

# Tax on Consumer Goods and Services in India

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**Abstract-** This research looks into the ways in which taxing consumer goods and services affects India's economy, especially under the GST system. The government introduced GST in 2017 so that all the country's indirect taxes would be managed as one streamline system. Although GST is easily understood in theory, the research suggests that putting it in action has posed problems for the public, small businesses, and those who believe prices went up after its introduction. It is found in this mixed-methods review that GST has helped in making tax systems understandable, reducing the amount of funds needed, but at the same time has resulted in more confusing price tags and difficulties for some businesses. The data points out that recalibrating policies, increasing information given to people, and simplifying GST procedures will help achieve what the framework is meant to achieve. It helps to expand the conversation on tax reform in emerging countries by showing that there is a big difference between local policies and the way they are put into practice in India.

**Keywords-** Goods and Services Tax (GST), indirect taxation, consumer behavior, compliance, India, fiscal policy, tax reform, pricing impact.

## I. INTRODUCTION

Because of 1. Introduction

**B**To start, this study describes the context of how it was carried out.

India saw major tax system changes when Goods and Services Tax (GST) was put in effect on July 1, 2017. Prior to this reform, the nation's taxes consisted of many complicated mixes, including excise duty, service tax, VAT, octroi, and entry tax. Because of all these taxes, companies and buyers had to deal with complications, extra taxes, and strict rules. To make it simpler for the government to handle taxes and to strengthen a national market, GST was introduced to gather various tax laws into a unified system based on the place where the item is used. The tax is imposed during each step of producing goods with input tax credit that is meant to reduce duplicate payments and ensure more openness. Even though intellectually, GST helps make taxes easier to collect and makes the pie bigger, the actual outcome has not always been successful. Many debates have begun about how GST influences the prices for consumers, how people shop, and how simple it is to do business. With this in mind, this study examines how GST has affected people's spending on goods and services in India by looking at its positive and negative sides as well as how the public views the system.

This paper focuses on the following main issue.

Even though GST was meant to address certain policies, the process of implementing it has shown many gaps. It is a major challenge that most customers and small businesses do not have the same understanding of GST. While most consumers do not realize how GST changes retail prices, small firms find it hard to deal with the rules of classifying taxes, claiming input tax credit, filing digitally, and following frequent changes in the tax structure. Besides, setting up and following the rules for different tax types is now more confusing and stressful than ever before. Such issues interfere with the main objectives of the tax system, which are transparency, easiness to use, and higher efficiency. Because the drop in fuel prices has not been as expected these days, some consumers have started to trust the industry less and behave differently. The aim of this study is to look at the gap between the government's goal in imposing GST and its actual impact on consumer goods and services.

## Objectives for the study

The main goal of this research is to check how GST affects the prices of consumer goods and services in India. It examines the ideas behind GST as well as the experience of implementing them based on studies and documents. To be specific, the main purpose of the study is:

To follow the journey of indirect taxation in India that ended in the introduction of GST.

To look into the way GST operates when it comes to consumers and businesses.

To find out if both small business owners and consumers are aware of GST well enough.

To review how the GST influences both the costs and consumption of goods and services as they are seen by people and effected in the market.

To pick out the main challenges that businesses encounter with GST.

Being responsible for planning out changes and updates to the GST system that would ensure more people get benefited and the process gets faster.

## 1.4 What Research Questions did the Author Present?

Researchers have formulated several crucial research questions that lead the study.

Why and what was the government aiming for when they brought in the GST in India?

Has there been any change in price and use of consumer goods and services due to GST?

At the moment, how knowledgeable and well-informed are people about the operations of GST and its tax slabs?

Which are the important obstacles that small businesses come across while meeting GST requirements?

Has the government met the aims of GST in reducing multiple taxes, increasing the tax collecting, and making compliance easier?

Save GST, what can help the system perform better and be more accepted by people?

Importance of this study

This research adds a lot to the current talks on economic reform and tax laws in India. The research looks into GST by observing how people and small business owners experience and respond to big changes in taxes and tax policies. Results from the research can point out weak points in the way outreach, implementation, and compliance work. By studying a present tax system, the research adds useful knowledge to public finance, economic policy, and consumer behavior fields for specialists. For residents and enterprises in city and town areas, the study presents useful guidelines and explains what GST is all about. In the end, it helps link the development of tax policies and the results they create for society and the economy.

