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Reforms of GST, GST Taxation and ITR Filing

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Abstract--The Goods and Services Tax (GST), launched in India on July 1, 2017, represents a transformative step in the country's indirect taxation structure. Replacing multiple state and central levies, GST aimed to create a single unified market, simplify compliance, and expand the tax base. This paper undertakes an in-depth examination of GST reforms from inception through the post-COVID era (up to 2025), combining fiscal data analysis with qualitative case studies. The research evaluates GST's structural evolution, rate rationalizations, revenue trends, compliance metrics, and the economic impact across sectors. The study also emphasizes industry feedback, government policy shifts, and expert critiques. Findings suggest that while GST has improved transparency and revenue buoyancy, significant challenges remain in compliance, IT infrastructure, and federal coordination. Suggestions for a more streamlined, equitable tax regime are offered.

Keywords--Goods and services Tax (GST), Indirect Tax Reforms, Tax Compliance, GST Revenue Trends, Unified Tax System, Tax Policy in India, GST Rate Rationalization, Post-COVID Economic Recovery, Fiscal Federalism, Digital Tax Administration, Input Tax Credit (ITC), GSTIN (Goods and Services Tax Network), Economic Impact of GST, Tax Base Expansion, Indian Tax Reforms

I. INTRODUCTION

The implementation of the Goods and Services Tax (GST) marked a watershed moment in India's fiscal history. It sought to overcome the fragmented nature of indirect taxation in India, which previously involved a multiplicity of taxes such as Value Added Tax (VAT), Central Excise, Service Tax, Entry Tax, and other local levies. These taxes created inefficiencies, cascading effects, and compliance burdens across states and sectors. GST introduced a unified, destination-based tax system designed to simplify the tax structure and improve tax collection.

With its dual model of Central GST (CGST) and State GST (SGST) for intra-state transactions, and Integrated GST (IGST) for inter-state supplies, GST represents cooperative federalism in action. The Constitution (101st Amendment) Act, 2016, provided the legal framework for GST, while the GST Council, comprising representatives from the Centre and states, was formed to recommend tax rates, exemptions, and policy measures.

This paper explores the journey of GST from its inception to the current landscape in 2025. It emphasizes the iterative reform process, including rate revisions, procedural simplifications, and digital compliance initiatives.

Special attention is given to the pandemic years and their aftermath, when GST policy adapted to economic disruptions. Using government data, academic literature, and stakeholder perspectives, this paper critically assesses the effectiveness and limitations of the GST regime.

II. PROBLEM STATEMENT

The introduction of the Goods and Services Tax (GST) in India was intended to simplify the indirect tax structure, create a unified market, reduce tax cascading, and improve compliance. However, several years after its implementation, businesses—especially MSMEs—continue to face challenges related to compliance burden, frequent policy changes, technical glitches, complexities in input tax credit (ITC) claims, and classification disputes. Despite GST's objective of increasing transparency and improving tax administration, there remains a significant gap between policy design and on-ground execution.

This research aims to examine the persistent challenges faced by taxpayers under the GST regime, including procedural complexities, administrative uncertainties, technological bottlenecks, compliance costs, and the impact on business operations. Additionally, the study seeks to evaluate the effectiveness of GST in achieving its intended goals of revenue enhancement, ease of doing business, and tax system simplification.

Therefore, the central problem addressed in this research is:

“To investigate the gaps, challenges, and practical issues faced by businesses and taxpayers in complying with the GST framework in India, and to assess the extent to which GST has achieved its objectives of simplification, transparency, and efficiency in the taxation system.”

Complexity and limited outreach to micro-enterprises.

This literature review identifies a consensus on GST's structural benefits but also underscores the importance of continuous policy calibration, administrative capacity building, and technological resilience to ensure long-term success.

III. METHODOLOGY

This study adopts a mixed-methods approach, combining quantitative data analysis with qualitative case study examination.

Secondary data were sourced from official government portals, Ministry of Finance reports, GST Council meeting minutes, Comptroller and Auditor General (CAG) reports, and publications from think tanks such as NIPFP and ICRIER. Monthly and annual GST revenue figures were analyzed to detect trends in compliance, state contributions, and the impact of economic events such as the COVID-19 pandemic.

