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GST 2.0 Revenue Trends in Rajasthan: An Analytical Study with Reference to National Trends(October 2025 – June 2026)

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Abstract

The Goods and Services Tax (GST) introduced in India in July 2017 represented a major transformation of the indirect tax system. After eight years of implementation, the GST framework underwent a significant restructuring in September 2025, widely referred to as GST 2.0. The reform introduced a simplified rate structure - 5% merit rate and an 18% standard rate, along with a special 40% de-merit rate for selected goods and services. The present study analyses GST revenue trends during the early GST 2.0 period and comparatively examines the revenue performance of India and Rajasthan. The study covers the period from October 2025 to June 2026 and uses comparative and descriptive analysis of GST revenue collections and year-on-year growth. The findings reveal a marked divergence between the national and state-level revenue trends. At the national level, GST revenue increased from Rs. 1704307 crore during October 2024–June 2025 to Rs. 1741706 crore during October 2025–June 2026, representing an overall growth of 2.19% and an absolute increase of Rs, 37399 crore. In contrast, Rajasthan's GST revenue declined from Rs. 43572 crore to Rs. 39790 crore, reflecting a negative growth of 8.68% and an absolute decline of Rs. 3782 crore. While India recorded positive growth during March–June 2026, Rajasthan continued to register negative year-on-year growth throughout the study period. The findings indicate that the early revenue impact of GST 2.0 has not been uniform across nation. The study contributes to the emerging understanding of GST 2.0 by providing an early comparative assessment of revenue performance at the national and state level.

***Keywords**: GST 2.0, GST Revenue, Rate Rationalisation, Rajasthan, Tax Reform.*

Introduction

The Goods and Services Tax (GST), introduced in India on 1 July 2017, represented a major transformation of the indirect tax system by integrating multiple central and state-level taxes into a unified framework. Over time, GST has undergone several changes in tax rates, compliance procedures and administrative mechanisms to improve revenue mobilisation, reduce tax cascading and facilitate ease of doing business. In this continuing process of reform, the next-generation GST reforms introduced in September 2025, commonly referred to as GST 2.0. GST 2.0 reforms marked an important phase of rate rationalisation and simplification. The revised rates became effective from 22 September 2025. A major feature of GST 2.0 is the simplification of the GST rate structure. The earlier four principal slabs of 5%, 12%, 18% and 28% were broadly rationalised into a two-rate structure comprising a 5% merit rate and an

18% standard rate, while a special 40% rate was introduced for selected luxury and demerit goods. Several products earlier taxed at 12% were shifted to 5% or 18%, while several products earlier taxed at 28% have been moved to 18%. The 5% rate primarily covers essential, commonly consumed and selected labour-intensive, agricultural and other priority-sector goods and services. Several food products, agricultural machinery, handicrafts, granite and marble blocks, medicines and medical equipment witnessed rate reductions towards 5%. The 18% standard rate continues to cover a broad range of goods and services. These changes seek to simplify classification, reduce tax incidence on selected sectors and improve the overall tax environment. (Goods and Services Tax Council*,* 2025: Recommendations *of the 56th Meeting of the GST Council)*

Against this policy background, assessing the initial revenue response of GST 2.0 becomes important. The present study therefore examines GST revenue trends during October 2025 to June 2026, comparing India's performance with that of Rajasthan. The analysis indicates a contrasting revenue pattern: India recorded 2.19% growth, whereas Rajasthan registered an 8.68% decline during the study period. The study consequently focuses on whether the early revenue trends under GST 2.0 have been uniform across national and state levels and highlights the need to examine state-specific economic and structural factors influencing GST revenue performance.