The chapter looks closely at the scope and limits of the theory. This study is only about the Indian market and looks in detail at GST issues related to goods and services. The authors study data from 120 people who are consumers and small business owners as well as secondary information taken from academic articles, policy papers, and government sources. The analysis points out areas where GST will mostly affect the FMCG, apparel, household goods, and personal care sectors. On the contrary, this work leaves out direct taxes and does not include results from around the world. Since the sample is very small and was not picked randomly, it may miss various groups in India's population. Besides, because GST policies are changing so rapidly, some findings might not remain up to date and need to be checked again in corresponding research studies.

## II. LITERATURE REVIEW

Grasping the Goods and Services Tax (GST) is possible only by looking at the history and shift in India's indirect tax system. Over the years, local excise duty, service tax, value added tax, countervailing duty, and many local octroi and entry taxes made up India's taxation system. Because of this, there were inefficiency, raising taxes many times, and disagreements among different jurisdictions (Singh, 2018). Although Value Added Tax (VAT) policies were introduced to solve these problems in the early 2000s, states did not

follow much uniformity, which still divided the national market (Wikipedia contributors, 2025b). Thanks to the recommendations of the Kelkar Committee and Finance Commission, the GST was developed to bring more openness and better performance in the tax system. Because of the 101st Constitutional Amendment in 2016, GST was formally introduced in July 2017, which changed the course of India's tax policy (Wikipedia contributors, 2025a). Ideally, GST works as a tax applied at the point of consumption, together with input tax credit, so the problems of previous taxes do not stack one on top of another. Thanks to CGST, SGST, and IGST, GST remains under the federal government, and there is tax similarity among all Indian states (Times of India Staff, 2025). At the same time, this type of trade has made certain sections of the process more complicated, especially when goods are being classified and returns are being filed (Reuters, 2024b). Many experts and researchers have acknowledged that GST theory can protect businesses, increase how much people obey the rules, and bring the country's various markets together. At the same time, daily use of cryptocurrencies has faced problems with operations. Some people say the system could be more thorough because it is frequently updated, some products are not clear, and the GST does not include petroleum and alcohol (Reuters, 2024a; Saraf & Shastri, 2024).

The studies that look at how GST affects different sectors and society are not one-sided. For example, studies prove that GST helped develop the logistics network, increased tax collection, and increased the number of taxpayers (Dhotre et al., 2024; Singhal et al., 2022). Alternatively, it is hard to predict the results we see for consumers. There are reports from a significant section of research and field studies that state that GST has led to price increases for commonly used goods (J. Popli & R. Mishra, 2023; M. Sharma & M. Saini, 2019). Many times, the public's limited knowledge of tax slabs leads people to doubt and mistake prices at retailers (Reena, 2024). Because of the digital filing system, complex rules for input tax credit, and slow refunds, MSMEs in India's informal economy have gotten a heavier workload than others in comparison (Shacheendran, 2024, and Mehta et al., 2022). As a result of GST, people have started to look at pricing differently and opt for goods that are taxed more lightly. There is also a big challenge because the level of digital skills in Tier II and Tier III cities is unequal with what the GST needs (Das, 2025). Some say that although GST is useful for larger organizations, it has made things complex and troublesome for both small companies and individual consumers. As a result, it is highlighted in the literature that officials should strive for even simpler policies, clearer pricing, and better knowledge among people, along with using technological advances, to bring GST intentions in line with reality. They show that the success of GST depends on its design as well as the ability of its policies to change and the readiness of people receiving it.

