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SECTORAL IMPACT OF GST 2.0 : A STUDY

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ABSTRACT:

Goods and Services Tax (GST) was implemented on 1st July, 2017. GST 2.0 was implemented on 22nd September, 2025. GST has brought remarkable changes in indirect taxation system. GST 2.0 is more consumer oriented than GST 1.0. GST 2.0 has significant impact on various sectors. GST 1.0 was based on four slabs i.e. 5%, 12%, 18%, 28%. GST 2.0 has simplified indirect tax system more than GST 1.0. GST 2.0 is based on three slabs i.e. 5%, 18%, 40%. 40% rate is applicable for luxury and sin goods. Small businesses face difficulties to comply with GST 2.0 due to inadequate digital infrastructure. The lower rates of GST 2.0 on essential goods have increased the purchasing power of the consumers. GST has immense impact on the economic development of India. GST 2.0 has enhanced the economic growth more than GST 1.0. In this paper, an attempt has been made to find out the sectoral impact of GST 2.0.

KEYWORDS:

GST, GST 2.0, TAX, RATE, SECTOR.

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I. INTRODUCTION

Goods and Services Tax (GST) was implemented in India on 1st July, 2017. GST 2.0 was implemented on 22nd September, 2025. The implementation of GST 2.0 was recommended in the 56th meeting of GST council. GST 1.0 was based on four slabs i.e. 5%, 12%, 18%, 28%. GST 2.0 is based on three slabs i.e. 5%, 18%, 40%. Life and health insurance premiums are exempted from tax under GST 2.0. 5% rate is applicable for butter, ghee, packaged foods, medicines, basic agricultural equipment. Under GST 2.0, 18% rate is applicable for television, washing machine, small cars, telecom services. Under GST 2.0, 40% rate is applicable for luxury and sin goods such as premium motor cycles, high end luxury cars, tobacco products, aerated beverages. GST 2.0 is more consumer oriented than GST 1.0. GST replaced various taxes to simplify the indirect tax structure. GST 2.0 has significant impact on various sectors.

