and improved operational efficiency. Their study observed that GST encouraged retailers to adopt digital billing systems and maintain proper accounting records.

However, some studies pointed out that small retailers faced compliance difficulties due to technological requirements and frequent return filing procedures. Joshi (2020) concluded that small and medium retailers required additional training and government support to adapt successfully to GST compliance systems. Supply chain management has undergone major changes after GST implementation. Christopher and Singh (2019) argued that GST reduced inefficiencies caused by multiple state taxes and documentation barriers. Their research showed that businesses optimized supply chain networks and reduced logistics costs.

The IT and service sectors experienced substantial transformation under GST. Prior to GST, service providers paid service tax under a centralized system. GST introduced destination-based taxation and state-wise registration requirements. According to Narayanan (2018), GST promoted digitization and increased transparency in service taxation through online return filing, e-invoicing, and electronic payment systems. Research by PwC India (2019) indicated that IT companies benefited from Input Tax Credit on services and operational expenses. The study also noted that GST accelerated the growth of digital accounting and cloud-based tax management systems.

However, scholars such as Reddy and Menon (2020) highlighted several compliance-related issues. Service providers operating across multiple states were required to obtain separate GST registrations, increasing administrative complexity and operational costs. Studies also identified challenges in determining the “place of supply” for online and digital services, particularly in software exports and international transactions. Various researchers have analyzed the policy innovations introduced under GST. According to the Economic Survey of India (2020), the GST Network (GSTN) represented a major technological innovation that enabled online registration, return filing, tax payment, and refund processing.

The implementation of e-way bills and e-invoicing systems has also been widely appreciated. Researchers found that these systems improved transparency, reduced tax evasion, and strengthened compliance monitoring. The GST Council has been recognized as an important institution promoting cooperative federalism. Studies by Mishra (2021) emphasized that regular meetings and collaborative decision-making between the central and state governments helped resolve implementation issues effectively.

Several studies examined the government’s efforts to simplify GST compliance procedures. According to KPMG India (2021), initiatives such as the Composition Scheme and Quarterly Return Monthly Payment (QRMP) scheme reduced compliance burdens for small taxpayers. Research also highlighted the importance of grievance redressal mechanisms. Online helpdesks, GST facilitation centers, and advance ruling authorities helped businesses clarify taxation issues and resolve disputes. However, some researchers argued that the grievance redressal process remained slow in certain cases due to technical issues and administrative delays.

III.Objective of the study

1. To analyze the impact of GST on the construction and real estate sectors.
2. To study the effect of GST on the logistics sector and supply chain efficiency.
3. To evaluate the influence of GST on retail trade and market integration.
4. To examine the impact of GST on the IT and service sectors.

IV.Research Methodology

This study is purely based on secondary data sources such as articles, research papers, journals, websites, books and other sources. The accessible secondary data used for research study.

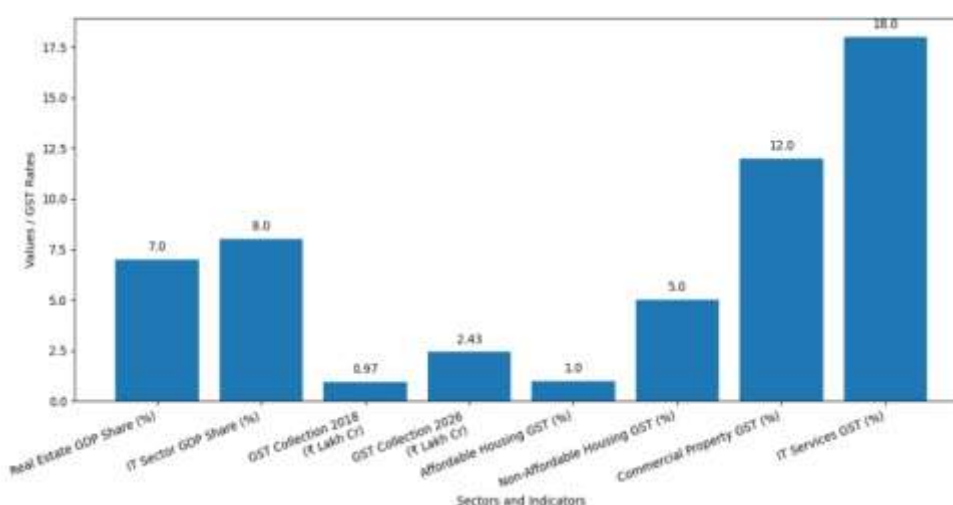
V.Results and discussions

Table no:1(Real Estate & IT Sector)