Literature Review

Jain and Sharma (2025) compared Rajasthan GST revenue in national context and found that Rajasthan ranked 11th among the top GST-contributing states. The findings underline the need to strengthen industrial activity and broaden the formal tax base for improving GST revenue performance. **Sharma and Jain (2025)** examined GST revenue trends and performance in Rajasthan for the period July 2017 to June 2025. Their analysis identified Rajasthan's moderate revenue growth, comparatively low revenue efficiency and structural constraints such as limited large-scale industrial activity and digital infrastructure gaps. **Sharma and Jain (2025)** critically assessed eight years of GST implementation in India and highlighted the achievements of GST together with continuing challenges relating to rate rationalisation, technological strengthening and legislative simplification. **The Press Information Bureau (2025)** reported that GST had achieved substantial growth in collections and taxpayer registration during its first eight years. The Government also highlighted positive industry perceptions regarding the GST system. **Jain (2025)** described the post-eight-year GST phase as a movement from reform towards refinement. The emphasis increasingly shifted from introducing GST to improving its efficiency, simplicity and competitiveness. **PwC India (2025)** similarly argued that the GST system had matured considerably but required further reform to improve global competitiveness, efficiency and taxpayer experience.**SBI Research (2025)** highlighted the concentration of GST revenue among India's major states and noted the importance of maintaining enforcement while avoiding excessive compliance pressure on smaller businesses.

The existing literature therefore establishes an important research foundation but largely examines GST 2.0 from a policy or national perspective. The early empirical response after September 2025, particularly at the state level, remains comparatively under-researched.

Need of the Study

The deployment of GST 2.0 in September 2025 represents a distinct, high-impact policy intervention characterized by deep structural rate revisions. Consequently, there remains a critical gap in empirical literature regarding the immediate revenue responsiveness following this overhaul. More importantly, national-level analysis may conceal substantial differences among states.Rajasthan demands a separate fiscal evaluation because its historical position as a mid-tier tax contributor reveals a stark structural asymmetry where its substantial share of the national registered taxpayer base far outpaces its actual domestic revenue contribution making it vital to examine how GST 2.0 rate cuts on its core, labor-intensive sectors like marble and granite impacts its GST revenue trends.The present study attempts to bridge this gap by comparing India's overall GST revenue response with Rajasthan's state-level revenue response during the first nine months following implementation of GST 2.0 reforms. Ultimately, the study seeks to suggest practical policy measures through which Rajasthan can strengthen GST revenue mobilisation and derive greater benefits from GST 2.0

Objectives

This study serves the following objectives:

- To compare GST revenue during October 2025– June 2026 with the GST revenue of corresponding period of preceding financial year.

- To examine Rajasthan's revenue response after GST 2.0 and compare India's and Rajasthan's early GST revenue performance
- To suggest appropriate policy measures for strengthening revenue mobilisation and maximising the benefits of GST 2.0 in Rajasthan.

Research Methodology

This study adopts both quantitative and qualitative research design to analyse the early revenue trends under GST 2.0 in India and Rajasthan.The study is analytical, descriptive and comparative in nature, focusing on GST revenue performance during the initial GST 2.0 period.

- **Data Collection**

The study is based on secondary data relating to monthly GST revenue collections for India and Rajasthan. GST revenue figures were collected from official government sources, ensuring accuracy and consistency.

- **Study Period**

The analysis covers October 2025 to June 2026, representing the post-GST 2.0 period and compares it with the corresponding period of October 2024 to June 2025.

- **Data Analysis**

Simple statistical techniques such as absolute growth, percentage growth and year-on-year (YoY) growth are used to examine revenue movements. Absolute growth is calculated as the difference between the post-GST 2.0 and corresponding pre-GST 2.0 revenue collections.

- **Qualitative Assessment**

India's GST revenue performance is compared with Rajasthan's performance to identify differences in revenue growth, monthly trends and the extent of divergence between the national and state levels. Based on the observed revenue trends and the identified gaps in Rajasthan's performance relative to the national trend, the study proposes practical policy measures for strengthening GST revenue mobilisation, improving compliance, broadening the tax base and maximising the benefits of GST 2.0 in Rajasthan. The recommendations are derived from the findings of the comparative analysis and are intended to provide policy-oriented insights for improving the state's GST revenue performance

GST 2.0: Initial impact Gross GST Revenue Collection (Post GST 2.0 GST Collections vs Comparable Pre GST 2.0 GST Collections)

The comparison of gross GST revenue collection of post GST 2.0 reforms with the gross GST collections of corresponding months of preceding financial period provides important insights into the early impact of GST 2.0 on Nation’s and Rajasthan’s GST revenue trends. Data regarding Gross GST collection compiled from GSTN portal.

