



# COMPARISON OF TAX COMPLIANCE BEFORE AND AFTER GST- AN ANALYTICAL STUDY

**Kathula Yadagiri**, Faculty of Commerce, GDC Siddipet (A)

[kathulayadagiri57@gmail.com](mailto:kathulayadagiri57@gmail.com)

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## ABSTRACT

Tax is revenue source to the government of any country in world. In India it is major revenue source to government. It is levied on goods and services produced in the country. The tax system in the country before GST includes Central Excise tax, Service Tax, and state value added tax and some other taxes levied by both central and state governments. Government of India has taken initiative decision for implementation of GOODS AND SERVICES TAX ACT-2017. This act was came into force on July 01,2017. It replaces the numerous taxes like VAT. Service Tax, Excise tax and more, and it the eliminated cascading of taxes. With an aim of simplifying tax structure in India, GST proposes to remove the geographical obstacles for trading, and transforming the entire nation to 'One Common Market Place.' While it is believed that the 'One Nation- One Tax' regime is paving path towards a better economy of our country, questions related to how is this reform going to be any better than the earlier tax transformations India has seen over the past years (VAT-Service Tax-Excise), is a matter of concern.

This paper gives an analytical study of Pre -GST vs Post GST and further discusses how the mechanism reduces the tax burden and other cascading effects. Brief description is given on the history of tax, GST background, introduction, salient features and illustration of reducing tax burden.

This study examines the transition of India's indirect tax landscape from a fragmented multi-layered system to the unified **Goods and Services Tax (GST)** regime. It analyzes compliance behavior, administrative efficiency, and revenue trends, highlighting how digitalization has streamlined processes while simultaneously introducing new technical and financial hurdles for small enterprises.

**Key Words:** Excise Tax, Service tax, Value Added tax, Pre GST Post GST and etc.

## **Introduction: History of GST**

**1.The Abstract Phase (2000 – 2006):** 2000 Prime Minister Atal Bihari Vajpayee set up an Empowered Committee (EC) headed by Asim Dasgupta to design a GST model. 2003 The Kelkar Task Force on Indirect levies explosively recommended a comprehensive GST to exclude the" slinging effect" (duty on duty) that agonized the being system.

**2.The Decade of Deliberation (2007 – 2014):** State enterprises State governments were cautious of losing their financial autonomy, particularly regarding levies on petroleum and alcohol. 2011 The Constitution (115th Correction) Bill was introduced but lapsed due to the dissolution of the 15th Lok Sabha.

**3.The Advance (2014 – 2016):** December 2014 the 122nd indigenous Correction Bill was introduced. August 2016 The Bill was passed by both the Rajya Sabha and the Lok Sabha. September 2016 President Pranab Mukherjee gave his assent, and the GST Council was formed to oversee the duty structure and rates.

**4.Perpetration and" The Midnight Launch In early 2017,** four pivotal GST- related bills (Central GST, Integrated GST, Union Territory GST, and the Compensation Law) were passed. On the night of June 30 – July 1, 2017, a special session was held in the Central Hall of Parliament. With the stroke of a gavel, GST was officially launched across India (except Jammu & Kashmir, which joined a many day latterly).

#### Key Variables and Parameters:

Parameter	Pre-GST Focus	Post-GST Focus
<b>Tax Structure</b>	Multiple laws (Excise, VAT, Service Tax)	Unified law (CGST, SGST, IGST)
<b>Registration</b>	Decentralized (TIN)	Uniform e-registration (PAN-based)
<b>Filing Process</b>	Manual/Multiple returns	Online portal/Integrated returns (GSTR-1, 3B, 9)
<b>Compliance Cost</b>	High due to effort duplication	Reduced over time, but high initial IT investment
<b>Revenue Growth</b>	Average growth from subsumed taxes.	Significant growth.

