



Review Paper

Study of Goods and Service Tax

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Abstract

The paper mainly highlights the major taxation reforms Goods and service Tax and its consequences. This research paper further explores expected challenges and potential prospectus for future research of GST. The Goods and Services Tax (GST) is a significant milestone in simplifying the complex taxation system and enhancing economic development. The reforms implemented in 2025 have brought notable changes in India

Keywords: Goods and Services Tax, Tax on Consumption, Cascading Effect, Impact on tax and economy.

Introduction

Goods and service tax implemented in 1 April 2017 after long effort of NDA led government. GST introduced to help and reform in taxation for the economic development of the country. At present 160 plus nation adopted GST so far. Initially GST in India was proposed by Vajpayee led government in 2000 and then UPA led government made effort for GST. The GST Council was constituted to supervise the administration of GST and to provide recommendations to both the Central and State Governments on GST. It is chaired by the central finance Minister and other members are from the State finance Minister. The Constitution Amendment Bill, 2016 was introduced in Parliament to implement the Goods and Services Tax (GST) in the country. The Constitutional Amendment was passed by the Lok Sabha on 6 May 2015 and subsequently approved by the Rajya Sabha on 8 August 2016 after necessary amendments.

The main objective of GST is to minimize the complexity of the existing tax system and create a to simplify the extensive tax structure and contribute to the country's economic growth and development GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national level. The final burden comes on shoulder of consumers; through the effective input credit system there is no cascading of tax on tax paid on inputs that go into manufacture of goods. Single tax system was adopted by central and state. It will assist in development of integrated market. Adequate amendment was made in constitution as per this arrangement¹.

GST brought drastic change in the field of Indian tax reforms in India. Various Central and state tax amalgamated and introducing single tax. Introduction of GST will bring major change by removing double taxation system and pave the path of market. It is very much beneficial for consumer point of view because reduced overall tax burdens which were 25-30%. GST

introduced in 2017 with effective rate is 3%, 5%, 12%, 18% and 28%² (Table-1 and 2).

Government has introduced new reforms from 22 Sep 25. It brought drastic change in the field of taxation. There was two taxation rate of GST introduced by Govt. 12% replaced by 18% & 18% replaced by 28%. While luxuries items tax rate is 40%².

Table-1: GST Rates Applicable in Different Country.

Name of Country	Rate of GST (In Percentage)
Australia	10
Canada	5
France	20
Germany	19
Japan	10
New Zealand	15
Singapore	9
United kingdom	20

Table-2: Produce Wise Rate of GST in India.

GST Rate	Name of Product
0	Edible vegetable, Fish, cereals, Fresh Fruits, Meat, Jaggery, Betel Leaf, Handlooms
.25	Diamond and precious stones
5	Household Necessities such as edible oil, sugar, spices, tea and coffee (except Instant) are included coal, Mishri/Mithai and life saving drug
12	All included computers and processed food
18	Hair oil, toothpaste and soap, capital goods and Industrial intermediaries are covered in the slab
28	Luxury items such as small cars, Consumer durable like AC and Refrigerator, Premium cars, Cigarettes

	and aerated drinks, high-end motorcycle are included here
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International Prospective on GST/VAT

France was the first country to implement VAT, in 1954. India is 161 nations for implementing VAT Just after china. The VAT is most popular form of tax where the tax paid on inputs.

As per economic aspects VAT is considered to be a better system over sales tax because the former is it was not applicable on value addition. Other than these, there are certain distinct advantages of VAT. It has less cascading making the taxation system simultaneously it has transparent and anti-inflationary. VAT is also significance as per revenue point of view.

175 countries have adopted VAT till date. Vat tax system is different worldwide VAT structure is centralized in Germany, Switzerland, Austria Germany where tax is levied and administrator by the central government.

The dual tax structure that is levied and administrator by central & state is applicable in Canada with some co-ordination between the national and sub-national entities Brazil & Russia while Canada have unique model of taxation with federal country (Table-3).

Table-3: Revised GST rate effective from 22 Sep 2025.

