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Role of GST 2.0 in Economic Development: A Study

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Abstract

Goods and Services Tax (GST) was first introduced in India in the year 2017. GST replaced various taxes of Central Government and State Government. GST 2.0 was implemented in the year 2025. Many essential goods are exempted from tax under GST 2.0. GST 2.0 significantly changed the consumption pattern of consumers. Under GST 1.0, basic essential items were exempted from tax; 5% rate was applicable for household goods and packaged foods; 12% rate was applicable for processed foods, computers; 18% rate was applicable for telecom services, banking services; 28% rate was applicable for luxury and consumer durables. Under GST 2.0, daily food staples, basic educational stationeries, are exempted from tax; 5% rate is applicable for common essentials; 18% rate is applicable for electronic goods, small cars; 40% rate is applicable for luxury and sin goods. GST 2.0 emphasize on the development of various sectors such as insurance, renewable energy, food, agriculture, wood, health and education. GST 2.0 restructure indirect tax system to maintain fiscal balance. Many consumers are not aware about GST 2.0. Many businessmen have inadequate knowledge on GST 2.0. In this paper, an attempt has been made to find out the role of GST 2.0 in economic development.

***Keywords**: GST, GST 2.0, Tax, Goods, Sector.*

Introduction

Goods and Services Tax (GST) was first implemented in the year 2017. GST 2.0 was implemented in the year 2025. Under GST 1.0, essential goods such as milk, bread, vegetables, fresh fruits were exempted from tax; 5% rate was applicable for edible oil, sugar, tea, spices, coal, packaged food; 12% rate was applicable for fruit juices, computers, processed food; 18% rate was applicable for cosmetics, hair oil, tooth paste, banking services, telecom services; 28% rate was applicable for air conditioners, automobiles, tobacco. Under GST 2.0, milk, roti, paneer, pencils, exercise books are exempted from tax; 5% rate is applicable for butter, ghee, dry fruits, tooth paste, soap, fertilizers; 18% rate is applicable for air conditioners, televisions, cement, motor cycles, small cars; 40% rate is applicable for luxury and sin goods. Lower rates of GST 2.0 has enhanced purchasing capacity of consumers. GST subsumed several taxes like central sales tax, service tax, value added tax, entertainment tax, purchase tax. GST 2.0 enhance ease of doing business. Small businesses face difficulties to comply with GST 2.0 due to inadequate infrastructure.

Literature Review

GST subsumed multiple indirect taxes of the country. GST 2.0 focus on technological upgrades and rate rationalization. Pre-GST period was based on several central and state taxes. Post – GST period is based on digitized compliance process. GST 2.0 focus on ease of doing business rather than revenue maximization (Pandey et al., 2026). Implementation of GST is a remarkable step to reform indirect taxation system in India. GST shall provide positive effects in long run. Introduction of GST will support to create a common national market. GST will provide world class tax system to India. GST will reduce tax evasion and corruption by introducing electronic processing system regarding tax payments and refunds (Kumar, 2018). GST was introduced with a view to restructure the tax system. GST subsumed various central and state indirect taxes such as service tax, excise duty, VAT. GST simplify tax system by eliminating cascading effect of taxes. GST support the enhancement of doing business. GST was implemented in the year 2017. 40% rate is applicable for sin and luxury goods (Jaimol and George, 2025). GST replaces several taxes such as VAT, entertainment tax, central excise duty, luxury tax, purchase tax, service tax (Pushpa, 2025). GST 2.0 support various sectors like textile, insurance, FMCG. GST 2.0 has adverse effects on luxury goods and sin goods. Consumers are benefitted due to lower prices of essential goods under GST 2.0 (Bhardwaj, 2025). Before September 2025, GST used five slabs i.e. 0%, 5%, 12%, 18%, 28%. After September 2025, under GST rules, 5% merit rate is applicable to essential goods. 40% rate is applicable to super luxury items and sin goods (Lekha Prasath, 2026). The GST council decided to simplify the five slabs GST structure in its 56th meeting. GST council recommended for three slab structure i.e. 5%, 18% and 40%. GST has remarkable impact on pharma and health care sector, insurance sector, agriculture sector, tourism sector, automobile sector, real estate sector (Ganesh, 2025). GST supports uniform taxation system. Consumer get benefit by purchasing products from small retailers due to the implementation of GST. Registration under GST requires various documents such as Adhaar card, PAN, digital signature, business registration proof, address proof of the business place, statement of bank account (Nithya and Usha, 2021). GST council should arrange awareness programme to enhance awareness among customers about GST. Customers believe that GST shall have positive impact on the economy of India (Vengatesan, 2022). GST 2.0 introduced 40% tax rate on luxury and sin goods. GST 2.0 emphasizes on digitalization for GST compliance. GST 2.0 has significant impact on consumer goods sector, MSME sector, automobile sector (Kumar, 2025). GST has replaced several taxes such as central excise duty, service tax, central sales tax, value added tax, purchase tax, luxury tax, entry tax, entertainment tax (Nanasaheb and Changdeo, 2025). The objective of GST is to reduce the burden of compliance on businesses by simplifying the indirect tax system. The GST in India is based on four slabs i.e. 5%, 12%, 18%, 28% (Bhat, 2019). GST has remarkable impact on paper sector, leather sector, handicraft sector, health sector, tobacco sector, food secstor (Naik et al., 2025). GST 2.0 has brought significant changes in price of essential goods. Some consumers are aware about GST 2.0 while others have inadequate knowledge (Shanbhogue et al., 2025). GST has positive impact on several goods such as kitchenware, coffee, packaged paneer, tractors, medical equipments, small cars, life insurance and health insurance premium (Govindasamy and Srinidhi, 2025). GST 2.0 has remarkable effects on agriculture, consumer durables, automobile, real estate. GST 2.0 has positive impact on disposable incomes for households (Uttamsagar, 2025). Proper implementation of GST 2.0 can enhance ease of doing business. MSMEs requires digital support to comply with GST 2.0 (Nirmala Kumari, 2025). GST is a reform of tax structure for the benefit of the consumer. GST improve compliance by removing multiple taxes. Consumers spend less on essential goods due to lower tax rate of GST. GST 2.0 reduces compliance burden for businesses. GST emphasize on better compliance and ease of doing business (Sharma and Bansal, 2026).