### III. RESEARCH METHODOLOGY

This study uses both quantitative and qualitative methods at the same time to thoroughly examine the effect of GST on India's consumer goods and services market. The purpose for using this method is to examine data patterns among the sample group and also recognize the personal views and actions taken by people during GST implementation. In the quantitative data, 120 respondents gave survey replies that included both consumers and small business owners from all three types of regions. The authors worked with this type of sampling technique to include people who regularly spend money on taxed things or manage their businesses' GST requirements. Factors taken into account are age, what individuals do for their job, and how much they deal with GST, on a usual basis. The main method for collecting data was a questionnaire that had 20 questions grouped into the following five parts: demographic information, GST knowledge, influence on consuming, problems in observing GST rules, and general opinions on the tax system. A variety of questions were asked, including Likert scale items, multiple-choice ones, and open-ended invitations, so the responses provided both figures and narrative accounts. To check the reliability and clarity of the tool, ten people participated in a pilot test, and a few changes were made after that before the tool was launched in a larger scale. Researchers used digital (Google Forms) as well as offline (physical forms) methods so that all participants had the chance to share their views. Ten respondents (five consumers and five traders) were also interviewed in an informal way, and this gave us detailed data that were studied and organized into themes. In using policy documents, journals, Council publications, and reports from the media, the study was able to better explain its results and connect them to the main concepts. For analyzing both the numbers and written information, percentages and frequency distributions were used for the numbers, while recurring themes, feelings, and challenges in operations were found by thematic analysis in the written materials. Experts applied cross-tabulation to find out how important factors like age, size of a business, and awareness are linked to problems with compliance. It was made sure that every participant consented and gave their permission, and all information was kept confidential. Nothing that could identify a person or their finances was gathered. Those who took part in the study could decide to leave it at any time by asking to withdraw. With this type of method, the researcher may end up with sampling bias, response bias in answers, and cannot generalize the findings to everyone. Besides, since GST regulations are always changing, the data only represents the situation at the date it was collected. Still, the way the research is conducted is ideal for studying the effects of GST on people in the real world, allowing the researcher to obtain useful results and conclusions.

### IV. DATA ANALYSIS AND INTERPRETATION

The findings shown here were collected by giving 120 respondents structured questionnaires, among them supporters and owners of small businesses. The goal of this analysis is to see what level of awareness, impacts, and actions people have toward the implementation of GST in

India. The present study's most critical findings are clarified by choosing three important tables: a summary of demographics, knowledge about GST, and opinions on GST influence on prices and consumption habits. After the tables, the graphs (which have to be manually inserted) and their explanations always follow.

**Table 1: Age Group Distribution of Respondents**

Age Group	Number of Respondents	Percentage (%)
18–25	30	25.0
26–35	40	33.3
36–45	25	20.8
46–60	15	12.5
60 and above	10	8.3
<b>Total</b>	<b>120</b>	<b>100</b>

**Graph 1: Age Group Distribution of Respondents (Bar Chart)**

#### Interpretation:

It is clear from age-wise distribution that the largest number of respondents are between 26 and 35, accounting for 33.3% of all participants, followed by the 18–25 group, which has 25%. Such demographics matter a lot since they consist of active workers who regularly participate in commerce and may feel the effects of tax measures designed to change the tax system like GST. There are few participants above 45 because either they take part in fewer surveys or no longer stay highly engaged with GST because they are retired or not very involved in business. Thanks to this approach, the study includes the opinions of people who are educated about prices and feel them in their everyday lives.

**Table 2: Familiarity with Goods and Services Tax (GST)**

Familiarity Level	Number of Respondents	Percentage (%)
Very familiar	35	29.2
Somewhat familiar	50	41.7
Heard of it but don't understand	25	20.8
Not familiar at all	10	8.3
<b>Total</b>	<b>120</b>	<b>100</b>

**Graph 2: Familiarity with GST among Respondents (Stacked Bar Chart)**

#### Interpretation:

The information reveals that seven of every ten respondents have a moderate level of understanding about GST. It implies that both efforts by the government and updates from the media have made most people aware of GST as a policy framework. Nevertheless, the fact that more than 29 percent of respondents did not know or understand GST suggests there is a big educational gap in place. These people are likely to have troubles with interpreting invoices, remembering price changes, or wise shopping, which hinders GST's aim to increase openness and help consumers.



**Table 3: Perceived Price Changes After GST Implementation**

Perceived Price Change	Number of Respondents	Percentage (%)
Significantly increased	48	40.0
Slightly increased	36	30.0
No noticeable change	24	20.0
Decreased	12	10.0
<b>Total</b>	<b>120</b>	<b>100</b>

**Graph 3: Respondents' Perception of Price Changes Post-GST (Vertical Bar Graph)**

#### Interpretation:

Seventy percent of the people surveyed noticed that the costs of goods and services have gone up since the GST regulation was introduced, and 40% of them noticed a large increase. Most people (90%) observed that inflation increased, which suggests the major impact GST is having on people's opinion about inflation. The actual outcomes are not supporting the government's hopeful intention, which was to tide over the negative effects of taxes on prices. Slow payment of benefits, higher prices set by companies, and difficulties in figuring out tax slabs may cause this gap. As a result of such ideas, people tend to trust less and reduce their non-essential spending along with opting for products taxed at lower rates.

