



## International Journal of Financial Management and Economics

P-ISSN: 2617-9210  
E-ISSN: 2617-9229  
IJFME 2023; 6(1): 213-220  
[www.theeconomicsjournal.com](http://www.theeconomicsjournal.com)  
Received: 13-03-2023  
Accepted: 19-04-2023

**Himanshu Gupta**  
Research Scholar, Department  
of Commerce, Dr. Harisingh  
Gour Central University,  
Sagar, Madhya Pradesh, India

**Dr. Shalini Choithrani**  
Assistant Professor,  
Department of Commerce, Dr.  
Harisingh Gour Central  
University, Sagar, Madhya  
Pradesh, India

**Dr. GL Puntambekar**  
Professor, Department of  
Commerce, Dr. Harisingh Gour  
Central University, Sagar,  
Madhya Pradesh, India

**Corresponding Author:**  
**Himanshu Gupta**  
Research Scholar, Department  
of Commerce, Dr. Harisingh  
Gour Central University,  
Sagar, Madhya Pradesh, India

### Impact of GST on fair tax practices in India: A case study of Allahabad city of Uttar Pradesh in India

**Himanshu Gupta, Dr. Shalini Choithrani and Dr. GL Puntambekar**

DOI: <https://doi.org/10.33545/26179210.2023.v6.i1.199>

#### Abstract

Goods and service tax (GST) is as major indirect reform introduced in 2017. The major objective of this reform is to introduce uniform tax system at national level and to remove the cascading effect of old tax regime. Increasing the tax base and revenue were also the objectives of this tax reform. The topic selected for this study with the aim to examine the outcome of the reform and most importantly the status of adopting fair business practices by the business class. Allahabad city of Uttar Pradesh was selected to examine the outcomes and total 600 sample size was taken from the different categories of taxpayers by using stratified random sampling method. T tests were used to analyze the secondary data collected and processed for the study. The Study results reveal that the GST regime has been implemented successfully after resolving initial problems faced by the taxpayers and after five years of its implementation the tax revenue and tax base is increasing day by day and the compliance of tax liability has become technology based and more transparent. These positive outcomes prove that tax evasion practices are getting reduced and hope that in near future this fair, transparent and global indirect tax system will help to boost the economy of the country.

**Keywords:** GST, case study, fair tax practices, uniform tax system

#### Introduction

Goods and Service tax is the major indirect tax reform after independence. The basic objective therefore was to introduce uniformity and fairness across the whole indirect system in the country. It would subsume most of the central and state indirect taxes into one tax regime and such feature of GST significantly contributes in developing single national market and increase the tax base. It has huge potential to increase indirect tax revenue and reduce the fiscal deficit problem. The nature, design and implementation strategy of GST during last five years has witnessed several positive changes in our tax system and also strengthen our federal tax system. The inclusion of services with goods for taxing indirect tax, uniformity of tax rates, minimum number of tax rates, revenue generation for both Central and State Governments from a single system and most importantly the input credit system and elimination of cascading effect for reducing tax burden to end customers are some important features of this tax reform. After introduction of GST in 2017, several changes like single disbursement authority for all taxes under GST, simplification of return filing process, establishment of communication pool on GST portal for interaction between supplier and recipient and establishment of tax payer facilitation centers as a local help desk for assisting the tax payers etc. made to remove the hurdles of taxpayers and to motivate the taxpayers to pay their tax liability honestly. Though the 5 years period in which two years were lost in Covid-19 Crisis, is a very short period to examine the outcome of the initiative, but the trends of tax revenue, status of tax base, ranking of ease of doing business and overall growth of the economy are some indicators by which we can evaluate the outcome especially the change in mindset of the businessmen towards adoption of fair business practices so that a route of generating parallel economy can be blocked. This study is aimed to examine the role of GST in reducing tax evasion through increased compliance by tax payers by adoption of fair business practices that ultimately results in increased tax buoyancy in selected area of State of Uttar Pradesh i.e. Allahabad.

If we examine the Indian indirect tax system before GST, it suffered from a number of

problems and the taxpayers were unsatisfied with the system as the entire system was complicated. Due to this complex nature, major part of deciding tax liability was based on discretion of the tax authorities. This weakness of our tax system is the root cause of corruption. Furthermore, it has captured some of the value increases that occur in the distribution trade. In the new GST regime, there is a continuous chain of set-offs the tax paid in previous chain and as a result it reduces the tax burden and remove the cascading effects of old system.

