

Advantages Of The Introduction Of Goods And Service Tax (Gst) For Entrepreneurs In India

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ABSTRACT

The Goods and Services Tax (GST), which was introduced in India on July 1, 2017, marks one of the most important changes in the nation's indirect tax framework. It has replaced a complicated array of various indirect taxes imposed by both the Central and State governments—such as VAT, service tax, excise duty, among others—with a consolidated tax system. The introduction of GST aimed to simplify the tax structure, minimize tax evasion, and promote a more cohesive national economy.

A major benefit of GST is the removal of the cascading tax effect, commonly known as "tax on tax." In the previous tax structure, taxes were applied on top of other taxes, which inflated the prices of goods and services. The GST framework enables businesses to claim input tax credits, thus lowering production expenses and boosting business competitiveness.

GST also streamlines tax compliance. Rather than managing multiple taxes with varying rates and procedures, businesses now adhere to a uniform system under GST. This has particularly aided small and medium enterprises (SMEs), alleviating their administrative load and encouraging formalization. Another significant advantage is the enhanced transparency and accountability resulting from the digital nature of GST. The implementation of electronic filing, e-invoicing, and platforms like the Goods and Services Tax Network (GSTN) facilitates real-time transaction tracking, curbing tax evasion and improving revenue collection. It also simplifies audit processes and builds trust between taxpayers and authorities.

Furthermore, GST has enabled the establishment of a unified national market by eliminating inter-state barriers, thereby simplifying operations for businesses across the country. In summary, despite ongoing implementation challenges, GST has provided considerable advantages to the Indian economy, rendering the tax system more efficient, transparent, and conducive to business.

Keywords: Goods and Services Tax (GST), Direct-0Indirect taxation, Tax reform, Input Tax Credit (ITC), GSTN (Goods and Services Tax Network), Revenue generation, SMEs and GST, GST benefits

1. INTRODUCTION

India has made considerable progress in its economic reforms over the last few decades, with the introduction of the Goods and Services Tax (GST) on July 1, 2017, being one of the most significant policies in recent times. This comprehensive indirect tax, applied to the production, sale, and consumption of goods and services, has replaced numerous cascading taxes that were previously imposed by both central and state governments. For Indian entrepreneurs, especially those running small and medium enterprises (SMEs), the implementation of GST represented a substantial transformation in business operations. This article examines the various advantages that GST has provided to entrepreneurs in India, promoting growth, improving the ease of conducting business, and establishing a unified tax system.

2. SIMPLIFICATION OF THE TAX STRUCTURE

Prior to the implementation of GST, India's tax framework was characterized by a complicated array of indirect taxes such as excise duty, service tax, VAT, Central Sales Tax, entertainment tax, luxury tax, and entry tax, which often led to confusion and compliance challenges, especially for startups and small to medium enterprises with limited resources. The introduction of GST has unified these various indirect taxes into a single tax system. This simplification benefits entrepreneurs by minimizing the necessity for in-depth tax knowledge or professional advice, thereby reducing administrative expenses and

allowing them to concentrate on their primary business activities. Additionally, it lowers the likelihood of errors in tax submissions and diminishes the risk of tax evasion through more streamlined regulations.

3. ONE NATION, ONE TAX: ENHANCING MARKET ACCESSIBILITY

The implementation of GST has successfully established a cohesive national market. Previously, states imposed different VAT rates, and interstate trade faced challenges from Central Sales Tax and entry tax. These obstacles hindered growth and deterred small business owners from exploring various markets. With GST, the tax framework is consistent nationwide, allowing entrepreneurs to sell goods and services throughout India without the concern of varying tax rates or the need for multiple state approvals. This development creates new opportunities for businesses, particularly those in the early stages of growth, and enhances interstate trade.

4. REDUCTION IN LOGISTICS AND DISTRIBUTION COSTS

Prior to the implementation of GST, inefficiencies stemming from border inspections, entry taxes, and varying state regulations resulted in elevated logistics and warehousing expenses. Companies frequently established warehouses in each state to navigate tax complexities instead of enhancing supply chain efficiency. Following the introduction of GST, the removal of inter-state taxes and checkpoints has greatly facilitated the transportation of goods across state lines. This transformation has resulted in:

- Quicker delivery times
- Decreased fuel usage and reduced vehicle idle periods
- Diminished inventory and warehousing expenses.

For e-commerce enterprises and startups engaged in nationwide delivery, these developments have led to significant cost reductions and enhanced operational efficiency.

