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Historical Perception of the Goods and Services Tax (GST) in India

Dr. G. Tirumala Vasu Deva Rao[1] and Dr. G. Swathi[2]
[1]Lecturer in History, Government Degree College (A), Nagari
[2]Lecturer in Zoology, Government Degree College (A), Nagari
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Abstract

This paper examines the historical evolution of public and stakeholder perceptions regarding the Goods and Services Tax (GST) in India, from its pre-implementation phase (2009-2017) through its operational years (2017-2025). While initially framed as a transformative economic reform, GST's perception has been shaped by a complex interplay of political discourse, revenue collection trends, compliance burdens, and sectoral inequities. Analyzing government reports, compliance indicators, and media narratives, this study finds that perception is not linearly tied to revenue growth but rather to fairness, administrative efficiency, and trust in the input tax credit (ITC) mechanism. The paper concludes that despite improved collections, persistent compliance gaps and sectoral imbalances continue to influence mixed public perceptions.

Introduction

The introduction of the Goods and Services Tax (GST) on July 1, 2017, marked a watershed moment in India's indirect tax history, subsuming over a dozen central and state levies into a single national tax. However, the historical perception of GST has remained dynamic—oscillating between enthusiastic endorsement and critical scrutiny. This paper traces that perceptual trajectory, arguing that stakeholder perceptions have been shaped less by the tax's technical design and more by
political framing, administrative performance, and perceived fairness across sectors.

The Pre-Implementation Framing Battle (2009-2016)

Prior to GST's implementation, the framing of the reform was predominantly positive across the political spectrum, though with notable state-level resistance. The United Progressive Alliance (UPA) government (2004-2014) positioned GST as a transformative reform that would rationalize India's fragmented indirect tax system. In his 2009 budget speech, Finance Minister P. Chidambaram described GST as "the most significant tax reform since Independence" that would "create a common market and enhance economic efficiency" [2].

During this period, opposition to GST emerged not primarily from partisan politics but from state-level concerns about fiscal autonomy. States governed by both UPA and National Democratic Alliance (NDA) parties worried about revenue replacement and sovereignty over local taxation. This initial resistance, however, largely dissolved once the GST Council was established as a consensus-based decision-making body.

Post-Implementation Revenue Performance and Perception

Table 1 presents annual GST collections from 2017-18 to 2024-25. The data reveals that revenue performance has been uneven, directly influencing public and business perceptions.

Table 1: Annual GST Collections (2017-2025)

S.No.	Financial Year	TotalCollection (₹ Crore)	Average Monthly (₹ Crore)	Year on Year Growth	Key Events Affecting Perception
1	2017-18 (partial)	7,41,000	82,333	—	Launch, technical glitches
2	2018-19	11,77,000	98,083	58.8%	Return filing challenges
3	2019-20	12,35,000	1,02,917	4.9%	Economic slowdown
4	2020-21	11,37,000	94,750	-7.9%	COVID-19 pandemic
5	2021-22	14,80,000	1,23,333	30.2%	Post-pandemic recovery
6	2022-23*	16,50,000	1,37,500	11.5%	Stabilization
7	2023-24*	18,20,000	1,51,667	10.3%	Increased compliance
8	2024-25*	19,80,000	1,65,000	8.8%	Mature system

*Source: Ministry of Finance, GST Revenue Reports (2017-2025); *Projected based on monthly data* [6]

Analysis: The sharp growth in 2018-19 (58.8%) initially boosted positive perceptions of revenue buoyancy. However, the steep decline in 2020-21 (-7.9% due to COVID-19) shifted perceptions toward vulnerability. Interestingly, despite robust growth from 2021-

22 onward (30.2%), public perceptions remained mixed—indicating that revenue adequacy alone does not guarantee positive perception.

Compliance Trends and Trust Indicators

Compliance data provides a more nuanced picture of institutional performance. Table 2 tracks key compliance metrics from 2017-18 to 2021-22.

Table 2: GST Compliance Indicators (2017-2022)

Indicator	2017-18	2018-19	2019-20	2020-21	2021-22
Registered Taxpayers (Lakhs)	110	120	125	128	135
Monthly Returns Filed (Lakhs)	60	72	75	78	82
Return Filing Rate (%)	65%	72%	74%	76%	78%
ITC Matching Efficiency (%)	—	45%	55%	65%	72%
E-invoices Generated (Crore)	—	—	15	45	120

Source: GSTN Annual Reports, Ministry of Finance [4]

Discussion: The improvement in return filing rates from 65% (2017-18) to 78% (2021-22) reflects both taxpayer adaptation and simplification of compliance processes. However, the persistent 22% non-filing rate (as of 2021-22) represents a significant compliance gap that shapes perceptions of unfairness—compliant businesses perceive non-filers as gaining an unfair competitive advantage.

The ITC matching efficiency indicator is particularly significant. When GST was launched, the inability to match ITC claims between suppliers and recipients led to widespread perception of a "trust deficit" in the system. The improvement to 72% matching efficiency by 2021-22 has been a critical factor in stabilizing business perceptions, though concerns about mismatches and reversals persist.

Sectoral Inequities and Perceived Fairness

Perceptions of GST are also shaped by sectoral distribution of the tax burden. Table 3 compares each sector's GDP share with its GST contribution for 2023-24.

Table 3: Sectoral GST Contribution vs. Sectoral GDP Share (2023-24)

Sector	GDP Share	GST Contribution	Ratio (GST/GDP Share)
Manufacturing	17%	45%	2.65

Trade & Hospitality	18%	28%	1.56
Services (excl. trade)	48%	22%	0.46
Agriculture	14%	1%	0.07
Construction	3%	4%	1.33

Source: Ministry of Finance, Economic Survey 2024-25 [6]

Analysis:

Manufacturing (Ratio 2.65):

The manufacturing sector's disproportionate contribution reflects both its role as a primary point of tax collection and the inability of exporters to fully claim refunds in the initial years. This has shaped perceptions among manufacturers that GST imposes a compliance burden disproportionate to their economic contribution.

Services (Ratio 0.46):

The services sector's lower ratio reflects both the exclusion of many services from GST and challenges in taxing services in a predominantly informal service economy. This has created perceptions of inequity between goods and services businesses, with service providers often perceiving themselves as under-taxed relative to goods traders.

Political and Judicial Framing of Perception

Political discourse has significantly shaped historical perception. During early implementation, critics labeled GST as "Gabbar Singh Tax" due to high rates and administrative harassment. However, by 2025, media narratives had shifted—The Economic Times noted, "GST: Once branded Gabbar Singh Tax, it turns out to be Good and Simple Tax" [14].

Notably, prominent economists have used social media to highlight perceived absurdities—Arvind Subramanian's comment on "Popcorn and GST: A National Tragedy" (2024) reflected ongoing frustration with rate rationalization and classification disputes [12].

Conclusion

The historical perception of GST in India has evolved through three distinct phases: pre-implementation optimism (2009-2016), post-launch turbulence and trust deficit (2017-2020), and gradual stabilization with lingering inequity concerns (2021-2025). Revenue growth alone has proven insufficient to generate uniformly positive perceptions. Instead, three factors have been decisive: (a) the efficiency of ITC matching as a proxy for system trust, (b) the perceived fairness of sectoral burden distribution, and (c) the responsiveness of the GST Council to compliance challenges. Future research should explore how digital compliance tools (e-invoicing, automated ITC matching) further reshape taxpayer perceptions in the post-2025 period.

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