GST Rate	Name of Product
0	Health Insurance, life saving drug
5%	Farming equipment, service sector, Toys and handicraft, drugs
18%	Two wheeler, small car, TV, AC, Cement,
40%	Tobacco, pan masala, aerated drink and Luxury goods

GST/VAT rates differ significantly across countries. Malaysia has a relatively low GST rate of 6%, while Hungary imposes one of the highest rates at 27%. Australia applies a GST rate of 10%, whereas Canada follows a multi-rate tax structure. On average, the Value Added Tax (VAT) rate across the European Union (EU) is around 19.5%. (Table-4)

History of GST

In 1954, GST was first implemented in France since then more than 175 countries adopted this unique tax system. Most of the countries followed unified GST while some other countries like Brazil and Canada adopted dual GST system where tax is levied by both central and state governments; the same is also followed in India as central goods and service tax (CGST), state goods and service Tax (SGST) respectively.

GST acts as an indirect tax for the whole nation with an

objective to remove the cascading effect of multiple tax system currently operated in India.

Research methodology

I have studies performance of GST pre and post implementation. My study is based on secondary data of pre and post GST. I have taken support of various research published in Journal, Web articles (Internet sources), past studies and newspaper etc. This study deal with deal with the secondary data available at different resources.

Objective of the Study

To Study Major Tax reform GST. To analyze the economic implications of the Goods and Services Tax (GST) in India. To identify the anticipated barriers and future prospects of GST. To study impact of pre and post GST implementation. To study the New GST Reform.

Limitation of GST

My study is limited to short impact of GST in current scenario. My study deal with period of 2009 to 2025. Current study is focused on long term impact of GST and suggest accordingly. Our study is focus on long term effect on GST. This research shows pre and post impact of GST.

Need for GST in India

India, being a developing nation, requires continuous taxation reforms to support economic growth and development. The introduction of GST helped reduce the cascading effect of taxes to some extent. However, the implementation of GST further streamlined the taxation system by providing input tax credit on goods and services, ultimately benefiting consumers and business.

Value Added Tax (VAT) was introduced as an improved version of the earlier sales tax system. CENVAT and state VAT is indeed incomplete. Some taxes is still continue in state such as Luxury Tax, Entertainment tax. VAT is still continue on petroleum product.GST was requirement for the growth of nation. It provides equal opportunity to all traders.

Advantages of GST

It avails input tax credit for capital goods and reduces cascading effects on tax. Government has promoted initiative through this program.The Government has introduced The Black Money Bill to emphasis on curbing black money. These measures can be very significantly complemented by a GST.

The present Indirect tax structure is not support make in India Initiative in India, by fragmenting Indian markets along state lines. This has the collateral consequence of also undermining Make in India, by favoring imports and disfavoring domestic

production.

It also assists in Subsuming of major central and state taxes in GST. It removed number of taxes and through reduction of various state tax manufacturing cost of goods & services has also reduced. It increased competitiveness of Indian goods and services in the international market and give boost to Indian exports.

GST has increased the threshold for GST registration for small businesses. Those units having aggregate annual turnover more than Rs 20 lakhs (Rs. 10 lakhs in certain cases) in case of supplier of services and Rs. 40 lakhs (Rs. 20 lakhs in certain cases) in case of supplier of goods have be registered under GST.

Industry, trade and agriculture relief more through GST and a more comprehensive and wider coverage of input tax set-off and service tax set-off, subsuming of several Central and State taxes in the GST and phasing out of CST.

Consumer is also benefitted by introduction of GST, the cascading effects of CENVAT, State VAT and service tax will be more comprehensively removed with a continuous chain of set-off from the producer's point to the retailer's point than what was possible under the prevailing CENVAT and VAT regime. Customer is benefitted by this new taxation system of GST. Government introduced tax reforms in second phase from 22 Sep 2025. It shifts many article in zero category. It also replaced 28% to 18% and 18% to 5% and 5% to 0%. It has provided benefited to large scale consumer.

Simpler tax system was requirement of industry and simultaneously reduction in multiplicity of taxes and brings simplification and uniformity. It will result in simplified and automated procedures for various processes such as registration, returns, refunds, tax payments.

This will help in the facilitation of seamless movement of goods to different states of India and reduce the transaction cost of businesses. Due to lower tax cost Tax evasion will be reduced considerably consequently better result in manufacturing industry.

It helped in establishing an effective and transparent tax administration. It is perceived to be a reformative tax structure unifying the market and expected to bring substantial increase in countries overall productivity through free movement of goods and services.

MSME sector of the economy has been contributing as main driving force in development of the Indian economy for years. Implementation of GST has impacted it both ways. GST has imposed a burden of lower threshold on MSME's significantly hurting their working capital³⁻⁵.

