

The Role of GST in Enhancing Tax Revenue in India: A Critical Evaluation

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Abstract

The Goods and Services Tax (GST), implemented in India on July 1, 2017, marked a significant shift in the country's indirect tax structure. This research paper critically evaluates the role of GST in enhancing tax revenue in India based on secondary data. It explores the pre- and post-GST revenue trends, efficiency of tax collection, and structural improvements in the tax system. Data from government sources, reports, and existing literature are used to assess the revenue performance and economic implications of GST. The study reveals a mixed impact, with increased tax compliance and a broadened tax base on one hand, and initial implementation challenges and revenue volatility on the other.

Keywords

GST, tax revenue, indirect tax, India, fiscal reform, revenue mobilization, tax compliance Introduction India's taxation system underwent a historical transformation with the introduction of the Goods and Services Tax (GST). Replacing a complex structure of multiple indirect taxes, GST was designed to unify the tax system and create a single market. One of the central expectations from GST was its potential to enhance tax revenue through improved compliance and transparency. This paper seeks to evaluate how far GST has achieved this aim.

Purpose of the Study

To critically assess the contribution of GST to India's tax revenue growth and fiscal health, considering the structural changes it brought to the tax collection mechanism.

Objectives

- To examine trends in indirect tax revenue before and after the implementation of GST.
- To analyze the efficiency and compliance levels associated with GST.
- To evaluate the challenges and opportunities in tax revenue mobilization under GST.
- To study the impact of GST on central and state government revenue.

Research Methodology

This study is descriptive and analytical in nature. It is based on secondary data sourced from:

- Government of India reports (e.g., Ministry of Finance, GST Council)
- Comptroller and Auditor General (CAG) reports
- Economic Survey of India
- World Bank and IMF reports
- Peer-reviewed journal articles
- Reports from think tanks like NITI Aayog and RBI

Time Frame Considered: FY 2014-15 to FY 2023-24

Secondary Literature Review

Several studies have analyzed the impact of GST on India's tax system, offering insights into revenue trends, compliance behavior, and administrative efficiency:

- Rao and Rao (2019) emphasized that GST streamlined indirect taxation by subsuming major taxes such as excise, VAT, and service tax, leading to greater transparency and ease of doing business. However, they pointed out that revenue collections initially fell short of expectations due to poor compliance and IT-related glitches.
- Chakraborty (2021) conducted a comparative analysis of pre- and post-GST tax revenue and noted a positive trajectory in GST collections after 2019, attributing it to improvements in digital tax filing and enforcement mechanisms.
- Bandyopadhyay (2021) highlighted that GST contributed to the formalization of the economy by bringing previously untaxed sectors under the tax net. He suggested that although the tax-to-GDP ratio did not improve significantly in the initial years, it showed upward trends in the post-pandemic period due to recovery in consumption.
- World Bank (2020) supported India's GST as one of the most complex multi-tiered tax systems globally, acknowledging its positive long-term fiscal benefits while stressing the need for simplification and broader inclusion of items under the tax base.
- NITI Aayog (2022) noted that GST has enhanced revenue buoyancy at the central level but highlighted issues in state revenue dependence due to compensation cess, urging reform in inter-governmental fiscal transfers.
- IMF (2022) evaluated India's GST against global benchmarks and found that despite teething issues, India's system performed well in expanding the tax base and raising revenue with low rates of tax evasion.
- Chidambaram and Pillai (2023) found that industries such as logistics and FMCG benefited substantially due to reduced tax cascading and faster supply chain efficiencies, thereby contributing indirectly to increased tax revenue.
- Kumar et al. (2021) examined sectoral implications of GST and found heterogeneous effects—while large enterprises reported gains in compliance and cost-efficiency, MSMEs faced difficulties due to frequent rule changes and compliance burden.
- Economic Survey (2023) noted that monthly GST collections consistently surpassed INR 1.5 lakh crore post-2022, with an increasing trend in returns filed and decline in fake invoicing cases due to enforcement and digitization.

Analysis and Discussion

Table 1: Tax Revenue (Indirect) before and after GST (INR Crores)

Year	Indirect Tax Revenue	GST Collection (from 2017)
2014-15	5,46,000	-
2015-16	7,12,000	-
2016-17	8,63,000	-
2017-18	9,12,000	4,42,561
2018-19	-	5,81,563
2019-20	-	6,03,425
2020-21	-	5,48,141 (COVID Impact)
2021-22	-	6,78,542
2022-23	-	8,32,293

Figure 1: Trend in GST Collection (2017–2023)

