

GST Doctrine: Elucidation of GST 2.0 in India

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ABSTRACT

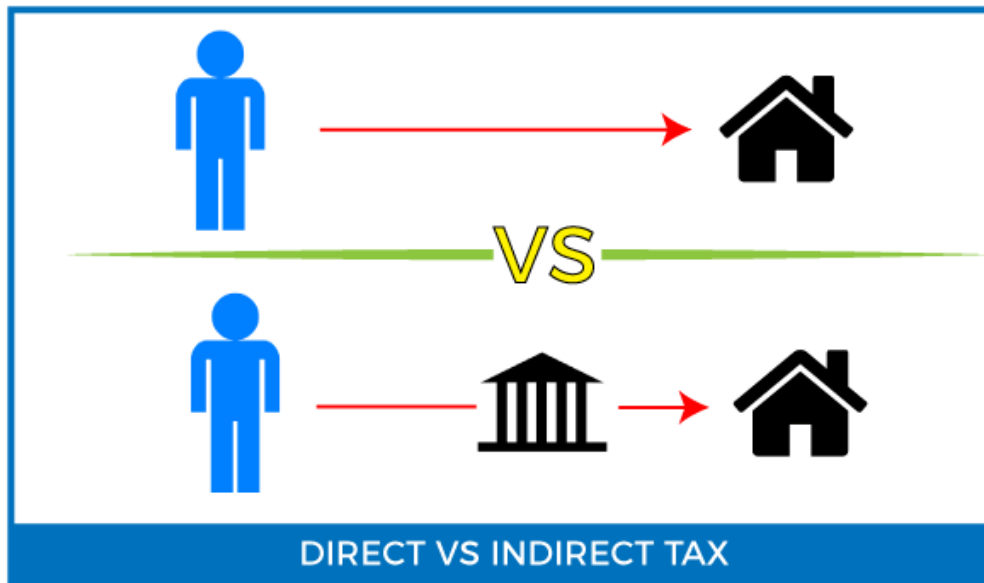
The Genesis of Taxing Structure and its fierce compliance could lead to the activities being moved towards a surge in better economic conditions of citizens across the globe. To fund the state's program designed in sync with the long-term objectives, vision and mission of the people through government, a well-structured taxation mechanism arose worldwide. The current paper describes the Genesis of Taxation in detail for knowing modern fringe, that is all about precision and intent about welfare programs being initiated. A subtle assessment of GST Doctrine attempts to clarify the unprecedented methods, techniques and claims regarding financial and economical achievements by the assessor. For the elicitation of a profound GST notification, reforms were introduced by the higher financial Authorities in India. Nationally, various industrial, manufacturing, trading, Service sectors and households are purportedly in compliance with the laws enacted, primarily due to the unification, simplicity and congruence of the banking and financial system in this regard. Information from books, Government websites, Banking guidelines and social media is processed to guard this academic work with an aim to appraise and interpret the GST Doctrine in economies since its inception. To envision & evoke the ideas, and opportunities in the whole body of Taxing, concerted efforts are made to undertake Indian financial services and the banking system in this study.

Keywords: Taxation, GST Doctrine, Financial Services, Banking System.

Introduction

Taxation is the compulsory levy imposed by the government on individuals, businesses, income, profits, sales, and goods or services produced, sold or provided. This compulsory financial charge contributes towards the income of governments and enables them to maintain their administration, provide public services and economic development of the country. Tax acts as a critical source of revenue and is a vital means by which the state stimulates economic growth, addresses issues like income inequality, controlling inflation and ensures equitable distribution of wealth. With the increase in technology and policy reforms, taxation systems across the globe are continually being modernized for increased transparency, efficiency and better governance. Taxes have broadly been divided into two categories:

- Direct Taxes: Levy direct on individual or organization's income or property.
- Indirect Taxes: Levy indirectly on sales or consumption of services or goods.



Source - <https://vibrantfinserv.com/kb/indirect-and-direct-tax/>

Objectives of Study

- To study and intimidate the taxation process
- To appraise the uncovering of taxing, emphasis on GST
- To foresee the reformative leverage in an Indian economy with GST reform, namely GST 2.0

Limitations of the Study

The secondary data, gathered from books, journals, reports, websites and published research articles are taken in the study, hence for with the findings of the study depends on available information, graphics, credible information on print and social media.

The study claims its confinement to analysis of GST Reforms and GST 2.0 in India, no personal contact was established with primary research i.e., Survey, interview with the taxpayer, businesses, government officers, etc. Author is hereby announcing that due to the volatile taxing and duty policies, it might happen that, changes and amendments to taxation policies enacted after the completion of the study will not be included.

It covers only the conceptual, textual and economic perspective of GST reforms and no other sector specific dimensions in detail; limited time and strict availability of research and updated literature on GST 2.0 is seen as another limitation of the study.