The Indian capital market has registered significant growth, partly due to changes brought about by the Goods and Services Tax (GST). This reform has influenced trading practices across the country by simplifying the indirect tax structure, reducing compliance costs, and improving transparency in business transactions — factors that have made Indian markets more attractive to both domestic and foreign investors.

Investment in mutual funds has increased significantly over time, driven by rising financial literacy, ease of digital investing through SIPs and mobile apps, and growing investor confidence in market-linked instruments. Several major Asset Management Companies (AMCs) have played a key role in this growth, including HDFC Mutual Fund, ICICI Prudential Mutual Fund, SBI Mutual Fund, Axis Mutual Fund, Nippon India Mutual Fund, Kotak Mahindra Mutual Fund, Aditya Birla Sun Life Mutual Fund, UTI Mutual Fund, DSP Mutual Fund, Tata Mutual Fund, Mirae Asset Mutual Fund, Franklin Templeton Mutual Fund, Motilal Oswal Mutual Fund, Edelweiss Mutual Fund, and Quant Mutual Fund. Investment across these funds has grown steadily over various time horizons, from short-term liquid funds to long-term equity and hybrid schemes, reflecting increasing investor participation across different risk appetites and investment goals.

This growth has been further supported by the reforms brought in through the Goods and Services Tax (GST), implemented in July 2017. GST replaced multiple indirect taxes such as service tax, VAT, and excise duty with a single, unified tax structure, which brought several advantages to the financial services sector, including mutual funds. It simplified compliance for AMCs and distributors by removing the need to deal with varying state-level tax rates, improved transparency in the taxation of fund management fees and distributor commissions, and reduced the cascading effect of multiple taxes, thereby lowering overall transaction costs in some cases. The standardized tax rate on mutual fund-related services also made cost structures more predictable for investors and fund houses alike. Additionally, GST reforms improved the ease of doing business and encouraged greater formalization of the financial sector, which in turn boosted investor confidence and contributed to the steady rise in mutual fund inflows seen in the years following 2017⁶⁻⁸.

Challenges in Designing GST

As there was complex structure of Taxation in India before GST. There are various issue discussed between state and central. These issues were deal before passing constitution Act 2026. It is very complex to implementing tax reforms in term of GST for a multicultural country like India where the reconciliation of interest of various states with that of central. I have discussing some challenging issue of GST in below:

The cascading effect of Indirect tax is still continuing in some commodity like electricity, diesel, petrol, crude oil and real

estate. Such sector is not benefitted by the exception of GST.

Behind every light there is a darks waits. The statement is true in case of GST also. This new tax brought some negative impact on economy. Currently service tax rate is 18% earlier it is charged 15%. After the introduction of the Goods and Services Tax (GST) in India, some service sectors experienced a rise in prices.

GST refunds are another area of concern for tax payers, especially exporter meet with problems in filling their refund due to technical difficulties.

It is consumption based tax. Some complications regarding the place of services where actual services are provided need to be determined. Consumer is not benefitted by the advantages of GST although seller increases their profit margin. It bring final burden on the shoulder of consumer.

Goods and service tax network (GSTN) connected all government, trade and industry, bank and all other stakeholders on real time basis with this software. All sorts of procedure such as registration, return filling, tax payment, IGST settlement and other dashboard on GST port to all stakeholders will require adequate technology support under GSTIN.

Under the principle of tax neutrality in the Goods and Services Tax (GST) system, there is less distinction between luxury goods and essential goods in certain cases. In the earlier tax structure, luxury items were generally taxed at higher rates. However, under GST, applying similar tax rates may reduce this differentiation, which could potentially widen economic inequality between rich and poor consumers.

Implementation of GST was very tough. Revenue was major challenge before government. Government made attempt to meet it.

Analysis about GST

As per Table-1 we found that average GST collection is 13.5%. Most of countries fall under the medium and high category. Per observation of table No. 1 we found that GST rates in various countries is 20%. While Canada, Japan, Australia, Singapore and France is equal to or under 10. As compare to India these countries have Lower GST rate. It Indicates that India have highest GST with global world.