#### Comparative of tax system before and after GST

Feature	Pre-GST Compliance	Post-GST Compliance
Registration	Multiple (TIN, Service Tax, etc.)	Single PAN-based GSTIN
Return Filing	Numerous manual/different state filings	Streamlined online portal (GSTN)
Tax Event	Manufacture/Sale/Service	Supply of Goods and Services
Transparency	Low (due to manual intervention)	High (due to digital footprint)
Administrative Cost	Higher due to duplication	Lower due to automation

#### Literature Review:

**Lourd Nathan F. and Xavier P. (2016)** analysed in their study that GST implementation requires concentrated efforts of all stakeholders especially trade and industry. It is therefore necessary on the part of the Government to educate, conduct proper training, seminars and workshops to increase the compliance level of tax payers.

**Arindam Neral, Niharika Tirkey (2019)** in their study “Impact of GST on Indian Economy” concluded that once GST is implemented, the projected taxation system holds great undertake in terms of sustaining growth for Indian Economy.

**Shefali Dani (2016)** stated that the proposed GST is a weak attempt to rationalize the indirect tax structure. According to Dani, the Government of India should study the GST regimen set up by various other countries and their dropouts before its application.

**Anju Singh, (January 2021)** in the study titled “A Comparative Study of GST and VAT in Three Consecutive Terms: With Special Reference to Pre and Post GST Implementation” highlighted that a single type of tax called GST or goods & services tax is applied throughout the country and is substituted for a variety of other indirect taxes, such as VAT, services tax etc.

**G.H. Bharate (May 2017)** in their study concluded that the overture of Goods and Services Tax (GST) would be a very momentous step in the field of indirect tax. Goods and Services Tax (GST) has been acknowledged as one of the most imperative tax reforms post independences. It is a tax trigger, which will lead to business transformation for the industry.

**Antony (2023)** has focused on the challenges and opportunities of GST for MSMEs. As presented in the study, the emphasis is on the fact that MSMEs -critical to India's economy - had to majorly adapt towards the new compliance requirements for regular returns and digital record-keeping. However, it should also be noted that the long-term benefits of GST for MSMEs would include lower liabilities of tax and easier access to formal credit. Antony said that for MSMEs to benefit fully under the GST system, specialized support instruments such as training and simplification of documentation processes were required.

**Dandona et al., (2024)** analyzed the fiscal impact of GST on state revenue, state GDP, and economic resilience of India. It observed how GST streamlined direct tax collection and brought in a positive impact of eliminating cascading taxes and promotion of inter-state trade. Its effect on the revenues of states, however, was skewed and, in certain short-term durations of losses, it had on states. The authors pointed out that the imposition of GST has improved economic resilience but still requires more support to reap an equal revenue yield from all states.

**Deb et al. (2020)** have discussed the perception of businesses, especially SMEs towards GST. According to that study, larger firms were tolerating the change while the smaller firms are facing difficulties due to this new tax. The compliance complexities and digital requirements were creating obstacles for SMEs to accept GST. According to authors, there is a need for an awareness program along with support in order to raise the understanding and compliance towards GST, especially among the smaller businesses.

#### **Research Objectives:**

1. To Compare Existing Tax Structure and Tax under GST.
2. To Analyze of working mechanism of GST
3. To examine how the GST mechanism reduces the tax burden eliminating the multiple Taxation and other cascading effects.

**Methodology:** In general terms, the Study employs an Exploratory and Descriptive methodology. It's longitudinal in nature, assessing the same subjects (companies or profit aqueducts) across two different time ages the post-GST period (2018 onwards) and the pre-GST period.

The Researchers used an exploratory research technique based on past literature from respective journals, annual reports, newspapers and magazines covering wide collection of academic literature on Goods and Service Tax. According to the objectives of the study, the research design is of descriptive in nature. Available secondary data was extensively used for the study.

This is the primary pillar of similar studies. crucial sources include

- Sanctioned government reports from the Ministry of Finance, GST Council, and CBIC.
- Statistical databases and fiscal accounts of listed companies.
- Comptroller and Auditor General (CAG) reports for inspection and data trustability perceptivity.
- Scholarly journals, periodic reports, and profitable pates.

