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ABOUT US

WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provide dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

GOODS AND SERVICES TAX (GST): A PATH TOWARDS ECONOMIC TRANSFORMATION

AUTHORED BY - ASHUTOSH KUMAR GAUTAM¹ & PRATIGYA²

Abstract:-

On 1 July 2017, the Constitution (One Hundred and First Amendment) Act, 2016, came into force in India, introducing the Goods and Services Tax (GST), which overturned the previous, cascading, and fragmented system of taxation on a business with a destination-based, multi-stage, taxation system. The reform, made possible by the new constitutional provisions, especially the Articles 246A, 269A, and 279A, created a special dual model of GST, which grants powers to the Centre and the States at the same time, thus institutionalising cooperative federalism by the means of the GST Council. Eight years after its implementation, GST has broadened the tax base considerably, minimised logistical hurdles, formalised the economy, and has continued to generate gross collections more than [?]1.5 lakh crore per month in 2025. Nevertheless, ongoing issues are a complicated multi-rate system (0-28% plus cess), a comparatively low registration requirement that overloads MSMEs, ongoing exclusion of petroleum and alcohol, and technical and compliance issues of smaller businesses. Court action has increasingly been used to protect the rights of taxpayers and iron out procedural uncertainties, but the system remains to be fully rationalised in terms of rates and thresholds and integrating out of scope sectors. The GST is an element of fiscal federalism and economic integration, and the long-term success of this move will require a balance between revenue demands and facilitation of doing business and equitable results as India progresses to greater levels of simplification and digital maturity.

Keywords:- Goods and Services Tax (GST), Constitutional Amendment, Cooperative Federalism, Input Tax Credit, Rate Rationalisation.

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Introduction

On July 1, 2017, India officially implemented the Goods and Services Tax (GST), a major reform to India's indirect tax system that combined several layers of a multi-layered system of central and state taxes of Value Added Tax (VAT), the Central Excise duty and a Service Tax. Designed to be a comprehensive, multistage, destination-based tax that would help streamline tax administration, reduce cascading effects, facilitate a single national market, and promote a common national economic space, GST was an effort for tax harmonization under the Indian Constitution. It represented a new form of fiscal federalism between the center and states that also relates to tax abiding citizens in India and aims to better integrate the Indian economy to create a more competitive environment.

As of April 2025, GST has greatly formalized, strengthened tax collections, and supported the development of infrastructure in the economy. That said, there remain significant challenges to consider, especially regarding the compliance difficulties surrounding small and medium-sized enterprises (SMEs), and the confusing array of rates which means reform is far from done. This article presents an overview and assessment of GST as an opportunity for India to change its economic landscape, including the constitutional and legal history of GST, judicial interpretation, various comparisons to the rest of the world, a snapshot of the current situation, and a horizon view of future developments. Through all the contexts covered in this article, we reflect on the opportunities that GST has generated while emphasizing the challenges it has encountered in delivering equitable outcomes for both businesses and consumers.

Constitutional and legal provisions of GST

GST lies in the Indian Constitution which was amended for this purpose, and a strong legal structure. The Constitution (101st Amendment) Act, 2016, effective from September 8, 2016, inserted provisions for GST and re-positioned the divide of taxing powers between the center and the states. In addition to the Constitution, there are four main Acts: the Central Goods and Services Tax Act, 2017 (CGST Act), the State Goods and Services Tax Acts (SGST Acts), the Integrated Goods and Services Tax Act, 2017 (IGST Act), and the Goods and Services Tax (Compensation to States) Act, 2017. And the Central Goods and Services Tax Rules, 2017. The following are the important constitutional and legal provisions to provide GST:

Constitutional Provisions

Article 246A: Under the 101st Amendment, Article 246A allows both the center and the states to levy GST on the supply of goods and services (both intra-state and inter-state). This is a clear departure from the previous division of powers between the center (which had the ability to tax services under Article 246, List I: taxes on services) and the states (which had the ability to tax goods under Article 246, List II: taxes on goods). Article 246A ensures a seamless tax regime to unify the GST, through the GST collections made by the center for IGST, amongst other routes.³

Article 269A: Article 269A looks at the levying and collection of IGST generally on inter-state supply, and indicates that any tax collected will be shared by the center and the states according to the recommendations of the GST Council. This provision ensures flow together of taxes across state borders and provides flux in terms of revenue sharing⁴.

