United International Journal of Multidisciplinary Research (UIJMR)
An International Peer-Reviewed and Refereed Multidisciplinary Journal
ISSN: 3048-6726 | Impact Factor: 6.934 (SJIF)
Volume 3, Special Issue -IX, 2026; Website: www.uijmr.in

"A Study on Goods and Service Tax History on Indian Indirect Tax System"

Nagaraganti Ganteppa Shetty
Associate Professor & PG Co-ordinator
Department of Economics
SSA Government First Grade College, (Autonomous) - Ballari -583101 Karnataka state.
DOI:10.37854/UIJMR.2026.3.3.9.460

Abstract

This research paper presents an analytical study of the Goods and Services Tax (GST) in India and the historical development of the Indian tax system. The taxation system in India has evolved from the sound of goods and services tax in India with modern structured framework. GST, introduced on 1 July 2017, represents a major tax reform aimed at creating a unified and transparent tax system. It integrates multiple indirect taxes into a single framework under the concept of "One Nation, One Tax." The study highlights GST's role in simplifying taxation, improving administration, and promoting economic development.

Keywords: Goods and Services Tax (GST), Indian Tax System, Tax Reforms, Indirect Taxes, Economic Development, Tax Administration, Tax Structure.

"A Study on Goods and Service Tax History on Indirect Tax System"

Introduction:

The tax structure prior to Goods and Service Tax (GST) was tedious and complex with so many types of indirect taxes that were levied by the Central and State Governments of India on for availing the services such as Entertainment Tax (for watching movies), Value Added Tax (on purchasing goods and services), excise duties, luxury tax etcetera. The levying of tax is done on both direct taxes and indirect taxes by both State and Central Government. Thus, to forgo the tediousness and to have a unified law by subsuming duties levied on services such as 'custom duty, excise duty, service tax, sales tax, VAT' the central government came up with Goods and Service Tax. The introduction of Goods

& Service Tax (GST) with effect from 1st July 2017 is characterized by a marked shift from present origin-based taxation to that of consumption-based taxation. GST subsumed majority of indirect taxes levied by Central Government and State Governments such as Value Added Tax (VAT) / Central Sales Tax (CST)) / Entry Tax/ Purchase Tax// Octroi / Local Body Tax (LBT) / Excise Duty / Service Tax. It is a tax levied Across all goods and services on PAN India basis except Alcohol and few Petroleum products, which are excluded on these goods erstwhile excise and VAT levy continues. Levy of Custom Duty on Import of Goods Continues.

Goods and Service Tax (GST) is a single tax on the supply of goods and services. The statutory tax rates under GST came into effect from 1st July, 2017 which replaced all other applicable indirect taxes. Some products and goods are taxed more while some others are cheaper. At present, the financial transaction and services which attracted service tax previously also replaced by GST. GST is a single tax on the supply of goods and services. A two-rate structure is being adopted. It means lower rate for necessary items and goods of basic importance and a standard rate for goods in general. There will also be a special rate for precious metals and a list of exempted items. It is a destination-based tax which is levied only on value addition at each stage because credits of input taxes paid at procurement of inputs will be available. Thus, the final consumer will bear only the GST charged by the last dealer in the supply chain, with set-off benefits at all the previous stages.

Objective of the Study

- **To know the history of the goods and service tax in india**
- **To understand the various goods and services tax structure in india**

History of GST in India

- ✔ **2000**: In India, the idea of adopting GST was first suggested by the Atal Bihari Vajpayee Government in 2000. The state finance ministers formed an Empowered Committee (EC) to create a structure for GST, based on their experience in designing State VAT. Representatives from the Centre and states were requested to examine various aspects of the GST proposal and create reports on the thresholds, exemptions, taxation of inter-state supplies, and taxation of services. The committee was headed by Asim Dasgupta, the finance minister of West Bengal. Dasgupta chaired the committee till 2011.

