

# GOODS AND SERVICES TAX IN INDIA: AN ANALYTICAL REVIEW OF REVENUE PERFORMANCE, CHALLENGES, AND THE ROAD AHEAD

**Divya Rajan**

[Assistant Professor PG DEPARTMENT OF  
COMMERCE/SacredHeartCollege(Autonomous),Chalakydy]  
divyasanil245@sacredheartcollege.ac.in

## Abstract

The Goods and Services Tax (GST), implemented in India on July 1, 2017, represents one of the most transformative indirect tax reforms in the country's fiscal history. By subsuming 17 major taxes and 13 cesses into a single, unified framework, GST aimed to eliminate the cascading tax-on-tax effect, create a common national market, and improve compliance through technology-driven administration. This paper provides a comprehensive analytical review of GST's performance over nearly eight years of its implementation, with particular emphasis on revenue trends, structural challenges, compliance dynamics, and macroeconomic implications. Using secondary data from government publications, the GST Council, and reputed research bodies, the study finds that GST has achieved significant milestones — including a record gross collection of ₹22.08 lakh crore in FY 2024-25 and an active taxpayer base surpassing 1.51 crore — while also facing persistent challenges in rate rationalization, Input Tax Credit (ITC) management, and MSME compliance burden. The paper concludes with a set of policy recommendations to further strengthen the GST framework towards achieving greater fiscal efficiency and economic equity.

Keywords: GST, Indirect Taxation, India, Tax Reform, Revenue, Compliance, MSME, Input Tax Credit, Fiscal Policy

## 1. Introduction

India's pre-GST indirect tax landscape was characterized by a fragmented, multi-layered structure encompassing central excise duties, service tax, value-added tax (VAT), entry tax, octroi, and numerous state-level levies. This complexity not only imposed a heavy compliance burden on businesses but also resulted in the cascading effect of tax-on-tax, distorting pricing mechanisms and hindering inter-state commerce. The introduction of GST on July 1, 2017, under the 101st Constitutional Amendment Act, was a watershed moment in India's fiscal federalism — bringing together the Centre and all states under a collaborative governance structure mediated by the GST Council.

The GST framework operates on a dual structure: Central GST (CGST) and State GST (SGST) for intra-state transactions, and Integrated GST (IGST) for inter-state supplies. A tiered rate structure of 0%, 5%, 12%, 18%, and 28% was established, with special rates for precious metals and a compensation cess on demerit goods. The digital backbone of the system — comprising the GSTN portal, e-invoicing, and the e-Way Bill mechanism — has been instrumental in expanding the tax base and reducing evasion.

After nearly eight years of implementation, GST has progressively matured from a disruptive transition to a stabilized revenue engine. This paper seeks to critically examine this journey through the lens of revenue

performance, structural design, compliance behavior, and economic impact, and to propose targeted reforms for the next phase of GST's evolution.

## 2. Objectives of the Study

- To analyze the revenue performance of GST from FY 2017-18 to FY 2024-25.
- To examine the structural challenges and compliance issues faced by taxpayers under GST.
- To assess GST's macroeconomic impact, particularly on MSMEs, logistics, and consumer prices.
- To review key technological interventions and their role in improving GST administration.
- To suggest policy reforms for enhancing the efficiency and equity of the GST system.

## 3. Research Methodology

This study adopts a descriptive and analytical research design. The data used is entirely secondary in nature, sourced from the Ministry of Finance (Government of India) press releases, the GST Council's official publications, the Comptroller and Auditor General (CAG) reports, the National Sample Survey (NSS), and peer-reviewed academic journals. Trend analysis and comparative statistics are employed to track revenue growth and identify structural patterns. The study covers the period from FY 2017-18 to FY 2024-25, providing a near-complete longitudinal view of GST's performance since inception.

## 4. GST Revenue Performance: A Trend Analysis

The revenue trajectory of GST has followed a broadly upward trend since its troubled early months, emerging as a reliable and growing source of government receipts. The table below summarizes annual gross GST collections from inception to FY 2024-25:

**Table 1: Annual Gross GST Revenue Collections in India (FY 2017-18 to FY 2024-25)**

Financial Year	Gross GST Collection (₹ Lakh Crore)	YoY Growth (%)
2017-18	7.41	—
2018-19	11.77	58.8%
2019-20	12.22	3.8%
2020-21	11.37	-6.9%
2021-22	14.83	30.4%
2022-23	18.07	21.8%
2023-24	20.18	11.7%
2024-25	22.08	9.4%

Source: Ministry of Finance, Government of India; GST Council Reports

The data reveals a notable dip in FY 2020-21, attributable to the economic disruptions caused by the COVID-19 pandemic and associated lockdowns. However, the subsequent recovery was robust, with

collections rising sharply from FY 2021-22 onwards, driven by pent-up demand, economic normalization, and enhanced compliance enforcement. FY 2024-25 marked the highest-ever annual GST collection of ₹22.08 lakh crore, representing a year-on-year growth of 9.4%.