### **Pre-GST Indirect Taxation:**

**Cascading Effect:** Taxes were levied on top of taxes. For example, Excise Duty was charged on manufacturing, and then VAT was charged on the total cost (including excise), leading to a higher final price.

**Fragmentation:** Each state acted as a separate market, with differing VAT rates and rules, leading to significant logistical and compliance hurdles.

**Lack of Uniform Input Tax Credit (ITC):** Businesses often could not claim credit for taxes paid at previous stages, particularly when transitioning between manufacturing (Excise) and sales (VAT).

### **Central Government Levies:**

Central Excise Duty (CENVAT): Excise duty on manufactured products.

**Service Tax:** Taxes levied on services.

**Additional Excise Duties:** Duties on specific goods, including those under the Additional Duties of Excise (Goods of Special Importance) Act.

**Additional Duties of Customs:** Commonly known as Countervailing Duty (CVD), which acted as a replacement for excise duty on imports.

**Special Additional Duty of Customs (SAD):** A 4% duty levied on imports.

**Excise Duty under Medicinal & Toilet Preparations Act:** Duty on alcoholic/narcotic preparations.

**Service Tax, Surcharges & Cesses:** Various central levies, such as the Clean Environment Cess and education cess.

**Central Sales Tax (CST):** Levied on inter-state trade by the Centre but collected by states.

### **State Government Levies: Value Added Tax (VAT):**

Replaced general sales tax in 2005 and was levied on the intra-state sale of goods.

**Entry Tax & Octroi:** Taxes charged by state or local municipal bodies on goods entering their specific territory or jurisdiction.

**Luxury Tax:** Imposed on services provided by hotels or expensive restaurants.

**Entertainment Tax:** Charged on movie tickets, sports events, and amusement parks.

### **Need of the Study**

Before GST, tax compliance was largely manual, decentralized, and fragmented across various state and central laws. There is a critical need to analyze how the transition to a **technology-driven regime** (GSTN) has affected the speed, transparency, and accuracy of tax filing

While the transition aimed to simplify tax administration and broaden the tax base, it has not been without its challenges. Larger corporations have generally adapted well, leveraging automation to reduce compliance costs. However, many SMEs continue to struggle with frequent changes in tax rates, complex filing procedures, and technical hurdles. Recent reforms in 2025, often referred to as GST 2.0, have sought to further simplify this by rationalizing tax slabs and introducing advanced tools like the Invoice Management System (IMS) to resolve persistent ITC discrepancies.

**Scope of the Study:** The scope of study is designed to evaluate the transformative shift in the indirect tax landscape, specifically contrasting the fragmented pre-GST era with the unified "One Nation, One Tax" framework. Conceptually, the research focuses on the transition from multiple state and central levies—such as Excise, Service Tax, and VAT—to a singular GST regime, with a deep dive into compliance dimensions like registration ease, the shift from manual to digital return filing via the GSTN portal, and the transparency of the electronic ledger system. Analytically, the study moves beyond surface-level descriptions to conduct a gap analysis of systemic hurdles, utilizing quantitative metrics like revenue buoyancy and taxpayer registration volumes alongside qualitative assessments of taxpayer perception and the evolving role of tax professionals.

### Compliance Mechanisms

**Reporting & Filing:** Comparison between manual or state-specific physical filings and the fully digitized GST Network (GSTN) portal for automated return filing.

**Reconciliation Tools:** Study of modern compliance features such as the Invoice Management System (IMS), e-invoicing, and real-time ITC matching to prevent tax evasion.

**Audit & Dispute Resolution:** Analysis of the transition from traditional field audits to AI-driven risk-based scrutiny and the operationalization of the GST Appellate Tribunal (GSTAT).

