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A Study on the Impact of GST 2.0 on Urban Consumers

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Abstract

Goods and Service Tax (GST) comprises of Central GST, State GST, Union Territory GST, Integrated GST. GST 1.0 was based on four slabs of i.e. 5%, 12%, 18% and 28%. GST 2.0 is based on three slabs i.e. 5%, 18% and 40%. GST 2.0 is more consumer oriented than GST 1.0. GST has changed the indirect tax structure of India. GST 2.0 has remarkable impact on various sectors such as textile sector, food sector, education sector. Many urban consumers have inadequate knowledge on GST 2.0. Small businessmen suffer to understand the rules and regulations of GST 2.0. The purchasing capacity of urban consumers have enhanced due to lower rates of GST 2.0, life and health insurance premiums are exempted from tax under GST 2.0. GST 2.0 has significant impact on the consumption pattern of urban consumers. The study is based on primary and secondary data. Primary data has been collected from urban consumers in West Bengal. Secondary data has been collected for journal articles. In this paper, an attempt has been made to find out the impact of GST 2.0 on urban consumers.

Keywords: GST, GST 2.0, Tax, Indirect Tax, Goods.

Introduction

Goods and Services Tax (GST) was implemented in the year 2017 in India. GST 2.0 was implemented in the year 2025. GST comprises of Central GST, State GST, Union Territory GST, Integrated GST. GST 1.0 was based on four slabs i.e. 5%, 12%, 18% and 28%. GST 2.0 is based on three slabs i.e. 5%, 18% and 40%. The prices of essential goods have reduced due to lower tax rates under GST 2.0. GST 2.0 has brought significant changes in indirect tax structure. Many essential goods are exempted from tax under GST 2.0. According to GST 2.0. 40% rate is applicable to luxury and sin goods. Life and health insurance premiums are exempted from tax under GST 2.0. Many life saving medicines are exempted from tax under GST 2.0. GST 2.0 is more consumer centric than GST 1.0. Many urban consumers have lack of knowledge about GST 2.0. Small businessmen face difficulties to comply with GST 2.0 due to inadequate knowledge about the rules and regulations of GST 2.0.

Literature Review

GST removes multiple taxes to make the tax system consumer friendly. Tax rates of several items such as sugar, snacks, edible oils are less under GST which provide the opportunity to the consumers to save household expenses. GST 2.0 is a landmark achievement in the fiscal evolution of India. Three tier tax structure i.e. 5%, 18% and 40%, reduces compliance burden for business organizations. GST provide support to the MSMEs. GST provide various benefits to the consumers. The number of registered tax payers has increased due to GST. GST 2.0 has created welfare oriented economy (Sharma and Bansal, 2026). GST 1.0 was based on tax rates of 5%, 12%, 18% and 28%. GST 2.0 is based on tax rates of 5%, 18% and 40%. GST 2.0 focus on digital compliance and faster refunds. GST 2.0 reduces compliance burdens for MSMEs. GST 2.0 reduces tax rates on certain farm machinery to provide benefit to the farmers. Tax rate on consumer electronics has shifted from 28% to 18% under GST 2.0 which provide support for the manufacturers. The tax rates on small cars are reduced from 28% to 18% under GST 2.0 which provide support for the development of the automobile sector. GST 2.0 provide the opportunity to consumers to avail durable goods and services at lower tax rates (Uttamsagar, 2025). Prior to the implementation of GST, the tax structure included different indirect taxes such as customs duty, central sales tax, excise duty, VAT, service tax. GST was implemented in India in the year 2017. GST include Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Union Territory Goods and Services Tax (UTGST), Integrated Goods and Services Tax (IGST). Before September, 2025 reforms, GST was based on five slabs such as 0%, 5%, 12%, 18%, 28%. GST 2.0 was implemented on September 22, 2025, on the recommendation of GST Council in its 56th meeting. Individual life insurance policies are exempted from GST. Milk, Indian breads are exempted from GST (Lekha Prasath, 2026). GST is very significant tax reform which aim at one nation, one market, one tax. GST is based on various tax rates such as 0%, 5%, 12%, 18%, 28%. 0% tax rate is applicable for agricultural produce. 5% tax rate is applicable for edible oils, branded cereals, insulin etc. 12% tax rate is applicable for pasta, butter, mobile phones, diabetic foods, bicycles. 18% tax rate applicable for plywood, marble, paints. 28% tax rate applicable for tobacco, auto parts, aerated drinks. GST council should arrange awareness programme for the customers. GST council should conduct study among consumers to reform tax policy (Vengatesan, 2022). GST is based on four slabs i.e. 5%, 12%, 18% and 28%. 28% tax rate is applicable for luxury and demerit goods. GST implemented with the concept of one country one tax. GST increased the consumption capacity of consumers by lowering the prices of goods and services. Small traders face difficulties to maintain records as per GST rules. Small businessmen have inadequate knowledge about GST. GST has negative impact on few industries including real estate. GST has increased Government revenues. GST