On a monthly basis, April 2025 recorded the highest-ever single-month collection of ₹2.36 lakh crore, reflecting a combination of year-end compliance filings, strong inter-state trade activity, and accelerated refund processing. The consistent performance above ₹1.7 lakh crore per month in recent periods signals both economic resilience and improving compliance culture among taxpayers.

State-wise analysis reveals significant geographic concentration: Maharashtra consistently leads all states in GST contribution, followed by Karnataka, Gujarat, Tamil Nadu, and Uttar Pradesh. The top five states account for a disproportionate share of national GST revenue, underscoring regional disparities in industrial and commercial activity.

## 5. Structural Challenges and Compliance Issues

Despite its achievements, GST continues to face substantive structural and operational challenges that limit its full potential. The following table synthesizes the key challenges along with their implications and suggested remedies:

**Table 2: Key Challenges in GST Implementation and Suggested Reforms**

Challenge	Description	Suggested Remedy
Complex Rate Structure	Multiple slabs (0%, 5%, 12%, 18%, 28%) cause confusion	Rationalize to 3-tier structure
ITC Mismatch	Discrepancies between GSTR-1 and GSTR-3B filings	AI-based real-time reconciliation
MSME Compliance Burden	Small businesses struggle with monthly filings	Quarterly filing for all under ₹5 Cr
Inverted Duty Structure	Tax on inputs higher than on outputs in some sectors	Sector-specific rate review
Fraudulent ITC Claims	Fake invoices used to claim Input Tax Credit	E-invoicing mandate below ₹5 Cr turnover

Source: Author's compilation from CAG Reports, GST Council deliberations, and academic literature

### 5.1 Rate Rationalization

The presence of four principal rate slabs (5%, 12%, 18%, 28%) alongside special rates (0.25%, 1.5%, 3%) creates classification ambiguity and litigation. The GST Council has been deliberating the merger of the 12% and 18% slabs into a unified 15% rate, which could simplify compliance while maintaining revenue neutrality. However, such rationalization must carefully balance the interests of essential goods consumers and revenue considerations.

### 5.2 Input Tax Credit Management

The Input Tax Credit (ITC) mechanism — designed to eliminate tax cascading — has been marred by fraudulent claims through fake invoicing networks. The government has responded with technology-driven solutions: e-invoicing (now mandatory for businesses with turnover above ₹5 crore since January 2025),

AI-based return scrutiny, and real-time risk profiling. Reports from key GST zones indicate a 12-15% increase in voluntary correction filings post-AI flagging, suggesting improved compliance behavior.

### 5.3 MSME Burden and Digital Inclusion

Micro, Small and Medium Enterprises (MSMEs) form the backbone of India's economy yet constitute the most vulnerable segment under GST compliance. Proprietorships account for 80.18% of the total taxpayer base but contribute only 13.35% of GST revenue, reflecting the compliance asymmetry. The QRMP (Quarterly Return Monthly Payment) scheme, introduced in January 2021, has partially alleviated this burden by allowing quarterly filing for taxpayers with turnover up to ₹5 crore. GST has also facilitated MSME access to formal credit through the TReDS platform, with over 5,000 buyers and 66+ financing institutions registered as of May 2024.

## 6. Macroeconomic Impact of GST

GST has delivered measurable macroeconomic dividends beyond revenue collections. The unified tax structure has reduced logistics costs by over 33%, according to industry estimates, by eliminating inter-state checkpoints and streamlining supply chains. Consumer households have benefited from an estimated 4% saving on monthly household expenditure on essential goods, attributable to the removal of cascading taxes and rate reductions on frequently purchased items.

The formalization of the economy has been a significant indirect benefit. The registered taxpayer base has expanded from 60 lakh at inception to over 1.51 crore active taxpayers, incorporating a large segment of the informal economy into the formal tax net. This expanded base not only improves revenue buoyancy but also enhances the financial footprint of businesses, making them eligible for formal credit and government procurement.

The Deloitte GST@8 survey (2025) found that 85% of respondents across industries reported a favorable experience with GST, citing simplified processes, improved credit flow, and stronger digital infrastructure as key positives. This sentiment reflects the gradual maturation of the system and its acceptance by the business community.

