

Impact of GST on Sustainable Business

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Abstract:

The Goods and services Tax is the indirect taxation system which replaced all other indirect taxes and introduced the concept of “One Nation, One Tax”. GST has varied impacts and a greater effect on the Indian economy. Sustainable Business also known as green business is the one which has lesser or nil negative impact on environment and on the other hand has positive effect on environmental development. It is generally over the environment, social and governance fields. The steps taken towards maintaining sustainability in an organisation involves many strategies. Sustainability Reporting includes the disclosure of an organisation’s goals towards a green environment. The financial strategy is one of the key strategies driving business decisions towards sustainability. GST plays a very important role in implementing sustainable business in any organisation.

Key words: GST, Economy, Sustainable Development, Environment, Business

Introduction:

Goods and Services Tax is the indirect tax introduced through the 101st constitutional amendment Act 2016 and came into effect on 1st July 2017. It subsumed other taxes like State VAT, CST, Luxury Tax, Entertainment Tax and other such indirect taxes. The tax slabs under GST are 0, 5, 12, 18 and 28 %. Centre and State both will levy GST and the rates will be decided by the GST Council. There are 3 types of GST namely CGST, SGST and IGST which stands for State Goods and Services Tax, Centre Goods and Services Tax and Integrated Goods and Services Tax. The important features of GST include transparent online procedure, Input tax credit claim, Refund filing online and many others.

Objectives of the Study:

1. To study the structure of GST and its features.
2. To examine the impact of GST in a sustainable environment.
3. To understand the relation between GST and Global Goals (SDGs)

Research Methodology:

The primary objective of this study is to analyse how the GST has affected the environment in terms of sustainable development. With secondary data as its foundation, the study is descriptive in nature. The study focuses on a complete study of secondary material obtained from books, government reports, journals, and publications from websites that cover text related to the department of commercial taxes and goods and services tax.

Review of Literature:

Mongia and Singh (2025) analysed how GST promoted sustainable development and also studied the impact on the economy using secondary data sources and was descriptive in nature. It also studied the impact of GST on the manufacturing sector as well as the service sector. Pre and Post Implementation of GST Revenue was analysed and using ARIMA Model the GST Revenue for the year 2024-25 and 2025-26 was forecasted. The study concluded that the GST has now become a catalyst for fiscal sustainability.

Deepika and Sikka (2025) studied the role of GST in shaping the growth and challenges of SMEs in both policy and economic perspective. It assessed the impact of GST on the financial performance of SMEs and examined the link between the implementation of GST and Sustainable Development Goals (SDGs). The study employed both qualitative interviews and quantitative surveys. The study concluded that the contribution of SMEs for achieving sustainable economic development is important both nationally and globally.

Ganga and et.al (2025) studied environmental sustainability through the green economy. The study was conceptual and discussed the green economy and its importance. It studied the green growth in India and also studied the green growth indicators in the sectors like agriculture, construction and others. The study concluded that the implementation of sustainable technology plays an important role in green economy strategy.

Shounak (2019) studied the environmental friendliness of the new indirect taxation regime by studying the pre and post GST rates on sustainable goods and was based on secondary sources. The study presented the rates of electric vehicles, other green items and

non-green items. The study concluded that the post GST tax rate is lesser than the pre GST rate for most of the environmental friendly goods when compared to non – green goods thus helping the environmental sustainability.

Impacts of GST on Sustainability:

GST in sustainability involves many positive impacts. The tax rates for renewable energy and electric vehicles are lower thus increasing the trend towards green energy. For example exemption from tax is provided for solar panels, wind turbines and biogas. Tax rates for electric vehicles and electric vehicle chargers are reduced. Eco friendly goods' consumption is charged. Goods that are polluting are more expensive. Luxury goods are in the highest tax slab. These impacts cause people to pay attention to renewable sources and thus promote environmental growth.