Research Methodology

The present study is based on Secondary sources for understanding and comparison purposes. The basis of study is credible sources from print and social media, in the times of scientific and digitalisation. The dependent sources are Published books, research journals, government reports, government official websites, articles, and online databases in the areas of taxation and GST Reforms in this current academic endeavour.

A research methodology that includes Analytical and Descriptive form has been adopted to explore the overall system of taxation in India, application of GST and concept of GST reforms 2.0. Data has been collected through sources like GST Council, Ministry of Finance, Reserve Bank of India, Research Publications, Books and similar credible publications.

Information collected has been described, organized and analysed to understand the implications, issues and prospects of GST Reforms worldwide and later adopted in India.

Genesis of Taxation: A Worldwide View

The history of taxation spans across millennia of human civilization, dating back to ancient societies where rulers levied taxes for upkeep of army, administration and providing public amenities. Early forms of taxes in ancient Mesopotamia, Egypt, Greece, Rome, etc., included payments in the form of agriculture, livestock, metals or labour. Taxes collected contributed towards the welfare and sustenance of Kingdoms. During the medieval ages, taxes were strongly associated with feudal systems, while at a later stage it was largely implemented through customs, excise, income and corporate taxes to raise income and boost industrial development. In the 20th century, the concept of consumption taxes like VAT gained importance in the global market to enhance transparency and efficiency in collection; it has thus become an indispensable element of economic governance, aimed not just at generation of revenue but also social welfare, economic stability and equity.

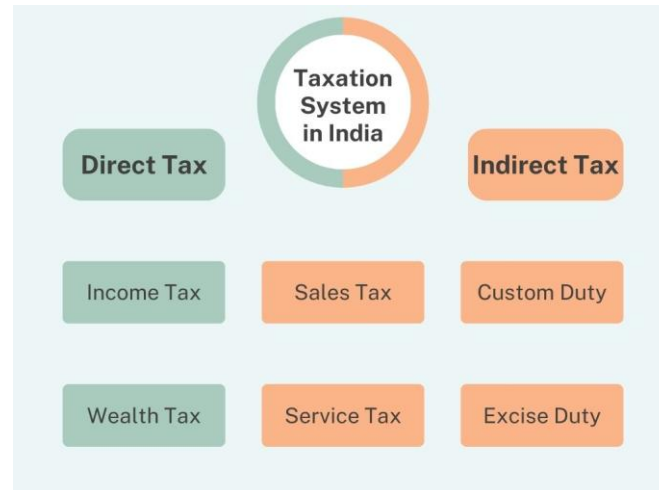
Indian Taxation Structure in Ancient Times

Historically, tax collection in India has a long-standing precedent with organized systems in place since antiquity. Ancient Indian taxation primarily centred around agricultural land and trades. The concept of tax was deemed essential for upholding law, order and economic development. Ancient texts like 'Manu-smriti' and 'Arthashastra' mention various principles related to taxation. Kautilya, in his 'Arthashastra', presented extensive insights into tax collection and management while advocating those taxes be imposed on citizens fairly and reasonably to ensure welfare. In that era, land revenue, a prominent source, was imposed on the agricultural sector. Farmers paid taxes in the form of their harvest. Other taxes on trades, mines, forests and exports and imports were also levied, thus generating considerable income and facilitating public administration and welfare activities.

**THE HISTORY OF TAXATION IN INDIA
FROM ANCIENT TIMES TO GST**

<p>1. TAXATION IN ANCIENT INDIA</p> <p> Vedic Period (1500-500 BCE) Bal/ and Bhaga' voluntary offerings and shares of agricultural produce</p> <p> Mauryan Empire (322-185 BCE) Introduced tax policies on land, trade and craft</p>	<p>2. MEDIEVAL INDIA: SULTANATE AND MUGHAL ERA</p> <p> Delhi Sultanate (1206-1526) Introducing taxes such as Khiraj, Jizya, and trade</p> <p>Mughal Period (1526-1857) Akbar's reform under Raja Todar Mal Zabti system standardized land revenue</p>
<p>3. COLONIAL INDIA: THE BRITISH TAX SYSTEM</p> <p> Land revenue systems Zamindari, Ryotwari, Mahalwari Introduced income tax in 1860 by Sir James Wilson</p> <p>Excise and customs duties heavily taxed salt, opium, textiles and imports</p>	<p>4. POST-INDEPENDENCE TAXATION REFORMS</p> <p> Income Tax Act (1961) Consolidated earlier laws, customs, excise and sales tax</p> <p>Wealth, gift, and expenditure taxes Introduced to promote equality</p>
<p>5. THE ERA OF ECONOMIC LIBERALIZATION (1991 ONWARDS)</p> <p> Before GST Multiple indirect taxes excise, VAT, service tax, luxury tax, octroi</p> <p>After GST: not fine dease new concading effects</p>	<p>6. CONCLUSION</p> <p>History of taxation in: India, from ancient kingdoms to a modern democratic economy</p>

Source -https://www.youtube.com/shorts/CLOXe_s82Ps



Source - <https://www.sscadda.com/tax-system-in-india/>

Post-Independence Indian Taxation Structure(1950-2000)

- **1950-1960: Foundations of Taxation**

India's independent nation building efforts led to a clear division between central and state governments for revenue generation. The former dealt with income tax, customs and excise duties while latter levied sales tax, land revenue etc. Heavy taxation on higher income group were introduced in the post- independence era in order to facilitate the achievement of social equality and economic planning through higher taxes.