Objectives of the Study

- To find out the impact of GST 2.0 on various sectors.
- To find out the role of GST 2.0 in economic development.

Methodology and Data Analysis

Primary data collected from 300 respondents in West Bengal. Questionnaire form is used for the purpose of data collection.

Gender

- Male : 57%
- Female : 43%

Age

- 20-30 years : 29%
- 31-40 years : 33%
- 41-50 years : 21%
- 51-60 years : 14%
- Above 60 years : 3%

The tax structure of GST 1.0 were more complicated than GST 2.0. The prices of goods are reduced in GST 2.0. The rates of essential goods under GST 2.0 has reduced significantly in comparison to GST 1.0. Consumption ability of customers have increased under GST 2.0 remarkably for reduction in prices of essential goods. GST 2.0 has made insurance affordable for everyone as the premiums of life and health are tax free. Many people are not aware about GST 2.0. The awareness of consumers on GST 2.0 is inadequate. The GST authority should take appropriate steps to train both tax officials and businessmen for proper implementation of GST 2.0. Authority should arrange training programme for both businessmen and tax officials for effective implementation of GST 2.0. GST 2.0 has reduced the compliance burden of businesses. MSMEs suffer for lack of digital infrastructure. MSMEs face difficulties regarding compliance as they have inadequate digital infrastructure. In food sector, ultra high temperature milk, roti, chapatti, paratha, fresh fruits, pre-packaged paneer are exempted from tax. Under GST 2.0, the rates has reduced at 5% on many goods such as butter, ghee, cheese, jams, namkeens, chocolates. In renewable energy industry rates are reduced at 5% for many items such as solar water heater, solar cooker. In wood industry, rates are reduced from 12% to 5% on many items such as jute particle board, rice husk board, packing cases, wooden tools. In agriculture sector, rates are reduced from 12% to 5% on many items such as tractor, hand pumps, hand propelled vehicles. In health sector, rates are reduced from 12% to 5% on many goods such as medical grade oxygen, diagnostic kits, surgical rubber gloves. In education sector, rates are reduced for many goods. Maps crayons, exercise books are exempted from tax. GST 2.0 has made GST return filing easier in comparison to GST 1.0. Tax refund procedures under GST 2.0 are faster than GST 1.0. In transportation industry, the rates under GST 2.0 are reduced from 28% to 18% on many items such as commercial motor vehicles, road tractors, three wheeler vehicles. Under GST 2.0, 40% rated is applicable to luxury and sin goods. The higher rates of 40% under GST 2.0 help to maintain fiscal balance.

		Agree	**Disagree**
1.	The tax structure of GST 2.0 is more simple than GST 1.0	93%	07%
2.	Consumption capacity of customers have increased under GST 2.0	86%	14%
3.	GST 2.0 has made insurance affordable for everyone.	95%	05%
4.	The awareness of consumers on GST 2.0 is inadequate.	78%	22%
5.	GST Authority should arrange training programme for both tax officials and businessmen for proper implementation of GST 2.0	63%	37%
6.	GST 2.0 has reduced the compliance burden of businesses.	83%	17%
7.	MSMEs face difficulties regarding compliance under GST 2.0 for inadequate digital infrastructure.	92%	08%
8.	GST 2.0 has positive impact on following sectors:		
	Food	93%	07%
	Renewable Energy	65%	35%
	Wood	83%	17%
	Agriculture	86%	14%
	Health	68%	32%
	Education	76%	24%
	Transport	78%	22%
9.	GST 2.0 has made GST return filing easier in comparison to GST 1.0	58%	42%
10.	Tax refund procedures under GST 2.0 are faster in comparison to GST 1.0	87%	13%
11.	40% rates on luxury and sin goods under GST 2.0 help to maintain fiscal balance.	61%	39%

Conclusion

GST 2.0 has brought significant changes in consumption pattern of the consumers. GST 2.0 supports the development of various sectors such as insurance, food, renewable energy, wood, agriculture, health, education. GST 2.0 has brought remarkable changes in the tax structure of India. Under GST 2.0, lower rates are applicable to essential goods whereas higher rates are applicable to luxury and sin goods to maintain fiscal balance. GST 2.0 aims at economic development by simplifying the indirect tax systems. GST 2.0 has made insurance affordable for every citizen of India. Many consumers have lack of knowledge about GST 2.0. The GST authority should take necessary steps to increase awareness among consumers and businessmen. GST 2.0 plays vital role in economic development of India.

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