



GST

LEVERAGING DIGITAL GOVERNANCE FOR INCLUSIVE ECONOMIC GROWTH: GST REFORMS AND FISCAL FEDERALISM IN TAMIL NADU

Editors

Dr. A. Anandhiprabha

Dr. M. Jeeva

Ms. A. Gomathi

Dr. S. Mahalakshmi

Volume - II

A One Day National Seminar on

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Volume II

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IMPACT OF GST ON WOMEN-LED AND SOCIAL ENTERPRISES



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Abstract

The introduction of the Goods and Services Tax (GST) in July 2017 marked a significant transformation in India's indirect taxation system by integrating various central and state taxes into a unified tax framework. This reform aimed to simplify tax administration, improve transparency, and enhance economic efficiency. Women-led businesses and social enterprises play an important role in promoting inclusive economic growth, employment generation, and community development. GST has encouraged formalization, improved interstate market access, and enabled participation in digital and e-commerce platforms. On the other hand, compliance requirements, digital filing procedures, and working capital constraints pose challenges, especially for small and micro enterprises managed by women entrepreneurs and social organizations. This study examines the impact of GST on women-led and social enterprises by analyzing its benefits, operational challenges, and opportunities for inclusive entrepreneurship.

Keywords: *Central And State Taxes, Improve Transparency, Economic Growth And E-Commerce Platforms*

Introduction

Women entrepreneurs and social enterprises have emerged as significant contributors to economic development, poverty reduction, and social welfare in India. Women-led enterprises not only create employment opportunities but also empower women economically and socially. Similarly, social enterprises focus on addressing social problems such as poverty, education, health care, and rural development while maintaining financial sustainability. The reform has significantly influenced the functioning of small and medium enterprises, including businesses owned and managed by women. Women-led enterprises often operate in sectors such as handicrafts, food processing, retail, textiles, and home-based industries. Many of these businesses previously functioned within the informal economy. GST has encouraged these enterprises to register under the formal tax system, thereby improving their credibility and enabling them to participate in larger supply chains and digital marketplaces. Similarly, social enterprises, which combine social impact with business models, are also affected by GST policies, particularly in areas related to taxation, compliance, and operational efficiency.

Objectives

1. To Know the Structure of Goods and Services Tax (GST) in India
2. To analyse the reasons for implementing GST in India

3. To identify the Opportunities and challenges Created by Goods and Services Tax (GST) for Women-Led and Social Enterprises

Structure of Goods and Services Tax (GST) in India

The Goods and Services Tax (GST) in India follows a **dual taxation model**, meaning both the Central Government and State Governments have the authority to levy and collect tax on the supply of goods and services. This structure was introduced through the 101st Constitutional Amendment Act to ensure a balanced sharing of tax revenue between the Centre and the States. The GST system consists of four main components: Central GST (CGST), State GST (SGST), Integrated GST (IGST), and Union Territory GST (UTGST).

1. Central Goods and Services Tax (CGST)

CGST is the tax collected by the Central Government on **intra-state transactions**, meaning the supply of goods or services within the same state. When a transaction occurs within a state, the GST amount is divided equally between CGST and SGST. The revenue collected under CGST goes to the central government and is used for national development and public expenditure.

2. State Goods and Services Tax (SGST)

SGST is collected by the respective State Government on the same intra-state transactions on which CGST is applied. For example, if goods are sold within a state, the tax charged is split into two equal parts—one portion goes to the central government as CGST and the other to the state government as SGST. This ensures that both levels of government receive revenue from economic activities within the state.

3. Integrated Goods and Services Tax (IGST)

IGST is applied on **interstate transactions**, where goods or services move from one state to another. This tax is collected by the Central Government, which later distributes the appropriate share to the destination state where the goods or services are consumed. IGST ensures smooth interstate trade and avoids the complications of multiple state taxes.

4. Union Territory Goods and Services Tax (UTGST)

UTGST is applicable in **Union Territories without a legislative assembly**, such as Chandigarh, Lakshadweep, and Andaman and Nicobar Islands. In such regions, UTGST is collected instead of SGST along with CGST on intra-territory transactions.

