

# The Significant Contribution of GST to Government of India: A Focus on Karnataka State

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## ABSTRACT

This article examines the substantial contribution of the Goods and Services Tax (GST) to the Government of India's revenue collection, with a specific focus on Karnataka state. Since its implementation in 2017, GST has simplified India's indirect tax structure and consistently increased revenue collection. Karnataka, a major contributor to GST revenue, has seen significant growth in its contribution, driven by key sectors such as manufacturing, IT, and services. This article analyzes the benefits of GST in Karnataka, including a simplified tax structure, increased revenue, and economic growth. With GST continuing to evolve, this study highlights its importance in boosting revenue collection and economic development in Karnataka and India. The Goods and Services Tax (GST) was introduced in India on July 1, 2017, with the aim of simplifying the country's indirect tax structure. Since its implementation, GST has made a substantial contribution to the Government of India's (GOI) revenue collection. This article will explore the contribution of GST to the GOI, with a special emphasis on Karnataka state. GST has been a game-changer for the GOI's revenue collection. According to the Ministry of Finance, GST revenue has consistently increased over the years, with a total collection of over ₹1.4 lakh crore in the financial year 2022-23. This represents a significant growth of 24% compared to the previous year.

**Key Words:** GST, CGST, SGST, GOI, GOK, Direct Tax, Indirect Tax

## INTRODUCTION

The Goods and Services Tax (GST) was introduced in India on July 1, 2017, with the aim of simplifying the country's indirect tax structure. Since its implementation, GST has made a substantial contribution to the Government of India's (GOI) revenue collection. This article will explore the contribution of GST to the GOI, with a special emphasis on Karnataka state.

### Contribution of GST to GOI:

GST has been a game-changer for the GOI's revenue collection. According to the Ministry of Finance, GST revenue has consistently increased over the years, with a total collection of over ₹1.4 lakh crore in the financial year 2022-23. This represents a significant growth of 24% compared to the previous year.

### Karnataka's Contribution:

Karnataka state has been a major contributor to the GOI's GST revenue. In the financial year 2022-23, Karnataka contributed over ₹1.2 lakh crore to the GST revenue, making it one of the top contributors among all states. The state's contribution represents around 8.5% of the total GST revenue collected by the GOI.

**The Goods and Services Tax (GST) has made significant contributions to the Government of India since its implementation in 2017. Focusing on Karnataka state, some key contributions include:**

**1. Increased Revenue:** GST has led to a rise in revenue collection for the Karnataka government, with a reported increase of 15-20% in tax revenues.

- 2. Simplified Taxation:** GST has simplified the taxation process, reducing complexities and making it easier for businesses to comply.
- 3. Reduced Tax Evasion:** GST has helped reduce tax evasion, as the online system tracks transactions and reduces the scope for unaccounted sales.
- 4. Economic Growth:** GST has contributed to economic growth in Karnataka by promoting trade and commerce, and creating a unified market.
- 5. Job Creation:** GST has led to job creation in Karnataka, particularly in industries such as logistics, transportation, and finance.
- 6. Improved Competitiveness:** GST has improved the competitiveness of businesses in Karnataka, enabling them to compete with national and international players.
- 7. Increased Transparency:** GST has brought transparency in taxation, with all transactions recorded online, reducing corruption and fraud.
- 8. Boost to Startups:** GST has benefited startups in Karnataka by reducing compliance burdens and providing a level playing field.
- 9. Enhanced Governance:** GST has led to enhanced governance in Karnataka, with better accountability and monitoring of tax collections.
- 10. Increased Investor Confidence:** GST has increased investor confidence in Karnataka, attracting more investments and promoting economic development.

#### **Key Sectors Contributing to GST in Karnataka:**

- 1. Manufacturing:** Karnataka is home to various manufacturing industries, including textiles, food processing, and machinery. These industries have contributed significantly to the state's GST revenue.
- 2. IT and Services:** Bengaluru, the state capital, is known as the IT hub of India. The IT and services sector has contributed substantially to Karnataka's GST revenue.
- 3. E-commerce:** With the growth of e-commerce in India, Karnataka has seen a significant increase in GST revenue from online transactions.

#### **Benefits of GST in Karnataka:**

- 1. Simplified Tax Structure:** GST has simplified the tax structure in Karnataka, reducing the complexity of multiple taxes and making it easier for businesses to comply.
- 2. Increased Revenue:** GST has increased revenue for the state government, enabling it to invest in infrastructure development and public welfare schemes.
- 3. Economic Growth:** GST has promoted economic growth in Karnataka by encouraging businesses to expand and invest in the state.

#### **Here are the different states of GST and indirect tax in Karnataka:**

##### **GST Rates in Karnataka:**

- Nil Rate: 0% GST on essential goods like food grains, milk, and medicines.
- 5% Rate: GST on goods like spices, tea, and coffee.

- 12% Rate: GST on goods like apparel, footwear, and furniture.
- 18% Rate: GST on goods like electronics, appliances, and automobiles.
- 28% Rate: GST on luxury goods like high-end cars and tobacco products.

#### **Indirect Taxes in Karnataka (Pre-GST):**

- ✓ Value-Added Tax (VAT): 4-15% tax on goods.
- ✓ Central Sales Tax (CST): 2% tax on inter-state sales.
- ✓ Entry Tax: Tax on goods entering Karnataka.
- ✓ Octroi: Tax on goods entering local bodies like municipalities.
- ✓ Luxury Tax: Tax on luxury goods like hotels and restaurants.
- ✓ Entertainment Tax: Tax on entertainment services like movies and events.

#### **Post-GST Scenario in Karnataka:**

- GST Subsumed Taxes: GST replaced VAT, CST, Entry Tax, Octroi, Luxury Tax, and Entertainment Tax.
- IGST (Integrated GST): Tax on inter-state supplies.
- CGST (Central GST): Tax on intra-state supplies, shared by the Centre.
- SGST (State GST): Tax on intra-state supplies, retained by Karnataka.

#### **Benefits of GST in Karnataka:**

- ❖ Simplified Taxation: Single tax replaced multiple taxes.
- ❖ Reduced Tax Evasion: Online system tracks transactions.
- ❖ Increased Revenue: Higher tax revenues for Karnataka.
- ❖ Improved Competitiveness: Businesses can compete nationally and internationally.

## **CONCLUSION**

In conclusion, GST has made a significant contribution to the GOI's revenue collection, with Karnataka state being one of the top contributors. The state's manufacturing, IT, and services sectors have driven GST revenue growth, benefiting the state's economy and enabling the government to invest in development projects. As GST continues to evolve, it is expected to further boost revenue collection and economic growth in Karnataka and India as a whole.

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