



Pre -GST and Post- GST: a comparative analysis of compliance and ease of doing business

Gunjan Raghav ¹ & Prof. (Dr.) Hanuman Prasad Malonia ²

¹ Research Scholar, S.R.K. (PG) College, Firozabad, U.P.

² Professor in Commerce, S.R.K. (PG) College, Firozabad, U.P.

ABSTRACT

The implementation of the goods and services tax on 1 July 2017 marked a historic reform in India's indirect taxation system by replacing multiple central and state taxes with a unified tax structure. The Pre -GST regime was characterized by complex compliance procedures, cascading effects of taxes, multiple registrations, and high administrative costs, which created challenges for businesses and affected overall economic efficiency. The introduction of GST aimed to create a simplified, transparent and technology - driven tax system under the concept of "one nation, one tax". This research paper presents a comparative analysis of the Pre-GST and Post -GST regimes with reference to tax compliance and ease of doing business. The study is based on secondary data collected from government reports, research articles, and official publications. The analysis focuses on key parameters such as tax structure, compliance procedure, inter -state trade, transparency and cost of doing business. The findings indicate that GST has significantly reduced tax complexity, improved transparency, minimized cascading tax effects and enhanced digital compliance. Although initial implementation challenges were observed, the long -term impact of GST has been positive for businesses and the economy. The study concludes that GST has played a crucial role in modernizing India's taxation framework and improving the overall business environment.

Keywords: GST, MSME, Compliance, Ease of Doing Business.

1. INTRODUCTION

The goods and services tax (GST) is one of the most transformative tax reforms introduced in the Indian economy. Implemented on 1 July 2017,

GST replaced a complex and fragmented structure of indirect taxes levied by both the central and state governments. Under the pre-GST regime, businesses were required to comply with multiple taxes, including excise duty, service tax, value-added tax (VAT), octroi, entry tax, and various local levies. Each tax had separate laws, procedures, returns, and authorities, making compliance costly, time-consuming, and complicated for businesses, especially small and medium enterprises.

The pre - GST system also led to the problem of cascading of taxes, where tax was charged on tax, increasing the overall cost of goods and services. This reduced competitiveness, discouraged interstate trade, and created barriers to the free movement of goods across the country. Businesses were required to maintain multiple registrations and face different tax administrations, which negatively affected the ease of doing business.

The introduction of GST marked the beginning of the post - GST marked the beginning, which aims to create a unified national market under the principle of “One nation, one tax, and one market”. GST integrates various indirect taxes into single tax structure, thereby reducing. A common online portal for registration, return filing, and tax payments has simplified compliance and increased transparency.

This comparative analysis focused on how the shift from pre -GST to the post -GST regime has inflamed tax compliance and ease of doing business in India. It examines changes in registration procedures, documentation, tax rates, inter -state transactions, and digital compliance systems. By comparing both regimes, the study highlights how GST has reduced administrative burdens, promoted formalized of the economy, and improved the overall business environment. Thus, GST has played a crucial role in transforming India’s indirect tax system into a more streamlined, efficient, and business - friendly framework.

2. LITERATURE REVIEW

Usha,n & Venkatesh, s .(2022) Research offers a thorough examination of how the goods and services tax has influenced the manufacturing sector in Karnataka, india.it underscores the favorable outcomes of GST, such as enhanced cash flows, simplified tax procedures, and lowered production expenses, which collectively elevate the operational efficiency and profitability of manufacturing enterprise. Utilizing a robust methodology involving surveys and statistical analyses, the study

establishes a significant and positive link between GST implementation and enhanced manufacturing performance.

Singh (2017) this study explores how goods and services tax (GST) has impacted India's manufacturing sector .it underscores the transition from indirect to direct taxation, highlighting the hindrances to economic growth posed by the previous tax system's cascading effects. By examining GST's potential to streamline taxation, lower production expenses, and enhance cash flows, the paper suggests a potential shift towards a manufacturing - driven economy. It also delves in to challenges of GST implementation, including heightened working capital needs and the necessity for supply chain adjustments. Overall, the paper offers an extensive analysis of how GST affects India's manufacturing industry.