The GST reform is also important for achieving new heights in global business as this reform has helped to create uniformity at global level also. Apart from this, a seamless input credit facility applied across the whole supply chain and geographical area has made the reform special and also in developing a single tax base.

Though it is a general perception that the GST is an essential and major tax reform initiated after independence but we cannot say that by introducing this reform, our indirect tax system has become fully fair and transparent. Even after passing 5 years and several modifications in system and compliance rules, taxpayers are still facing several problems at different levels and therefore a regular monitoring and analysis of outcome of the reform is required so that the system can be upgraded by incorporating the feedback of stakeholders.

### Review of literature

The review of literature related to two aspect first importances of Goods and Service tax in Indian context and second unfair business practices leads to tax evasion.

In first aspect, following literature are reviewed and disclosed:

According to Kyari and Joy (2017), there is a significant positive association between real GDP and actual government spending. The research discovered that more government spending boosts economic growth, which improves people's living circumstances and living standards. Pant Abhay (2016) <sup>[27]</sup> studied that Madhya Pradesh's installation of the Value Added Tax in 2006 benefited the state's tax system since the VAT performed better than the sales tax it replaced. State Own Revenue Performance has also increased due to the VAT introduction, as shown in the model.

Mukherjee, S. (2015) <sup>[28]</sup> noted that excluding crude petroleum, natural gas, petroleum products, and power from the GST system would cascade effects across industries. This article shows that cascading level is significant and proposes alternate tax designs that do not jeopardize the government's revenue considerations.

Kumar (2015) <sup>[29]</sup> emphasized how determining the revenue-neutral rate and its impact on the tax-to-GDP ratio and product pricing is crucial. He also brought up the issue of unequal effect on producing and consuming states and the influence on the federal government's structure. The paper highlighted an essential flaw in the government's case. If the assumption that the tax-to-GDP ratio would increase is correct, prices will rise, and demand will remain stagnant, resulting in a fixed growth rate.

Contends that GST aims to eliminate tax cascading effects and provide a uniform, broad tax base. It was found that more could be done to boost net tax collection, lower compliance costs, and make the system more visible and user-friendly. The researcher stated specific initiatives that

might aid and enhance the indirect tax system, such as computerizing tax returns and improving the information system. The GST at the federal and state levels is expected to provide more relief to industry, trade, agriculture, and consumers through more comprehensive and broader coverage of input tax setoff and service tax setoff, the subsuming of several taxes in the GST, and the phase-out of the CST.

Garg Girish (2014) <sup>[25]</sup>, It was concluded that the GST is the most likely move our nation toward comprehensive indirect tax reform since independence. GST is imposed on all supplies of commodities and services and any combination of the two. GST will influence all sectors of the economy, including industry, business, government agencies, and service sectors. GST will affect all sectors of the economy including oversized, medium, and small companies, intermediaries, importers, exporters, merchants, professionals, and consumers.

Assessed the effect of the proposed GST on the Indian economy. The study's author looked at the many aspects of GST and how they affect the average person, businesses, and the economy. Based on secondary data, the author has determined that introducing GST in India will positively impact the entire economy.

Found that the introduction of GST will result in a more straightforward and more transparent tax system, as well as an increase in the output and productivity of the Indian economy. However, the advantages of GST are highly contingent on its practical design.

Bagchi (2007) <sup>[26]</sup> found that the economic costs of establishing a national GST/VAT system likely to be lower and may even outweigh the efficiency advantages. In his article, he also discussed the economic implications of limiting sub national governments' responsibility for the amount of money they produce and the benefits and downsides of other models, such as a harmonized VAT/GST system.

As per above reviews the implication of GST expected to be improve tax - GDP ratio, reduce the cascading effect and would provide efficient and transparent tax system to the country

Literature review on unfair business practices leads to following conclusion:

This study investigated tax loopholes that enable businesses to take advantage of situations when legitimate tax avoidance and illegal tax evasion coexist. It was mentioned that Tax loopholes often hurt an economy that maximizes government income. If there is corruption in the tax administration, this might alter. It was also highlighted that Tax loopholes may act as a separating mechanism that aids governments in maximizing revenues and deterring corruption, which might account for why developing nations gradually close tax loopholes.