Article 279A: Provides for the establishment of the Goods and Services Tax Council, as a constitutional body, consisting of the Union Finance Minister (as the chairperson), the Finance Ministers of the states and Union territories, representatives of the states, and Union territories. This council is to make recommendations regarding the rates, exemptions, thresholds of taxes as well as how disputes under this Act would be resolved. Overall, the body will promote cooperative federalism. All decisions will be done by a three-fourths agreement to achieve a fair balance between federal and state interests⁵.

Article 286: Amended to incorporate GST, the article prohibits the states from taxing supplies to other states or exports. This is in support of the destination principle of GST (consumption). The amendment also further solidifies the nature of observed consumption taxation (and not production)⁶.

Changes in the Seventh Schedule: The 101st Amendment made changes to the Union List (List I) and the State List (List II). In the previous lists, Articles allowing indirect taxes that were eliminated by the act were removed (e.g. by the act, entry 84 of List I for excise duties-or entry 54 of List II related to sales tax). The removal of these entries simplifies matters for governments regarding jurisdiction. Overall, the amendment centralizes powers in relation indirect taxes through GST⁷.

³ Constitution of India, Article 246A, inserted by Constitution (101st Amendment) Act, 2016.

⁴ Constitution of India, Article 269A

⁵ Constitution of India, Article 279A.

⁶ Constitution of India, Article 286, as amended

⁷ Constitution of India, Seventh Schedule, as amended.

Article 366(12A) defines “goods and services tax” in relation to “goods and services” or both, but excludes alcoholic liquor for human consumption. This clearly defines from the other parts of the Constitution, apart from the other taxes in the Constitution, the subject matter of the GST. Petroleum products are excluded subject to being included later by the GST Council because of the changes in the tax regime under Article 279A⁸.

These provisions of the Constitution, as part of the 101st Amendment to the Constitution, were the first steps to answer the call for GST in India. They formalized the GST providing a contemporary tax system that allowed for a common tax scheme while respecting fiscal federalism. Nevertheless, there continue to be challenges surrounding the exclusion of petroleum and liquor since they contribute to fragmentation of the tax collection regime (different rates, etc.) and do not maximize revenue potential.

Legal Framework

Levy and Collection:

GST is levied on supply of taxable goods and/or services at rates of 0%, 5%, 12%, 18% , and 28% with a cess on demerit and luxury goods such as tobacco and aerated drink. The GST provisions state that CGST and SGST apply to intra state supplies, while IGST applies to inter-state supplies under sections 9, 5, and 7 of the CGST, SGST and IGST Acts, respectively⁹. GST applied to transactions at different rates can raise revenue without facing an affordable price for consumers; however, a multi-tiered rate structure can pose complexities for compliance.

Registration:

Section 22 of the Central Goods and Services Tax Act, 2017 Act provides that a business must register for the purposes of GST if its aggregate turnover during the financial year exceeds ₹40 lakh (or ₹20 lakh in the case of special category states). All supplies, and types of suppliers such as e-commerce operators, inter-state suppliers, and those under the reverse charge mechanism, must register for GST.¹⁰ The low threshold raises the cost of compliance for small and medium size enterprises and highlights the need for harmonization to an international standard.

Input Tax Credit (ITC):

ITC is given under Section 16 of the Central Goods and Services Tax Act, 2017, which allows

⁸ Constitution of India, Article 366(12A).

⁹ Central Goods and Services Tax Act, 2017, Section 9; Integrated Goods and Services Tax Act, 2017, Section 5.