5. SUPPORT FOR STARTUPS AND SMALL ENTERPRISES

Entrepreneurs frequently face challenges with regulatory compliance due to limited resources. The Goods and Services Tax (GST) has implemented various initiatives specifically designed to assist small and medium-sized enterprises:

A. Composition Scheme

The composition scheme under GST permits small taxpayers (with an annual turnover of up to ₹1.5 Cr.) to remit tax at a predetermined rate and submit quarterly returns rather than monthly. This alleviates the compliance burden and facilitates seamless operations without the necessity for costly tax advisors.

B. Threshold Exemption

The Goods and Services Tax (GST) offers a threshold exemption for enterprises whose annual revenue is less than ₹40 lakhs (₹20 lakhs for service providers), allowing small business owners to function without the need for GST registration, thereby reducing expenses and administrative burdens.

C. Enhanced Compliance through Digital Transformation

The Goods and Services Tax (GST) has adopted digital methods for registration, filing returns, and making payments. Business owners can now fulfill the majority of tax requirements online, minimizing the need for in-person visits to tax offices. This shift has proven especially advantageous for tech-savvy startups and entrepreneurs in rural areas who may encounter challenges in accessing government services.

6. ELIMINATION OF THE CASCADING TAX EFFECT

One of the major issues prior to the implementation of GST was the phenomenon of 'tax on tax.' For instance, the service tax incurred on input services could not be offset against the VAT paid on sales. This cascading effect led to increased product prices and diminished the competitiveness of Indian goods. The GST framework facilitates a smooth input tax credit across both goods and services at every level of the supply chain, providing several advantages to entrepreneurs.

- Reduced overall tax liability
- Enhanced cash flow
- Lower cost of production, leading to more competitive pricing

This also improves transparency in pricing and benefits consumers, creating a win-win scenario for both producers and end-users.

7. BOOST TO THE MANUFACTURING SECTOR

Entrepreneurs in the manufacturing industry frequently faced challenges related to excise duty and VAT, each accompanied by distinct compliance requirements. The introduction of GST has established a cohesive framework that simplifies compliance and reduces production costs through the provision of input tax credits.

Furthermore, as logistics improve in efficiency, manufacturers are now able to centralize their production facilities and distribute products more effectively. This development has fostered the expansion of manufacturing startups and initiatives like Make in India.

8. BETTER TRANSPARENCY AND REDUCED CORRUPTION

The Goods and Services Tax (GST) is supported by a strong IT framework. The GST Network (GSTN) guarantees that all tax submissions are conducted online and are automated, thereby reducing the need for human involvement. This is particularly beneficial for entrepreneurs who are unfamiliar with regulatory procedures, as it lessens the likelihood of corruption, arbitrary evaluations, and manipulation. Furthermore, the implementation of e-invoicing and e-way bills creates a clear transaction record, which can enhance credit accessibility, draw in investments, and foster trust among consumers and stakeholders.

9. IMPROVED ACCESS TO CREDIT AND FINANCING

The prior tax framework posed challenges for unorganized enterprises in obtaining formal credit, primarily due to inadequate financial documentation. The introduction of GST has facilitated the formalization of businesses by integrating them into the tax system. With the advent of digital tax records, banks and financial institutions are now able to more effectively evaluate creditworthiness. This advancement has enhanced the accessibility of loans and credit for entrepreneurs, especially in Tier-II and Tier-III cities.

10. ENCOURAGING FOREIGN INVESTMENT AND FDI

A reliable and clear tax framework bolsters India's reputation as a favorable location for investment. The implementation of GST has rendered India more appealing to international investors by:

- Establishing a unified market
- Enhancing the ease of conducting business
- Minimizing tax-related disputes

Startups aiming to expand through venture capital or foreign direct investment gain from this enhanced regulatory landscape.

11. CHALLENGES AND LEARNING CURVE

Although the Goods and Services Tax (GST) has introduced considerable benefits, entrepreneurs initially encountered several challenges, such as comprehending new compliance obligations, navigating frequent alterations in GST rates and regulations, and facing technological obstacles during the implementation of the GST portal. Nevertheless, as time has progressed, the majority of these issues have been addressed or simplified. With increasing awareness and the stabilization of systems, the advantages significantly surpass the initial challenges.

12. CONCLUSION

The implementation of the Goods and Services Tax has significantly altered the business environment in India. For business owners, GST has streamlined taxation processes, lowered operational expenses, improved market accessibility, and promoted formalization, all of which are vital for business development and sustainability. Although the complete benefits of GST will be fully appreciated over time, its present course clearly demonstrates a favorable influence on entrepreneurial activities in India. As governmental policies persist in facilitating business operations, GST emerges as a pivotal reform that encourages innovation, growth, and economic inclusivity for entrepreneurs nationwide.

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