#### V. DISCUSSION

Examining the data shows that there are many impacts of the GST on Indian consumers, contrary to what the policy makers may have expected. Most of the people participated in the survey are young and working, so we can use their responses to study how GST affects their daily spending habits. While a lot of participants confessed to having heard of GST, most of them only knew very little about it, for instance, the tax slabs and how input tax credits are applied. A lack of knowledge at the time, which was found in earlier studies (Maheshwari & Mani, 2023; Sharma & Saini, 2019), disturbed the main goal of transparency that GST had sought to introduce. Moreover, the rise in prices of food, everyday care items, and household things goes against the main aim to end multiple taxation. Theoretically, GST is meant to minimize all sorts of tax payments and reflections, but for most consumers, it means that the savings provided by GST are usually hidden or not given to them by stores through complex charge and discount processes. It is made more challenging because small businesses usually fail to keep up with the complicated rules, classifications, and tax filing as they are often unfamiliar with how to do things online and lack important resources (Reena, 2024; Shacheendran, 2024). For this reason, traders often have to deal with the problems of staying within regulations and explaining them to customers. Because of GST's inflationary influence, people have adjusted their buying habits by buying items that have a lower tax rate, limiting their purchases, or postponing non-essential purchases. The move by shoppers to buy more expensive food items can change the market's demand even

though it is reasonable, with possible consequences for markets that mainly depend on selling many products. Because many people are uncertain about retailer pricing and how taxes are used, the issue of trust comes up often, making some people doubt and reject the tax system. The results illustrated here also relate to worries in the literature about the distance between policy development and its implementation, especially in India (Das, 2025; Saraf & Shastri, 2024). Altering GST rates all the time by the Council seems to have caused a feeling of extra confusion instead of helping to manage it. All things considered, the GST has made a big difference in India's fiscal policy, but its actual success is affected by a lack of understanding by people, not enough support among important stakeholders, and varying implementation of the rules. Considering the findings, it is important to step up communication to the public, streamline how taxes are handled, and offer support to both small companies and low-literate people, so that GST provides its benefits equally to all.

#### VI. CONCLUSION AND RECOMMENDATIONS

Using complete consumer surveys and a look at business issues, this study shows that the GST in India seems to be a well-designed reform, but it is not being applied properly and this restricts its benefits. The report results, in line with discussions about common themes, let us see that GST has made it easier to collect tax and done so in most places, but it has highlighted a key gap between what policy designers recommend and how the change is experienced by communities from across India. Many of the individuals surveyed say that the prices of food, personal care, and household goods have gotten higher, showing that although taxes on taxes weren't applied anymore, everyday shoppers may not have noticed a real price change after the GST came out. Even so, a little more than 70% of those polled understood GST, but very few of them could break down the tax slabs and see the effects of input tax credits on their invoices. Many owners of small and medium businesses from semi-urban regions worried about complicated procedures to file their taxes, unclear ways to sort products, late refunds for tax credits, and the many alterations in the laws. Even more challenges are added due to limited numbers of accounting experts, poorly developed online tools, and irregular information from the tax department. Consequently, there are extra burdens on tax agencies and, in a number of situations, hidden changes in prices that consumers eventually cover, which damages people's trust in taxes. So, the study proposes using several strategies to make GST work better and gain more acceptance among people. To begin with, it is important to simplify GST by cutting down tax rates and making rate policies stable, so people can understand GST better and face fewer disputes. Besides, educational materials should regularly be distributed in regional languages and through familiar media sources to increase consumer and trader knowledge. In addition, companies should clearly show the taxes included on invoices, which boosts accountability and gives customers more trust. Besides, we must build an ecosystem for MSMEs by adding free helpdesks for GST, offering subsidized tax advice, and having filing processes eased specifically for low-capacity companies. The portal of

the GSTN should work well on phones, be available in several languages, and function without internet to support people with simple digital experience. The government should carry out strict checks to stop profiteering and make sure that benefits of lower taxes are given to everyday people. Sixth, it is important to devise a plan for medium-term tax and compliance rules to ensure businesses know how the regulations will change and have time to make long-range plans. Moreover, in coming years, GST policy should rely on research on consumer and business trends, and make improvements by using the feedback obtained. Everyone benefiting from such inclusive, open, and flexible measures will allow the GST system to become an effective factor for growth and equality in India.

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