According to this study, tax evasion causes economic disparity, which makes the rich richer and the poor poorer. Despite having enormous natural and human resources, one of the main causes of India's slow economic progress after Independence is such disparity. This review paper emphasizes the reasons of tax evasion and its negative impacts on the overall growth of the Indian economy. It also suggests that it is each of our responsibilities to help the government by adhering to the tax laws and making timely tax payments

Laliwadhwa and Vivender Pal (2012) said that the primary

causes of tax evasion are high tax rates and ineffective tax authorities. They searched for a connection between tax authorities and tax fraud. They came to the conclusion that the best strategy to lessen tax evasion is to simplify tax regulations and close legal loopholes

Panos Pashardes and Alexandros Polycarpou (2008) [30], discovered that underreporting of income tends to influence measures of inequality and poverty lower, suggesting that egalitarian and antipoverty programmes should be more generous but also more precisely targeted to prevent erroneous claims to social benefits. Undoubtedly, Cyprus's large tax-free income contributes to a smaller tax evasion issue overall.

Singh. Vijay Kumar (2009) in his study on “Controlling money laundering in India-Problems & Perspectives” showed that controlling black money in India is a challenging task primarily because laws are not implemented effectively, which encourages sophisticated crime in the economy and leads to the production of black money.

This literature on unfair business practices leads to tax evasion reveals that the level of tax evasion and tax avoidance would be higher unless tax system is not burdensome i.e. not to be high tax rates and ineffective tax authorities and easy loopholes which discourage the tax payers from paying fair tax.

Accordingly, it is found that taxation system which having inefficient and high tax rate would encourage the taxpayers for tax evasion and avoidance and accordingly not paying fair tax after hiding transactions which attract tax evasion. GST is expected to be providing more efficient and effective taxation with such features which not only remove the unfair business practices of the tax evaders but increase the government revenue by expanding the economic coverage under tax net. Hence after the 5 years of implementation of GST, it is necessary to analyze the impact of GST on tax revenue, tax GDP ratio and tax base.

**Objectives of the Study**

The objectives of a study provide a definite and proper track for any research activity. To make the present study more scientific, following objectives are designed:

- To analyze the outcome of GST reform in Allahabad City of Uttar Pradesh.

- To examine the fair tax practices tax payers adopted after the implementation of GST in Allahabad City.

**Research Methodology**

Fairness and uniformity are two main aspect of any tax regime which make any indirect tax system easier to administrate and easier to comply. Such things ensure sustainability and increment in the government revenue and save the administration cost and on other hand it provides a better environment under which taxpayer can develop and grow their business without any additional burden of tax compliance. The Country like India where federal structure empowering central and state with separate power to frame and administrate tax laws as per their power conferred by constitution. Such power of creating tax laws results in provide federal and state government to structure tax laws as per their differential needs of economy. Each tax laws have its own interpretation for levying and covering business transactions thereby taxpayer required to have multiple registration in each tax laws and complying their rules and regulations accordingly. Due to compliance these multiple tax laws requires too much attention and money on the compliance part rather than focus on business for expansion and innovation. This multiple tax regime compels the tax payer to search new ways to avoid/evade the tax rather than pay the tax. Following tax compliance practices harm the government revenue and defeat the purpose of organizing and controlling business environment beneficial for country. So many reforms have taken place time to time in India as per changing requirement of the economy and to make the tax system sustainable, productive and provide ease of doing business, and to put stop on tax evasion practices and increase the compliance. Accordingly, to assess the impact of new indirect tax reform GST on the unfair business practices followed by the taxpayers in terms of their tax compliance, evasion attitude in comparison of previous indirect tax regime and how features of GST make the tax regime unbeatable by evaders and what type of difficulties faced by the government and taxpayers after implementation of GST. That is why This Topic “Goods and Service Tax and Fair Business Practices” A Case Study of Allahabad City of Uttar Pradesh” has been selected.