SQL Analysis: Average GST = 13.5%, Range = 5% to 20%, Most countries fall into Medium/High categories, Canada has the lowest GST (5%), France and UK the highest (20%), Half of the countries (4/8) are above average GST, Low (<10%) → 2 countries (Canada, Singapore), Medium (10–15%) → 3 countries (Australia, Japan, New Zealand), High (≥19%) → 3 countries (France, Germany, UK).

As per SQL analysis data indicates that GST rate will below 5% to 20%. France, Germany and UK take highest GST while Canada and Singapore has lowest rate of GST. It indicates that worldwide GST of India is higher as compare to other country. As per observation of Table-2 we found that GST applied in India @ 28%, 18%, 12%, 5% and zero. No GST is applicable on fruits, vegetable, Jaggerty etc. GST is applicable @ 5% for essential goods.

GST is applicable @ 18% for capital goods and industries intermediaries. GST is charged @ 28% on luxuries items (Table-2).

As per Table-3 government brings reforms by shifting health and essential items in category of 0% tax. 12% GST is replaced by 5%. While 28% GST is replaced by 18% GST. GST is applicable @ 28%. Higher rate of GST is 40% on luxuries items (Table-3).

This reform will bring drastic change. It is tendency of buyer to attract towards lower price of product. It is expected that demand of product will be increase due to deduction of GST rate. Two-tailed test, $\alpha = 0.05$, $df \approx 9 \rightarrow t\text{-critical} \approx \pm 2.262$, Calculated $t = -5.06$, $|t| = 5.06 > 2.262$

It indicates that Indirect tax before GST is not remarkable. It accept that post GST collection is remarkable and shows growth of GST after implementation of GST. It also reveals facts that GST collection after 2017 increased year by year except covid-19 period. GST implementation caused a statistically significant rise in tax collection (Table- 4a and 4b).

Table-4 (a): Indirect Tax collection before GST.

Year	Amount (Lakh Crore)	Growth %
2009-10	245367	
2010-11	345127	40.6
2011-12	393444	14
2012-13	474442	20.6
2013-14	497060	4.8
2014-15	544772	9.6
2015-16	709825	30.22
2016-17	866625	22
Total GST collection	40.77	
Average GST collection	5.1	

Table-4 (b): Indirect Tax collection after GST.

Year	Amount (Lakh crore)	Growth %
2017-18	7.19	
2018-19	11.77	
2019-20	12.22	4.24
2020-21	11.36	-7
2021-22	14.83	30.57
2022-23	18.10	22
2023-24	19.8	9.39
2024-25	22.08	11.51

Total GST Collection	117.35	
Average GST Collection	14.66	

Table-5: Taxes replaced by Central and state Government.

Central Tax	State Tax
Central excise duty (including additional excise duties, duties of excise medicine and toilets preparations)	Value added Tax
Service Tax	Octroi and entry Tax
Additional customs Duty (CVD)	Purchase Tax
Special Additional customs Duty (SACD)	Luxury Tax
Central sales Tax (levied by central and collected by state)	Taxes on lottery, betting and gambling
Central surcharge and cess (relating to supply of goods and services)	State cess and surcharges
	Entertainment Tax (other than the tax levied by the local bodies)
	Central sales tax (Levied by central and collected by state)

Conclusion

My study about GST reveals that it was complicated surgery of India taxation system. As wound required some time to heal similarly GST need some time for proper execution, implementation and operation, though it was a major tax reforms counsel /concern counsel of all States and Union territories is required before implementation. Another fact about GST that cascading effect of tax has been removed by adopting single tax system. I have studies eight year before and after GST and as per primary I come to conclusion that growth of GST revenue collection is not remarkable as compare to indirect tax collection in last eight year. It is primary fact because concrete result needs some more time.

Another facts reveals that there is problems at execution level traders, manufacturer, wholesaler, agents are facing problems related to registration-way bill and input tax credit etc. These problems become major flaws for GST. Tax filling is another hurdle for traders. A trader has to fill number of form along with GST return. Some problems related to multiple GST rates, it is vary to business to business as per previous tax system. This problems has sort out at major level by GST council. Even some cases consumer is not benefitted by lower rates of GST because

traders have increased the price of product.

This is some hurdle from tax traders and consumer corner. At final not I can say GST is good for economy growth in long run and removed cascading effects of Tax. In short run result of GST is satisfactory. Though there is requirement of growth in term of Revenue collection. I also found that as per recent GST reforms we found that change in GST rate will be beneficial in long span. It will also increase tax and revenue.

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