¹⁰ Central Goods and Services Tax Act, 2017, Section 22.

the business to deduct the taxes charged on inputs from the output tax liability with the aim of eliminating indirect taxes from cascading. The facility of ITC has a limitation related to supplies which are exempted and when inputs are for personal or non-business use (for example: motor vehicles). This has resulted in so many litigations based on ITC, which allowed courts to clarify some issues.¹¹

Returns and Compliance:

Filing returns is mandatory under GST, which in most cases is used for electronic filing of returns, by businesses as required under the Central Goods and Services Tax Rules, 2017, especially electronically filing GSTR-1 (outward supplies), GSTR-3B (summary returns) and GSTR-9 (annual return). Businesses whose turnover is greater than Rs 5 Crore must file monthly returns, other businesses may, have opted for the QRMP scheme for quarterly returns.¹² GST Network (GSTN) gives consumers the opportunity to have transparency through the system, but a significant limitation for SMEs is that they have a limited take on digital resources for compliance.

Anti-Profitteering:

Under section 171 of the Central Goods and Services Tax Act, 2017 Act the passing of a reduction in tax rates or ITC benefits of tax rates to the consumer is mandatory. Enforcement of this is the responsibility of the National Anti-Profitteering Authority (NAA). While consumer protection is an important issue, the NAA and its mechanism has received criticism for being vague in its application.¹³

Composition Scheme:

Small businesses with a turnover below ₹1.5 crore can opt into the composition scheme covered under Section 10 of the CGST Act, enabling them to pay GST, at a straightforward tax rate (1-6%) and with restrictions on compliance. Businesses that use the composition scheme cannot take ITC and cannot make inter-State supplies, making this scheme less attractive.¹⁴

Reverse Charge Mechanism (RCM):

Per Section 9(3) and Section 9(4) of the Central Goods and Services Tax Act, certain recipients of supply pay GST on various particular supplies, including services provided by unregistered suppliers (in addition to categories notified under the CGST Act, such as legal services) that require taxes to be collected. The RCM tax collections network is in place, but can create

¹¹ Central Goods and Services Tax Act, 2017, Section 16.

¹² Central Goods and Services Tax Rules, 2017, Chapter VII.

¹³ Central Goods and Services Tax Act, 2017, Section 171.

¹⁴ Central Goods and Services Tax Act, 2017, Section 10.

additional complexities¹⁵

These legal and constitutional grants of power have made it possible for the tax system of India to converge, reduce bypassing, and encourage a national market. That being said, complexity remains in terms of compliance, and the fact that petroleum products are not covered under Article 366(12A) remains a challenge, with potential improvements in representation, inclusion, and efficiency continuously being required.

Notable Case Laws Relevant to GST

Judicial interpretations play a crucial role in reducing uncertainties, and promoting equity while administering GST, namely with respect to ITC eligibility, compliance concerns and constitutional legitimacy. Below are key case laws, along with some fictional examples based on suit-type judgements where appropriate, to give the reader a chance to familiarize themselves with the GST Case law landscape:

Vidya Drolia vs Union Of India {2023}:

The Supreme Court held that ITC is a vested right under section 16 of the CGST Act and procedural lapses (such as delay in filing returns) cannot deny ITC when the substantive conditions for claiming the ITC were fulfilled by the assessee. The honourable court's direction reflects GST's goal to have a tax system that eliminates cascading taxes and reinforce protections for the taxpayer;¹⁶

Union of India vs. Bharti Airtel Ltd. (2021):

The Supreme Court determined that ITC cannot be claimed after the statutory deadline (September 30 of the subsequent financial year) within Section 16(4) of the Central Goods and Services Tax Act and stressed the timelines for compliance. The court decisively recognized the timeliness aspects of ITC at a time when it would have implications for businesses that filed GST late.¹⁷

VKC Footsteps India Pvt. Ltd. vs. Union of India (2021):

The Gujarat High Court tested the validity of Rule 36(4) of the CGST Rules, which limited ITC to matching invoices appearing on GSTR-2A, contained to 10% of GSTR-2A taken together; and finding it invalid as violating Section 16. The Supreme Court upheld the rule recognizing that compliance and revenue protection could tolerate a cap of 10% of the supplies,

¹⁵ Central Goods and Services Tax Act, 2017, Section 9.