**Hypothesis of the Study**

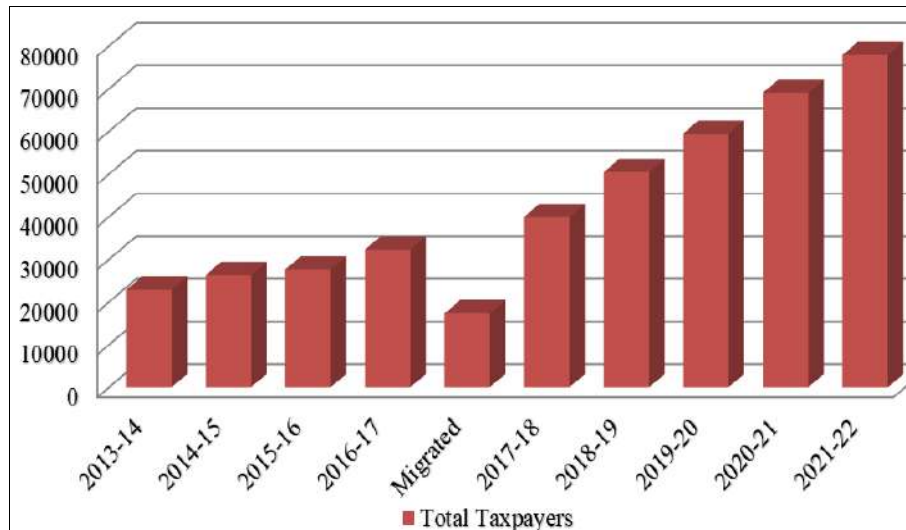
HO <sub>01</sub> :	There is no significant difference in number of tax payers, tax revenue and tax-GDP ratio in Pre and Post GST regime of Allahabad City
H1 <sub>01</sub> :	There is significant difference in number of tax payers, tax revenue and tax-GDP ratio in Pre and Post GST regime of Allahabad City
HO <sub>02</sub> :	There is no significant difference with respect to the Tax evasion in Pre and Post GST regime of Allahabad City
H1 <sub>02</sub> :	There is significant difference with respect to the Tax evasion in Pre and Post GST regime of Allahabad City

**Table 1:** Taxpayers in Pre and Post GST Regime in Allahabad City

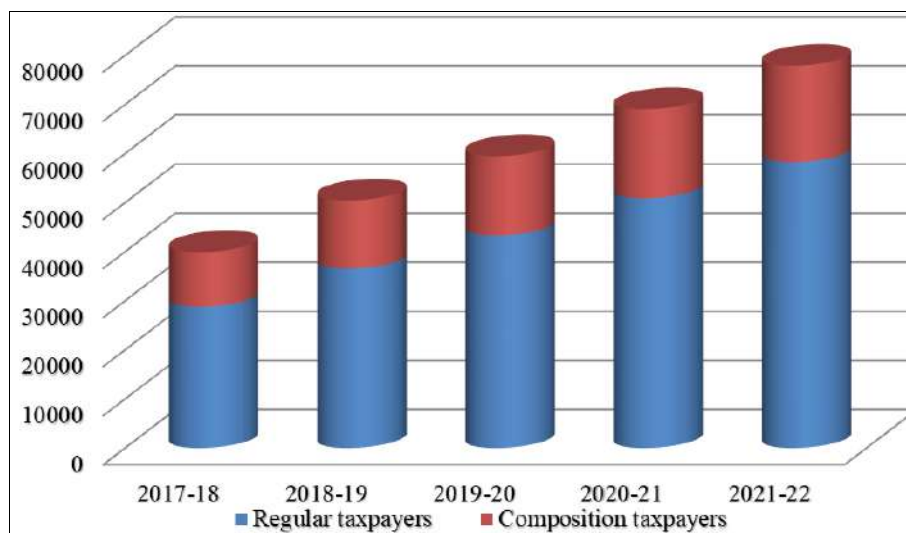
Year	New Tax payers			Tax Payers at the end of the Year					
	Regular	Composition	Total	Regular	Growth	Composition	Growth	Total	Growth
2013-14	-	-	2200	-	-	-	-	22839	-
2014-15	-	-	3526	-	-	-	-	26365	15.44
2015-16	-	-	1253	-	-	-	-	27618	4.75
2016-17	-	-	4671	-	-	-	-	32289	16.91
Period Average	-	-	2913	-	-	-	-	27278	12.37
Migrated	-	-	-	-	-	-	-	17340	-46.3
2017-18	16261	6324	22585	28782	-	11143	-	39925	130.25
2018-19	7765	2755	10520	36547	26.98	13898	24.72	50445	26.35
2019-20	6773	2266	9039	43320	18.53	16164	16.30	59484	17.92
2020-21	7582	1942	9524	50902	17.50	18106	12.01	69008	16.01
2021-22	7373	1492	8865	58275	14.48	19598	8.24	77873	12.85

Period Average	9151	2956	12107	47261	19.37	16941	15.32	64202	40.68
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Source: Management Information System Commercial Tax Department, Allahabad