- ✔ **2004**: A task force that was headed by Vijay L. Kelkar the advisor to the finance ministry indicated that the existing tax structure had many issues that would be mitigated by the GST system.
- ✔ **February 2005**: The finance minister, P. Chidambaram, said that the medium to long term goal of the government was to implement a uniform GST structure across the country, covering the whole production-distribution chain. This was discussed in the budget session for the financial year 2005-06.
- ✔ **February 2006:** The finance minister set 1 April 2010 as the GST introduction date.
- ✔ **November 2006**: Parthasarthi Shome, the advisor to P. Chidambaram, mentioned that states will have to prepare and make reforms for the upcoming GST regime.
- ✔ **February 2007**: The 1 April 2010 deadline for GST implementation was retained in the union budget for 2007-08.
- ✔ **February 2008**: At the union budget session for 2008-09, the finance minister confirmed that considerable progress was being made in the preparation of the roadmap for GST. The targeted timeline for the implementation was confirmed to be 1 April 2010.
- ✔ **July 2009**: Pranab Mukherjee, the new finance minister of India, announced the basic skeleton of the GST system. The 1 April 2010 deadline was being followed then as well.
- ✔ **November 2009**: The EC that was headed by Asim Dasgupta put forth the First Discussion Paper (FDP), describing the proposed GST regime. The paper was expected to start a debate that would generate further inputs from stakeholders.
- ✔ **February 2010**: The government introduced the mission-mode project that laid the foundation for GST. This project, with a budgetary outlay of Rs.1,133 crore, computerized commercial taxes in states. Following this, the implementation of GST was pushed by one year.

- ✔ **March 2011**: The government led by the Congress party puts forth the Constitution (115th Amendment) Bill for the introduction of GST. Following protest by the opposition party, the Bill was sent to a standing committee for a detailed examination.
- ✔ **June 2012**: The standing committee starts discussion on the Bill. Opposition parties raise concerns over the 279B clause that offers additional powers to the Centre over the GST dispute authority.
- ✔ **November 2012**: P. Chidambaram and the finance ministers of states hold meetings and set the deadline for resolution of issues as 31 December 2012.
- ✔ **February 2013**: The finance minister, during the budget session, announces that the government will provide Rs.9,000 crore as compensation to states. He also appeals to the state finance ministers to work in association with the government for the implementation of the indirect tax reform.
- ✔ **August 2013**: The report created by the standing committee is submitted to the parliament. The panel approves the regulation with few amendments to the provisions for the tax structure and the mechanism of resolution.
- ✔ **October 2013**: The state of Gujarat opposes the Bill, as it would have to bear a loss of Rs.14, 000 crore per annum, owing to the destination-based taxation rule.
- ✔ **May 2014**: The Constitution Amendment Bill lapses. This is the same year that Narendra Modi was voted into power at the Centre.
- ✔ **December 2014**: India's new finance minister, Arun Jaitley, submits the Constitution (122nd Amendment) Bill, 2014 in the parliament. The opposition demanded that the Bill be sent for discussion to the standing committee.
- ✔ **February 2015**: Jaitley, in his budget speech, indicated that the government is looking to implement the GST system by 1 April 2016.

- ✔ **May 2015**: The Lok Sabha passes the Constitution Amendment Bill. Jaitley also announced that petroleum would be kept out of the ambit of GST for the time being.
- ✔ **August 2015**: The Bill is not passed in the Rajya Sabha. Jaitley mentions that the disruption had no specific cause.
- ✔ **March 2016**: Jaitley says that he is in agreement with the Congress's demand for the GST rate not to be set above 18%. But he is not inclined to fix the rate at 18%. In the future if the Government, in an unforeseen emergency, is required to raise the tax rate, it would have to take the permission of the parliament. So, a fixed rate of tax is ruled out.
- ✔ **June 2016**: The Ministry of Finance releases the draft model law on GST to the public, expecting suggestions and views.
- ✔ **August 2016**: The Congress-led opposition finally agrees to the Government's proposal on the four broad amendments to the Bill. The Bill was passed in the Rajya Sabha.
- ✔ **September 2016**: The Honorable President of India gives his consent for the Constitution Amendment Bill to become an Act.
- ✔ **2017**: Four Bills related to GST become Act, following approval in the parliament and the President's assent:
    1. Central GST Bill
    2. Integrated GST Bill
    3. Union Territory GST Bill
    4. GST (Compensation to States) Bill
- ✔ **2017** : the goods and services tax was introduced in india on July 1 2017 making a historic overhaul of the indirect tax system

TYPES OF GST IN INDIA

1. Integrated Goods and Services Tax (IGST)
2. State Goods and Services Tax (SGST)
3. Central Goods and Services Tax (CGST)