II. LITERATURE REVIEW

GST is the greatest tax reform since independence. The indirect taxation structure of India was very complex before the implementation of GST. Central government impose Central GST and state government impose State GST. GST in India include CGST and SGST. GST is based on five slabs i.e. 0%, 5%, 12%, 18% and 28%. GST support the improvement of manufacturing sector. GST has negative impact on real estate market. Pharmaceutical and health care industry is benefited from GST. Telecommunication sector is benefited from GST (Yadav, 2023). GST 2.0 has increased real consumption for consumers of low and middle income groups. Small traders and MSMEs need digital support for proper compliance. Exporters and manufacturers are benefited from GST 2.0. GST 2.0, lower rates on essential goods but higher rates on luxury and sin goods. Prior to the implementation of GST 2.0, the refund system was defective. Under GST 2.0, refund system is favourable for manufacturers and exporters. Digitalization has reduced tax evasion and compliance cost (Nirmala Kumari, 2025). Prior to the implementation of GST 2.0, GST was based on various slabs such as 0%, 5%, 12%, 18%, 28%. GST 2.0 is based on three slabs i.e. 5%, 18%, 40%. 40% rate is applicable for luxury and sin goods. The rates on essential goods has reduced. Some sectors such as cement, automobiles, consumer electronics are benefited from GST 2.0. Many items are exempted from tax under GST 2.0 such as paneer, UHT milk, health insurance policies. The reform of GST reduce compliance burden to MSMEs. 40% rate on luxury and sin goods generate revenue for government (Bhardwaj, 2025). GST subsumed several taxes such as excise duty, service tax, customs duty, entry tax, sales tax, entertainment tax, purchase tax, luxury tax. GST is based on digital system which have significant impact on businesses. GSTN provides the opportunity to detect black money. GST has brought remarkable changes in indirect tax structure of India. The objective of GST is one nation one tax. GST is a unified indirect tax system which has made tax compliance easy for businesses. GST is based on four slabs i.e. 5%, 12%, 18%, 28% (Sinha and Srivastava, 2021). GST is based on various legislative such as Central Goods and Services Tax Act, 2017; State Goods and Services Tax Act, 2017; Integrated Goods and Services Tax Act, 2017; Union Territory Goods and Services Tax Act, 2017. GST council play vital role in the formation of GST policy of India. Article 297A of The Constitution of India empowers GST council to make GST policies. GST 2.0 has simplified the tax system. Prior to GST 2.0, the tax rate was based on four slabs such as 5%, 12%, 18%, 28%. GST 2.0 is based on three slabs i.e. 5%, 18% and 40% (Pushpa, 2025). SMEs face difficulties to comply with the GST due to inadequate technological infrastructure. Automobile sector is benefited from GST. GST has significant impact on the GDP growth rate of India. Tax revenues of the government has increased due to GST. GST has enhanced tax compliance and reduced tax evasion. GST support the development of IT sector. Automobile sector is benefited due to the implementation of GST (Ainapur and Ainapur, 2025). GST 2.0 has significant impact on the consumption behavior of middle income group. Some consumers have proper knowledge on GST 2.0 while others have inadequate knowledge (Shanbhogue et al., 2025). GST replaced several taxes such as excise duty, value added tax, entertainment tax, luxury tax (Govindasamy and Srinidhi, 2025). GST is the greatest reform in taxation system in India which aim at one tax, one nation, one market. GST include Central GST, State GST, Integrated GST (Bhat, 2019). Various documents are required for GST Registration such as PAN of the applicant, bank account statement, aadhaar card, digital signature (Usha and Nithya, 2021). New GST rate of 5% applicable for paper boards, paper pulp moulded trays, handicrafted candles, manmade fibres, manmade yarns (Naik, 2025). GST 2.0 has simplified the taxation system of India. GST 2.0 has emphasized on digital compliance (Kumar, 2025). GST subsumed several taxes such as purchase tax, luxury tax, value added tax, entertainment tax, central sales tax. GST include Central GST, State GST and Integrated GST (Nanasaheb and Changdeo, 2025). GST 2.0 emphasize on ease of doing business. GST is a reform of taxation system for the benefit of the consumers. GST 2.0 has remarkable contribution in the fiscal evolution of India. GST 2.0 has created welfare oriented economy for long term growth of India (Sharma and Bansal, 2026). GST 2.0 has reduced tax burden on consumers which has significant effect on economy. GST 2.0 increase the ease of doing business (Jaimol and George, 2025). GST 2.0 has significant impact on banking sector (Sunil and Devarajappa, 2025). GST 2.0 is based on three slabs i.e. 5%, 18% and 40%. GST 2.0 enhance economic growth by simplifying taxation system (Ganesh, 2025). GST subsumed various indirect taxes. GST emphasize on online process to enhance ease of doing business (Deepaware and Dwivedi, 2022). GST has positive impact on ease of doing business (Pandey et al., 2026). GST is based on four slabs i.e. 5%, 12%, 18%, 28% (Kumar, 2018). 40% rate is applicable for luxury items and sin goods under GST 2.0 (Uttamsagar, 2025). GST includes Central GST, State GST, Integrated GST (Vengatesan, 2022). Under GST 2.0, various sectors are benefited due to reduction of taxes (Lekha Prasath, 2026).

III. OBJECTIVES OF THE STUDY

(i) To compare between GST 1.0 and GST 2.0 on the basis of various sectors.

(ii) To find out the sectoral impact of GST 2.0.