YEAR	GST Collection (lakh crore)	Real Estate GDP Share (%)	IT Sector GDP Share (%)
2018	0.97	6.5	7.0
2020	1.10	6.8	7.2
2022	1.45	7.0	7.5
2024	1.87	7.3	7.8
2026	2.43	7.8	8.0

GST Rates in Real Estate Sector and GST Rates in IT Sector

Property Category	GST Rate (%)	IT Services Category	GST Rate (%)
Affordable Housing	1%	IT Services	18%
Non-Affordable Housing	5%	Software Licensing	18%
Commercial Property	12%	SaaS Services	18%



Interpretation :

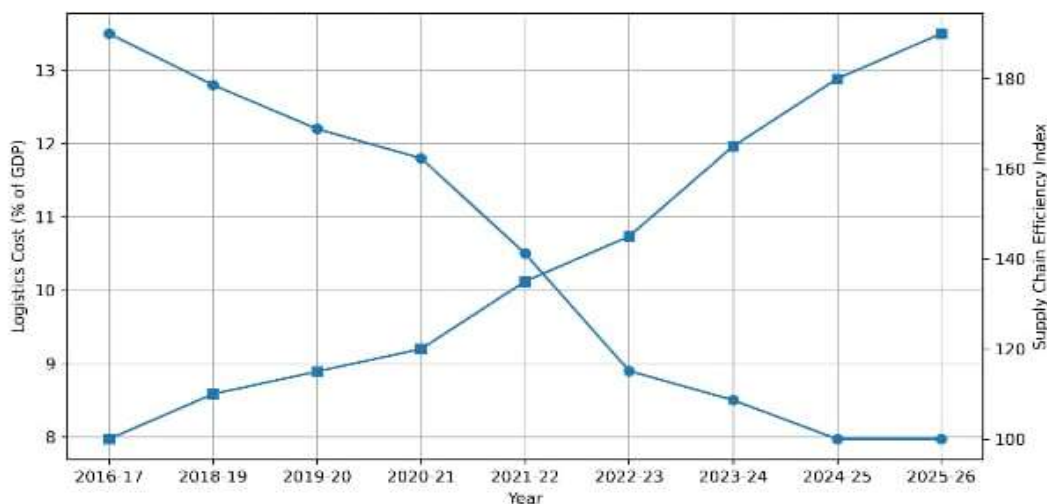
The table shows a continuous increase in GST collections from ₹0.97 lakh crore in 2018 to ₹2.43 lakh crore in 2026. This indicates improved tax compliance, expansion of the tax base, and greater transparency in the Indian economy after GST implementation.

The contribution of the real estate sector to GDP increased from 6.5% in 2018 to 7.8% in 2026. This growth reflects increased formalization, better taxation policies, and rising investment in housing and infrastructure projects.

Similarly, the IT sector's contribution to GDP increased from 7.0% to 8.0% during the same period. GST encouraged digitalization, automated tax filing, and improved interstate business operations, which supported the expansion of the IT industry

Table no:2 (Logistics & Supply Chain)

Years	Logistics Cost (% of GDP)	Supply Chain Efficiency index
2016-17	13.5	100
2018-19	12.8	110
2019-20	12.2	115
2020-21	11.8	120
2021-22	10.5	135
2022-23	8.9	145
2023-24	8.5	165
2024-25	7.97	180
2025-26	7.97	190



