

Eight Years of GST in India: A Critical Appraisal of Its Achievements, Limitations, and the Path Ahead

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ABSTRACT

Implemented on 1st July, 2017, the Goods and Services Tax (GST) is considered to be the most significant Indirect Tax reform in India since independence in 1947. Positioned as a “one nation, one tax” system, GST sought to replace a complex web of cascading state and central taxes with a unified structure supported by digital compliance. Eight years since its inception, GST has demonstrated notable achievements in enhancing tax collections, broadening the taxpayer base, and promoting fiscal integration across the federation. However, the reform continues to face structural constraints, including the exclusion of petroleum products and alcoholic beverages, compliance challenges, technological infirmities, multiple tax slabs, and interpretational ambiguities. This paper critically examines GST's performance from 2017 to 2025, highlighting both achievements and limitations, while situating reforms as imperative for the future. The analysis incorporates policy discussions, fiscal outcomes, and administrative practices. It argues that GST requires consistent rationalization, technological strengthening, and legislative simplification to realize its original promise as a comprehensive indirect tax reform for India.

Keywords: Goods and Services Tax, GST, Indirect Tax, GST Collection, Taxpayers.

Introduction

Implemented on 1st July, 2017, the Goods and Services Tax (GST) is considered to be the most significant Indirect Tax reform in India since independence in 1947. By amalgamating a large number of Central and State Indirect taxes into a single tax, GST was aimed at mitigating cascading or double taxation in a major way, simplifying the tax system, enhancing compliance and pave the way for a common national market – “One Nation, One Tax.” Implementation of GST was a milestone in India's Indirect Tax Reforms which paved the way for Common National Market and True Economic Integration of India.

Eight years later, GST remains at the center of India's fiscal discourse. While it has undoubtedly expanded the tax base and augmented collections, structural weaknesses and persistent implementation difficulties have limited its effectiveness. This paper presents a critical examination of GST's trajectory over the past eight years, evaluating achievements, identifying limitations, and discussing crucial reforms required for the path ahead. The analysis draws upon official GST collection reports, official press notes, and GST statistical reports, as well as scholarly evaluations of the tax regime.

Literature Review

Press Information Bureau. (2025) “PM Modi’s I Day Address: A vision for reform, self-reliance, and empowering every Indian” reports that government is determined to bring GST reforms by Diwali, 2025 to simplify compliances and stimulate economic activity.

Press Information Bureau (2025) “Eight years of GST: Record gross GST collection in 2024–25; Survey finds 85 % industry approval” highlights significant milestones achieved by the GST such as consistent progress in GST collections, increase in taxpayers, benefits to the businesses, and positive perceptions among various sectors.

PwC India (2025) “Eight years of GST: A time to reflect, a time to reform” summarizes the journey of GST in India highlighting the significant progress made by it and also suggests the areas of reforms to align with the global best practices.

Chandani (2023) “Challenges in India’s GST: Issues, Recommendations and Impact”, TaxGuru. Through this article author highlighted the various challenges and issues faced by the GST taxpayers and also provided his recommendations to resolve the same.

Bharat Khemchand (2019) – This research highlights issues and challenges of GST that are faced by the chartered accountants and other GST consultants in Nanded and Thane district of Maharashtra. This research highlights compliance issues, technical issues, accounting and auditing issues that chartered accountants and other GST consultants have across after implementation of GST.

While there are numerous existing studies, reports, press releases, and official statements with their main focus on either achievements of GST or limitations of GST; this study aims to provide a holistic review to GST by critically examining both its achievements and limitations, and also recommends reforms imperatives.

Research Methodology

This paper uses qualitative research methods to evaluate the progress and challenges of the Goods and Services Tax (GST) in India since its introduction. The study is based mainly on existing data gathered from reliable sources such as official government publications, statistical reports, and policy documents covering the period from 2017 to 2025. Information on GST revenues, taxpayer growth, and government policies was collected from the Ministry of Finance, GST Council releases, and reports by the Central Board of Indirect Taxes and Customs. In addition, speeches and official announcements by government leaders were examined to gain insight into the government’s vision and reform plans for GST.