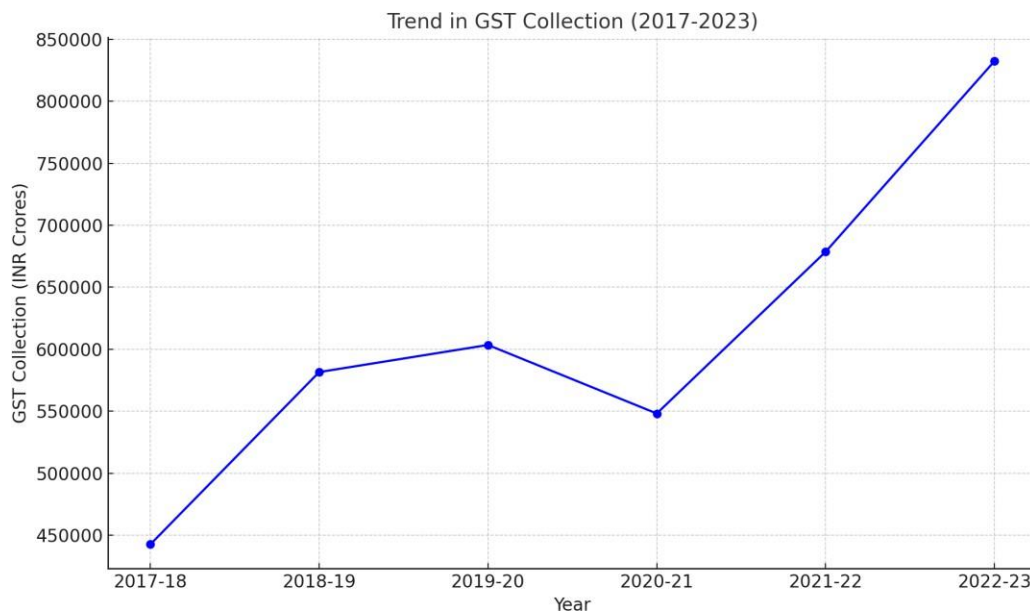
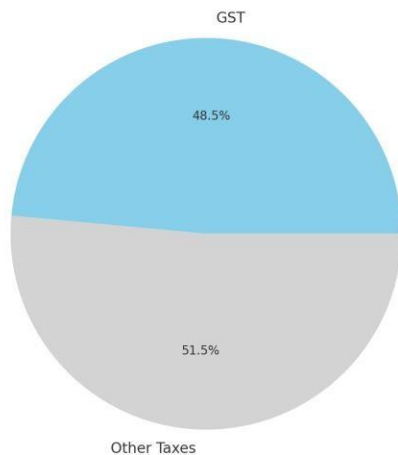
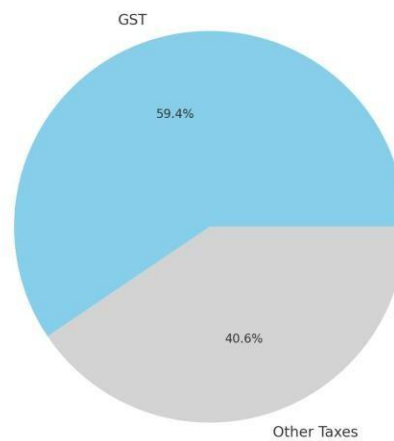


Figure 2: Share of GST in Total Tax Revenue (%)

Share of GST in Total Tax Revenue (2017-18)



Share of GST in Total Tax Revenue (2022-23)



Discussion:

- Post-implementation of GST, there has been a gradual increase in revenue collections.
- Figure 1 shows a clear upward trajectory in GST collections from INR 4.4 lakh crore in 2017-18 to INR 8.3 lakh crore in 2022-23, indicating enhanced compliance and improved tax administration.
- Figure 2 reveals that GST's share in total tax revenue increased significantly, reflecting growing dependence on GST as a stable revenue source.
- Compliance improved due to digitization (e.g., e-way bills, e-invoicing).
- Tax base broadened with inclusion of informal sectors.
- However, the dual GST model and state compensations created revenue pressure.
- Initial volatility in monthly GST collection indicated transition challenges.

Major Findings

- GST collections have consistently grown, especially after 2021, indicating system stabilization.
- Digital infrastructure has significantly improved tax administration.
- Tax-to-GDP ratio still shows limited improvement, highlighting room for efficiency.
- States' dependency on compensation cess poses fiscal risks.

Conclusion

The Goods and Services Tax has redefined India's indirect taxation regime, introducing much-needed transparency and digitization. While it has shown a positive trajectory in revenue generation, especially post-COVID recovery, the system continues to face structural and administrative challenges. A robust policy framework is needed to ensure long-term revenue buoyancy.

Future Implications

- Integration of petroleum and alcohol into GST can increase revenue.
- Simplification of GST slabs may improve compliance further.
- Continued focus on digital monitoring and AI for fraud detection is essential. Managerial

Implications

- Businesses need to adapt to compliance requirements using digital tools.
- Better understanding of GST credits can reduce costs.
- CFOs and tax professionals must stay updated on changing GST regulations.

