

A Theoretical Frame Work in Goods and Service Tax (GST)

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Abstract: The Goods and Services Tax (GST) represent one of the most significant tax reforms in India's economic history. Implemented on July 1, 2017, GST replaced a complex system of indirect taxes with a unified taxation structure. This research paper examines the concept, structure, objectives, and impact of GST on the Indian economy. It also analyses sectoral implications, challenges in implementation, and its influence on businesses and consumers. The study is based on secondary data collected from reports, journals, and government publications. The findings suggest that while GST has improved tax compliance, transparency, and ease of doing business, certain challenges such as compliance burden and multiple tax slabs persist. The paper concludes with suggestions for improving the efficiency of GST.

Keywords: GST, Theoretical Framework, Recent Trends

INTRODUCTION

The Goods and Services Tax (GST) is a comprehensive indirect tax system implemented to unify multiple taxes into a single framework. Introduced in India on July 1, 2017, GST replaced a complex structure of central and state taxes such as excise duty, service tax, value-added tax (VAT), and others. The primary objective of GST is to create a uniform tax system, eliminate cascading effects of taxation, and promote ease of doing business.

CONCEPT AND STRUCTURE OF GST

GST is a destination-based tax levied on the consumption of goods and services. It is collected at every stage of the supply chain, with input tax credit (ITC) available to offset taxes paid on inputs. This ensures that the final burden of tax falls only on the end consumer.

In India, GST follows a dual model:

1. **Central GST (CGST):** Collected by the central government
2. **State GST (SGST):** Collected by state governments
3. **Integrated GST (IGST):** Applicable to inter-state transactions

OBJECTIVES OF THE GST (GOODS AND SERVICE TAX)

The key objectives of GST include:

1. Eliminating the cascading effect of taxes
2. Creating a unified national market
3. Enhancing tax compliance and transparency
4. Simplifying the tax structure
5. Increasing government revenue efficiency

ADVANTAGES OF GST

GST offers several benefits:

1. **Simplification of Tax System:** Replaces multiple taxes with a single tax structure
2. **Reduction in Tax Burden:** Input tax credit reduces overall tax liability
3. **Boost to Economic Growth:** Encourages investment and business expansion
4. **Improved Compliance:** Online system enhances transparency and reduces tax evasion
5. **Uniform Tax Rates:** Ensures consistency across states.

CHALLENGES OF GST

Despite its advantages, GST also faces certain challenges:

- Complex Compliance Procedures:** Frequent return filings may burden small businesses
- Technical Issues:** Initial implementation faced portal-related difficulties
- Impact on Small Enterprises:** Increased compliance requirements
- Rate Structure Complexity:** Multiple tax slabs can create confusion

	350cc, tobacco, aerated drinks, and high-end gambling/casinos (replaces the old 28% + Cess model).
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Technological Evolution: Real-Time Governance
The GST portal has transitioned from "periodic reporting" to "real-time validation."

- Invoice Management System (IMS):** Businesses must now "Accept," "Reject," or "Keep Pending" supplier invoices in real-time. This ensures that Input Tax Credit (ITC) is only claimed on verified transactions.
- 30-Day Reporting Rule:** Starting April 1, 2026, businesses with a turnover of ₹10 Crore+ must report invoices to the portal within 30 days of issuance. Late reporting will render the invoice invalid for tax purposes.
- Hard Blocks on ITC:** The portal now features "Hard Validations." If your GSTR-3B (tax payment) does not perfectly match your GSTR-2B (auto-generated credit statement), the system will block your return filing.
- AI-Driven Audits:** The CBIC is increasingly using AI and machine learning to flag "fake invoicing" and mismatched bank account details, leading to automated GSTIN suspensions.

GST TAX SLABS IN INDIA

GST is categorized into different tax rates:

- 0% (Essential goods and services)
- 5% (Basic necessities)
- 12% and 18% (Standard goods and services)
- 28% (Luxury items and sin goods)

IMPACT OF GST ON INDIAN ECONOMY

GST has significantly transformed the Indian tax system by promoting transparency and efficiency. It has improved logistics efficiency by removing state-level barriers and has contributed to the formalization of the economy. However, its full impact depends on continuous reforms and simplification measures.

The landscape of GST in India has undergone a massive transformation in 2026, often referred to as "GST 2.0." The focus has shifted from mere tax collection to deep technological integration and a major overhaul of the tax slab structure to simplify compliance.