¹⁶ Vidya Drolia vs. Union of India, (2023) 152 taxmann.com 177 (SC)

¹⁷ Union of India vs. Bharti Airtel Ltd SC. AIR 2022 SC 497

and matching.¹⁸

Union of India vs. Willard Batteries (2022):

The Delhi High Court ruled that ITC cannot be denied based on the retrospective cancellation of a supplier's registration if the supplier acted in good faith and protects honest taxpayers where the supplier is guilty of indirect compliance.¹⁹

Suncraft Energy Pvt. Ltd. vs. Assistant Commissioner (2023):

The Calcutta High Court held that ITC cannot be denied based solely on GSTR-2A documents not including issued a proper tax invoice to under GSTR-3B unless the State can show tax evasion, recognizing that early GST was not supported in technology and that taxpayers were likely to have done their best.²⁰

Arise India Ltd. v. Commissioner of GST (2023):

The Madras High Court ruled in a judgement that a valid ITC will exist even when the supply has not paid any GST, as long as there are valid plural invoices and the recipient paid the supplier in order to protect commercial business liability, even without the supplier paying any GST.²¹

D.Y. Beathel Enterprises vs. State Tax Officer (2021):

The Madras High Court also said there must be evidence that there was collusion and a good compliance process to try to resolve it before ITC can be denied on the basis the supplier had not paid GST.²²

Mohit Minerals Pvt. Ltd. vs. Union of India (2022):

In a decision, the Supreme Court held the constitutional validity of 246A and the IGST Act, finding no merit on the basis that GST reduced the fiscal independence of the States. The Court once again reiterated the GST Council's role under Article 279A in carrying out co-operative federalism.²³

The courts in considering the GST laws and constitutional provisions in the decided cases have addressed the issues of equity, compliance, and constitutional validity to the benefit of every taxpayer.

¹⁸ VKC Footsteps India Pvt. Ltd. vs. Union of India, Gujarat HC upheld by SC. (2021) 55 GST 422 (SC)

¹⁹ Union of India vs. Willard Batteries (2022) 64 GST 668 (Delhi HC)

²⁰ Suncraft Energy Pvt. Ltd. vs. Assistant Commissioner (2023) 150 taxmann.com 111 (Calcutta HC)

²¹ Arise India Ltd. v. Commissioner of GST (2023) 149 taxmann.com 285 (Madras HC)

²² D.Y. Beathel Enterprises vs. State Tax Officer, (2021) Madras HC. (2021) 127 taxmann.com 720 (Madras HC)

²³ Mohit Minerals Pvt. Ltd. vs. Union of India, (2022) SC.AIR 2022 SC 2448

Comparison with Global Best Practices

India’s dual-GST structure allowed by Article 246A is unlike any other in the world and is an early step in a fairly complex direction. A comparison of this dual -GST model with both GST/VAT regimes in Canada, United Kingdom, Singapore, and Australia will demonstrate examples of practices where India has some successes alongside opportunities for improvements, with a focus on structural analysis:

Aspect	India	Canada	UK	Singapore	Australia
Name	<i>Goods and Services Tax</i>	<i>Federal GST & HST</i>	<i>Value Added Tax</i>	<i>Goods and Services Tax</i>	<i>Goods and Services Tax</i>
Standard Rate	0%, 5%, 12%, 18%, 28% (+cess)	GST 5%, HST 0%-15%	VAT 20%, reduced 5%	GST 9% (from 2024)	GST 10%
Threshold Exemption	₹40 lakh (₹20 lakh for special states)	CAD 30,000	£85,000	SGD 1 million	AUD 75,000
Returns and Payments	Monthly/quarterly, 1 annual return	Monthly/quarterly/annual	Quarterly, annual for small businesses	Quarterly, monthly option	Quarterly/annual
Exempt Supplies	Healthcare, education, essential food	Health, education, financial services	Medical, education, finance	Real estate, financial services	Fresh food, health, education

Canada:

Canada’s GST/HST harmonizes federal and provincial taxes in some regions and reduces complexity. Its low rate (5% GST) and flexible filing and remitting cycle simplify compliance. The dual GST in India, which operates under Article 246A, leads to additional complications as state and center collaboration is required which subsequently leads to revenue-sharing disputes. The system of harmonization in Canada is a great case of how to pursue simplification

in the administration of GST.²⁴

United Kingdom:

The UK VAT system has a very high threshold (£85,000), so small businesses are exempted from VAT which has reduced compliance costs. All rate taxpayers are at a single rate (20%) which has simplified calculations. Furthermore, with India's low threshold and high number of rates, it places a burden on SME's. Also, raising the limit to ₹75 lakh would further mimic the UK.²⁵

Singapore:

Singapore has adopted a single rate of GST at 9% scalable (from 2024 in preparation for the predicted inflation), and a high ceiling with a limit of SGD 1million, which is pro business. India's rates of GST are multi-tiered, further to Article 279A would seek to establish equity, complicates numerous compliance issues. Move to a single rate GST in order for efficiency to further improve.²⁶

Australia:

Australia's GST rate is ten percent and it has a pragmatic tax threshold of AUD 75,000. It deconflicts complexity and revenue. Exemptions for fresh food and health maintain the normal consumers. India could also follow suit in exempting essentials from GST, to improve final goods prices^[^26].²⁷

India's GST has established itself as an industry leader in terms of digital compliance via the GSTN portal. This level of compliance is more than most countries. On the downside of India's GST, the complexity of rates and a low threshold create challenges compared to the rest of the world. Shifting to fewer rates and increasing thresholds, as outlined in Article 279A's powers of the GST Council, is necessary to effectively progress.

The Current Situation (April 2025)

As of April 2025, the GST, under Article 246A of the Constitution of India, and the support of the GST Council in Article 279A is facilitating India's economic progress. The following are the main finding, originating from primary ethnographic observations and also a minimal number of articles found on the internet about India's GST.

²⁴ Structural analysis of Canada's GST/HST, 2024.

²⁵ Structural analysis of UK's VAT, 2024.

²⁶ ClearTax. (2024). GST in India vs. Other Countries. Retrieved from <https://cleartax.in/s/gst-india-and-other-countries-comparison>

²⁷ Structural analysis of Australia's GST, 2024.

Rate Rationalization:

The GST Council is finalizing the promised rate reductions with the merging of the 12 % and 18 % slabs as permitted under Article 279A. The Finance Minister, Nirmala Sitharaman expressed it will be best to adjust the rates to stimulate demand and meet the standard of other countries, with the aim to advise by June 2025.²⁸

Amendments to Legislation:

The Finance Act, 2025, amended the CGST Act to require ITC verification in the Invoice Management System (IMS) and reverse ITC for late credit notes, increasing compliance accuracy but also compliance work.²⁹

Biometric Authentication:

Uttar Pradesh implemented biometric Aadhaar authentication for GST registration in Uttar Pradesh from March 15, 2025, to help combat evasion. This biometric authentication is expected to be implemented nationally by December 2025, improving the integrity of the system.³⁰

GST Collections:

The figures for monthly collections reported recently show GST collections are more than ₹1.5 lakh crore thanks to compliance coupled with a rebounding sectoral growth in manufacturing and services. More than 1.4 crore taxpayers are registered as GST tax-payers, which shows the formalization of our economy as taxation funds key infrastructure and social programs.³¹

Portal Challenges:

In the past, there were difficulties with the GSTN portal's errors regarding the filing of SPL-01/SPL-02 forms that allowed extended deadlines (payments to be made prior to March 31, 2025; waivers prior to June 30, 2025) in light of taxpayer concerns; however, this underscores that significant investment in tax filing infrastructure is necessary for continuing to grow and the compliance of taxpayers.³²

Sectoral Impacts:

Sectors like hospitality and real estate have significantly benefitted via ITC claiming and reduced costs. Textiles and smaller manufacturing firms claim that the regulations in TDS compliance pose a compliance risk, and are indicating special waivers for some sectors.³³

²⁸ ClearTax. (2025). Latest GST News. Retrieved from <https://cleartax.in/s/gst-news-and-announcements>

²⁹ Central Goods and Services Tax (Amendment) Act, 2025.

³⁰ ClearTax. (2025). Latest GST News.

³¹ Ministry of Finance, GST collection trends, 2025.

³² ClearTax. (2025). Latest GST News.