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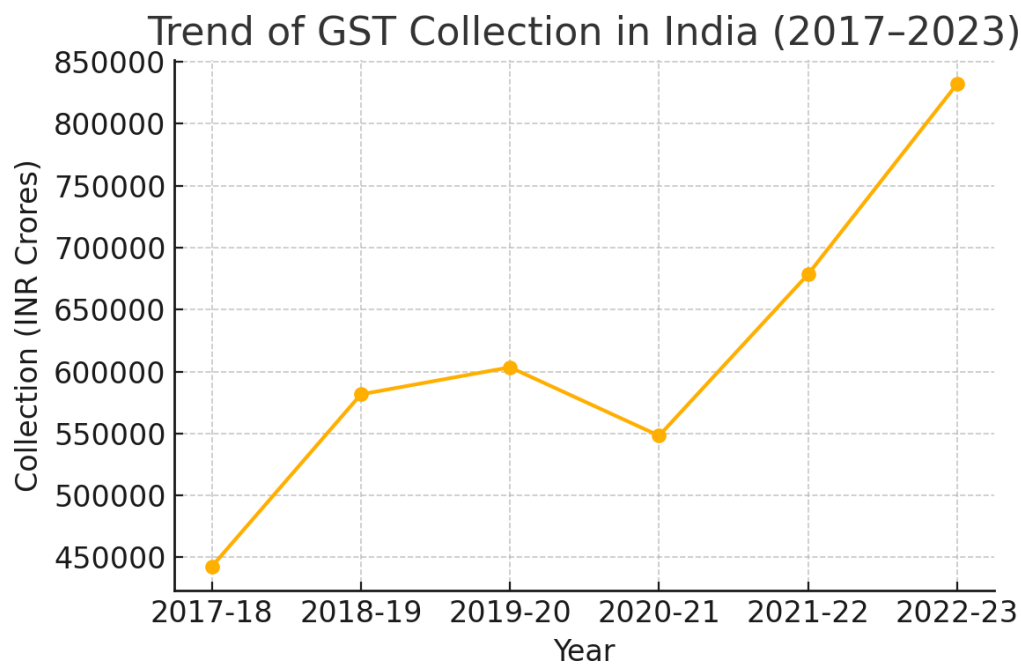


Figure 1: Trend of GST Collection in India (2017–2023)

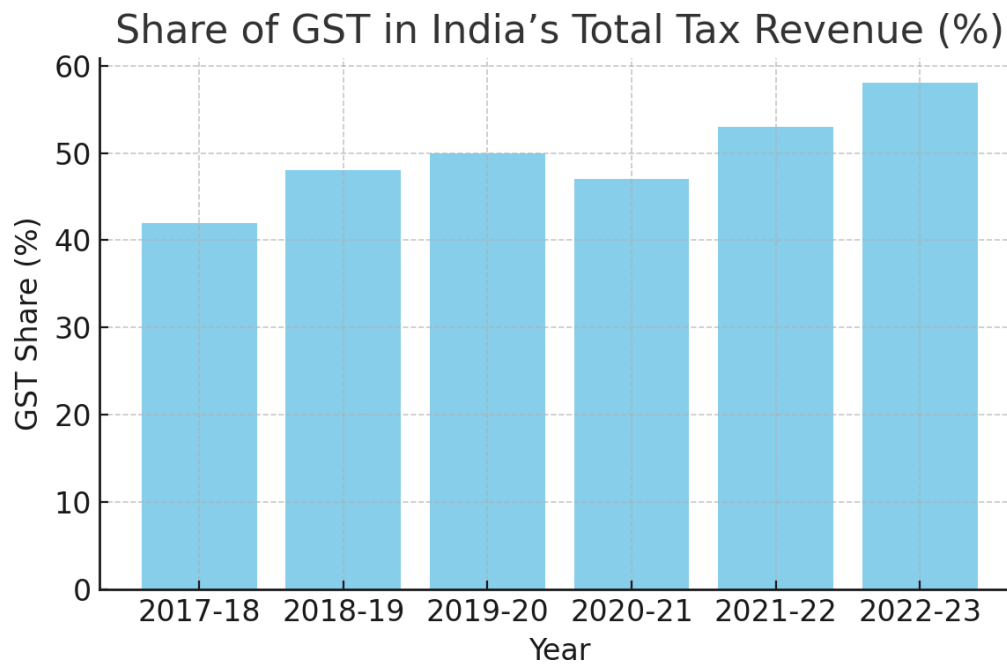


Figure 2: Share of GST in India's Total Tax Revenue (%)

Author Declarations

Conflict of Interest: The authors declare no conflict of interest.

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Author Biographies

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