supports the development of various sectors such as auto commercial vehicles, building material, footwear, cigarettes, consumer goods (Kumar, 2018). The Goods and Services Tax is a single tax which cover all taxes. The implementation of GST has negative impact on real estate market. The impact of GST on broader economy may be negative for short terms period. The introduction of GST has positive impact on pharmaceutical and healthcare industry. Agricultural sector will have positive impact due to the implementation of GST. The implementation of GST will support the development of textile industry (Yadav, 2023). GST was implemented in India in the year 2017. GST replaced various indirect taxes to create destination based consumption tax. From the year 2017 to 2024, the GST rate structure was based on multiple slabs such as 0%, 5%, 12%, 18% and 28%. GST 2.0 is based on three slabs i.e. 5%, 18% and 40%. The implementation of GST 2.0 lower the burden of tax on essential goods. The rates of GST 2.0 on sin goods are high to protect the revenue. GST 2.0 emphasize on faster refunds and digitalization. GST 2.0 has reduced the price of small cars. The GST authority focus on campaigns to educate businessmen and consumers (Nirmala Kumari, 2025). The aim of GST is to fulfill the idea of one nation, one tax. GST include CGST, SGST and IGST. GST can decrease inflation by eliminating the cascading effect of taxes. GST has significant impact on various sectors such as agricultural sector, textile sector, automobile sector, education sector, banking sector, energy sector. Public limited companies contribute 34.83% towards total GST collection. Private limited companies contribute 29.94% towards total GST collection (Deepaware and Dwivedi, 2022). GST subsumed multiple indirect taxes such as value added tax, entry tax, service tax, excise duty, service tax. GST 2.0 emphasizes on GST Appellate Tribunal for judicial resolution. GST was implemented in the year 2017 which includes Central GST, State GST, Integrated GST. GST has made the indirect tax structure simple and transparent. GST has provided long term benefits for MSMEs. Manufacturing sector is benefited from GST due to elimination of cascading effect of taxes. GST has remarkable impact on service sector. GST has significant impact on e-commerce (Pandey et al., 2026). GST 2.0 is based on three rates such as 5%, 18% and 40%. Under GST 2.0, life and health insurance premiums are exempted from tax. GST 2.0 increase the ease of doing business. MSMEs are benefited by the reform as it reduces compliance cost. GST 2.0 increase the affordability for consumers on essential goods. GST 2.0 has enhanced the ease of doing business which supports economic development (Ganesh, 2025). GST was implemented to replace various taxes such as value added tax, excise duty, entertainment tax, central surcharges, luxury tax. The GST structure of India includes Central Goods and Services Tax, State Goods and Services Tax, Integrated Goods and Services Tax, Union Territory Goods and Services Tax. The GST Council in its 56th meeting recommended GST 2.0. GST 2.0 enhance the purchasing power of consumers by lowering the tax rates (Govindasamy

and Srinidhi, 2025). Small businesses face difficulties due to compliance cost under GST. GST has created employment opportunities in various industries like e-commerce, supply chain management, logistics (Ainapur and Ainapur, 2025). GST was introduced in 2017 by replacing various Central Taxes and State Taxes. GST 2.0 has simplified the tax administration. GST 2.0 has significant influence on the consumption behavior of consumers. Some consumers have inadequate knowledge about GST 2.0 (Shanbhogue et al., 2025). GST subsumed various taxes such as excise duty, service tax, customs duty, entry tax, sales tax, entertainment tax, purchase tax, luxury tax. GST was implemented in the year 2017 to restructure indirect taxation system. The aim of GST is one Nation one Tax. GST is based on four tier tax slab i.e. 5%, 12%, 18% and 28%. GST is the most significant indirect tax reform in India since independence (Sinha and Shrivastava, 2021). GST was implemented in the year 2017 to replace various Central and State indirect taxes like service tax, excise duty, VAT. Prior to the implementation of GST 2.0, GST was based on four tier systems i.e. 5%, 12%, 18% and 28%. GST 2.0 is based on three rates i.e. 5%, 18% and 40%. GST 2.0 supports the development of agriculture and rural sectors by lowering the tax rates on many goods (Pushpa, 2025).

Objectives of the Study

- To identify the differences between GST 1.0 and GST 2.0.
- To find out the impact of GST 2.0 on urban consumers.