Graph 1: a) Total Taxpayers



Graph 1: b) Proportion of Taxpayers in Post GST regime

Above table 1 revealed that in Pre-GST regime (2013-14 to 2016-17), total taxpayers were 22839 in 2013-14 which have been increased up to 32289 till 2016-17 end with annual growth of 12.37%. In end of first quarter of 2017-18, only 17340 taxpayers have been actively migrated into GST regime out of these 32289 taxpayers and balance would be either migrated later or having new registration in GST regime. After 130% increase in total taxpayers for 2017-18 ends, total taxpayers have been increased to 50445 in 2018-19 with growth of 26.35% and then further increased up to 69008 in 2020-21 with average growth of 16.96%. There was no substantial impact of pandemic on registration of new taxpayers in 2020-21 as growth in total taxpayers only reduced by 1.92%. The proportion of new regular tax payers and new composition taxpayers who have been added during 2017-18 to 2021-22 were around 76% and 24% respectively. Out of all regular taxpayers that have been introduced in first year GST introduction i.e. in 2017-18, 16261 belongs to regular taxpayers and 6324 belongs to composition taxpayers, as a result become total 28782 regular taxpayers and 11143 composition taxpayers at year end 2017-18. Regular taxpayers have been increased up to

43320 in 2019-20 with average growth of 22.75% and composition taxpayers have been increased up to 16164 with average growth of 20.51%. In 2020-21, growth in regular tax payers and composition taxpayers were little bit down due to pandemic impact by 1.03% and 4.29% respectively and become total 50902 regular taxpayers and 18106 composition taxpayers. Further, in next year after pandemic regular and composition tax payers have been increased up to 58275 with 14.48% and 19598 with 8.24% respectively.

Accordingly, we applied independent t-test (two tail, degree of freedom 3, type 3 at 5% significance level), using excel to analyze the impact of GST on number of taxpayers in 4 years Pre and Post GST regime (2013-14 to 2021-22) excluding year 2017-18 in which first 3-month-old tax regime was applicable and in next 9-month new GST regime was in force. Period average of Pre-GST regime (2013-14 to 2016-17) was 27277 total taxpayers and for post-GST (2018-19 to 2021-22) regime was 64202 total taxpayers. P value computed as .0027 which is less than .05 significance level, accordingly concluded that null hypothesis “ there is no significant difference in number of

taxpayers in Pre and Post regime of Allahabad City” is rejected and significant difference between Pre and Post GST average and considering significant impact of GST on increase in number of taxpayers i.e., by 135%. (Testing of first hypothesis in respect of number of taxpayers)

Accordingly, impact of GST on tax base of indirect tax can be concluded through increase of in number of total taxpayers arising from expansion of vast coverage of economic activity under tax net. This feature of GST has increased the number of taxpayers for India at immediate basis by 90.57% whereas for Uttar Pradesh and Allahabad city this was 110% and 130%. However, if comparison of 4 years Pre and Post GST regime is compared excluding 2017-18 fraction (partially old tax regime and partially new GST regime), total tax payers have been increased by 91% and 135% for UP and Allahabad city respectively. In such increment, proportion between regular taxpayers and composition taxpayers 77.88% and 22.12% for Allahabad city, 94.58% and 5.42% for Uttar Pradesh and 111% and -11.03% for India.

As the Pre GST regime was affected through multiplicity of taxes, cascading affect which not only increase the

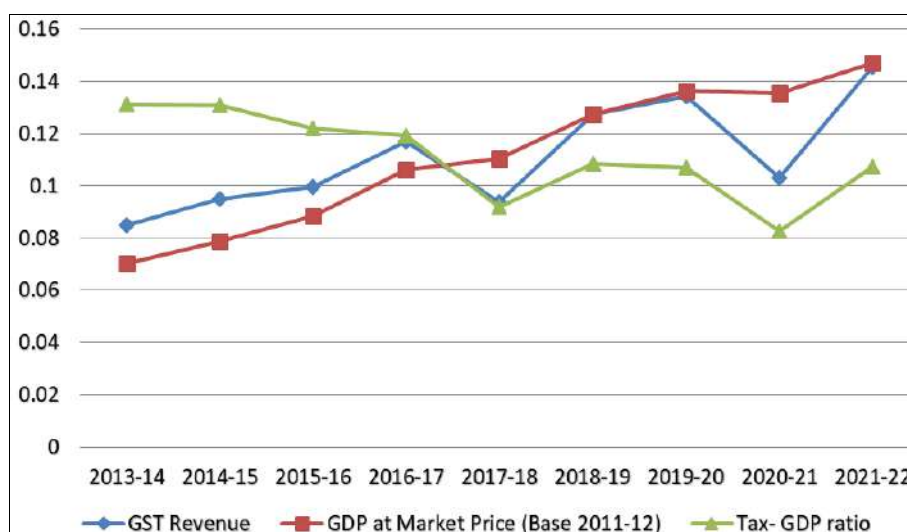
compliance cost but increases the product/services price too. Any taxpayers who conducting more than one commercial activities like manufacturing with trading or trading with provision of services were required to have separate registration in multiple separate regime and accordingly compelled to complied with all these laws and its rules and regulations. These excessive compliance activities restrain the tax payers from paying attention to his business to the proper compliance which discourage him not to do fair reporting of the transactions.