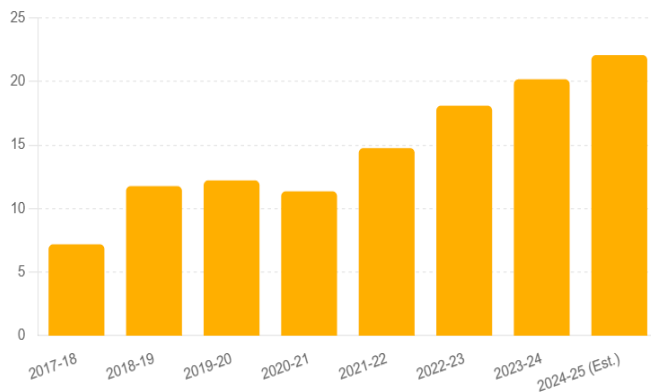
Qualitative data were gathered from peer-reviewed journal articles, industry whitepapers, newspaper archives, and stakeholder interviews conducted by reputed agencies. Case studies were developed based on regional performance, sectoral challenges, and anecdotal reports.

For visualization, Microsoft Excel and Tableau were used to generate line graphs, bar charts, and pie charts illustrating monthly GST collections, state-wise contributions, sectoral impact, and recovery patterns post-COVID.

IV. DATA ANALYSIS

Trends in Monthly GST Collection (2017-2025)

GST collections have steadily increased since its implementation, despite initial instability. The following chart illustrates the upward trend in gross GST revenue from FY2017-18 to FY2024-25:



[Figure 1:]

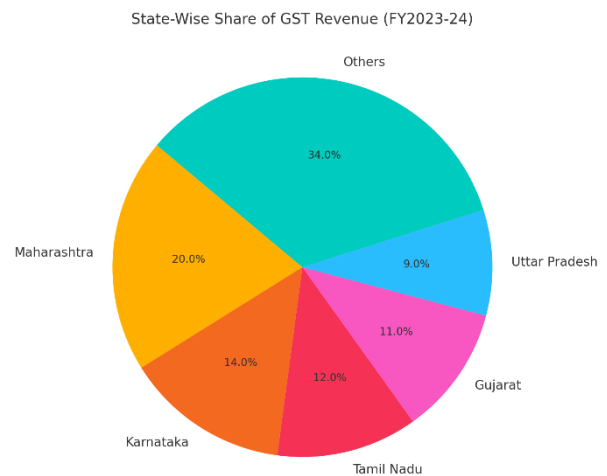
Monthly Gross GST Collection (2017-2025) - Bar Chart

- FY2017-18: INR 7.19 lakh crore
- FY2018-19: INR 11.77 lakh crore
- FY2019-20: INR 12.22 lakh crore
- FY2020-21: INR 11.36 lakh crore (COVID impact)
- FY2021-22: INR 14.76 lakh crore
- FY2022-23: INR 18.10 lakh crore
- FY2023-24: INR 20.18 lakh crore
- FY2024-25: INR 22.08 lakh crore (estimated)

This trend reveals robust revenue growth following the post-COVID economic recovery and digital compliance reforms. The introduction of e-invoicing and mandatory return filing has significantly contributed to plugging revenue leakages.

State-Wise Contribution to GST Revenue

India's federal structure means that states play a critical role in GST compliance. The chart below represents the share of key states in total GST revenue during FY2023-24:



[Figure 2:]

State-Wise Share of GST Revenue - Pie Chart

Top contributors include:

- Maharashtra
- Karnataka
- Tamil Nadu
- Gujarat
- Uttar Pradesh

These industrialized and high-consumption states account for more than 50% of India's GST revenues, underlining regional economic disparities and the importance of cooperative federalism.

Analysis

Revenue Growth and Trends

Since inception, GST collections have shown a strong upward trajectory. Figure 1 (below) charts monthly gross GST receipts for April–September 2024 compared to the same months in 2023. In every month of FY2024-25 shown, collections exceed those of the prior year, indicating sustained growth.