To enrich the analysis, the paper also reviews academic articles, policy analyses, and expert opinions related to GST’s structure, compliance issues, and reforms. Insights regarding limitations of GST and ground reality of practical problems associated with GST compliances were also gathered from GST practitioners. Reforms suggested by GST practitioners were also recorded. By combining factual data with scholarly perspectives, the paper aims to provide a well-rounded and critical understanding of GST’s impact so far. While this research primarily relies on secondary data, efforts were made to cross-check information from multiple trustworthy sources to ensure accuracy and balance.

Achievements of GST in India (2017–2025)

Since its rollout in July 2017, the Goods and Services Tax (GST) has brought about significant structural and operational transformations in India’s indirect tax regime. Despite initial transitional hurdles, GST has yielded multiple benefits for the economy, government, and taxpayers. Some of the key achievements are discussed below:

- **Creation of Common National Market and Elimination of Cascading Effect**

GST replaced multiple indirect taxes and paved the way for single indirect tax on supply of goods or services thereby leading to creation of Common National Market. By subsuming various central and state-level indirect taxes such as VAT, excise duty, service tax, and entry tax, GST eliminated inter-state tax barriers. This has enabled smoother movement of goods across states, improved supply chain efficiency, and enhanced the competitiveness of Indian businesses. GST introduced the seamless flow of Input Tax Credit (ITC) across the value chain ensuring tax is paid only on the value addition at each stage. GST’s destination-based consumption tax model ensured seamless intra-state and inter-state

trade, fostering a unified market and eliminating cascading tax effects. This unification has facilitated ease of doing business and increased supply chain efficiency, a transformational change for India's federal fiscal architecture.

- **Significant Increase in GST Collections**

One of the most significant indicators of GST's success has been the consistent increase in gross and net GST collections. GST collection have increased significantly during these 8 years of GST implementation in India. Monthly Gross GST collection have increased from less than Rs. 1 Lakh crore in 2017 to almost Rs. 195735 Crore in July,2025. According to the Press Release regarding GST collections uploaded on GST Portal, the gross GST collection for July 2025 stood at ₹195735 crore, marking a 7.5% increase compared to July 2024 when it was ₹182075 crore. Notably, this figure includes Central GST (CGST) of ₹35,470 crore, State GST (SGST) of ₹44,059 crore, Integrated GST (IGST) of ₹103,536 crore, and Cess of ₹12,670 crore, underscoring robust economic activity across states. April 2025 was the month with the highest GST collection in India, Gross GST collection in April, 2025 was ₹236716 Crore.

The fiscal year 2024–25 witnessed India's highest-ever gross GST collection of ₹22.08 lakh crore, reflecting a year-on-year growth of 9.44% compared to Gross GST collection of fiscal year 2023-24 when it was ₹20.18 lakh crore. This consistent increase in annual GST collections is also seen in fiscal year 2025-26, which is evident from below table which shows increase in monthly gross collections when compared with that of respective monthly collections of precious year :-

Table 1: Comparison of Gross GST Collections

Month	Gross GST Collection (Amount in crores)		Growth (Amount in crores) C = B-A	% Growth D= C/A
	2024	2025		
	A	B		
April	210,267	236,716	26,449	12.58%
May	172,739	201,050	28,311	16.39%
June	173,813	184,597	10,784	6.20%
July	182,075	195,735	13,660	7.50%

(Source: Data Available on GST Portal - <https://www.gst.gov.in/download/gststatistics>)

Such record collections have strengthened India's fiscal position and validated GST's role as a crucial revenue source. The consistency in monthly collections highlights resilience even amid economic uncertainties.