However, in current GST regime, as the GST has subsumed most of the indirect taxes into one and accordingly provided on tax administration under one law which would be applied almost all the commercial activities unless specifically excluded from the GST law. Features of GST such as flow ITC mechanism in entire supply chain, E-way bill and reverse charge mechanism have encouraged the voluntary compliance of the taxpayers. These features have helped the tax authorities in monitoring almost all the transactions whether taking place in organized sector or unorganized sector.

**Table 2:** Indirect Tax Revenue and Tax GDP ratio in Pre and Post GST Regime in Allahabad City (Amount in Crore)

Year	Indirect Tax Revenue	Growth in Revenue	GDP at Market Price (2011-12 Base)	Growth in GDP	Tax Buoyancy	Tax-GDP ratio
2013-14	2118	-	29310	-	-	7.23
2014-15	2374	12.09	32947	12.41	0.97	7.21
2015-16	2484	4.63	36888	11.96	0.39	6.73
2016-17	2919	17.51	44404	20.38	0.86	6.57
Pre-Period Average	2474	11.41	35887	14.92	0.74	6.94
2017-18	2341	-19.80	46163	3.96	-5.00	5.07
2018-19	3184	36.01	53193	15.23	2.36	5.99
2019-20	3352	5.28	56946	7.06	0.75	5.89
2020-21	2578	-23.09	56541	-0.71	32.47	4.56
2021-22	3638	41.12	61414	8.62	4.77	5.92
Post-Period Average	3188	14.83	57024	7.55	10.09	5.59

Source: Commercial Tax department of Allahabad and <http://updes.up.nic.in/esd/reports>



**Graph 2:** Indirect Tax Revenue and Tax GDP ratio in Pre and Post GST Regime in Allahabad City

Above table 2 reveals that, indirect tax revenue of Allahabad city was 2118 crore in 2013-14 which has been increased up to 2919 crore till 2016-17 with average growth of 11.41% after having lower growth of 4.63% in 2015-16. For the same period the average GDP growth was 14.92%. This low average growth in GDP in comparison of average

growth in indirect tax revenue leads to tax buoyancy less than 1 in Pre GST regime. Accordingly, Tax-GDP ratio has been reduced from 7.23% to 6.57% in Pre-GST period i.e. from 2013-14 to 2016-17. After the implementation of demonetization in November 2016, growth in GDP has been declined by 16.42% in 2017-18 and subsequently,

introduction of GST reform in the first quarter of 2017-18 affected the indirect tax revenue in negative way i.e., downing by 19.80% than previous year. Such downing trend in growth of GDP and Indirect tax revenue leads to lowest Tax-GDP ratio since 2017-18 i.e. 5.07%. Further, Tax – GDP ratio increased to 5.89% in 2019-20 resulting from higher increase in indirect tax revenue growth than growth in GDP during 2 years i.e. from 2017-18 to 2019-20. Subsequently, such Tax GDP ratio has been reduced to 4.56% i.e. by 1.33% due to higher decline in growth of indirect tax revenue (by 28.4%) than decline in GDP (7.71%) in 2020-21. Afterwards, recovery of economy from pandemic, indirect tax revenue has been increased by 41.12% and growth in GDP by 8.62%. Consequently, Tax-GDP ratio has been increased up to 5.92% which is 1.36% more than 2020-21.

Accordingly, overall indirect tax revenue from Allahabad city was 2474 crore in 4 year Pre-GST period and 3188 crore for 4 years Post GST period after excluding 2017-18 year. Accordingly, Indirect tax revenue of Allahabad City has been increased by 28.86%. In the same manner, overall Tax GDP ratio for Pre-GST regime was 6.94 which has been decreased by 0.98% and became 5.59% for Post GST regime.