Table 1: Gross GST Collection (Pre and Post GST 2.0) (Amount in Crore)

S. No.	Month	INDIA			RAJASTHAN		
		Post GST 2.0 (October 2025 to June 2026)	Pre GST 2.0 (October 2024 to June 2025)	YoY Growth (%) (A)	Post GST 2.0 (October 2025 to June 2026)	Pre GST 2.0 (October 2024 to June 2025)	YoY Growth (%) (B)
1	October	188125	187346	0.42%	4261	4469	-4.65%
2	November	170276	182269	-6.58%	3940	4622	-14.76%
3	December	174550	176857	-1.30%	3808	4146	-8.15%
4	January	193384	195506	-1.09%	4642	4918	-5.61%
5	February	183609	183646	-0.02%	4318	4787	-9.80%
6	March	200064	196141	2.00%	4988	5498	-9.28%
7	April	242702	223265	8.71%	5468	6050	-9.62%
8	May	194184	188172	3.19%	4192	4702	-10.85%
9	June	194812	171105	13.86%	4173	4380	-4.73%
10	**Total**	**1741706**	**1704307**	**2.19%**	**39790**	**43572**	**-8.68%**
Absolute Growth		**Rs. 37399 Crore**			**Decline of Rs. 3782 Crore**		

(Source: – Data Available on GST Portal https://www.gst.gov.in/download/gststatistics)

Initial impact of GST 2.0: Comparative Analysis of YoY Growth and Absolute Growth

- **Contrasting growth trajectories**: India recorded overall GST revenue growth of 2.19%, whereas Rajasthan experienced an 8.68% decline. The overall gap between India and Rajasthan in terms of YoY growth was 10.87%. Thus, Rajasthan's performance was substantially weaker than the national trend during the observed period.
- **Consistency of performance**: India experienced declines in initial four months - November, December, January and February; but subsequently entered a positive growth phase from March onward. Rajasthan, in contrast, recorded negative growth in every month during the period.
- **Absolute Growth Analysis:** The absolute growth figures highlight a clear divergence: India gained Rs.37399 crore, whereas Rajasthan lost Rs. 3782 crore, indicating that Rajasthan's GST revenue movement was contrary to the overall national trend during the study period.
- **Key Finding**: The data indicate that the early period of GST 2.0 witnessed positive aggregate revenue growth at the national level but contraction in Rajasthan's GST revenue. This divergence provides a meaningful basis for examining state-specific factors such as industrial structure, consumption patterns, inter-state trade, tax compliance and the composition of the state's GST base.

Rajasthan's GST Revenue Decline under GST 2.0: Possible Factors

Rajasthan's GST revenue performance during the initial GST 2.0 period shows a contrasting trend compared with the national level. Rajasthan recorded negative year-on-year growth in each of the nine months covered by the study. The observed decline should, however, not be attributed exclusively to GST 2.0. GST revenue is influenced by several factors, including the level of economic activity, consumption, inter-state trade, industrial output, tax compliance, registration of taxpayers and the composition of the taxable base. Since the present study covers only nine months after the implementation of GST 2.0, it is not possible to establish a definitive causal relationship between the reform and Rajasthan's revenue decline.

At the same time, GST 2.0 rate rationalisation represents a plausible short-term factor that may have influenced revenue collections. Several commodities were shifted from higher to lower GST rates with effect from September 2025. Thus, the GST revenue decline observed in Rajasthan may reflect a combination of rate rationalisation and state-specific economic and compliance factors, rather than a single cause.