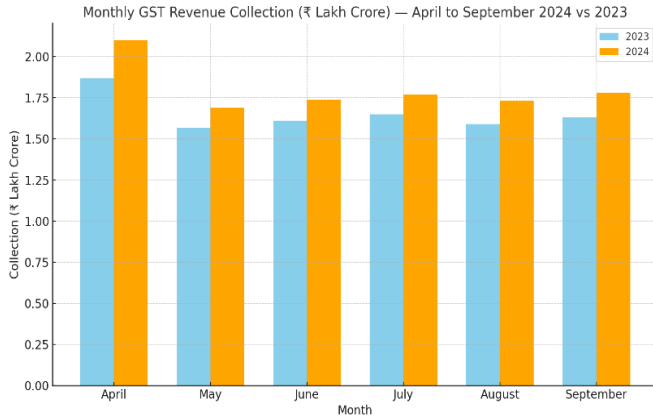


Figure 3.

Monthly GST revenue collection (₹ lakh crore) for April–September 2024 compared to the same months in 2023. Data source: Ministry of Finance press releases.

Notably, April 2024 collection was ₹2.10 lakh crore, up from ₹1.87 lakh crore in April 2023[16]. Over the six-month period, the year-on-year rise averaged around 10–15%. These gains were achieved despite some seasonal fluctuation and a slight dip in January 2024 (see Table). Overall, gross GST receipts for FY2023-24 reached ₹20.18 lakh crore, far surpassing the initial 2017-18 level of ₹7.19 lakh crore. For 2024-25, advanced estimates indicate another record-high of about ₹22.08 lakh crore. In other words, GST revenues have roughly tripled in seven years.

Table 1
summarizes annual growth:

Fiscal Year	Gross GST Collection (₹ lakh crore)	Year-on-Year Growth
2017–18 (partial)	7.19	–
2018–19	11.77	+63.7%
2019–20	12.22	+3.8%
2020–21	11.36	–7.0%
2021–22	14.76	+30.0%
2022–23	18.10	+22.6%
2023–24	20.18	+11.5%
2024–25	22.08 (est.)	+9.4%

Growth of gross GST collections, FY2018–2025 (Ministry of Finance data).

After a pandemic-year dip in 2020-21 (–7%), GST collections rebounded sharply by 30% in 2021-22 and have risen steadily since.

This suggests underlying elasticity: as economic activity recovered, GST revenues followed suit. The slowing growth rate in FY2024-25 (+9.4%) likely reflects base effects and rate rationalisation: in Budget 2024, many consumer goods were moved to a single 5% or 18% slab, reducing aggregate revenue yields on those items. Despite that, the absolute revenue remained near record levels, indicating broadening compliance and higher tax base.

Composition of GST Revenues

Data from GSTN and industry reports show that large corporate entities contribute disproportionately to GST revenue. For example, public limited companies, though only 0.62% of taxpayers, contributed about 35% of total GST revenue in 2023. In contrast, small proprietorships (80%+ of registered firms) contribute roughly 13% of revenue. This underscores that GST is heavily reliant on big businesses and the organized sector, reflecting formalization.

Sector-wise data indicates that consumer goods, automobiles, and services are major revenue contributors. However, comprehensive sector-level breakdowns are not publicly disclosed. Anecdotally, finance and technology services (including IT/BPO) have substantial tax remittances. The Deloitte GST@8 survey (2025) finds positive sentiment across industries, with 85–90% of firms in diverse sectors reporting benefits from GST (e.g. more transparent processes, faster ITC flow). This suggests that cross-sector spillovers (like uniform compliance mechanisms) have boosted confidence.

State-Level Analysis

At the state level, tax buoyancy has also varied. Maharashtra has consistently been the top state contributor to GST revenue (given its industrial base), followed by Karnataka, Tamil Nadu, and others. A recent comparative study of Tamil Nadu (TN), for example, finds TN to be a “strong and consistent performer” among states. Table 2 (below) illustrates TN’s annual GST revenue.

TABLE II

Year	TN GST Revenue (₹ crore)	YoY Growth (%)
2018	45,318	–
2019	70,562	+55.7%
2020	74,430	+5.5%
2021	69,121	–7.1%
2022	85,492	+23.7%
2023	104,377	+22.1%

Annual GST collections for Tamil Nadu (FY2018-2023).