Accordingly, we applied independent t-test (two tail, degree of freedom 3, type 3 at 5% significance level), using excel to analyze the impact of GST on indirect tax revenue and Tax-GDP ratio in 4 years Pre and Post GST regime (2013-14 to 2021-22) excluding year 2017-18 in which first 3-month-old tax regime was applicable and in next 9-month new GST regime was in force. P value computed as 0.04619951 and 0.021367357 for indirect tax revenue and Tax GDP ratio respectively which is less than .05 significance level, accordingly concluded null hypothesis “there is no significant difference in tax revenue in Pre and Post GST regime of Allahabad City” and “there is no significant difference in tax –GDP ratio in Pre and Post GST regime of Allahabad City” both are rejected respectively and accordingly significant impact of GST on for indirect tax revenue and Tax GDP ratio in Post GST regime i.e. increment in indirect tax revenue by 28.86% and decline in Tax-GDP ratio by 0.98% in Post GST regime in comparison of Pre -GST regime. (Testing of first hypothesis in respect of indirect tax revenue and Tax-GDP ratio)

**Table 3:** Total Tax evasion in Pre and Post GST Regime in Allahabad City

Year	Evasion in crore
2013-14	236
2014-15	296
2015-16	297
2016-17	392
2017-18 till 30 <sup>th</sup> June	33
Pre -Period Average	305
2017-18 from 1 <sup>st</sup> July	56
2018-19	134
2019-20	66
2020-21	80
2021-22	124
Post -Period Average	101

**Source:** Commercial Tax department of Allahabad

In the same manner as of Uttar Pradesh, above table 3 reveals that total evasion of Pre and Post GST regime has

been mentioned after aggregating all of the tax evasion cases. In Pre GST regime period i.e. from 2013-14 to 2016-17 the ratio among unaccounted goods/services held for sale, unregistered movement of goods and input tax credit fraud were 99% and 1% and 0% respectively. Since no input tax credit fraud has been reported by the tax authorities in their annual report, input tax credit fraud has been considered nil or negligible in comparison of other type of evasions in Pre-GST regime. Subsequently, in Post GST regime i.e. from 2018-19 to 2021-22 after excluding the year 2017-18, this proportion has been changed to 40%, 5.94% and 54% respectively. Overall evasion amount in Pre GST regime was 305 crore and in Post GST regime was 101 crores. Accordingly, we applied independent t-test (two tail, degree of freedom 3, type 3 at 5% significance level), using excel to analyze the impact of GST on evasion amount in 4 years post GST regime (2013-14 to 2021-22) excluding year 2017-18 in which first 3-month-old tax regime was applicable and in next 9-month new GST regime was in force. P value computed as 0.003457 which is less than .05 significance level, accordingly concluded that null hypothesis “there is no significant difference with respect to tax evasion amount in Pre and Post GST regime in Allahabad City” is rejected and therefore significant impact of GST on tax evasion in Post GST regime i.e., reduction of tax evasion by 66.91% in Post GST regime in comparison of Pre -GST regime. (Testing of Second hypothesis)

Thus GST replaced the old indirect tax regime with new efficient and effective tax regime which not only expand the tax base by subsuming most of the indirect taxes into one but expand the tax base of Uttar Pradesh and Allahabad city with high increment in taxpayers, increasing compliance through filing rate of return and lowering the tax evasion than previous Indirect tax regime. These changes impacted the tax payers in many ways i.e. not only facilitate the taxpayers in ease of compliance through GSTN network and motivate him for fair business practices in their business but also increase the revenue for central and state government at large.

#### Increase in indirect tax revenue

- Indirect tax revenue at central government level before GST i.e., in 2016-17 was Rs. 1073730 crore and it has increased in 2021-22 to Rs. 1487313 crore which shows 38.51% growth in indirect tax revenue. The average of four years before GST was Rs. 864933 crores whereas; the average of five years after implementation of GST was Rs. 1255899 crores. The data shows that the reform helped to increase the indirect tax revenue substantially.
- Indirect tax revenue at State (UP) before GST i.e., in 2016-17 was Rs. 73000 crore and it has increased in 2021-22 to Rs. 95608 crore which shows 31% growth in indirect tax revenue. The average of four years before GST was Rs. 57650 crore whereas, the average of five years after implementation of GST was Rs. 92104 crores. The data shows that the reform helped to increase the indirect tax revenue substantially.
- Indirect tax revenue at Allahabad city before GST i.e., in 2016-17 was Rs. 2919 crore and it has increased in 2021-22 to Rs. 33638 which shows 24.63% growth in indirect tax revenue. The average of four years before GST was Rs. 2474 crore whereas the average of five years after implementation of GST was Rs 3188 crore. The data shows that the reform helped to increase the

indirect tax revenue substantially

### Growth in Tax base

- Tax base is an important criterion to examine the success of tax reform as it decides the long-term growth in tax revenue. The number of indirect tax payer at central level before introduction of GST was 6088075 taxpayer and at Uttar Pradesh level, the number of indirect tax payer was 816486 taxpayers. After introduction of GST, it increased to 13377537 taxpayers at Central level and 1564541 at Uttar Pradesh level. In the financial year 2021-22, the data shows that the tax base of indirect tax increased by 119.71% and 91% for central level and state level respectively.
- At Allahabad City level, the number of tax payers increased by 135%. Such increment has been tested using T –test and concluded as significant impact of GST on increment in Indirect tax payers at city level.

