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Budget 2026: What does state-level GST data tell us ahead of FM Sitharaman's speech?

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The introduction of the Goods and Services Tax (GST) in 2017 was one of India's most significant tax reforms, aimed at simplifying indirect taxation and creating a common national market. Seven years on, the overall picture is encouraging. The constant effort to rationalise the classification of goods services and the latest reforms, show sincere effort to create a harmonised tax system for a national market. GST revenues have risen steadily, reflecting economic expansion, improved digitization, and the growing maturity of the tax system. Proposed in 2000 by the Dasgupta Committee on indirect tax reforms, GST rested on three objectives: creating a unified indirect tax framework, building a common national market, and improving tax buoyancy so that revenues would rise in step with economic expansion. Has it achieved its objectives? A look into the state-wise data on GST revenue from 2017 to 2024 provides some insights on the cusp of Union Budget 2026.

The constant effort to rationalise the classification of goods and services, and the latest reforms, show sincere effort to create a harmonised tax system for a national market. Evidence from nano to large-size enterprises suggests that compliance and digital payments are easier than under the earlier multi-layered indirect tax regime. According to official data, gross GST collections reached a record ₹22.08 lakh crore in 2024–25, a 9.4 per cent increase over the previous year, with average monthly collections of ₹1.84 lakh crore. Headline numbers are encouraging.

Revenue pattern across states shaped by differences in economic structure

A central objective of the GST is also to harmonise India's fragmented tax system so that tax buoyancy improves across the states meaning GST tax revenues would grow in line with, ideally faster than, the State incomes.

In India, GST is split between different levels of government. For sales that take place within a state, the tax is shared between the Centre (CGST) and the state government (SGST), replacing earlier state levies such as VAT and entertainment tax. For sales that occur across state borders, as well as imports, the Centre collects Integrated GST (IGST).

GST collections have strengthened across the country, although at different paces. Average GST-to-GSDP ratios across states range from about 3 per cent to 13 per cent, a variation that has remained broadly stable over time. Importantly, absolute GST collections have increased in almost all states, including through periods of economic disruption, underscoring the resilience of the GST framework.

Economic structure plays an important role in shaping these outcomes. States with higher levels of urbanisation and a larger services base, such as Haryana and Maharashtra, have recorded particularly strong increases in GST collections relative to output. In Haryana, the GST-to-GSDP ratio has risen from around 7.6 to 17.6 per cent, while in Maharashtra it has increased from 5.6 to 13.8 per cent. These gains highlight the effectiveness of GST in capturing value addition in service-oriented, digitally connected economies.

Other states have also shown meaningful progress. Odisha, for instance, has seen its GST-to-GSDP ratio rise from about 4.1 to 10.9 per cent over the same period, reflecting improved formalisation and better integration into the GST system.

Shift in India's Tax Culture

GST has changed how taxes are paid and administered in India. GST, has shifted the system toward more transparent, simpler to understand, and harder to evade. In short, GST represents a cultural shift in taxation, not just a change in tax rates. The earlier system relied heavily on physical paperwork, multiple overlapping taxes, and discretionary enforcement, which created scope for complexity, inefficiency, and rent-seeking. Timely filing of GST returns has improved significantly across states, reflecting stronger procedural compliance and familiarity with the digital system.

Going forward, further improvements in GST revenues are likely to come from deepening compliance by supporting registered businesses, strengthening verification, and leveraging digital data more effectively to expand registrations.

With the GST compensation mechanism having concluded in 2022, the steady growth in state-level GST collections is a positive sign for fiscal stability. As GST enters a more mature phase, its contribution to public finances will increasingly depend on how well tax administration aligns with underlying economic structures across states.

GST cannot be judged in simple binary terms as either a success or a failure, it is an evolving institutional reform. It has improved transparency and stabilised indirect taxation, while it operates within an uneven economic landscape. The next phase of GST is less about changing rates and more about aligning the system with underlying economic structure and state capacity, as state revenue outcomes depend less on tax design and compliance and more on economic fundamentals and administration.

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