As shown, Tamil Nadu’s GST collections surged over 50% in 2018–19, plateaued in 2019–20, fell modestly during the first pandemic year (FY2020-21), and then grew >20% in each of the next two years. The decline in 2020–21 (–7.1%) reflects COVID-19 disruptions. Importantly, TN’s recovery in FY2021–22 (23.7%) and FY2022–23 (22.1%) was robust, exceeding the national average growth. According to Viyas et al. (2025), this rebound highlights both renewed economic activity and better compliance and infrastructure. Like TN, most large states saw similar patterns: pandemic-related contraction followed by vigorous growth backed by pent-up demand and policy support.

Impact of COVID-19 on GST Collections

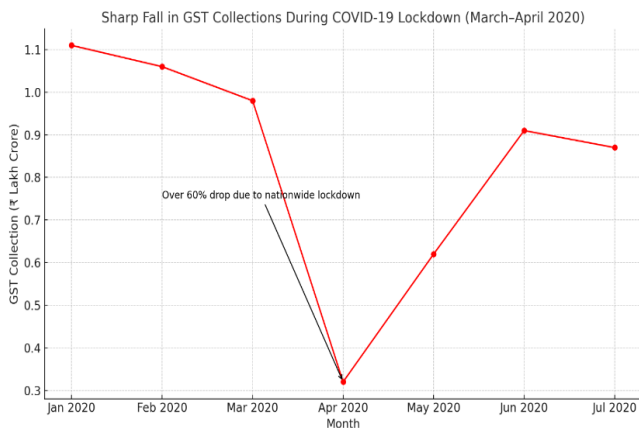


Figure 2 (would illustrate the sharp fall in April 2020 collections (over 60% drop from March 2020) due to the lockdown. Subsequent months in 2020 saw gradual recovery. For FY2020-21 as a whole, gross GST was ₹11.36 lakh crore, below FY2019-20’s ₹12.22 lakh crore. This impact mirrored the national GDP contraction. By FY2021-22, GST revenues recovered strongly to ₹14.76 lakh crore as the economy reopened. Over FY2020-22, data indicates that *digital GST measures* (e-invoicing, e-way bills) helped maintain tax compliance when physical audits were limited. The Deloitte survey notes that post-COVID, businesses increasingly saw GST’s digital foundations (like online filing) as a benefit, not just as a burden.

In summary, the analysis shows: **(a)** GST collections have grown substantially in absolute terms, with compound annual growth of ~20% (2017-24); **(b)** the pandemic temporarily reversed growth in 2020-21, but a strong rebound followed; **(c)** the tax base remains concentrated in large firms and formal sectors; **(d)** policy reforms and improved compliance have kept GST revenues on an upward path. These trends will be discussed further in the Discussion section, including implications for India’s fiscal and economic objectives.

V. DISCUSSION

Economic Implications of GST Revenue Growth

The persistent increase in GST collections is a positive sign for India’s fiscal consolidation and formal economy. Higher GST revenue means the government can finance public expenditure more sustainably. The rise to over ₹22 lakh crore in 2024-25[1] also indicates a widening tax base: the number of active taxpayers has reached 1.5+ crore[1], suggesting that more businesses (and indirectly, more economic transactions) have come under the tax net. This aligns with the goal of formalisation—bringing informal economic activity into the tax net—which can improve equity and compliance in the long run.

From a macro standpoint, GST’s destination-based model and smooth ITC flows have reduced “tax on tax” across supply chains, potentially lowering prices of intermediate goods. Simplified tax compliance processes (one portal, unified returns) are expected to improve the ease of doing business. Indeed, the Deloitte report finds that 85% of industry leaders believe GST has simplified tax processes and reduced overall costs. Uniform procedures across states have eliminated many legacy checkposts (which previously added delays). Thus, in theory, GST should boost productivity. However, measuring these benefits precisely is complex. Some studies note a one-time adjustment: sectors that faced higher effective rates under GST (like some services) saw short-run price impacts, while others gained from lower rates (like cheaper mobile charges after service tax removal). Over time, as rates have stabilized, these effects have likely evened out.