- **Increase in Taxpayers and Widening of Tax Base**

GST has considerably expanded the registered taxpayer base. From an initial 67 lakh taxpayers at inception, the roster has grown to over 1.53 crore registered taxpayers as of June 2025. This expansion results from mandatory registrations based on turnover thresholds, streamlined registration processes, and increased formalization of businesses. The ease of online registration, simplified return mechanisms for small businesses (such as the Composition Scheme) have also contributed to bring many previously unregistered businesses into the GST regime. The broader tax base reflects not only compliance but also enhanced monitoring and inclusion of hitherto informal sectors into the tax net.

- **Digitalization of Tax Administration**

The GST Network (GSTN) has been central to the tax's administration. All processes — registration, return filing, payment, and compliance verification — are digitized, reducing human interface and corruption risks. Innovations such as e-invoicing, the e-way bill system, and the integration with Goods and Services Tax returns have enhanced transparency and data accuracy. Although technical glitches in GSTN portal is a major source of concern, the GSTN portal has improved tax administration in comparison to the manual systems previously prevalent.

These are the some of the key achievements that highlights GST has played a pivotal role in modernizing India's indirect taxation system. It has enhanced revenue, widened the tax base, and promoted a transparent and efficient tax ecosystem.

Structural Limitations of GST

Despite all its achievements, GST also have its fair share of several structural limitations. These limitations are giving rise to several issues and challenges that are acting as a major barriers in realizing GST's desired potential. Some of the major structural limitations are discussed below:

- **Exclusion of Petroleum Products and Alcoholic Beverages from GST Regime**

A persistent limitation in GST has been the exclusion of petroleum products and alcoholic beverages from the ambit of GST. At present States are levying VAT/Sales Tax on sales of petroleum products and alcoholic beverages. Since these products constitute significant revenue sources for states, they are not willing to give up their right to levy VAT on these products. Though attempts to bring petroleum under GST have been discussed, concerns over revenue compensation to states have delayed reforms, perpetuating a disjointed tax base. The moto of GST – “One Nation, One Tax” and “Common National Market” will be fulfilled in true sense only when petroleum products and alcoholic beverages are also included under GST.

- **Complex Legal and Administrative Framework**

GST law has undergone frequent amendments, accompanied by numerous notifications and circulars. This dynamic legal environment generates interpretational ambiguities and enforcement challenges. Issues related to input tax credit eligibility, reverse charge mechanisms, and other complex provisions have led to disputes and increased litigation costs for taxpayers. Simplifying and stabilizing the legal framework remains a priority for sustained GST success.

- **Compliance Burden**

While digitalization has modernized tax administration, the compliance burden remains heavy, especially for small and medium enterprises (SMEs). The requirement for multiple periodic GST return filings (e.g., GSTR-1, GSTR-3B), invoice matching, and frequent legislative amendments impose costs and complexities, often necessitating professional assistance that small players might find expensive. This burden can discourage voluntary compliance and create barriers for small businesses.

- **Technological Glitches in GST Portal**

Despite the focus on digital infrastructure, the GSTN portal has regularly experienced technical glitches, ranging from system downtimes during filing deadlines to incorrect auto populated data affecting tax liability. These technological challenges disrupt compliance timelines and create taxpayer frustrations, indicating the need for infrastructural improvements to match the expanding taxpayer base.

- **Multiple Tax Slabs**

India follows a system of multiple tax slabs: 5%, 12%, 18%, and 28%, along with exemptions, zero-rated supplies, and cess on luxury and sin goods. This multi-rate structure complicates compliance and enforcement, leading to classification disputes and litigation.

- **Inefficiency to curb Tax Evasion**

Although GST collections are continually increasing and despite all the technological advancements, tax evasion and fraudulent practices persist the GST system. Common tactics used in Tax evasion include - Under-reporting of Cash Sales, Circular trading and fake entities created solely to issue tax invoices without actual supply. There is still no mechanism to track cash sales because it leaves no trail. GST evasion of Rs. 2.23 Lakh Crore was detected by The CBIC in the financial year 2024-25 (FY25), an all-time high figure which was 10% more than the previous year's GST evasion of Rs. 2.02 Lakh Crore.

These structural limitation requires urgent attention and need to be addressed to ensure effectiveness, inclusivity, and long-term sustainability of GST in India.

