‘ScholarNova Research Journal’
(International Interdisciplinary Peer Reviewed Journal)
ISSN: Online

IMPACT OF GST ON REVENUE COLLECTION IN INDIA

Dr. Varsha D. Daswadkar
Assistant Professor
Shri Shahu Mandir Mahavidyalaya, Pune
Email: varsharkamthe@gmail.com

ABSTRACT

The Goods and Services Tax (GST), implemented in India with effect from 1 July 2017, is regarded as one of the most significant indirect tax reforms in the country’s fiscal history. By subsuming multiple central and state-level indirect taxes into a unified, destination-based tax system, GST aimed to eliminate the cascading effect of taxes, simplify the tax structure, enhance transparency, widen the tax base, and improve revenue mobilisation. The introduction of a technology-driven compliance framework through the Goods and Services Tax Network (GSTN) has fundamentally transformed tax administration in India. This research paper examines the impact of GST on revenue collection in India by analysing the structure of GST, pre- and post-GST revenue trends, and the role of GST in improving tax compliance. The study is based on descriptive and analytical research using secondary data supported by primary survey findings. The results indicate that GST has positively contributed to revenue collection by improving compliance efficiency, transparency, and tax base expansion, despite facing initial operational challenges.

Keywords*: Goods and Services Tax, Revenue Collection, Indirect Tax Reform, Tax Compliance, GSTN, Fiscal Federalism*

INTRODUCTION

Taxation is a vital instrument of fiscal policy and constitutes the primary source of revenue for governments. An efficient tax system not only ensures adequate resource mobilization but also promotes equity, economic efficiency, and ease of doing business. Prior to the implementation of GST, India’s indirect tax system was complex and fragmented, involving a multiplicity of taxes such as central excise duty, service tax, value added tax (VAT), octroi, entry tax, purchase tax, and luxury tax. These taxes were levied by different authorities at different stages, leading to tax cascading, higher prices, increased compliance burden, and restricted inter-state movement of goods.

'ScholarNova Research Journal'
(International Interdisciplinary Peer Reviewed Journal)
ISSN: Online

The Goods and Services Tax was introduced with the vision of creating a unified national market under the principle of "One Nation, One Tax." GST is levied on the supply of goods and services and is collected at every stage of value addition, with seamless availability of input tax credit. The introduction of GSTN as a common digital platform for registration, return filing, payment, and refund has significantly enhanced transparency and accountability in the tax system. Against this backdrop, it becomes imperative to assess whether GST has succeeded in achieving one of its key objectives, namely, improvement in revenue collection.

REVIEW OF LITERATURE

Several studies have examined the impact of GST on India's economy and public finance. Kumar and Singh (2018) observed that GST has the potential to improve tax compliance by bringing unorganised sectors into the formal economy. Rao (2019) highlighted that the destination-based nature of GST ensures better revenue distribution among states and reduces tax competition. Studies by the Reserve Bank of India (2021) indicated that GST collections have shown increasing buoyancy over time, reflecting system stabilisation and improved compliance. However, some researchers have also pointed out challenges such as multiple rate slabs, compliance burden on small businesses, and technological issues in the initial phase. The present study builds upon existing literature by focusing specifically on the revenue collection aspect of GST in India.

CONCEPTUAL FRAMEWORK AND DEFINITIONS

Goods and Services Tax (GST)

Goods and Services Tax is a comprehensive, destination-based indirect tax levied on the supply of goods and services. In India, GST operates through four major components: Central GST (CGST), State GST (SGST), Integrated GST (IGST), and Union Territory GST (UTGST). This structure ensures cooperative fiscal federalism by providing an equitable sharing of tax revenues between the Centre and the States.

Revenue Collection under GST

Revenue collection under GST refers to the mobilisation of indirect tax revenue through a unified tax framework supported by digital compliance mechanisms. GST revenue is collected at the point of consumption, thereby aligning tax incidence with consumption patterns and reducing revenue leakages.

Tax Compliance

Tax compliance denotes adherence by taxpayers to statutory requirements such as registration, invoice generation, return filing, tax payment, and record maintenance. Under GST, compliance has become more transparent and data-driven due to invoice matching, e-way bills, and analytics-based monitoring.