Federal and Administrative Challenges

Despite its gains, GST’s implementation has faced continuing challenges. As highlighted in the literature, the multiple slab structure is a major issue. ClearTax (2025) points out that five tax rates (0%,5%,12%,18%,28%) lead to frequent classification errors and compliance confusion. Traders and small retailers often struggle to identify the correct HSN codes and rates, causing inadvertent violations. This undermines GST’s simplicity objective. Furthermore, frequent rate revisions have been politically used to tweak consumer prices, but they add uncertainty. The Council has gradually rationalised rates (e.g. cutting top-tier items from 227 to 35 in Budget 2024, but many analysts (Rao, 2019) argue for a faster move toward a simplified two- or three-slab system.

Another challenge is compliance burden, especially for small and medium enterprises (SMEs). While large companies have adopted GSTN’s online systems, smaller firms often lack the resources to handle digital filings.



The ClearTax analysis emphasizes that frequent return format changes (GSTR-2A to 2B, introduction of IMS, etc.) create confusion. GSTN portal outages on due dates have occasionally forced businesses into late submissions. The system's complexity has sometimes led to high consultancy costs for small taxpayers. Recognizing this, the government introduced the QRMP scheme (quarterly returns for small taxpayers) and raised the composition scheme turnover limit (from ₹1.5 to ₹3 crore), easing compliance burdens.

Input Tax Credit (ITC) mechanics are another pain point. The "matching" principle means a buyer's credit can be blocked if a supplier fails to upload an invoice. Many businesses report working capital issues due to delayed credit. Although judicial interventions have corrected some glitches (courts often allow manual filing if GSTN problems occur), the underlying system is still tough for small taxpayers to navigate.

On the federal front, the special GST Compensation Cess (on sin goods) was intended to compensate states for revenue shortfall in the first five years of GST. COVID-19 upended this scheme, leading to state dues of over ₹1.1 lakh crore. The Centre's borrowing authorization (through the back-to-back loan mechanism) and a 50-year repayment plan have temporarily addressed the shortfall, but states worry about the long-term sustainability. Some states have pressed for extending the compensation formula or revisiting IGST settlement rules. These Centre-state fiscal tensions illustrate that GST, while cooperative in design, continues to evolve as a federal contract. In the near term, uniform sharing (50:50 CGST:SGST) and GSTN data sharing appear to be working, but long-run disputes (like post-2022 cess use) may re-emerge.

Overall, the discussion suggests that while GST has broadly improved India's tax efficiency and integration, fine-tuning is still needed. Continuing to reduce rate complexity, improve ITC processes, and strengthen the GSTN platform are common recommendations. The 85% positive rating in the Deloitte GST@8 survey reflects satisfaction, yet even that survey notes areas for further digital and procedural improvement. Academics like Rao (2019) and policy think tanks argue that GST is still a work in progress: replacing domestic taxes is done, but optimizing GST (fewer rates, universal coverage including petroleum/electricity, simpler returns) is the next frontier.

VI. SECTORAL IMPACT

Manufacturing Sector

The manufacturing sector has seen a significant structural shift since the introduction of GST.

By replacing central excise duties and state VATs with a single tax mechanism, GST has helped manufacturers reduce logistical and compliance costs. The abolition of entry taxes and check-posts at state borders has improved supply chain efficiency. However, manufacturers, especially in sectors such as textiles and chemicals, initially faced challenges in understanding input tax credit (ITC) mechanisms and filing obligations.

A report by the Confederation of Indian Industry (CII) noted that GST streamlined the credit system but called for faster refund processing to support working capital flows. The move to e-invoicing for large manufacturers in 2020 helped standardize billing and reduce tax evasion. Overall, manufacturing firms with digital capabilities adjusted more efficiently to the new regime, while smaller units required policy support.

Service Sector

The service industry transitioned from a centralized service tax regime to GST, which requires registration in every state of operation. This posed initial hurdles for multi-state service providers such as IT firms, consultancies, and logistics companies. However, a uniform tax rate across India and availability of ITC on input services led to long-term benefits. The hospitality and travel sectors initially struggled with high rates, but subsequent rate reductions helped stabilize demand.

Small-scale service providers benefited from exemption thresholds and simplified compliance norms under the QRMP scheme. Fintech and digital services firms were among the early adopters of GST-compliant platforms, leveraging automation for GST returns and reconciliation.