- **1960-1970: Growing Revenue**

Taxes were increased to enhance public revenue needed to fuel the public sector expansion, agricultural growth and Defence requirements, which have often come after wars and economic setbacks. Central government revenues increased with the rise in tax rates on personal and corporate taxes, in addition to expanding taxes imposed on manufactured products (Excise duty) and imported goods (Customs Duty), thus forming a crucial contributor to government revenue, but also giving rise to black money and tax evasion.

- **1970-1980: Rise of Multi-Layered Indirect Taxation System**

India was predominantly pursuing the socialist path of development where higher taxes on corporate sectors, businesses and individuals of higher income groups had become common. The cascading effect resulted in a multi-layered indirect tax system where taxes were imposed upon taxes, and varying sales taxes across states amplified the complexity of intrastate trade.

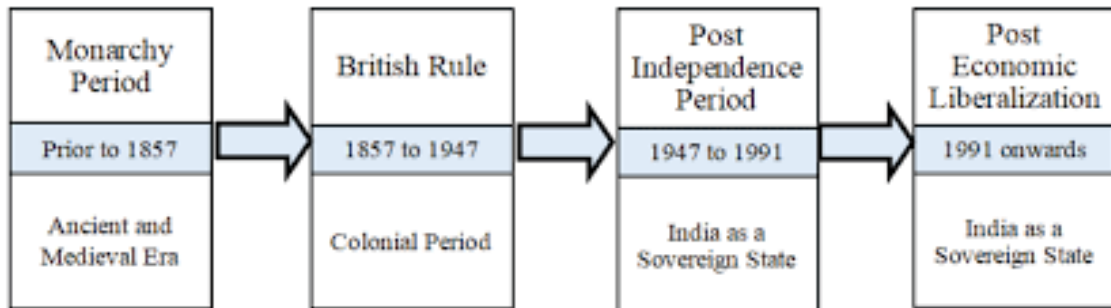
- **1980s–1990s: The era of the Initiation of the Tax Reforms**

Starting from the 1980s, it saw the slow initiation of tax reforms in India. Realising the need to streamline and increase efficiency of tax system, efforts were taken to simplify tax structure, increase investment, broaden tax base, improve tax administration and remove the excess burden of taxes. The Modified Value Added Tax (MODVAT) system was introduced in 1986 for providing the credit for the excise duty paid on the inputs for all the manufacturing industries.

- **1990s–2000s: Introduction of Liberalization and Modernity in the Tax System of India**

With the commencement of liberalization reforms in India in 1991, tax structure of India went under an extensive overhaul. Income tax and corporate tax rates were brought down to foster investment and stimulate economic activity, and custom duties were gradually lowered to boost the trade and globalization processes. These reforms aimed at increasing the breadth of tax administration and compliance, and modernizing the functioning. States were also contemplating about adopting VAT.

The end of the century brought with it clear indications about need for a coherent system of taxation as several existing taxes created a more complex structure and multiplicity of indirect taxes also presented issues for business in terms of tax compliance.



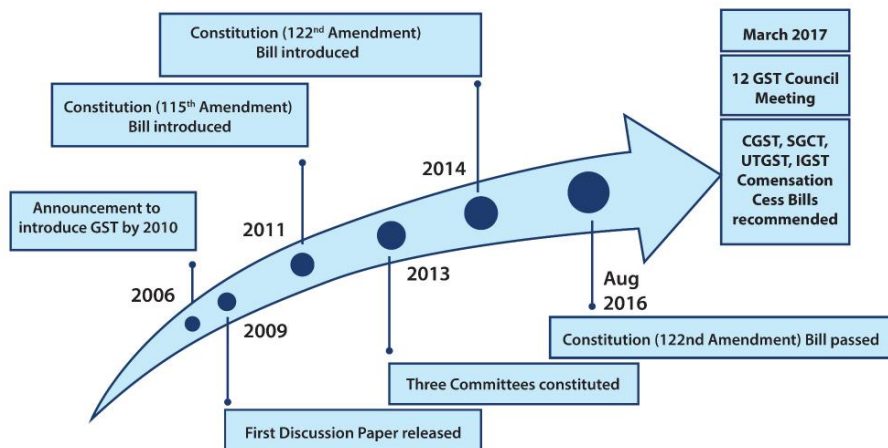
Source - <https://journals.sagepub.com/doi/10.1177/23197145231164816>

Adaptation of GST in India (2017)

The goods and services tax (GST) was implemented in India on July 1, 2017, making it one of the most ambitious indirect tax reforms in the country's history. It was brought into effect in an endeavour to introduce a uniform, transparent, and comprehensive tax structure by amalgamating many central and state indirect taxes such as excise duty, service tax, VAT, central sales tax, entertainment tax, luxury tax, entry tax etc., thereby eliminating multiple levels of taxation and the associated compliance burden.