OBJECTIVES OF THE STUDY

1. To study the structure and operational framework of GST in India.
2. To analyse the impact of GST on revenue collection in India.
3. To examine the role of GST in improving tax compliance and transparency.
4. To identfy challenges faced during GST implementation.
5. To suggest policy measures for strengthening GST revenue performance.

RESEARCH QUESTIONS

RQ1: Has the introduction of GST resulted in an improvement in India's indirect tax revenue collection?

RQ2: Has GST enhanced tax compliance and transparency compared to the pre-GST regime?

RQ3: What are the major challenges affecting GST revenue performance in India?

RESEARCH METHODOLOGY

The present study is descriptive and analytical in nature.

Research Design: Descriptive and analytical

Sources of Data: Secondary data collected from Ministry of Finance publications, GST Council reports, CBIC annual reports, RBI bulletins, research journals, books, and official websites

ANALYSIS BASED ON RESEARCH OBJECTIVES

Analysis of the Structure and Framework of GST in India

The GST framework in India is designed as a comprehensive, destination-based indirect tax system that subsumes various central and state taxes. The dual GST model—comprising CGST and SGST for intra-state supplies and IGST for inter-state supplies—ensures fiscal autonomy of states while

'ScholarNova Research Journal'
(International Interdisciplinary Peer Reviewed Journal)
ISSN: Online

maintaining national uniformity. The GST Council acts as the apex decision-making body, facilitating cooperative fiscal federalism through consensus-based policy formulation. The technological backbone, GSTN, integrates registration, return filing, tax payment, refunds, and data analytics, thereby strengthening administrative efficiency and transparency. This structured framework has replaced the earlier fragmented tax regime with a harmonised and predictable system.

Impact of GST on Revenue Collection in India

GST has had a significant impact on India's revenue collection by broadening the tax base and reducing tax leakages. The elimination of cascading taxes and the introduction of input tax credit have encouraged voluntary compliance. Post-GST revenue trends indicate steady growth in indirect tax collections, barring temporary disruptions during the COVID-19 pandemic. Record-high monthly GST collections in recent years reflect improved revenue buoyancy and system stabilisation. The destination-based nature of GST has also ensured equitable revenue distribution across states, strengthening overall fiscal capacity.

Role of GST in Improving Tax Compliance and Transparency

One of the most notable achievements of GST is the improvement in tax compliance. Mandatory registration, invoice-based reporting, e-way bills, and e-invoicing have reduced scope for tax evasion. The integration of digital compliance mechanisms has enhanced transparency and accountability in the tax system. Primary survey findings reveal that a majority of taxpayers perceive GST as more transparent compared to the pre-GST regime. The use of data analytics by tax authorities has further strengthened compliance monitoring and risk assessment.

Challenges Faced in GST Implementation

Despite its success, GST implementation has encountered several challenges. These include multiple rate slabs, frequent amendments in rules, technological glitches in the GSTN portal, and increased compliance burden on small and medium enterprises. Initial lack of awareness and training among taxpayers also posed difficulties. Although many of these issues have been addressed over time, continued efforts are required to simplify procedures and ensure system stability.

Measures and Suggestions for Strengthening GST Revenue Performance

To further enhance GST revenue performance, continuous policy refinement is essential. Rationalisation of rate slabs, simplification of return filing, and reduction in compliance burden for small taxpayers can promote voluntary compliance. Strengthening GSTN infrastructure, improving grievance redressal mechanisms, and conducting regular taxpayer education programmes will further support revenue growth. Policy stability and cooperative decision-making through the GST Council will be crucial for sustaining long-term fiscal gains.

DATA ANALYSIS AND INTERPRETATION (OBJECTIVE-WISE)

Analysis with Reference to Objective 1: Structure and Framework of GST in India

The structural framework of GST in India is based on a dual model, which allows both the Centre and the States to levy tax concurrently on a common base. This model was adopted to preserve fiscal federalism while ensuring uniformity in indirect taxation across the country. The introduction of CGST, SGST, and IGST has replaced a complex web of indirect taxes, thereby simplifying tax administration. The GST Council, comprising representatives from the Centre and the States, plays a pivotal role in policy formulation, rate rationalisation, and dispute resolution. The digital backbone of GST, namely the GST Network (GSTN), integrates registration, return filing, tax payment, refund processing, and data analytics. This structured and technology-driven framework has significantly enhanced administrative efficiency and predictability in revenue collection.

