



GST 2.0 Sector Wise Impact on Indian Economy: An Overview

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Abstract

The good and service tax is indirect tax is introduced for unified national tax system, reduce cascading of taxes, simplify compliance, and improve transparency. In India, GST was rolled out on 1st July 2017 and its categories into four types: CGST, SGST, IGST, UTGST. This tax has reformed on the 56th meeting of the GST Council, led by Union Finance Minister Nirmala Sitharaman, has laid the foundation for next-generation GST reforms. The GST system has been simplified to three main rates: Nil tax, 5 per cent, and 18 per cent, down from the original four rates of 5 per cent, 12 per cent, 18 per cent, and 28 per cent. The tax has reduced in a different sector. Additionally, certain products such as sin and luxury goods are subject to a higher tax rate of 40 per cent. The reforms aim to benefit ordinary citizens, labour-intensive sectors, agriculture and farmers, healthcare, and other vital areas that drive economic growth.

Key words: GST2.0, household, agriculture, automobiles, two, tyre system

I. Introduction

The Goods and Services Tax (GST) is a comprehensive indirect tax that was introduced to replace a complex web of state and central levies such as Value Added Tax (VAT), Excise Duty, State Taxes, Central Surcharges, Entertainment Tax, and Luxury Tax. Its purpose is to create a unified national tax system, reduce cascading of taxes, simplify compliance, and improve transparency. The idea of GST is not new; it was first introduced in France in 1954, making France the first country in the world to adopt such a tax. Over time, many countries have followed suit to overcome challenges posed by high sales taxes and tariffs that often encouraged tax evasion and smuggling. In India, GST was rolled out

on 1st July 2017 and since then has been hailed as the most significant indirect tax reform since Independence. Over the years, it has steadily evolved through rationalisation of rates and greater use of digital platforms, becoming the backbone of India's indirect tax framework.

India's GST structure accommodates its federal system by recognising four types of GST: the Central Goods and Services Tax (CGST) levied by the Centre on intra-state transactions, the State Goods and Services Tax (SGST) levied by the states on intra-state transactions, the Integrated Goods and Services Tax (IGST) levied by the Centre on inter-state transactions, and the Union Territory Goods and Services Tax (UTGST) applicable in Union Territories without their own legislatures. Together, these ensure smooth functioning of GST across the nation while balancing the fiscal powers of the Centre and states.

The 56th meeting of the GST Council, chaired by Union Finance Minister Nirmala Sitharaman, has now paved the way for Next-Generation GST reforms. These reforms were first announced by Prime Minister Narendra Modi in his Independence Day address as a "Diwali gift" for the people, aimed at reducing the tax burden on the common man while supporting long-term growth. The reforms are designed to directly benefit households, farmers, MSMEs, youth, women, and the middle class, while also ensuring ease of doing business for traders and small entrepreneurs. The Council, working on the basis of consensus, approved a simplified tax structure by moving from the earlier four-tier system such as 5 per cent, 12 per cent, 18 per cent, 28 per cent, to just two primary slabs of 5 per cent and 18 per cent, along with a special de-merit rate of 40 per cent for a select set of harmful or luxury goods.



These sweeping reforms mark a new chapter in India's tax system, the 56th GST Council meeting has positioned GST as not just a tax system, but as an enabler of inclusive growth and long-term economic resilience. The implement GST 2.0 in India 22 September 2025. By simplifying the structure, lowering the burden on essential goods and services, and focusing on agriculture, health, and small businesses.

Objective of the Study

- To know about the GST 2.0 in Indian economy
- To analysis the sector wise GST reforms in India

II. Review Literature

Milandeep Kour (2016) et. al., The article provides an overview of GST as a landmark reform unifying indirect taxes to enhance transparency, efficiency, and growth. It outlines GST's background, models, expected benefits like reduced cascading effects and higher GDP, along with challenges such as Centre-State disputes and IT requirements. While useful for capturing pre-implementation expectations, the study is largely predictive and would benefit from post-2017 data to assess GST's actual impact.