Methodology and Data Analysis

The study is based on primary data and secondary data. Primary data has been collected from the urban consumers in West Bengal. The sample size of the study is two hundred. 62% of the respondents are male and 38% of the respondents are female. 31% of the respondents are between the age of 20 years to 30 years. 33% of the respondents are between the age of 31 years to 40 years. 24% of the respondents are between the age of 41 years to 50 years. 8% of the respondents are between the age of 51 years to 60 years. 4% of the respondents are above the age of 60 years. 21% of the respondents have studied up to class twelve. 67% of the respondents have studied up to graduation. 12% of the respondents have studied up to post graduation. 58% of the respondents are service holders. 37% of the respondents are businessmen.

GST 2.0 has enhanced the purchasing capacity of the consumers by reducing the tax rates on essential goods. 82% of the consumers have agreed that the purchasing capacity of consumers has increased due to lower rates of GST 2.0. Under GST 2.0, many food items are exempted from tax such as paneer, ultra high temperature milk, paratha, roti, pizza bread. GST 2.0 has reduced the rates from 12% to 5% on many food items such as butter, cheese, dry fruits, condensed milk, chocolates, namkeens. GST 2.0 supports the development of food sector. 93% of the

respondents have agreed that GST 2.0 supports the development of food sector. In textile sector, GST 2.0 reduced the rate at 5% on many items such as sewing thread, man made yarns, carpets, floor coverings, textile fabrics, sewing machines. GST 2.0 supports the development of textile sector. 84% of the respondents agree that GST 2.0 supports the development of textile sector. Life and health insurance premiums are free under GST 2.0. GST 2.0 supports the vision "Insurance for All". 87% of the respondents agree that GST 2.0 supports the vision "Insurance for All". In renewable energy sector, GST 2.0 has reduced rate from 12% to 5% on many items such as solar water heaters, solar cookers, bio gas plants, solar panels. GST 2.0 supports the development of renewable energy sector. 73% of the respondents agree that GST 2.0 supports the development of renewable energy sector. GST 2.0 is more consumer oriented than GST 1.0 which enhance the economic development. GST 2.0 is more favourable than GST 1.0 for the development of the economy of India. 77% respondents agree that GST 2.0 is more favourable than GST 1.0 for the economical development of India. In education sector, GST 2.0 reduced that rate from 12% to 0% on many items such as exercise books, note books, maps, educational charts, pencils, crayons, pencil sharpeners. GST 2.0 supports the development of education sector. 81% respondents agree that GST 2.0 supports the development of education sector. GST 2.0 enhance the ease of doing business. 68% of the respondents agree that GST 2.0 increase the ease of doing business. Small businessmen face difficulties to understand the rules and regulations of GST 2.0. 64% of the respondents agree that small businessmen suffer to understand the rules and regulations of GST 2.0. Small entrepreneurs face difficulties to comply with GST 2.0 for inadequate knowledge on digitalization. 88% of the respondents agree that small entrepreneurs suffer to comply with GST 2.0 for lack of knowledge on digitalization. In health sector, many life saving medicines are exempted from tax under GST 2.0. GST 2.0 has reduced rate from 12% to 5% on many items such as diagnostic kits, surgical gloves, medical grade oxygen. GST 2.0 supports the development of health sector. 86% of the respondents agree that GST 2.0 supports the development of health sector. Many urban consumers are not aware about GST 2.0 properly. 59% of the respondents agree that many urban consumers have lack of awareness on GST 2.0. The awareness of businessmen should be increased on GST 2.0. 53% of the respondents agree that many businessmen have lack of knowledge on GST 2.0. Tax officials need proper training to implement GST 2.0 appropriately. 67% of the respondents agree that tax officials should be properly trained for accurate implementation of GST 2.0. Urban consumers are more benefitted from GST 2.0 than GST 1.0 due to new reforms of GST 2.0. 88% of the respondents agree that urban consumers are more benefitted from GST 2.0 than GST 1.0 due to new tax structure of GST 2.0.

Conclusion

GST 2.0 has significant impact on urban consumers. The purchasing capacity of consumers has enhanced due to the lower rates of GST 2.0. The prices of many essential goods are reduced due to the reduction in tax rates under GST 2.0. GST 2.0 has remarkable impact on various sectors. Urban consumers are highly affected by some sectors such as education sector, textile sector, renewable energy sector, health sector, food sector. GST 2.0 has positive impact on textile sector, food sector, renewable energy sector, health sector, insurance sector, education sector. GST 2.0 is more consumer friendly than GST 1.0. The reduction in price of essential goods has enhanced the consumption capacity of urban consumers. Small traders face difficulties to understand the rules and regulations of GST 2.0. Many urban consumers have inadequate knowledge about GST 2.0. Workshops and seminars should be arranged to increase the awareness about GST 2.0 among consumers. Urban consumers are highly benefited from GST 2.0.

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