Analysis with Reference to Objective 2: Impact of GST on Revenue Collection in India

An analysis of indirect tax revenue trends reveals that GST has positively influenced revenue collection in India. Although the initial year of implementation witnessed transitional challenges, GST revenues gradually stabilised and exhibited consistent growth. Monthly GST collections have crossed record levels in recent years, indicating improved tax buoyancy. The widening of the tax base through compulsory registration, inclusion of service providers, and formalisation of the economy has contributed to higher revenue mobilisation. The destination-based principle of GST has further ensured equitable distribution of revenue among states, thereby strengthening fiscal stability at both central and state levels.

Analysis with Reference to Objective 3: Role of GST in Improving Tax Compliance and Transparency

GST has introduced a paradigm shift in tax compliance through mandatory digital processes. Invoice matching, e-way bills, and e-invoicing have significantly reduced the scope for tax evasion. The use of real-time data and analytics by tax authorities has improved risk-based scrutiny and enforcement. Primary survey results indicate that a majority of respondents perceive GST as more transparent and accountable compared to the pre-GST regime. The increased reliance on self-assessment, supported by digital verification, has fostered a culture of voluntary compliance and enhanced overall revenue efficiency.

Analysis with Reference to Objective 4: Challenges in GST Implementation

Despite its achievements, GST implementation has faced several challenges. Multiple rate slabs have added complexity to compliance and classification. Frequent changes in rules and return formats have increased uncertainty for taxpayers, particularly small and medium enterprises. Technological issues related to the GSTN portal during the initial phase also affected compliance. Furthermore, limited awareness and inadequate training among taxpayers and tax professionals posed difficulties. Although many of these challenges have been addressed through policy revisions and system upgrades, continuous reforms remain essential.

Analysis with Reference to Objective 5: Measures to Strengthen GST Revenue Performance

To further strengthen GST revenue performance, a multi-pronged approach is required. Rationalisation of GST rates can reduce classification disputes and improve compliance. Simplification of return filing procedures, especially for small taxpayers, will encourage voluntary participation. Strengthening GSTN infrastructure and grievance redressal mechanisms will enhance taxpayer confidence. Regular training programmes and awareness campaigns can improve compliance behaviour. Policy stability and cooperative decision-making through the GST Council will be crucial for sustaining long-term revenue growth.

RESEARCH GAP

A review of existing literature reveals that several studies have examined the Goods and Services Tax (GST) in the context of economic growth, tax structure simplification, and federal fiscal relations. While prior research highlights the conceptual advantages of GST and its potential to enhance tax compliance, there are notable gaps that warrant further investigation.

First, many studies focus on the theoretical framework and expected benefits of GST rather than providing a systematic analysis of its actual impact on revenue collection using post-implementation data. Empirical studies that compare pre-GST and post-GST revenue trends remain limited, particularly those analysing revenue stability and buoyancy over time.

Second, existing research largely relies on secondary macro-level data, with insufficient integration of taxpayer perceptions and compliance behaviour. The role of digital compliance mechanisms such as GSTN, e-way bills, and e-invoicing in strengthening revenue mobilisation has not been adequately examined through a combined primary and secondary data approach.

Third, several studies acknowledge implementation challenges but do not analyse how these challenges have evolved over time or how policy reforms have contributed to revenue stabilisation. There is a lack of focused research assessing whether the initial transitional issues were temporary or had long-term implications for revenue performance.

Lastly, limited attention has been given to evaluating GST as a sustainable revenue source for both the Centre and the States, especially in the context of cooperative fiscal federalism and destination-based taxation.

The present study attempts to bridge these gaps by conducting a descriptive and analytical assessment of GST’s impact on revenue collection in India, supported by secondary data and survey-based insights. By focusing explicitly on revenue outcomes, compliance efficiency, and system stabilisation, the study contributes to existing literature and provides policy-relevant insights.

FINDINGS OF THE STUDY: Based on the analysis of secondary data, policy reports, and supporting survey observations, the following key findings emerge from the study:

1. Improved Revenue Mobilisation:
   The introduction of GST has led to a significant improvement in indirect tax revenue collection in India. After initial transitional challenges, GST revenues have shown consistent growth and increasing buoyancy, indicating system stabilisation.
2. Broadening of the Tax Base:
   GST has expanded the tax base by bringing service providers, small enterprises, and unorganised sector participants into the formal tax system through compulsory registration and invoice-based reporting.