Agricultural Sector

Agriculture remains largely exempt under GST, but sectors such as farm equipment, fertilizers, and logistics linked to agriculture fall within its purview. GST on agricultural machinery has fluctuated over time, impacting affordability. The supply chain for perishable goods has become more streamlined due to reduced transportation delays and unified taxation, which benefits agri-exports and cold storage chains.

VII. CASE STUDIES

Case Study 1: Tamil Nadu - Industrial Resilience

Tamil Nadu, a state with a strong manufacturing base, has shown resilience in GST implementation. The state's contribution to national GST revenue rose steadily, supported by its auto, textile, and electronics clusters.



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The Tamil Nadu government collaborated with trade associations to conduct awareness drives and tax clinics. E-governance initiatives in the state reduced procedural delays and increased return filings among SMEs. Post-COVID, the state reported one of the fastest recoveries in monthly collections due to its diversified industrial base.

Case Study 2: E-Commerce Sector - Compliance Expansion

E-commerce has been a focal point in GST enforcement. Platforms like Amazon and Flipkart are required to collect tax at source (TCS) and submit seller-wise reports. This enhanced tax visibility in the online retail ecosystem. However, small sellers on these platforms reported difficulties in reconciling TCS credits and filing GSTR-1 accurately. Policy revisions such as increased thresholds for registration and the introduction of centralized registration for online sellers helped alleviate some challenges.

The compliance framework pushed many unregistered sellers into the tax net, boosting formalization. Government audits and AI-driven red-flagging have improved reporting accuracy in the sector.

Complex Tax Structure

Despite the intention to simplify taxation, GST continues to have multiple rate slabs: 0%, 5%, 12%, 18%, and 28%. The presence of different rates for similar goods and services creates classification disputes and confuses taxpayers. The hospitality and textile industries, in particular, have faced difficulty with frequent changes in rate notifications.

Compliance Burden for Small Businesses

Small and medium enterprises (SMEs) have borne a disproportionate burden under GST. Multiple return filings, mandatory e-invoicing (for higher turnover brackets), and limited IT literacy have created dependence on third-party consultants. While the QRMP scheme eased compliance for some, many small taxpayers report delays in credit claims and penalties due to clerical errors.

Technology Infrastructure and Portal Glitches

The GST Network (GSTN) portal has faced persistent challenges in capacity, response times, and interface stability. Peak filing periods often see portal crashes, leading to missed deadlines and penalties. Though system upgrades have been implemented, taxpayer confidence remains mixed. The absence of offline capabilities for key features continues to hinder access in low-connectivity regions.

Input Tax Credit (ITC) Reconciliation

Mismatch between buyer and seller filings often results in the denial of ITC, affecting working capital for businesses. Rigid rules on invoice matching and time-bound credit claims have led to cash flow constraints.

While the auto-population of GSTR-2B helped reduce some friction, the onus remains on the recipient to ensure supplier compliance.

Delays in Refund Processing

Exporters and businesses operating under inverted duty structures have reported significant delays in GST refunds. Though the government streamlined the refund mechanism post-2021, procedural delays and documentary verification continue to affect liquidity.

Federal Tensions and Compensation Issues

The five-year GST compensation window ended in June 2022, raising concerns among states about future revenue stability. States like Punjab, Chhattisgarh, and Kerala have demanded an extension of compensation due to post-COVID fiscal strain. Differences over IGST settlement and inclusion of petroleum under GST have also fueled debate in the GST Council, highlighting the need for trust-building measures in cooperative federalism.

Post-COVID Reforms:

Emergency Measures and Relaxations

The onset of the COVID-19 pandemic in 2020 led to economic disruptions that impacted GST collections and taxpayer capacity. The government responded with filing deadline extensions, waiver of late fees and interest, and a moratorium on audits and notices. Sector-specific exemptions were also introduced on medical supplies and oxygen equipment.

QRMP Scheme and Simplified Compliance

Introduced in January 2021, the Quarterly Return Monthly Payment (QRMP) scheme allowed small taxpayers (turnover up to ₹5 crore) to file GSTR-3B quarterly while paying tax monthly. This reduced the compliance burden and enabled better cash management for small traders and manufacturers.