4. Union Territory Goods and Services Tax (UTGST)

1. Integrated Goods and Services Tax or IGST

The Integrated Goods and Services Tax or IGST is a tax under the GST regime that is applied on the interstate (between 2 states) supply of goods and/or services as well as on imports and exports. The IGST is governed by the IGST Act. Under IGST, the body responsible for collecting the taxes is the Central Government. After the collection of taxes, it is further divided among the respective states by the Central Government. For instance, if a trader from West Bengal has sold goods to a customer in Karnataka worth Rs.5,000, then IGST will be applicable as the transaction is an interstate transaction. If the rate of GST charged on the goods is 18%, the trader will charge Rs.5, 900 for the goods. The IGST collected is Rs.900, which will be going to the Central Government.

2. State Goods and Services Tax or SGST

The State Goods and Services Tax or SGST is a tax under the GST regime that is applicable on intrastate (within the same state) transactions. In the case of an intrastate supply of goods and/or services, both State GST and Central GST are levied. However, the State GST or SGST is levied by the state on the goods and/or services that are purchased or sold within the state. It is governed by the SGST Act. The revenue earned through SGST is solely claimed by the respective state government. For instance, if a trader from West Bengal has sold goods to a customer in West Bengal worth Rs.5, 000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST. The total amount to be charged by the trader, in this case, will be Rs.5, 900. Out of the revenue earned from GST under the head of SGST, i.e., Rs.450 will go to the West Bengal state government in the form of SGST.

3. Central Goods and Services Tax (CGST)

Just like State GST, the Central Goods and Services Tax of CGST is a tax under the GST regime that is applicable on intrastate (within the same state) transactions. The CGST is governed by the CGST Act. The revenue earned from CGST is collected by the Central Government. As mentioned in the above instance, if a trader from West Bengal has sold goods to a customer in West Bengal worth Rs.5,000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST. The total amount to be charged by the trader, in this case, will be Rs.5,900. Out of the revenue earned from GST under the head of CGST, i.e., Rs.450, will go to the Central Government in the form of CGST.

4. Union Territory Goods and Services Tax or UTGST

The Union Territory Goods and Services Tax or UTGST is the counterpart of State Goods and Services Tax (SGST) which is levied on the supply of goods and/or services in the Union Territories (UTs) of India. The UTGST is applicable on the supply of goods and/or services in Andaman and Nicobar Islands, Chandigarh, Daman Diu, Dadra, and Nagar Haveli, and Lakshadweep. The UTGST is governed by the UTGST Act. The revenue earned from UTGST is collected by the Union Territory government. The UTGST is a replacement for the SGST in Union Territories. Thus, the UTGST will be levied in addition to the CGST in Union Territories.

Conclusion:

The overview of GST is designed in such a way to generate good amount of revenue for both central as well as state government. Moreover, collection of indirect taxes benefits both government and people of India. Goods and services tax is Indian most significance indirect tax reform since independence. By bringing together multiple central and state taxes into a single unified system, GST create a common national market. Reduce the cascading of taxes simplified compliance, and improved transparency. Over eight years, GST has steadily evolved through rate rationalization and digitalization becoming the backbone of Indian's indirect tax framework.

References:

Alok Pandey, D K Banwat; Innovations in financial system in India: remedy for growth of economy; Strategic Management & Technology Analysis

Prabhat Patnaik; Title - Trends of State & Center relationships in India on the Neo-Liberal policy; Studies in People's History, 5, 1 (2018): 83–91

Prabhsimran Singh, Ravinder Singh Sahney, Karanjeet Singh; Twitter Based Sentiment Analysis of Goods & Service Tax Implemented by Government of India; Digital Business, Lecture Notes on Data Engineering and Communications Technologies

Raghvendra Jha; Modin omics: Design, Implementation, Outcomes, and Prospects; Asian Economic Policy Review (2018) 14, 1–18

Ravendra Ojha, Prem Vrat; Title - Implications of GST reform in India: A system & dynamics perspective; System Research & Behavioral Science. 2018; 1–13

.Dash, "Positive and Negative Impact of GST on Indian Economy", International Journal of Management and Applied Science, Volume 3, Issue 5, 2017.pp 158 – 160.