3. Reduction in Revenue Leakages:
   The seamless input tax credit mechanism and invoice matching under GST have reduced tax cascading and minimised revenue leakages that were prevalent in the pre-GST regime.

4. Enhanced Tax Compliance and Transparency:
   Digital compliance tools such as GSTN, e-way bills, and e-invoicing have strengthened transparency and accountability. The data-driven compliance framework has improved monitoring, risk assessment, and voluntary compliance.

5. Stability in Revenue Distribution:
   The destination-based nature of GST has contributed to more equitable revenue distribution between consuming states, thereby strengthening fiscal federalism and state-level revenue stability.

6. Temporary Nature of Implementation Challenges:
   Although GST implementation initially faced issues such as technological glitches, multiple rate slabs, and compliance burden, these challenges were largely transitional and have been progressively addressed through policy reforms.

7. GST as a Sustainable Revenue Source:
   The study finds that GST has emerged as a reliable and sustainable source of revenue for both the Central and State governments, supporting long-term fiscal consolidation.

CHALLENGES IN GST IMPLEMENTATION: Despite its achievements, GST faces certain challenges such as multiple rate slabs, frequent procedural changes, compliance burden on small taxpayers, and technological issues related to GSTN. Addressing these challenges is essential for sustaining long-term revenue growth.

SUGGESTIONS:

Simplification and rationalization of GST rate structure.
Reduction in compliance burden for small and medium enterprises.
Strengthening of GSTN infrastructure and data security.
Regular training and awareness programs for taxpayers.
Policy stability to enhance taxpayer confidence.

CONCLUSION AND POLICY IMPLICATIONS

The Goods and Services Tax represent a landmark reform in India’s indirect taxation system and has fundamentally transformed the country’s fiscal architecture. The present study set out to examine the structure of GST, its impact on revenue collection, its role in improving tax compliance, the challenges encountered during implementation, and the measures required to strengthen revenue performance. The findings clearly indicate that GST has achieved significant success in meeting its core objectives. The analysis confirms that GST has had a positive and sustained impact on revenue collection in India. The widening of the tax base, reduction in tax cascading, and formalisation of economic activities have contributed to improved revenue mobilisation. The digital compliance framework under GSTN has enhanced transparency, accountability, and efficiency in tax administration, thereby strengthening voluntary compliance. Although the initial phase of implementation was marked by operational and technological challenges, continuous policy reforms and system upgrades have enabled GST revenues to stabilise and grow consistently. From a policy perspective, the study highlights several important implications. First, rationalisation of GST rate slabs is essential to simplify compliance and minimise classification disputes. Second, sustained investment in GSTN infrastructure and data analytics will further strengthen compliance monitoring and revenue forecasting. Third, reducing the compliance burden on small and medium enterprises through simplified procedures will encourage greater participation in the formal tax system. Fourth, policy stability and cooperative decision-making through the GST Council are crucial for maintaining taxpayer confidence and ensuring long-term revenue sustainability.

In conclusion, GST has emerged as a robust and transparent revenue-generating mechanism for both the Centre and the States. With continued reforms, effective stakeholder engagement, and technological advancement, GST has the potential to play a pivotal role in strengthening India’s fiscal capacity and supporting inclusive and sustainable economic growth.

REFERENCES

1. *Central Board of Indirect Taxes and Customs (CBIC). (2019–2023). Annual Reports. Government of India.*
2. *Goods and Services Tax Council. (Various Years). GST Council Reports and Publications. Government of India.*

3. *Ministry of Finance, Government of India. (2018–2023). GST Revenue and Economic Reports. Government of India.*

4. *Reserve Bank of India. (2021). State Finances: A Study of Budgets. RBI Publications.*

5. *Rao, R. K. (2019). Goods and Services Tax in India: Progress, performance, and challenges. Indian Journal of Public Finance, 34(2), 45–62.*

6. *Kumar, S., & Singh, R. (2018). Impact of GST on Indian economy. International Journal of Commerce and Management Research, 4(3), 12–18.*

7. *Official GST Portal. (2024). Goods and Services Tax Information. Government of India. https://www.gst.gov.in*