GST aims at establishing a 'One Nation One Tax' structure where all indirect taxes converge into a single tax regime, and operates on a destination-based taxation model that levies the tax on the supply of goods and services at each stage of production and distribution while providing for input tax credit. The system ensures the cascading effect of taxes is removed, and increased transparency is achieved within the taxation mechanism.

It follows a dual model based on a Central GST (CGST), State GST (SGST), and a GST levied on interstate transactions called Integrated GST (IGST), and is implemented through the Constitution (101st Amendment) Act, 2016, and administered by the GST Council. This significant move transformed India into a unified market, promoted 'Ease of Doing Business', enhanced tax compliance and tax administration with digital technology and contributed towards a more efficient economy despite initial glitches in operation and compliance faced by the entities.



<https://www.nextias.com/blog/goods-and-services-tax-gst/>

Source -

GST Reforms 2.0

Post the implementation of GST, there were several challenges which appeared in the form of complexity in tax slabs, increase in compliance costs, delay in refund, technical issues in the system. Taking into account these shortcomings of the tax system, Government of India has initiated GST Reforms 2.0 on September 22, 2025 aiming at making the system simpler, transparent, and technology-driven.

The main focus areas of reforms are streamlining of tax structure and rate rationalization, automation of tax compliance systems, faster refund process, effective digital tax administration. GST Reforms 2.0 will ensure reduce litigation, enhance ease of doing business, increase synergy between the Centre and the States, foster use of advanced technology and artificial intelligence for a smoother tax system and greater taxpayer convenience.



Source - <https://lemonn.co.in/blog/wp-content/uploads/2025/09/gst-2.0-.jpg>

Economic Impact

It is envisaged that GST Reforms 2.0 will positively impact the Indian economy by simplifying the tax structure and increasing efficiency of tax system through increased tax compliance. Reduction in tax complexity can facilitate the operation of SMEs by bringing down operational obstacles and improving efficiency.

Revenue collection can be further boosted by increased compliance, thereby widening the tax base. Tax evasion can be minimized and encourage further participation in the formal economy. Efficient tax administration, through digital processes and transparent operation will likely foster investor confidence. Enhanced tax processes can improve the speed of interstate transactions thereby accelerating economic growth through development of integrated national market.

Levies and Compliance

- **Banking Services**

The provisions of GST mandate taxation on several service charges under banking services such as loan processing charges, ATM transaction charges, credit card processing fee, account maintenance charges, fund transfer services etc. However, the income generated from interest earned on loans and deposits is tax exempt under GST. The banks have the responsibility to keep a proper account of their transactions, issue tax invoices and comply with the filing norms of the returns on a regular basis. The enhanced efficiency in accounting has been achieved with the advent of digital compliance procedures, while frequent amendments and technical complexity have resulted in operational challenges.

- **Financial Services**

The regulations on GST are also applicable for financial services such as insurance, asset management, brokerage, consultancy services etc. Financial institutions need to adhere to the taxation

rules, financial standards, guidelines specified by the central and state governments/financial regulators like the RBI etc. This includes, but is not limited to, correct tax reporting, on time tax payment, proper bookkeeping, and money laundering compliances. Transparency and efficiency have been increased due to advanced technology-based accounting systems, while ongoing amendments cause operational difficulties.

Summary of the Study

This study described, analysed and advocated the progress of the global taxing system that was adopted by the countries, in India too, particularly focus is on adaptation of GST in India in 2017, and consecutively, the decisive development of GST Reforms 2.0 in India. It is summarised that the imposition of GST in 2017 was a remarkable indirect tax reform with an objective of establishing a comprehensive and transparent tax system. It was found that the tax administration and cascaded impact on stakeholders have reportedly, been improved after the launch of GST, whereas complex tax and compliance processes still tried to address by the authorities through further emphatic call, notably GST 2.0. This discourse further explored that GST Reforms 2.0 aims at making tax structures simple, accessible and technology-driven whereby taxpayers' ease, essentials and encouragement were paid attention with the purpose for investment resurgence, simplification of business & MSME registration processes, revenue collections, economic growth, financial opportunities and development packages.

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