## 7. Technology as a Catalyst: Digital Transformation in GST

The GSTN (Goods and Services Tax Network) portal, launched alongside GST in 2017, serves as the digital backbone of the entire system. Over the past eight years, a series of technology interventions have progressively strengthened compliance architecture:

- E-Way Bill System (introduced April 2018): Mandatory for goods movement above ₹50,000, enabling real-time tracking of inter-state and intra-state cargo, significantly reducing tax evasion in logistics.
- E-Invoicing (introduced October 2020, extended to ₹5 Cr+ in January 2025): Standardized machine-readable invoicing directly integrated with the GSTN, enabling automated reconciliation and ITC verification.
- AI-Based Return Scrutiny: Nationwide deployment of AI systems to flag GSTR-1 vs. GSTR-3B mismatches, turnover fluctuations, and suspicious ITC patterns, improving voluntary compliance.
- FASTag Integration: Linking vehicle movement data with e-Way Bills has further tightened supply chain monitoring.

The GST Council is evaluating further lowering the e-invoicing threshold to ₹2 crore by FY 2026-27, which would bring a substantial portion of MSMEs under the automated compliance net, further reducing leakages.

## 8. Policy Recommendations

Based on the analysis, the following policy recommendations are advanced to strengthen the GST framework:

- **Rate Rationalization:** Consolidate the 12% and 18% slabs into a unified 15% rate, while retaining the 5% concessional rate for essentials and the 28% slab for luxury and demerit goods. This would reduce classification disputes and litigation substantially.
- **Inverted Duty Structure Resolution:** Conduct a comprehensive sector-by-sector review of inverted duty chains (particularly in textiles, footwear, and fertilizers) to ensure that the tax on inputs does not exceed the tax on outputs, preventing working capital blockages.
- **MSME Threshold Enhancement:** Consider raising the GST registration threshold from the current ₹40 lakh to ₹75 lakh for goods and ₹20 lakh to ₹40 lakh for services to ease compliance burden on micro enterprises, without sacrificing revenue significantly.
- **Petroleum Products Integration:** A phased integration of petroleum products (currently outside GST) would complete the reform architecture, eliminate cascading effects in transportation costs, and broaden the GST base.
- **Real-Time ITC Reconciliation:** Accelerate the rollout of real-time ITC matching between supplier GSTR-1 and recipient GSTR-3B to eliminate fraudulent ITC claims at source rather than through post-facto audits.
- **Dispute Resolution Mechanism:** Establish a dedicated, fast-track GST Appellate Tribunal at the district level to reduce the backlog of classification and valuation disputes currently clogging the legal system.

## 9. Conclusion

The Goods and Services Tax has undeniably transformed India's indirect tax landscape, transitioning the country from a fragmented multi-tax regime to a unified, technology-driven system. The consistent growth in revenue collections — culminating in a record ₹22.08 lakh crore in FY 2024-25 — alongside a rapidly expanding taxpayer base and favorable business sentiment, attests to the reform's fundamental success. At the same time, challenges in rate rationalization, ITC management, and MSME compliance remain areas requiring sustained policy attention.

The next phase of GST's evolution must focus on deepening simplification, broadening the base (particularly through petroleum integration and MSME inclusion), harnessing artificial intelligence for proactive compliance management, and institutionalizing efficient dispute resolution. With these refinements, GST can evolve from a revenue mobilization instrument to a more equitable, growth-enabling cornerstone of India's fiscal architecture.

## References

1. Ministry of Finance, Government of India. (2025). Monthly GST Revenue Collection Press Releases (FY 2017-18 to FY 2024-25). Press Information Bureau. <https://www.pib.gov.in>
2. GST Council. (2025). GST Revenue Statistics. <https://gstcouncil.gov.in>
3. Deloitte. (2025). GST@8: A Deloitte Survey on GST Experience. Deloitte India.
4. Comptroller and Auditor General of India. (2023). Report on GST Implementation. Government of India.
5. National Institute of Public Finance and Policy (NIPFP). (2022). Revenue Implications of GST Implementation. Working Paper Series.
6. Keen, M., & Lockwood, B. (2010). The Value Added Tax: Its Causes and Consequences. *Journal of Development Economics*, 92(2), 138-151.
7. Empowered Committee of State Finance Ministers. (2009). First Discussion Paper on Goods and Services Tax in India. Government of India.
8. ClearTax / Defmacro Software. (2025). GST Collection in India: Monthly Trends and Latest Updates. <https://cleartax.in/s/gst-collection>
9. Tata NexArc. (2025). GST Collection Monthly and Yearly Trends. <https://blog.tatanexarc.com>
10. Meetanshi. (2025). GST Statistics in India. <https://meetanshi.com/blog/gst-statistics/>

### Copyright & License:

© Authors retain the copyright of this article. This work is published under the Creative Commons Attribution 4.0 International License (CC BY 4.0), permitting unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.