Jaiprakash (2014) in his research study mentioned that GST at the central and the state level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax GST-off and services tax setoff , subsuming of several taxes in the GST and phasing out of GST.

Yadav, S.S and Shankar .r, .29 (2018) in their research paper analyzed the history and evolution of GST in the country and how it has replaced various indirect taxes.

Rupa,r (2017) in her research paper explained the concept of GST also she highlighted the advantages and disadvantages of GST in our economy.

Hafizah etal.,(2013) underlined the basic requirements of GST and they look into the implementation of GST system in Malaysia , its need , operational framework and other aspects needed for successful implementation. This work gives fair insight to gain the ground for future research.

Gupta (2014) maintains research study that implementation of GST in the India will lead to commercial opportunities and merits which were untouched by the vat system and would essentially lead to economic growth and development. Hence GST may lead in the possibility of a collective profit for various sectors like industry, trade, agriculture and common consumers well as for the central government and the state government.

Songara(2019) found that the implementation of GST would result in simple and transparent tax system and that would help in avoiding tax leakage at all levels. But to gain these benefits, India requires to build a strong compliance behavior.

Vasudhevan (2017) emphasized the unorganized MSMEs, which were advancing faster than the organized peers due the initial tax avoidance. After the enactment of GST, even unorganized MSMEs are in ambit for tax payment, as the government has decreased the threshold significantly.

3. OBJECTIVES OF STUDY

- To understand the structure of the pre-GST indirect tax system in India.
- To examine the features of the post - GST tax regime.
- To analyse the impact of GST on the ease of doing business.
- To compare the level of tax compliance under both systems.

4. RESEARCH HYPOTHESIS

- H0: GST has not significantly improved compliance and ease of doing business.
- H1: GST has significantly improved compliance and ease of doing business.

Scope of Study:

This study focuses on comparing the pre - GST and post-GST taxation systems in India with reference to tax compliance and ease of doing business. It covers the periods before and after the implementation of GST in July 2017. The study is limited to India and is based on secondary data such as government reports, research papers and published articles. It mainly analyses tax structure, compliance procedures, inter- state trade and business environment changes after GST implementation.

5. RESEARCH METHODOLOGY

- Type of data: Analytical/descriptive
- Data type: Secondary data

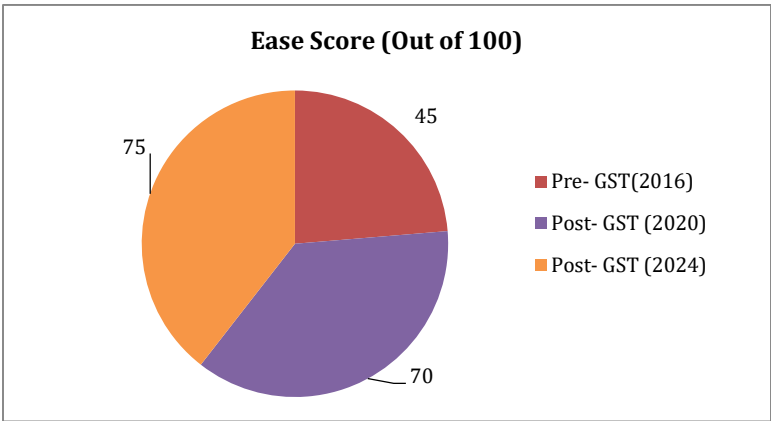
- Sources - Government reports, Journals, GST portal, RBI, etc.
- Tools: Tables, Charts, Comparative analysis.