GST and Green Economy:

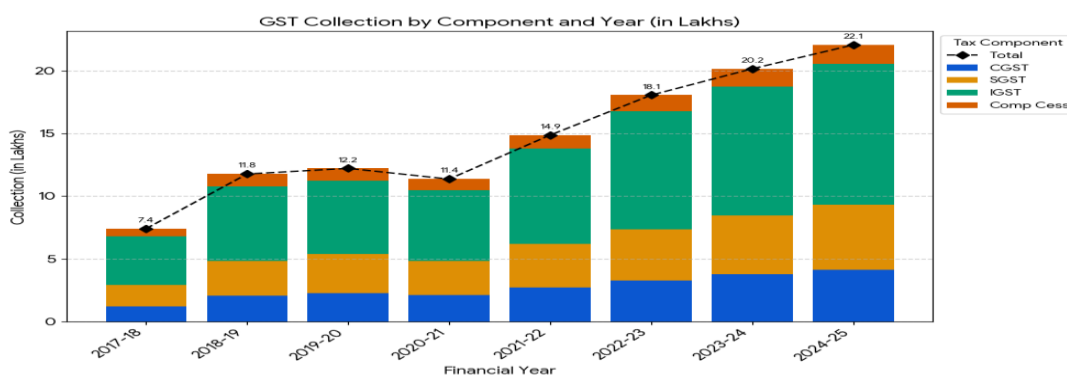
Green economy is nothing but the economy which promotes environmental sustainability alongside economic development. It includes sectors like renewable energy, electric mobility, organic farming, eco-tourism and much more. GST plays a major role in promoting the green economy. The tax slabs for the green sources help in identifying the part GST plays in a greener environment. The ways where GST plays an important role in environmental sustainability includes lower GST rates for promoting clean energy and technology, encouraging sustainable products, higher tax slabs for harmful or luxury items and supporting green transportation. GST thus drives demand for sustainable alternatives and technologies accelerating the transition towards climate goal and green economy.

The 2030 Agenda for Sustainable Development by the United Nations has encompassed a prosperous planet with economic progress. It also envisions social inclusion and environmental protection. SDGs involve climatic action, consumption, clean energy and aquatic ecosystems. It tries to balance the economic, social and environmental factors driving to sustainability. The overall vision is to bring in a prosperous nation with economic progress, social inclusion along with environmental protection.

08 Years of GST, Payments since July'17 to March'24 (Figures in thousand crores)

MONTH	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
CGST	118.88	202.44	227.44	209.92	270.70	323.92	375.71	413.78
SGST	171.80	278.82	309.23	272.83	346.19	410.25	471.20	516.45
IGST *	387.36	598.74	586.70	565.72	763.63	945.22	1026.79	1125.34
Domestic	193.09	308.24	319.42	303.95	386.68	473.42	543.70	603.58
Imports	194.26	290.50	267.28	261.77	376.96	471.80	483.09	521.75
Comp Cess *	62.61	97.37	98.74	88.34	107.71	128.29	144.56	153.30
Domestic	56.32	87.29	88.30	79.15	98.92	117.39	132.64	141.89
Imports	6.30	10.08	10.44	9.19	8.79	10.90	11.92	11.41
Total	740.65	1177.37	1222.12	1136.80	1488.23	1807.68	2018.25	2208.86

*Note: IGST/Cess includes payments on both domestic supplies and imports



(Source: <https://www.gst.gov.in/download/gststatistics>)

India's Installed Renewable Energy Capacity (MW)

Sector	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Wind Power	1865.23	1480.97	2117.79	1503.3	1110.53	2275.55	3253.38	4151.31
Solar Power	9563.69	6750.97	6510.06	5628.8	12760.5	12783.8	15033.24	23832.87
Small Hydro Power	105.95	107.34	90.01	103.65	62.09	95.4	58.95	97.3
Biomass (Bagasse) Cogeneration	519.1	402.7	97	173.37	59.69	0	0	387.76
Biomass(Non-bagasse) Cogeneration	9.5	12	0	97.24	0	42.4	107.34	0
Waste to Energy	24.22	0	9.34	21	54.5	25	1.6	59.6
Waste to Energy (Off-grid)	5.55	6.58	19.11	20.75	34.66	52.28	30.17	194.81
Total	12093.24	8760.56	8843.31	7548.11	14081.97	15274.43	18484.68	28723.65

Source: mnre.gov.in

The relationship between the implementation of GST and Sustainable Development Goals can be understood from the tax revenue collections which not only help in economic growth but also towards the achievement of sustainable development.

The above tables reveals that the GST collection is on positive growth which again shows the increase in share towards sustainable development thus demonstrating a positive

correlation. The Annual Renewable Energy Capacity is on an increasing trend from 7548 MW in FY 2020-21 to over 28,723 MW in FY 2024-25. GST also helps in ensuring environmental sustainability involving eco-tourism, organic farming, electric vehicles and other sources of renewable energy. The reduction in tax rates and exemption for renewable sources help in mitigation of polluting sources.