### Increase in Tax –GDP ratio

- In Pre-GST period, the Tax-GDP ratio was 6.505% and in post-GST period was 5.62%. The decrease in Tax-GDP ratio by 0.82% is negligible as the period of five years can be considered as a transition phase because the GST system is gaining momentum after several reforms initiated after the introduction of initial model of GST. Another aspect of GDP growth i.e., rate of growth, tax exemptions available to certain sectors and most importantly the modification of tax rates as per the need of the economy.
- At Uttar Pradesh level, the ratio of Tax-SGDP in Pre-GST period was 5.22% and in post-GST period it was 5.37%. Accordingly, it increased by 0.15%, which shows that the trend in state level is better than the national level data.
- At Allahabad city level, the ratio of Tax-GDP in Pre-GST period was 6.94% and in post-GST period it was 5.59%. It decreased by 1.35% but it is not a matter of concern as the percentage is low and it may be presumed easily that as soon as other aspect of GST system get established and overall economy of state and city will start picking up due to other favorable conditions developing in the state, the GST collection and GDP both will increase at a faster rate.

### Tax evasion

- In Pre-GST period, taken for study the amount recovered as tax evasion was Rs. 18247 crore and it reached to Rs. 43464 crores in post-GST period. It is important to mention here that in Pre-GST period, the amount is related to Indirect taxes imposed by central government while in Post GST period data it includes both central and state administrated taxpayers. It is evident from the other facts that after introduction of GST, the economy at each level is shifting from informal economy to formal economy and we can say that GST reform is also helping to reduce tax evasion practices.
- At State level, the indirect tax evasion in Pre-GST period amounted to Rs. 19372 crores by and in post-GST period it amounted to Rs. 3678 crores. Accordingly, it was decreased by 81%.
- At Allahabad City, in Pre-GST period tax evasion amounted to Rs. 305 crore and in post-GST period it

was reduced to Rs. 101 crores. It shows reduction by 66.91%. Such decline has been tested using T –test and concluded as significant impact of GST in declining in Indirect tax evasion at city level.

### Conclusions

- GST reform initiated in 2017 was a long due reform of the Indian tax system. This reform was an uphill task as our federal system requires consent of states especially in the areas in which the states have constitutional rights to impose and collect taxes. Finally, from July, 2017 the GST implemented all over the country with the objective of “One Nation, One Tax and one Market”. GST is the destination-based tax unlike old tax system which was of origin based in which manufacturing or rich states having higher revenue and consuming states had lower revenue. GST provide the opportunity to gain for poorer state to more develop.
- GST has robust system of ITC system called GSTN which provide free flow of ITC It has removed the multiplicity, cascading effect by providing one law and one apex body. GST council is responsible to administrate and issue new rules and regulation time to time as per the requirement of the taxpayers. The study analyzed the outcome of GST reforms by taking the study area of Allahabad city of Uttar Pradesh and analyzed the secondary by comparing the period of 4 years Pre and Post GST period. The results of the study reveal that the revenue of GST at all the levels is showing increasing trend and the tax base is also increasing.
- The new model of GST has created uniformity in taxation and has reduced the cascading effect of taxation to a major extent. Though the new challenges under GST have aroused with the use of technology but it is evident from the study that the compliance of tax liability at different level in new GST system became easy. Tax evasion has been significantly reduced in comparison of previous regime for unaccounted goods which generally caught in raids in previous tax regime. This is because of faceless interaction taking place between tax authorities and taxpayers. But the movement or transportation of goods through unregistered vehicles are still having a same level of evasion even after introducing of e way bill too for tracking the movement of goods.

Accordingly, study results prove that the New GST system is motivating the tax payers to adopt fair business practices and continuous improvement in the system will further strengthen the trend of adopting fair business practices if the suggestions of all stake holders are considered in a fair and open manner and initiate the necessary reform in future.

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