6. DATA ANALYSIS AND INTERPRETATION:

Impact of GST on Ease of Doing Business

| Year/ Period | Ease Score (Out of 100) |
|------------------|-------------------------|
| Pre- GST (2016) | 45 |
| Post-GST (2020) | 70 |
| Post- GST (2024) | 75 |

Table 1: Ease of Doing Business Score (Before and After GST)
Source: Author Compiled



Analysis: The above data shows continuous improvement in the ease of doing business score after the implementation of GST. Before GST, the score was 45, indicating a complex tax environment and a higher compliance burden on businesses. After GST implementation, the score increased to 70 in 2020 and further improved to 75 in 2023. This indicates that GST has helped simplify tax procedures and improve the business environment.

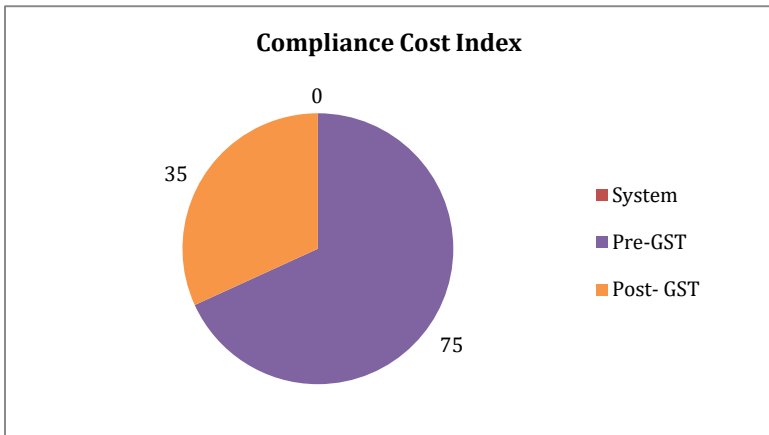
Interpretation: From the data, it can be interpreted that GST has positively impacted the ease of doing business in India. The increase in score suggests improved tax transparency, simplified compliance

procedures, and smoother interstate trade. The unified tax system has reduced administrative burden and increased operational efficiency for businesses. Therefore, GST has contributed significantly to creating a more business - friendly environment.

Compliance Cost

Table 2: Compliance Cost Index

| System | Cost Index |
|-----------|------------|
| Pre-GST | 75 |
| Post- GST | 35 |



Source: Author Compiled

Interpretation: Compliance costs have reduced significantly after GST, showing improved efficiency and reduced paperwork.

7. FINDINGS:

- The pre- GST system was complex due to multiple taxes and higher compliance burden.
- GST has simplified the tax structure by introducing a single unified tax system.
- The cascading effect of taxes has been reduced through the input tax credit mechanism.
- Digital GST compliance has improved transparency and reduced paperwork.
- GST has made interstate trade smoother and improved the ease of doing business.
- Initial implantation challenges were faced, but the system has become more efficient over time.

8. CONCLUSIONS:

The goods and services tax (GST) has brought a significant transformation in India's indirect taxation system by replacing the complex pre-GST tax structure with a unified and transparent framework. The pre- GST regime was characterized by multiple taxes, a high compliance burden, and a lack of uniformity, and cascading effects, which created difficulties for businesses and increased the cost of operations.

The introduction of GST has simplified tax compliance through a single registration system, online return filing, and a common tax structure across the country. The availability of input tax credit has eliminated the problem of tax-on-tax, thereby reducing the overall tax burden on business and consumers. GST has also improved transparency, reduced tax evasion, and facilitated smoother inter-state trade by removing check posts and multiple tax barriers. Although the initial phase of GST implementation faced challenges such as technical issues, frequent rule changes, and adaptation difficulties for small businesses, the long - term benefits have been positive. The system has become more stable and efficient over time. Overall it can be concluded that GST has significantly improved tax compliance and enhanced the ease of doing business in India. It played a

crucial role in modernizing the indirect tax system, promoting economic formalization, and creating a more business - friendly environment.

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