The Sustainable Development Goals that are related to GST in terms of the incentives given to electric mobility, exemption to renewable energy along with compensation cess on coal and petroleum, encouraging sustainable practices and green economy are SDG 13 Climate Change, SDG 7 Affordable and Clean Energy and SDG 12 Responsible Consumption and Production.

GST and Sustainable Business:

Sustainability in business refers to the business which impacts the environment in a positive manner. It involves strategies with both business goals and organization values. Ways include

- Indulging eco-friendly materials in manufacturing.
- Reduction of greenhouse gas emissions.
- Dependence on Renewable Energy
- Prioritization of Societal Development

The efforts made towards sustainable business with the help of GST is visible through the tax slabs provided to green sources. The renewable energy components like solar panels, biogas plants, electric vehicles and other such equipment are either 5% or exempted.

Benefits of Sustainable Business:

Sustainable business not only helps the society but also benefits the organization as a whole. Initiatives towards business sustainability bring in a positive change in the organizational performance. It also increases the organization development, reputation of the

organization, reaches out to environmental developers, resource maintenance, and lowers organization's production costs. The positive impacts of sustainability includes the promotion of renewable energy sources, waste management, supports eco-friendly industries and further boosts efficiency and transparency in business organisations.

Other benefits include Revenue Augmentation, Brand Recognition, Attracting Investors, and Environmental protection, Social Governance, Profit Generation and Reduction of Carbon Footprint.

The benefits of the sustainable business can be best understood from the case study of Tata Motors which has now become leading in India's Electric Vehicle Market with over 70% of the market share. With the support of FAME II (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles) Scheme which offers direct subsidies and other government initiatives Tata Motors' Performance has improved with over 4000 public charging points by 2024 and the Nexon EV being the best-selling electric SUV in India. The GST rate rationalization has led to a high record sales with 96% growth rate in the month of September 2025 by Tata Motors.

Challenges Faced in Implementing Sustainable Business:

Though there are measures to promote sustainability in this new era of taxation, there also remains some difficulties. The main challenge is the Inverted Duty Structure which occurs when the GST rate on raw materials is higher than the GST rate on the final products. This leads to ITC accumulation and affects the working capital. There are also compliance burdens in MSMEs involving classification disputes. The other challenges are the purchases from unregistered vendors dealing with recycling waste materials and unorganised scrap collectors. Delayed refunds due to Inverted Duty Structure is also a major concern.

Findings:

GST Reforms help in the transition of India towards a green environment which has been reinforced through the latest GST 2.0 where the rates have been strategically reduced for the renewable energy technologies. Also India at its 26th Conference of Parties to the UNFCCC in November 2021 has declared its target to achieve Net Zero by 2070 through minimal historical emissions, rising energy needs, pursuit of low-carbon development and building

climate resilience. Through rationalisation GST has encouraged domestic manufacturing and supports sustainable industries thus accelerating the adoption of a clean environment.

The 56th GST Council meeting has targeted tax reduction on goods that promote sustainable development like renewable energy equipment, Waste Management and Pollution Control, Biodegradable bags and sustainable transport.

GST 2.0 Tax Slabs on Sustainable Products

Green Growth

Solar & Wind Devices GST reduced from	12% to 5%	
Effluent Treatment (CETPs) GST reduced from	12% to 5%	
Biodegradable Bags GST reduced from	18% to 5%	

Source: Ministry of Environment, Forest and Climate Change

Buses & Commercial Goods Vehicles

Buses (Seating capacity of 10+ persons)	28% to 18%	
Commercial Goods Vehicles (Trucks, delivery-vans, etc)	28% to 18%	

Source: Ministry of Environment, Forest and Climate Change

Source: The Press Information Bureau

Conclusion:

Among the impacts of GST towards economic progress, the initiatives towards sustainability also plays a major part. With the introduction of GST the indirect tax system has undergone many changes. GST compliance has increased as well. The companies should make use of the tax benefits provided by the Goods and Services Tax System in order to develop their progress also in par with societal development. Through sustainability there are many paths to bring out the real performance of the businesses towards the environment. Hence it is found that GST is helping businesses to improve their sustainability.

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