The "GST 2.0" Rate Restructuring

Effective September 22, 2025, the GST Council implemented a landmark rationalization of tax slabs. The goal was to move away from the complex multi-tier system toward a more streamlined model

Here are the most significant recent trends and updates as of early 2026

New Rate Slab	Key Items Included
0% (Exempt)	Life-saving drugs (cancer/diabetes), individual life & health insurance, and basic education materials (pencils, notebooks).
5% (Merit Rate)	Essential household items like soap, shampoo, butter, ghee, and apparel/footwear priced up to ₹2,500.
18% (Standard Rate)	Most goods and services, including consumer durables (ACs, Refrigerators), cement, and small cars (previously at 28%).
40% (Luxury/Sin)	Premium cars, motorcycles above

Revenue and Compliance Trends

- Record Collections:** Monthly GST collections have stabilized at a high baseline, with January 2026 seeing over ₹1.93 lakh crore, a 6.2% year-on-year growth.
- Automated Refunds:** The "Green Track" system for compliant exporters now allows for 90% of GST refunds to be processed within 7 days through automated risk analysis.
- End of Compensation Cess:** The Compensation Cess, originally meant to bridge state revenue gaps, is slated for a transition/end by March 2026, with new levies being discussed to replace it.

Key Legal Amendments (Finance Bill 2026)

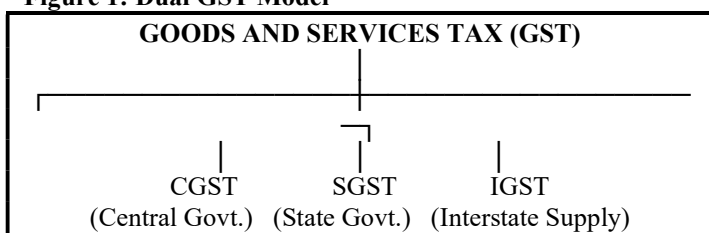
- Post-Supply Discounts:** New rules clarify that discounts offered after a sale (like volume-based

year-end targets) are only deductible if they were part of a pre-supply agreement.

- Appellate Tribunal:** The GST Appellate Tribunal (GSTAT) has become fully operational, helping to clear the massive backlog of litigation that built up over the first several years of the GST regime.
- Place of Supply:** Changes to Section 13 of the IGST Act have aligned "intermediary services" with international norms, making it easier for service exporters to claim GST benefits.

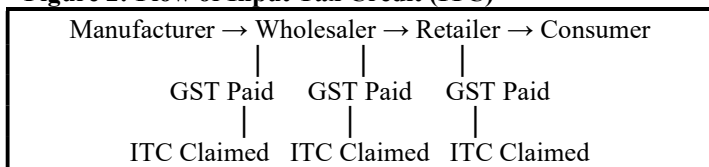
GST STRUCTURE IN INDIA

Figure 1: Dual GST Model



GST FLOW WITH INPUT TAX CREDIT

Figure 2: Flow of Input Tax Credit (ITC)



PRE-GST VS POST-GST TAX SYSTEM

Aspect	Pre-GST System	Post-GST System
Tax Structure	Multiple taxes (VAT, Excise, Service Tax)	Single unified tax
Cascading Effect	Present	Eliminated
Tax Rates	Different across states	More uniform
Compliance	Complex	Simplified (online)
Transparency	Low	High
Input Credit	Limited	Seamless ITC

STATEMENT OF THE PROBLEM

Statement of the Problem in GST (Goods and Services Tax)

GST, while a landmark tax reform, has several significant problems and challenges:

- India's GST has multiple tax slabs (0%, 5%, 12%, 18%, 28%), unlike many countries that follow a single-rate system.
- The GSTN (GST Network) portal has faced persistent technical glitches — slow loading, filing errors, and downtime — especially during peak filing

periods, causing hardship for taxpayers and professionals.

- Businesses, especially MSMEs, face a heavy compliance load with multiple returns (GSTR-1, GSTR-3B, GSTR-9, etc.) to be filed monthly, quarterly, and annually. This increases costs and paperwork significantly.

REVIEW OF LITERATURE

Literature Review on Goods and Services Tax (GST)

Chinmay Gaurang Bhai Modi (2018) "Exploration of the Need and Scope of Goods and Services Tax (GST)"

This theoretical research paper delves into the intricacies surrounding the implementation, need, and potential scope of the Goods and Services Tax (GST) within the global economic landscape. The study is situated in the context 2017 era, aiming to capture the essence of discussions, debates, and expectations that prevailed prior to this pivotal time. The GST, a comprehensive indirect tax reform, is envisioned as a catalyst for streamlining the complex taxation structure prevalent in many countries. The paper navigates through the historical underpinnings of GST, tracing its evolution from its conceptualization to the legislative and policy frameworks leading up to December 2017.