SWOT Analysis of GST

This table succinctly summarizes internal strengths and weaknesses along with external opportunities and threats for GST in India.

Table 2: SWOT Analysis of GST

Strengths • Significant increase in GST collections and widening of Tax Base • Unified multiple indirect taxes into a single, destination-based tax system • Digitalized tax administration through the GST Network (GSTN)	Weaknesses • Complex legal framework and multiple tax slabs • Technological glitches and delays in the GST portal • Exclusion of petroleum products and alcoholic beverages • Significant Tax Evasion
Opportunities • Simplification and stabilization of GST laws • Technological infrastructure improvements including AI-driven compliance checks • Phased inclusion of excluded commodities like petroleum and alcoholic beverages.	Threats • Potential resistance from states over revenue concerns regarding excluded commodities • Increased litigation and uncertainty due to complex rules impacting business environment.

The Path Ahead: Reforms and Roadmap for GST

Recognizing these limitations, government authorities have expressed the intent to pursue reforms aimed at making GST more efficient and taxpayer-friendly. Prime Minister Narendra Modi emphasized GST reforms in his Independence Day speech of 2025, highlighting the need to simplify compliance and rationalize tax rates. The government intends to simplify the GST rate structure, potentially reducing it to just two main tax slabs. The Prime Minister also mentioned the establishment of a dedicated Reform Task Force, which is reviewing GST laws and procedures with the goal of making compliance easier for businesses, especially small and medium enterprises and startups. These reforms will also benefit common man as it will reduce ultimate tax burden borne by them. The following reform imperatives are suggested:

- **Inclusion of Petroleum Products and Alcoholic Beverages**

Phased inclusion of petroleum products and alcoholic beverages under GST, with appropriate revenue compensation mechanisms for states, is critical for achieving the vision of “One Nation, One Tax.” This move will reduce tax cascading, enhance revenue buoyancy, and simplify the taxation framework.

- **Improvement in Technological Infrastructure**

Upgrading the GSTN portal with advanced technologies such as AI-powered analytics for automatic compliance checks, improved system scalability, and user-friendly interfaces would mitigate current technological limitations. An efficient grievance redressal system tailored for input tax credit disputes can further improve taxpayer confidence.

- **Rationalization of Tax Slabs**

Reducing the multiplicity of GST slabs to fewer logical rates—such as a three-tier structure encompassing essential goods, general goods, and luxury/sin goods—would significantly simplify compliance and administration. This reform would alleviate classification disputes and promote a clearer tax regime.

- **Simplification of Law and Procedures**

Simplification of GST laws, reducing frequent amendments, and issuing consistent clarifications are necessary to minimize legal ambiguities. Procedural simplifications, including fewer return filings for SMEs and streamlined audit processes, will foster ease of doing business.

- **Strengthening Fiscal Federalism and Institutional Mechanisms**

Ensuring timely compensation to states, enhancing the GST Council's decision-making transparency, and improving cooperative federalism mechanisms will maintain stakeholder confidence and support sustained GST reforms.

- **Implementation of Robust Anti-evasion measures**

Tax evasion remains a key challenge despite the technological advancement and advent of e-invoicing, e-way bill systems. Widening the scope of digital audits, AI-based fraud detection, and stricter enforcement actions are needed to curb revenue leakages.

Conclusion

Eight years post-implementation, GST has substantially transformed India's indirect taxation landscape. It has increased tax collections to record highs, expanded the taxpayer base, unified markets, and propelled digital tax administration. Nevertheless structural limitations in GST like - sector exclusions, compliance complexities, technological glitches, and a fragmented rate structure limit its full potential.

A forward-looking reform agenda emphasizing inclusion of excluded sectors, technological modernization, tax rate rationalization, simplification of laws, and cooperative federalism is indispensable for realizing GST's foundational promise. With political resolve and stakeholder engagement, GST can continue evolving into a truly comprehensive and efficient indirect tax regime, supporting India's economic growth and fiscal sustainability.

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