### Compliance Dimensions:

**Registration:** Comparing the ease of obtaining a TIN/VAT number vs. a GSTIN.

**Return Filing:** Shift from manual/state-specific portals to a centralized, automated GSTN portal.

**Payment & Refunds:** Analyzing the transition from physical challans to electronic ledger systems.

**Input Tax Credit (ITC):** Evaluating the "matching" concept (GSTR-2A/2B) as a deterrent to tax evasion.

### Stakeholder Impact

**Micro, Small, and Medium Enterprises (MSMEs):** Assessment of the "compliance burden" vs. "formalization" benefits, including the impact of registration thresholds and the QRMP scheme.

**Corporate Sector:** Study of supply chain efficiencies gained through the removal of cascading taxes and the e-way bill system.

### Economic Parameters

**Revenue Buoyancy:** Comparison of tax collection trends, including the record monthly average of ₹2.04 lakh crore achieved post-2025 reforms compared to pre-GST levels.

**Tax Base Expansion:** Tracking the growth in active taxpayers from approximately 65 lakh pre-GST to over 1.52 crore by 2025.

### Working Mechanism of Pre-GST: Buying a Car (Estimated Value: ₹5,00,000)

- Ex-Factory Price: ₹5,00,000
- Central Excise Duty (@ 24%): +₹1,20,000
- New Sub-total: ₹6,20,000
- Infra Cess (@ 4%): +₹20,000
- New Sub-total: ₹6,40,000
- VAT (@ 12.5%): +₹80,000
- Total Cost of Car = 7,20,000.
- **Crucial Point: This 12.5% was calculated on the ₹6,40,000. This means the customer paid VAT on the Excise Duty and the Cess. This is "Tax on Tax."**

**Working Mechanism of GST**

Manufacturer	Distributor	Retailer	Consumer
Cost: 1,00,000 GST @ 18% 18,000	Cost: 1,00,000 Profit: 11,200 Sale Price: 1,11,200 GST @ 18% 20,016	Cost: 1,11,200 Profit: 24,640 Sale Price: 1,35,840 GST@ 18% 24,451.20	Cost: 1,60,291.20 (1,35,840+24,451.20)
Input Tax Credit= NIL	Input Tax Credit= 18,000	Input Tax Credit= Rs. 20,016	Input Tax Credit= NIL
Paid to Government GST = 18,000	Paid to Government GST = 2,016 (Output tax – Input tax)	Paid to Government GST= 4,435.20 (Output tax – Input tax)	Paid to Government Tax Borne by the Consumer 18,000+2,016+4,435.20= 24,451.20
Value Addition= 1,00,000 GST @ 18% 18,000	Value Addition= 11,200 GST @ 18% 2,016	Value Addition= 24,640 GST @ 18%=4,435.20	Value Addition= Nil

The flow from Manufacturer to Distributor, Retailer, and finally the Consumer, with a GST rate of 18% applied at each stage. The mechanism shows how businesses claim Input Tax Credit (ITC) to reduce their tax liability, ensuring tax is paid only on the value added at each step rather than on the total value multiple times. Ultimately, the total tax burden of ₹24,451.20 is borne by the final consumer, which equals the sum of the tax paid by the manufacturer, distributor, and retailer to the government.

**Principles of the Mechanism**

**Value Addition:** GST is effectively levied only on the **value added** at each stage (e.g., the distributor's ₹11,200 profit is taxed at 18%, resulting in the ₹2,016 payment).

**Input Tax Credit (ITC):** This allows businesses to deduct the tax they paid on purchases from the tax they collect on sales, preventing a "cascading effect" (tax on tax).

**Destination-Based:** The tax is collected at the point of final consumption rather than the point of origin.

**Government Revenue:** The total tax collected by the government is the sum of payments from each stage: 18,000+2,016+4,435.20=24,451.20

**Conclusion**

The transition to GST marks a definitive shift toward a more transparent, technology-driven tax environment in India. While the system has successfully broadened the tax base and eliminated cascading effects, the compliance burden for smaller enterprises remains a critical area for further policy refinement. Future success depends on stabilizing the digital infrastructure and simplifying procedures for the unorganized sector.

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