IV. METHODOLOGY AND DATA ANALYSIS

Primary data has been collected from West Bengal. The sample size of the study is 200. The study has been conducted on some sectors in West Bengal. In insurance sector, health insurance and life insurance premiums are exempted from tax under GST 2.0. 92% of the respondents agree that GST 2.0 support the initiative of insurance for all. In agriculture sector, the rate on tractors under GST 1.0 was 12% but under GST 2.0 the rate is 5%. The rate on hand propelled vehicles under GST 1.0 was 12% but under GST 2.0 the rate is 5%. The rate on hand pumps under GST 1.0 was 12% which has been reduced to 5% under GST 2.0. Farmers are highly benefited by the lower rates of GST 2.0. 88% of the respondents agree that GST 2.0 provide the opportunity for development of agriculture sector. In food sector, many items are exempted from tax under GST 2.0 such as prepackaged and labeled chena or paneer, ultra high temperature milk, pizza bread, chapatti, paratha. Under GST 2.0, the rates of many items have reduced from 12% to 5%, such as butter, ghee, condensed milk, cheese, dates, pineapples, avocados, guavas, preserved and processed meat or fish, almond pasta noodles, namkeens, bhujia, tender coconut water, sauces, sugar boiled confectionery, roasted coffee, jams, jellies, soya milk preserved vegetable, beverages containing milk, icecream, plant based milk drinks, pastry, cakes, chocolates, biscuits. The lower rates of GST 2.0 in food sector has enhanced the consumption capacity of consumers. Under GST 2.0, 40% rate is applicable to aerated waters, caffeinated beverages, carbonated fruit drinks. 84% of the respondents agree that GST 2.0 has positive impact on food sector. Food sector is highly benefited from GST 2.0 in comparison to GST 1.0. In wood sector, the rates have been reduced from 12% to 5% under GST 2.0 on many items such as rice husk board, glass fibre reinforced gypsum board, cement bounded particle board, jute particle board, sisal fibre board, wooden sticks, bamboo flooring, packing boxes and cases, tools, tool bodies, tool handles, cases for jewellery or cutlery and similar articles of wood. Wood sector is highly benefited due to the lower rates of GST 2.0 in comparison to GST 1.0. 78% of the respondents agree that GST 2.0 has positive impact on wood sector. In textile sector, the rates on many items have reduced from 12% to 5%, such as sewing thread of manmade filaments, sewing thread of manmade staple fibres, yarn of manmade staple fibres, rubber thread, ropes and cables, carpets, textile floor covering, textile wall coverings, textile fabrics, textile caps, hats made of textile fabrics. GST 2.0 supports the development of textile sector. 83% of the respondents agree that GST 2.0 has positive impact on textile sector. In transportation sector, the rates have reduced from 28% to 18% under GST 2.0 on many items, such as road tractors, motor vehicles for transportation of more than ten persons, LPG or CNG driven motor vehicles, diesel driven motor vehicles, three wheeled vehicles, motor vehicles for transport of goods, parts and accessories of motor vehicles. Transportation sector is highly benefited by GST 2.0. 82% of the respondents agree that GST 2.0 has positive impact on transportation sector. In Education sector, many items are exempted from tax under GST 2.0, such as maps, charts, pencil sharpeners, crayons, pencils, pastels, graph, exercise books, laboratory note book. Education sector is highly benefited due to lower rates of GST 2.0. GST 2.0 has positive impact on education sector. In paper sector, many items are exempted from tax under GST 2.0, such as paper board and uncoated paper used for exercise books, laboratory books, notebooks. The rates on many items have reduced from 12% to 5%, such as boxes and pouches of paper or paper boards, cartoons and boxes of paper or paper boards, paper pulp moulded trays. GST 2.0 supports the development of paper sector. Paper sector is highly benefited from GST 2.0 in comparison to GST 1.0. 87% of the respondents agree that GST 2.0 has positive impact on paper sector. In renewable energy sector, the rates of many items have reduced from 12% to 5%, such as solar cookers, solar water heater, solar power generator, solar power based devices, solar lamp, motor vehicles based on fuel cell technology. GST 2.0 supports the development of renewable energy sector. This sector is highly benefited due to lower rates in comparison to GST 1.0. 92% of the respondents agree that GST 2.0 has positive impact on renewable energy sector. In consumer electronics sector, the rates on many items have reduced from 28% to 18%, such as air conditioning machines, dish washing machines, televisions, set top box for television. Lower rates of GST 2.0 has increased the demand of consumer electronics. Consumers can avail products at reduced price due to the lower rates of GST 2.0 in comparison to GST 1.0. GST 2.0 supports the development of consumer electronics sector. 79% of the respondents agree that GST 2.0 has positive impact on consumer electronics sector.

SECTOR	IMPACT
Insurance	Positive
Agriculture	Positive
Food	Positive
Textile	Positive
Transportation	Positive
Education	Positive
Paper	Positive
Renewable Energy	Positive
Consumer Electronics	Positive

V. LIMITATION OF THE STUDY

(i) The study has been conducted on few sectors.

(ii) The study has been conducted on limited number of respondents in West Bengal.

VI. CONCLUSION

GST 2.0 has changed the consumption pattern of consumers by lowering the rates on essential goods. GST 2.0 has made insurance affordable for common people. Small businessmen face difficulties to understand the rules and regulations of GST 2.0. Small traders suffer to comply with new rules due to inadequate digital structure. Farmers are benefited from GST 2.0 as the impact of GST 2.0 is positive on agriculture sector. The demand of consumer electronics products has enhanced due to reduced rates of GST 2.0. The lower rates of food items has increased the purchasing capacity of consumers which supports the development of food sector. Textile sector and transportation sectors are benefited more under GST 2.0 in comparison to GST 1.0. GST 2.0 supports the development of education sector and paper sector. Renewable energy sector is benefited from the lower rates of GST 2.0. GST 2.0 has enhanced the economic growth of India.

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