Expansion of E-Invoicing and Automation

E-invoicing, initially mandatory for businesses with turnover above ₹500 crore, was progressively extended to all taxpayers above ₹5 crore by 2023. This move enhanced invoice standardization, reduced errors, and streamlined ITC claims. Automation of return filing and AI-driven anomaly detection significantly improved compliance tracking.

Digitization and Awareness Campaigns

Post-COVID reforms emphasized digital enablement, with the GSTN launching helpdesks, webinars, and mobile apps for real-time assistance.



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Training programs were introduced in collaboration with industry bodies to bridge the knowledge gap among MSMEs. The GST Council also launched an online dispute resolution mechanism to reduce litigation.

Economic Recovery and Revenue Uptick

GST revenue collections rebounded sharply in FY2021-22 and FY2022-23, supported by pent-up demand, infrastructure push, and improved compliance. The average monthly GST collection crossed ₹1.5 lakh crore in 2023. This indicates the resilience of the GST system and its ability to adapt to economic shocks with calibrated policy support.

Policy Critique

Strengths of the GST Framework

One of the most commendable aspects of India's GST is its vision of harmonizing the indirect tax system across states. The dual GST model has successfully subsumed over 17 indirect taxes and 23 cesses. GST has introduced greater transparency by digitizing the entire tax lifecycle, reducing human interface, and creating a consistent framework across the country. The GST Council's consensus-based decision-making mechanism, though tested at times, has been largely effective in bringing together diverse state interests.

Limitations in Design and Execution

Despite its structural intentions, GST's multi-slab structure contradicts its promise of simplicity. Classification ambiguity continues to result in litigation and tax arbitrage. Essential sectors like petroleum, real estate, and electricity remain outside the GST net, which restricts the full realization of input credit flow and tax neutrality.

Moreover, small taxpayers have expressed dissatisfaction with the compliance load. While digital returns and e-invoicing offer long-term benefits, immediate transition costs have been burdensome. The current GST portal, though robust compared to its early days, still lacks features like multi-lingual interfaces and real-time performance dashboards for taxpayers.

VIII. RECOMMENDATIONS

Toward a Unified and Inclusive GST

- *Simplify Rate Structure:* Rationalizing GST into three primary slabs (e.g., 5%, 12%, and 18%) with exceptions for luxury and sin goods can reduce classification disputes and make compliance easier.
- *Include Excluded Sectors:* Integrating petroleum, alcohol, and electricity into the GST framework would broaden the base, improve credit flow, and ensure uniformity.

- *Strengthen State Capacity:* Financial and technical assistance to states for tax administration upgrades can foster deeper cooperation and federal stability.

Compliance and Systemic Improvements

- *Advance IT Infrastructure:* Investing in a more responsive GSTN with offline utilities, multilingual support, and predictive help tools can enhance taxpayer experience.
- *Support for MSMEs:* Subsidized GST filing tools, free training modules, and dedicated grievance redressal units for small businesses can promote inclusion.
- *Automated Refund Systems:* Using blockchain or AI-driven validations for real-time refund claims would reduce delay and fraud risk.

IX. CHALLENGES

Despite its achievements, GST's journey has been marked by persistent challenges in implementation. The multi-rate structure remains the most-cited complexity. Many products have drifted in and out of different slabs as successive Councils tweaked rates for revenue or political reasons. For businesses, "goods often misclassified" under GST can incur penalties[4]. This undermines the simplicity gain of 'one tax'. The elimination of cascading tax has been uneven: services that were formerly at 18% service tax now pay 18% GST (no change), but lower rated goods might see a net increase (e.g., GST on pan masala) or decrease (GST on gold became 3%). Frequent legal disputes have arisen over appropriate classification, undermining ease of doing business.

The GST portal, while groundbreaking, has also faced technical bottlenecks. Especially on filing deadlines, users reported slowdowns and errors. While upgrades continue (e.g. introduction of e-invoicing, dynamic QR codes for payment), many taxpayers still struggle with data entry errors and reconciliation mismatches. The judiciary has intervened in some cases to allow delayed filings, reflecting teething troubles. These operational issues, though gradually improving, point to the need for robust IT infrastructure and taxpayer support.