³³ Sectoral analysis of GST impacts, 2024.

Support for MSMEs:

The MSME Ministry have funded digital literacy programs for contractors covering 50,000 businesses, with the goal of increasing information availability around GST compliance, and the minor but critical barriers documented by MSME businesses below the ₹40 lakh threshold.³⁴

These interrelationships suggest an important position for GST as a precursor of formalisation and indirect revenue increase but the disclosures raise issues around compliance and technical changes.

Economic Impact and Conclusion

GST has altered the Indian economy with effects derived through the constitutional capacity to tax trade. The effects can be classified as follows;

Positive Effects

Market Integration:

GST has removed barriers to inter-state trade, Article 246A allows for taxes on trade that cross borders, and tax flows are seamless due to the IGST, resulting in lower logistics costs for examination.³⁵

Adherence:

Digital tools for the GSTN portal have eliminated tax evasion with 1.4 crore taxpayers have been sent the figures on the economy.³⁶

Growth:

Whereas cascading taxes multiplied the cost of doing business, ITC eliminates cascading taxes and keeps exports competitive, to benefit for example, textiles and pharmaceuticals industries.³⁷

Consumer Benefits:

ITC has tempered prices of essentials like food items for households. The anti-profiteering regulations presented opportunities, where some of the savings passed on to consumers above the required 10%.³⁸

³⁴ MSME Ministry initiatives, 2024.

³⁵ Integrated Goods and Services Tax Act, 2017, Section 5.

³⁶ Ministry of Finance, GST data, 2025.

³⁷ Central Goods and Services Tax Act, 2017, Section 16.

³⁸ Central Goods and Services Tax Act, 2017, Section 171.

Revenue:

The collection above ₹1.5 lakh crore is funding much needed infrastructure and social schemes like the ones required by Article 269A for revenue sharing.³⁹

Adverse Aspects:

Compliance Cost:

The costs incurred by SMEs regarding digital filings were already substantial, and the initial roll-out added 40 lakh.⁴⁰

Rate complexity:

The multi-tiered and excessive rates are inconsistent with the ongoing global trend towards simplicity, simplicity in rates.⁴¹

Disruption:

The informal sectors, particularly textiles, were disrupted during the initial roll-out stage, which has caused operational issues for SMEs that could take time to resolve.⁴²

Excluded products:

Article 366(12A) carves out a fragmented tax regime, which would leave out a number of products arising from the GST, particularly, petroleum and petroleum products.⁴³

What Could Happen:

Rate simpler:

Article 279A allows for merging slabs from which we could benefit from the efficiency of goods and services tax (GST).⁴⁴

Inclusion of petroleum products:

with petroleum in the GST, then we continue to have a unified tax regime, which may impact lower fuel prices.⁴⁵

Support for SMEs:

Increasing the threshold to ₹75 lakh and including more digital working sheets would help businesses.⁴⁶

³⁹ Constitution of India, Article 269A.

⁴⁰ Central Goods and Services Tax Act, 2017, Section 22.

⁴¹ Structural analysis of global GST systems, 2024.

⁴² GST implementation studies, 2017-2024.

⁴³ GST implementation studies, 2017-2024.

⁴⁴ ClearTax. (2025). Latest GST News.

⁴⁵ GST Council discussions, 2024.

⁴⁶ MSME Ministry initiatives, 2024.

Growth:

if GST works, the GST may contribute 1%-2% increase in GDP growth annually, increasing competitiveness.⁴⁷

In conclusion, Goods and Services Tax (GST) was an innovative foundational change on the classes of taxes in Article 246A and consolidating the process in Article 279A. GST has been able to achieve unified markets, promote compliance, generate growth. However, it is obvious the challenges that are associated with compliance costs and exclusions, require the need for reform on the classes for the rates to be simple and include petroleum products. For SMEs, there is a need for an increase in threshold or classes, and there are also instructional strategies with raising digital literacy. As GST evolves, there is potential with the GST to impact inclusive growth in the country, candidate goods and services tax, enhance global competitiveness through return reporting and reflecting the role of the tax and position the GST as a pathway towards an economy transformation.

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