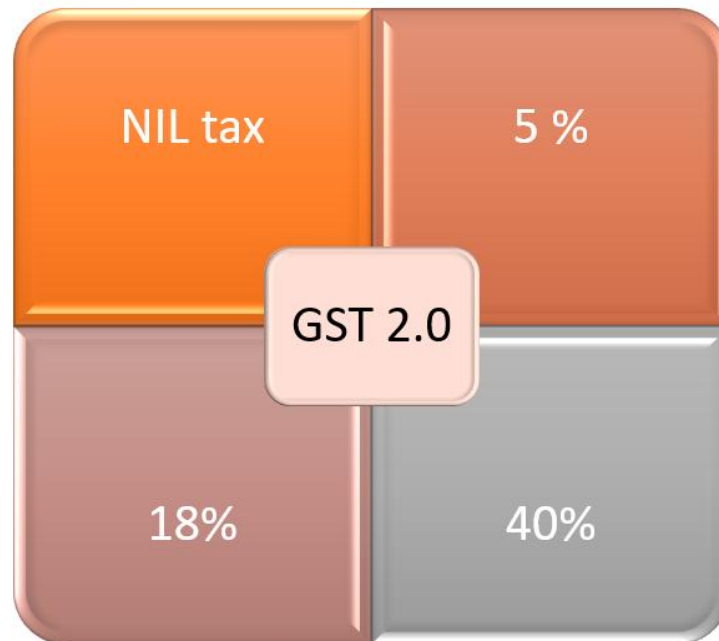
Dani (2016): The paper discusses both the advantages and drawbacks of implementing GST in India. It explains that GST could simplify the tax system, reduce cascading effects, improve competitiveness, and enhance ease of doing business. At the same time, it warns about complications arising from the dual GST model, revenue-sharing disputes between the center and states, and the possibility of inflation due to higher rates. The study also points out sectoral challenges in telecom, e-commerce, petroleum, and real estate. It emphasizes that without consensus on rates, thresholds, and coverage, GST may create more problems than solutions.

Methodology

This paper focuses on the conceptual understanding of the different GST 2.0 slabs in India

III. Result and discussion

GST system is now NIL percent, 5 percent and 18 per cent declined from the four orginal rate of 5 per cent ,12 percent 18 per cent and 28 per cent. Besides the rate of some product like sin and luxury goods taxes at 40 percent.



1. Household Sector

S.No	Items (or) Products	GST up to (September 21 2025)	GST 2.0 (September 22 2025)
1	Hair Oil, Soaps, Shampoos, Talcum Powder Toothpaste, Bicycles, Kitchenware, And Tableware, Tv <32 Inch, Monitor and Projector	12–18%	5%.
2	Packaged Food Items-Namkeens, Noodles, Pasta, Chocolates, Beverages, Coffee, Cornflakes, Butter, And Ghee		
3	Fruits Juice, Vegetables and Nuts Juice		
4	Staple Food Products-UHT Milk, Egg, Packaged Paneer and All Indian Breads—Roti, Chapati, Paratha, Parotta	5%	NIL

2. Agriculture sector

S.No	Items (or) Products	GST upto (September 21 2025)	GST 2.0 (September 22 2025)
1	Tractors, Cultivation And Harvesting Machinery, Threshers, Balers, Composting Machines, Irrigation Equipment (Sprinklers, Drip Systems), Poultry, Bee Keeping Machine, Bio-Pesticides And Natural Menthol	12%	5%
2	Tractor Tires And Parts	18%	5%
3	Drones	18% to 28%	5%



3	Fertilizer Sector-Sulphuric Acid, Nitric Acid, And Ammonia	18%	5%
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3. Health and Insurance

S.No	Items (or) Products	GST upto (September 21 2025)	GST 2.0 (September 22 2025)
1	33 Lifesaving Medicines	12%	NIL
2	3 Critical Drugs for Cancer and Rare Diseases	5%	NIL
3	Life Insurance and Health Insurance Premium	18%	NIL
4	Other Drugs	12%	5%.
5	Medical Equipment and Devices —Glucometers, Diagnostic Kits, Bandages, and Surgical Instruments	12–18%.	5%,