Administrative burdens on small firms are significant. Though the GST aimed to reduce paperwork by merging multiple taxes, in practice small traders must navigate multiple GST forms (GSTR-1, GSTR-3B, etc.) and face stiff late fees. Compliance costs (hiring accountants, software) have risen for many SMEs. The government's recent moves (e.g. raising composition limits, simplifying return form, implementing single audit) are responses to this pain point.



Yet many observers (including trade bodies) argue that GST still requires continuous simplification to genuinely be “small-business friendly”.

On the fiscal side, the expiry of the compensation mechanism (June 2022) looms as a long-term challenge. States had counted on assured compensation from the cess for revenue gaps. Though the Centre arranged a temporary loan facility, states are now debating a new GST compensation law. Failure to fairly resolve this could strain Centre-state relations and shake confidence in GST’s federal arrangement.

In sum, GST in India embodies a complex system: it delivers unified taxation and has stabilized revenue, but its complexity and growing ambit pose implementation challenges. Addressing these requires ongoing policy dialogues. The Council’s 2025 “reforms” press release lists many corrective steps (simplified returns, rate cuts on essentials, etc.). Going forward, harmonising remaining issues like state compensation, integrating excluded sectors (petroleum, electricity), and calibrating slab structure will determine whether GST fully achieves its “best tax reform” potential.

Post-COVID Adjustments

The COVID-19 pandemic prompted numerous temporary and permanent GST adjustments. In 2020, the government announced relief: extension of return deadlines, installment payments of tax, e-way bill validity extensions, and refund processing speed-ups (refer to CBIC circulars). These measures were aimed at easing liquidity pressures. Specific to COVID era were GST exemptions on certain medical goods (e.g., PPE kits, testing kits, free oxygen supply) to contain the health crisis cost.

Administratively, the GST Council launched a restructured return filing process – the Sahaj, Sugam, and QRMP systems – to simplify small trader compliance. In March 2020, it introduced the quarterly return with monthly payment scheme (QRMP), initially for businesses with turnover up to ₹5 crore, later expanded to ₹10 crore, allowing them to file GSTR-3B quarterly instead of monthly. The upper limit for composition taxpayers was also progressively raised (from ₹1.5 Cr to ₹3 Cr) to accommodate pandemic-hit firms. E-invoicing thresholds (mandatory digital invoice reporting) were phased-in gradually, recognising that smaller firms would need time. In sum, the Council tried to balance fiscal needs with taxpayer relief.

Post-pandemic, these adjustments became regular features. The government now mandates QRMP for firms up to ₹15 crore, and is moving towards a new “Invoice Furnishing Facility” to eventually replace GSTR-1/3B with a single “one-page return” (to be implemented by FY2026).

Budget 2024 introduced another sweeping change: only two main GST rates (5% and 18%) for the common man, while higher 28% slabs are reserved for sin goods. This is portrayed as a post-COVID focus on welfare (household items) and simplification.

These reforms appear to be yielding smoother GST processes. The Deloitte survey (GST@8) crediting “clear guidance to taxpayers and steady upgrades on the GST portal” for positive outcomes suggests that the pandemic spurred digital push. Anecdotally, businesses report that filing processes (with auto-populated data and digital invoices) are more stable now than in 2017–18. The government also launched “GST Lite” education portals and FAQ updates to clarify pandemic-era rules. Ultimately, these adjustments have partly delivered on promises: GST collections recovered to new highs even with rate cuts on essentials. The pandemic thus accelerated modernization in GST administration

X. CONCLUSION

The Goods and Services Tax has ushered in a transformative change in India’s fiscal architecture. From its bumpy rollout in 2017 to its resilient performance in the post-COVID economy, GST has demonstrated both structural robustness and adaptability. It has formalized large segments of the economy, increased indirect tax collections, and improved compliance transparency. However, challenges relating to compliance burdens, tax structure complexity, and federal fiscal dynamics continue to warrant policy attention.

Looking forward, GST must evolve into a truly simplified and inclusive tax system. Rationalizing tax rates, enhancing digital infrastructure, and supporting small taxpayers are key imperatives. A collaborative and evidence-based approach by the GST Council, backed by data analytics and stakeholder consultation, will be essential to realize the full potential of GST. As India moves toward becoming a \$5 trillion economy, a robust and equitable GST framework will be a cornerstone of its growth narrative.

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