



A Study on GST 2.0: Impact on Businesses and Consumers

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Abstract

The shift of Goods and Services Tax (GST) 2.0 in September 2025 plays a vital role in India's fiscal strategy. The reforms aim to reduce the "tax on tax" effect by consolidation previous tax slab structure into simplified two slab systems (5% and 18%) and enhance the ease of doing business. This paper examines the important changes introduced by the 56th GST Council and their impact on business operations and consumer purchasing power. The over cover of GST 2.0, a comparison of the GST slab rates, and some implementation challenges are all covered in detail in the paper.

I. Introduction

Purpose of the Study

The primary purpose of this research is to study the implications of the GST 2.0 reforms on business and consumers. The research intends to:

- Evaluate how the change or shift of tax slabs affects business operations.
- Assess the extent of price relief passed on to the consumers for essential commodities.
- Identify the challenges in digital compliance and infrastructure for small-scale enterprises.

Background: The Transition to GST 2.0

The GST 2.0 was launched on September 22, 2025. Its aim is to fix the revenue structure that affected immensely on sectors like textiles, fertilizers, and commodities. The objective of this transition is to increase the purchasing power in the economy. By the reclassification of slab rates of products such as cement and automobiles from 28% to 18%, and daily essentials to 5%, it emphasizes a gradual growth in consumer spendings.

Research Methodology

This research is a descriptive and analytical study based on a mix of secondary data sources.

- Population Size

The study covers entire Indian economy, including 63 million of MSMEs and the 1.4 billion of consumer base.

- Sample Size

The sample is selected from sources, including the 56th GST Council Meeting Report (September 2025), macroeconomic outlooks from SBI Research, and research journals published by Bhardwaj (2025) and Gandhi (2025). These sources provide the necessary information about the impact of GST 2.0 on consumers and businesses.

- Tools and Techniques

- 1) Comparative Analysis: *Pre - Post reform tax slab comparison.*

This research provides a comparative study of transition in tax slab rates under the GST 2.0 system. By reclassifying goods such as processed food, toiletries, daily essentials, and farming inputs, the original slab rates of 28% and 18% were reduced to new slab rates 18% and 5%. This shift stimulates demand and lowers inflation by introducing the concept of the 'Affordability Dividend'.

- 2) Sector - Wise Analysis: *Analyzing sectors such as FMCG, Insurance, and MSME.*

This study provides reforms that have a key impact on industries. In the FMCG sector, it examines how tax reductions on dairy and packaged food boost demand volumes and enhance affordability. In the Insurance sector, the study highlights how financial protection is strengthened by exempting GST on health and life premiums. Finally, for MSMEs, the reform focuses on simplifying tax compliance, increasing cash flows and the easing the operational burden, turning taxation into an enabler rather than a barrier for MSME growth.

- 3) Expert Opinions: *Reviewing expert commentary on "GST 2.0" from the uploaded journals.*

This section provides reviews and industry reports



on “GST 2.0” based on expert’s perspective. (E.g., Bhardwaj, 2025; Gandhi, 2025). The analysis provides a comprehensive view of the reform's citizen focused approach identifying critical success factors such as, the implementation of the '7-Step Consumer Benefit Protocol' and highlighting digital infrastructure gaps in rural areas."

II. Findings

Impact on Businesses

1. Compliance Simplification: The merger of the 12% and 18% slabs has significantly reduced classification problems as the businesses no longer struggle with the application of tax rates, specifically for their products.
2. Working Capital Liquidity: Faster processing of Input Tax Credit (ITC) and the removal of inverted duties in the textile sector (fibre reduced from 18% to 5%) have paved way for smooth cash flows for the MSMEs.
3. Digital Transformation: Regular system upgradation, accurate Reconciliation of

Reports, and proactive supplier coordination will help businesses to adapt smoothly and reduce compliance friction under new regime.

Impact on Consumers

1. Essential Relief: Essentials, life-saving drugs, medical oxygen, and household items has been reduced 18% to 5%, leading to price reduction and increasing disposable income.
2. Automobiles Sector Relief: The reduction in GST on two-wheelers ($\leq 350\text{cc}$), small cars, buses, trucks, three wheelers and auto parts from 28% to 18% has reduced cost for consumers and increased accessibility.
3. Housing S Infrastructure: The GST cut on cement (28% to 18%), marble, granite, and other building materials (12% to 5%) has made housing sector and infrastructure projects more affordable.
4. Overall Consumer Relief : The GST rates cut broadly reduce monthly expenses and increase the purchasing power.

III. Results and Discussion

Sectoral Performance

SECTOR	PREVIOUS RATE	NEW RATE (2.0)	IMPACT
FMCG (Daily Use)	18%	5%	Improves Market Demand
Consumer Durables	28%	18%	Increased Affordability
Healthcare	12% / 18%	5% / Nil	Improved Access to Healthcare
Luxury / Sin Goods	28% + Cess	40%	Revenue Neutrality

Discussions :

The tax drop of FMCG (13%) and Durables (10%), ensures consumer benefits but may impact on the corporate profits margin. It directly affects the cost of distribution and overall manufacturing. The revenue loss is neutralized by increasing the tax rate on Luxury/ Sin Goods (40%), thus maintaining the balanced flow of money in the country. Furthermore, the GST 2.0 regime views the healthcare services as fundamental rights rather than taxable aspect.

IV. Conclusion

The implementation of GST 2.0 represents one of the most important steps for the country's economic integration and has established the system of “ ONE NATION , ONE MARKET”. Recent

measures to strengthen the GST framework will provide additional development to the economy. The GST 2.0 aims to simplify taxation and reduce the financial burden on households, businesses, and overall consumers, bringing benefits and driving economic growth.

Recommendations

1. Strengthen Enforcement: The National Anti-Profitteering Authority must ensure that big brands pass the tax savings to every consumer.
2. Include Excluded Sectors: To truly achieve "One Nation, One Tax," future policies and reforms must aim to bring Petroleum and Electricity under the GST view.
3. Digital Literacy: Massive training programs for rural MSMEs are essential to connect



the digital division in GST filing.

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