A.K. Sinha and G. Shrivastava (2021) "A Conceptual Study on Current Challenges and Future Prospects of GST In India" GST has been one of the greatest indirect tax reforms in India after independence. It's been around four years since GST was implemented in the country. Almost all indirect taxes have been subsumed by GST and the nation has been unified under one tax structure. It has minimized the tax burden for citizens and fundamental products have been made a lot cheaper than before.

RESEARCH METHODOLOGY

- This study is based on secondary data collected from journals, books, government reports, and online resources.
- The approach is descriptive and analytical in nature, focusing on theoretical insights rather than empirical analysis.

DATA COLLECTION

Primary Data: Primary data refers to first-hand information collected directly from respondents. For GST studies, primary data can be collected through:

1. Questionnaires distributed to business owners, traders, and consumers
2. Interviews with tax consultants, accountants, and GST practitioners
3. Surveys on awareness, satisfaction, and challenges faced under GST

Secondary Data: Secondary data is the main source for theoretical GST research. It includes:

1. Government reports and publications
2. Official GST portal data
3. Books, journals, and research articles
4. Reports from financial institutions
5. Previous research studies and dissertations

SUMMARY OF FINDINGS SUGGESTIONS AND CONCLUSION

FINDINGS

1. GST ensures tax efficiency and fairness
2. ITC mechanism plays a crucial role in reducing tax burden
3. Businesses benefit in the long run despite initial challenges
4. Economic integration is strengthened

SUGGESTIONS OF THE STUDY

Based on the theoretical framework and analysis of the Goods and Services Tax (GST), the following suggestions are proposed to improve its effectiveness and ensure better implementation.

1. Simplification of Tax Structure

The current GST system includes multiple tax slabs (0%, 5%, 12%, 18%, and 28%), which creates confusion and complexity. It is suggested that the government gradually reduce the number of tax slabs to make the system more uniform and easier to understand.

2. Strengthening IT Infrastructure

GST is a technology-driven system, and smooth functioning of the GST portal is essential. Continuous

improvement in digital infrastructure, faster processing, and reduced technical glitches will enhance compliance and user experience.

3. Awareness and Training Programs

Many small traders and businesses face difficulties due to a lack of knowledge about GST procedures. Conducting regular training programs, workshops, and awareness campaigns will help taxpayers understand filing procedures, input tax credit, and compliance requirements.

4. Support for Small and Medium Enterprises (SMEs)

Small businesses often struggle with compliance costs and procedural complexities. Providing simplified return filing systems, relaxation in compliance requirements, and financial assistance will support their growth under GST.

5. Streamlining Input Tax Credit (ITC) Mechanism

Although ITC is a key feature of GST, delays and restrictions sometimes create issues for businesses. The process should be made more transparent and efficient to ensure timely credit availability and reduce working capital blockage.

6. Reduction in Compliance Burden

Frequent filing requirements and documentation increase the compliance burden on taxpayers. Simplifying return filing procedures and reducing the frequency of returns for small taxpayers can improve compliance rates.

7. Stability in Tax Policies

Frequent changes in GST rates and rules create uncertainty among businesses. A stable tax policy with minimal changes will help businesses plan better and ensure smooth operations.

8. Strengthening Anti-Evasion Measures

To ensure the success of GST, strict monitoring and enforcement mechanisms should be implemented to reduce tax evasion and increase revenue collection.

9. Encouraging Digital Payments

Promoting digital transactions will improve transparency and reduce tax evasion. Incentives for digital payments can further strengthen the GST system.

10. Continuous Review and Feedback Mechanism

The government should regularly review GST policies and consider feedback from stakeholders such as businesses, tax professionals, and consumers. This will help in making necessary improvements and ensuring the system remains efficient.

CONCLUSION

The inclusion of charts, tables, and case studies clearly demonstrates that GST is not only a theoretical reform but also a practical transformation of the tax system. The framework of GST is grounded in strong economic principles such as value addition, neutrality, and transparency. While implementation challenges exist, the long-term benefits outweigh the limitations, making GST a cornerstone of modern taxation. The success of GST depends on continuous improvement, simplification, and stakeholder support. By implementing the above suggestions, GST can achieve its objective of creating a transparent, efficient, and unified tax system, contributing to long-term economic growth.

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