Impact of GST 2.0 Rate Rationalisation on Rajasthan's GST Revenue

One of the major features of GST 2.0 was the rationalisation of tax rates. The principal rate structure was simplified around 5% and 18%, with a separate higher rate for selected luxury and demerit goods. Several commodities were shifted from 12% or 28% to lower rates. For Rajasthan, the most directly relevant change was the reduction in GST on rough marble, travertineand granite blocks from 12% to 5%. Similar considerations apply to cement, for which GST was reduced from 28% to 18% and to selected construction-related goods and services that moved from 12% to 5%

This rate reduction can have two opposing effects on GST revenue. In the short run, the lower rate reduces the amount of tax collected per unit of taxable turnover. Therefore, if the expansion in sales volume does not immediately compensate for the lower rate, the state's revenue may experience downward pressure. Other rate reductions affecting consumer goods, agricultural machinery, handicrafts, medicines and selected services may also have influenced the effective GST yield. Therefore, rate rationalisation should be treated as a possible contributing factor rather than a sufficient explanation for Rajasthan's negative revenue growth during observed period. The continuous negative growth observed in the data indicates that other factors require examination as well.

Policy Measures for Strengthening GST 2.0 Benefits in Rajasthan

In view of the observed revenue divergence, Rajasthan needs to focus on expanding the taxable economic base and needs to adopt a proactive approach in order strengthen its GST revenue trends. The following proposed policy measures could prove to be vital:

- **Strengthening the Marble and Granite Value Chain**

The reduction of GST on rough marble and granite blocks from 12% to 5% provides an opportunity for Rajasthan's stone industry. The state can promote processing, polishing, value addition and finished stone manufacturing within Rajasthan. A larger volume of value added economic activity can help broaden the GST base and partly offset the lower rate.

- **Sector-Wise GST Revenue Monitoring**

A dedicated sector-wise monitoring mechanism should be developed for mining and minerals, marble and granite, cement, construction, textiles, tourism, manufacturing and trade. This would help identify whether revenue changes arise from lower rates, reduced economic activity or compliance-related issues.

- **Expanding the GST Tax Base and Promoting Compliance**

Rajasthan should strengthen identification of potentially taxable businesses through data analytics involving GST registrations, e-invoices, e-way bills and return data. Greater formalisation of small businesses and MSMEs can increase the number of compliant taxpayers.The benefits of lower GST rates can be maximised when transactions increasingly occur through formal supply chains. GST facilitation programmes, taxpayer education and simplified compliance assistance for MSMEs can encourage voluntary compliance while reducing the scope for tax leakage.

- **Converting Rate Cuts into Higher Economic Activity**

The policy objective should be to ensure that lower tax rates generate higher transaction volumes, investment and consumption. Rajasthan can particularly focus on construction, mining, stone processing, manufacturing and tourism-related activities where increased economic activity can broaden the tax base.

Conclusion

GST 2.0 marks an important shift towards a simpler and more rationalised indirect tax framework. The contrasting revenue trends between India and Rajasthan highlight the need for a state specific approach to maximising the benefits of these reforms. While rate rationalisation may create short-term revenue pressures in certain sectors, it can also support demand, competitiveness and formalisation over time. For Rajasthan, the focus should therefore be on broadening the tax base, strengthening compliance, promoting value addition and encouraging growth in key sectors such as marble and granite, manufacturing, construction and tourism. A balanced combination of tax administration and economic development measures can help Rajasthan translate the structural reforms of GST 2.0 into sustainable revenue mobilisation and wider economic benefits.

Limitations

This study encompasses several inherent limitations that warrant acknowledgment:

- GST 2.0 is a recent reform and only nine months of post-reform data have been examined.
- The study does not account for informal economic activity operating outside the GST system, which may vary significantly across states.
- The study does not consider other economic variables such as per capita income, GDS, inflation that may influence GST collections

Scope for Further Research

Since GST 2.0 is a recent reform, its impact on GST revenue cannot be fully assessed in a short period. Future studies may use a longer period of data to examine the medium and long term impact of GST 2.0 on revenue collection in Rajasthan and India. With a longer study period, researchers can also examine whether the initial revenue trends continue or change over time.The impact of the recent GST 2.0 reforms still needs to be evaluated on a longer timeframe. The relationship between per capita income and per capita GST generation also warrants research.

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