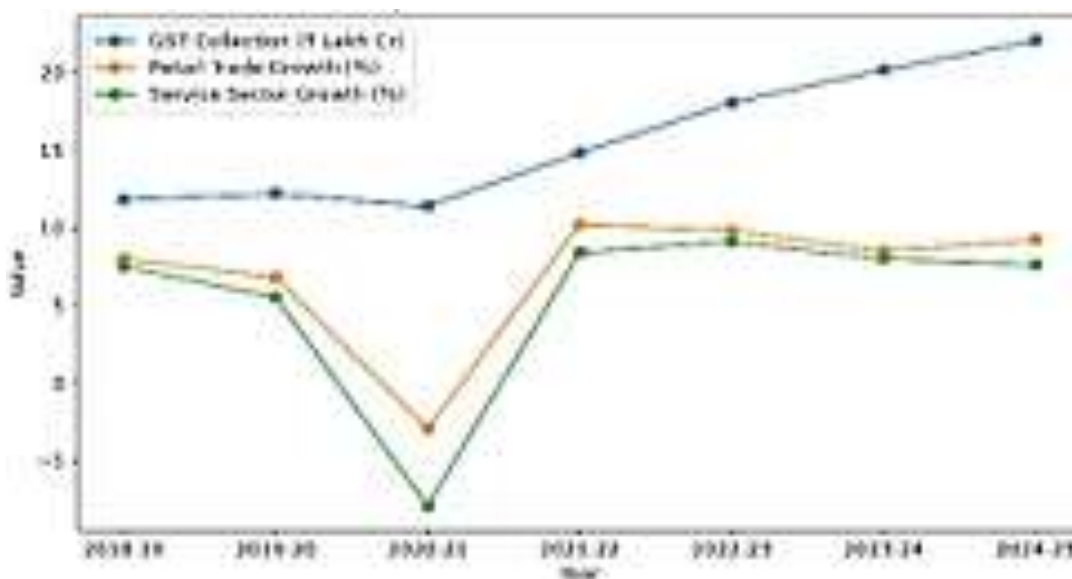
Interpretation

The table shows that GST has had a positive impact on India's logistics sector and supply chain efficiency. Logistics costs declined steadily from 13.5% of GDP in 2016-17 to 7.97% in 2025-26, indicating reduced transportation, warehousing, and distribution expenses. At the same time, the Supply Chain Efficiency Index increased from 100 to 190, reflecting significant improvements in freight movement, inventory management, warehouse utilization, and delivery performance.

Table no: 3 (Retail Trade , Market Integration & Service Sector)

Year	GST Collection (Lakh Crore)	Retail Trade Growth (%)	Market Integration (%)	Service Sector (%)
2018-19	11.8	8.0	100	7.5
2019-20	12.2	6.8	108	5.5
2020-21	11.4	-3.0	95	-8.0

2021-22	14.83	10.2	118	8.4
2022-23	18.08	9.8	126	9.1
2023-24	20.18	9.5	134	8.0
2024-25	20.08	9.2	142	7.6



Interpretation

GST collections increased from about ₹11.8 lakh crore (2018-19) to ₹22.08 lakh crore (2024-25), indicating higher compliance and formalization of the economy. Retail trade benefited from reduced tax cascading and smoother interstate transactions. Market integration improved significantly due to e-way bills and removal of state-level tax barriers. The service sector experienced stronger growth through a unified taxation framework and easier nationwide operations.

VI. Findings

GST has significantly improved India's indirect tax system by creating a unified national market and reducing multiple taxes. The construction, real estate, logistics, retail, IT, and service sectors benefited from better transparency, smoother supply chains, and Input Tax Credit (ITC). Logistics operations became faster due to the removal of state-level barriers.

GST implementation also introduced digital tax administration through the GST Network (GSTN), online filing systems, and simplified compliance measures for small businesses. However, businesses initially faced challenges such as technical issues, multiple return filings, and adaptation to digital systems.

Overall, GST enhanced tax efficiency, transparency, and economic integration while providing important lessons for future tax reforms regarding digital infrastructure, policy stability, and stakeholder participation.

VII. Suggestions

- GST procedures should be simplified for construction, real estate, retail, IT, and service sectors to reduce compliance burden.
- Small businesses and traders should receive digital training and awareness programs for better GST compliance.
- The GST portal and digital infrastructure should be improved to reduce technical issues and ensure smooth online filing.
- Simplified return filing systems and faster grievance redressal mechanisms should be introduced for taxpayers.
- The government should provide clear communication and reduce frequent policy changes to avoid confusion among businesses.
- Strong coordination between central and state governments should continue for effective GST implementation.
- Future tax reforms should focus on transparency, technological readiness, stakeholder participation, and ease of compliance.
- Continuous support for small businesses and investment in logistics and digital systems can improve overall economic growth and tax efficiency.

VIII. Conclusion

GST has transformed India's indirect taxation system by creating a more transparent, unified, and technology-based tax structure. It improved interstate trade, supply chain efficiency, and digital tax administration while reducing tax complexity and cascading taxes. Different sectors experienced both benefits and challenges under GST. Large businesses adapted quickly, whereas small businesses initially faced compliance and technological difficulties. Over time, simplified procedures and digital awareness improved implementation. GST also promoted economic integration, better revenue monitoring, and increased transparency through online systems such as e-invoicing and digital return filing. However, continuous improvements in policy stability, taxpayer support, and simplification are still required. Overall, GST is a significant economic reform that strengthened India's fiscal system, encouraged formalization of the economy, and provided valuable lessons for future tax reforms and sustainable economic growth.

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