4 Labour-Intensive Industries

S.No	Items (or) Products	GST upto (September 21 2025)	GST 2.0 (September 22 2025)
1	Small Industries-Handicrafts, Intermediate Leather Goods, Granite, Marble and Manmade Textile Sector	12%-18%	5%

5 Automobile Sector

S.No	Items (or) Products	GST upto (September 21 2025)	GST 2.0 (September 22 2025)
1	Small Cars, Buses, Trucks, Ambulance, Petrol, LPG, CNG Cars (not exceeding ≤ 1200cc and length ≤ 4000 mm), Diesel ≤ 1500 cc and length ≤ 4000 mm including auto mobile parts	28%	18%.

6 Housing and Infrastructure

S.No	Item (or) Products	GST upto (September 21 2025)	GST 2.0 (September 22 2025)
1	Cement	28%	18%
2	Marble/travertine blocks, Granite blocks, Sand-lime bricks, Bamboo flooring / joinery, Packing cases & pallets (wood) renewable energy devices and parts —such as solar, wind, biogas, and waste-to-energy systems	12%	5%



7. Hospitality and Services

S.No	Item (or)Products	GST upto (September 21 2025)	GST 2.0 (September 22 2025)
1	Hotel rooms priced up to ₹7,500/day	12%	5%
2	Gyms, salons, barbers, and yoga centres	18%	5%

8. Education Sector

S.No	Item (or)Products	GST upto (September 21 2025)	GST 2.0 (September 22 2025)
1	Exercise Books, Erasers, Pencils, Crayons and Sharpeners	5%	Nil
2	Geometry Boxes, School Cartons, Trays	12%	5%

9. Defence Sector

S.No	Item (or)Products	GST upto September 21	GST 2.0 (September 22 2025)
	Military transport aircrafts, Ship launched missiles, Sonobuoys for naval air assets, Rockets with calibre more than 1000 mm, Remote piloted aircraft for military us	18% IGST	nil

9. Luxury and Sin goods

S.No	Item (or)Products	GST upto September 21	GST 2.0 (September 22 2025)
1	Tobacco products (pan masala, gutkha, cigarettes, zarda, bidis, chewing tobacco, etc.)	8% to 28%	40%
2	Certain luxury goods & services (like expensive cars beyond defined engine capacity (petrol cars > 1200 cc and . 4000 mm and Diesel >1500 cc and 4000 mm), yachts, private aircrafts)		

Positive Impact:

- **Lower Prices and Higher Demand:** Reduced prices for goods and services increase household purchasing power and boost consumption.
- **Support for MSMEs:** Lower GST on inputs like cement, auto parts, and handicrafts reduces costs, enhancing the competitiveness of small businesses.
- **Simplified Compliance:** A two-rate system minimizes disputes, accelerates decision-making, and makes tax compliance easier.
- **Promotion of Manufacturing:** Addressing inverted duty structures strengthens domestic individual output and encourages exports.

- **Economic Growth:** Reduced costs drive higher demand, expand the tax base, boost revenues, and support sustainable economic growth.

- **Social Welfare:** GST exemptions on life and health insurance and essential medicines improve household security and accessibility.

Negative Impact

- **Revenue Shortfall:** Lower and Nil GST rates on many goods are causing significant losses, putting pressure on state finances.
- **Complexity for Businesses:** MSMEs struggle with frequent rule changes, updating



systems, and limited digital skills. The GST portal can also crash during busy periods.

- **Impact on Small Retailers:** Unregistered retailers can't claim input tax credits, squeezing their margins.
- **Inventory and Documentation Issues:** Updating old stock and ERP systems for new tax rules is costly and tricky.

IV. Conclusion

The GST Council proposed measures that directly benefit the common man, women, youth, farmers, MSME entrepreneurs, and small business owners. The reforms focus on supporting the common citizen, labour-intensive industries, agriculture and farmers, healthcare, and other key drivers for strengthen the economy. The reduction in taxation for essential goods and emerging technologies from varies sector underscore forwards looking approach that combine affordability with competitiveness.

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