5. Role of the GST Council

The administration and policy decisions related to GST are managed by the GST Council. The council includes the Union Finance Minister and state finance ministers, and it determines tax rates, exemptions, threshold limits, and rules related to GST implementation.

Reasons for Implementing GST in India

- **Elimination of Cascading Taxes:** GST removed the tax-on-tax effect, where tax paid at previous stages of the supply chain was added to the base value for subsequent taxation, lowering the overall tax burden.

- **Unified National Market:** It replaced multiple central and state taxes (like VAT, excise duty, service tax) with a single tax, facilitating seamless interstate trade
- **Simplified Compliance and Digitalization:** Processes like registration, return filing, and refunds are now online, reducing the need for manual interaction with tax authorities.
- **Boost to Economy and Exports:** By reducing logistics costs and tax burdens, GST makes Indian products more competitive globally, potentially increasing GDP by 2%-2.5%.
- **Increased Transparency and Reduced Tax Evasion:** The input tax credit mechanism encourages businesses to enter the formal economy, widening the tax base

Opportunities Created by Goods and Services Tax (GST) for Women-Led and Social Enterprises

1. Formalization of Businesses

The implementation of the **Goods and Services Tax (GST)** has encouraged many small and women-led enterprises to register under the formal tax system. Formalization improves business credibility and allows entrepreneurs to access institutional finance, government support schemes, and partnerships with larger organizations. Social enterprises also benefit from maintaining transparent financial records, which strengthens their accountability to donors and stakeholders.

2. Expansion of Market Access

GST has removed multiple state-level taxes and simplified interstate trade in India. This has enabled women entrepreneurs and social enterprises to sell their products and services across different states without facing complex tax barriers. As a result, businesses involved in handicrafts, textiles, and rural products can reach a wider national market.

3. Growth of Digital and E-Commerce Participation

GST has integrated taxation with digital platforms, encouraging businesses to adopt online sales channels. Women-led enterprises and social enterprises can now participate in e-commerce marketplaces and digital supply chains, allowing them to expand their customer base and improve revenue opportunities.

4. Transparency and Improved Financial Management

The GST system promotes transparency through digital invoicing, tax filing, and proper accounting practices. This helps women entrepreneurs maintain organized financial records, which supports better decision-making and improves their ability to attract investors or social impact funding.

5. Streamlined Operations

The replacement of multiple indirect taxes with a single tax has reduced tax-induced distortions and simplified interstate transactions.

6. Input Tax Credit (ITC)

Businesses can claim credit for taxes paid on inputs, which helps reduce the cascading effect of taxes and can improve profit margins.

Challenges Created by Goods and Services Tax (GST) for Women-Led and Social Enterprises

1. Complex Compliance Requirements

Despite its advantages, GST compliance can be challenging for small and women-led enterprises. Regular filing of tax returns, maintaining digital invoices, and understanding tax regulations require technical knowledge and accounting support. Many small businesses face difficulties in adapting to these requirements.

2. Digital Literacy and Technology Barriers

GST is largely an online system that requires internet access and digital skills. Many women entrepreneurs, particularly those in rural areas, may have limited access to technology or lack the necessary digital literacy, making compliance more difficult.

3. Working Capital Constraints

Under GST, businesses often need to pay tax upfront and claim input tax credits later. For small women-led enterprises and social enterprises with limited financial resources, this can create working capital challenges and affect their cash flow.

4. Increased Administrative Costs

To comply with GST regulations, many small enterprises must hire accountants or tax professionals. This increases operational costs, which can be a burden for micro and social enterprises operating with limited budgets.

Disproportionate Impact

The compliance burden has sometimes caused higher relative costs for smaller, women-owned businesses compared to larger, more established firms.

Conclusion

The Goods and Services Tax (GST) is one of the most significant tax reforms since independence. It has consolidated multiple indirect taxes into a single statute in order to achieve consistency in the form of "One Nation, One Tax." However, in order for it to be acceptable to everyone, it is critical that everyone's representation be taken into account. It should take into account the issues that MSMEs face and make it easier for them to accept it as a normal business element rather than a requirement for compliance. To obtain a broadly acknowledged conclusion, the impact of GST on the economy must be examined in its entirety. The introduction of GST simplified the country's indirect tax structure, ensuring smooth commercial transactions across the country and beyond the world

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