Aryavart Journal of Multidisciplinary Research
(NATIONAL PEER REVIEWED E-RESEARCH JOURNAL)
E-ISSN 3107-6009

GST 2.0: A Game Changer for Indian Economy

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ABSTRACT

The Indian government recently made changes to GST, which was implemented across India in 2017. This will accelerate the Indian economy in the future. GST was introduced in India in 2017, eliminating all indirect taxes. Even after the introduction of GST, many flaws were found. Recently, the Indian government made several changes to GST. Previously, GST had four slab rates (5%, 12%, 18%, and 28%), which have now been reduced to three slab rates (5%, 12%, and 40%). The various cesses previously levied under GST have been removed. Input tax credit will also be available immediately, eliminating the hassle of businesses seeking credit.

GST 2.0 will bring benefits to all sectors in the future becauseNow this time the government has paid attention to every sector so that there is growth in every sector. Education and health are the rights of the general public. Exemptions to formal education under GST have been granted, leading to development in the education sector. Similarly, GST rates have been reduced in the health sector, benefiting the common citizen. In the coming times, the new regime will reduce inflation in India, and people will consume more, leading to growth in our economy. Savings of ordinary citizens will increase, enabling them to invest. GST changes have been made for every sector, making GST 2.0 a game-changer for India's economy.

KEYWORDS

Government, Economy, GST, MSMEs, GST2.0, Input tax credit, New regime, growth.

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Journal of Multidisciplinary Research

INTRODUCTION

The idea of implementing GST in India was first mooted in 2000 by Atal Bihari Vajpayee, the then Prime Minister. Subsequently, proposals were introduced several times to implement GST in the country, but Parliament failed to reach consensus. In August 2016, the Lok Sabha and Rajya Sabha passed this proposal. A comprehensive GST framework was prepared under the chairmanship of the Finance Minister, and on July 1, 2017, Prime Minister Narendra Modi and President Pranab Mukherjee implemented GST nationwide, marking a major tax reform in independent India. GST replaced numerous indirect taxes with a uniform single tax structure. GST eliminated the cascading effect and simplified the tax system through digitalization. It has significantly improved India's journey towards becoming a modern and globally competitive economy.

NEGATIVE ASPECTS OF GST 1.0

1).Increased rates on goods: Higher rates were applied to some goods, even higher than the old tax system.

2).Economic disruption: Some businesses initially found it difficult to adapt to the new system, leading to a slowdown in business.
3).Compliance burden: Businesses, especially small and medium enterprises (SMEs), faced a significant burden of filing multiple tax returns and meeting strict deadlines, which increased administrative costs.
4).Complexity: Different tax rates like(5%,12%,18%,28%)and complex rules made GST difficult for small businesses to understand.
5).Negative impact on real estate and insurance: The implementation of GST increased the cost of real estate and insurance premiums, leading to a significant slowdown in these sectors.

INTRODUCTION OF GST2.0

It was passed at the 56th GST Council meeting held on September 3, 2025.
Under GST 2.0, the previous four rates—5%, 12%, 18%, and 28%—have now been reduced to three main categories:
5% or less: Essential goods
18%: Standard rate
40%: Luxury and sin goods (tobacco, alcohol, etc.)

Household goods, toiletries, small appliances, etc. have been brought under lower tax rates. The main objective is to simplify and streamline the GST system and boost the Indian economy.

GST Reforms
for Commerce and Trade Industry

Sector/Products	Old GST Rate	New GST Rate
Cartons, Boxes and Cases of Corrugated/ Non-Corrugated Paper or Paper Boards	12%	5%
Paper pulp moulded trays	12%	5%
Chamois leather and composition leather with a basis of leather or leather fibre	12%	5%
Leather after tanning/crusting	12%	5%
Footwear (≤ ₹2,500 per pair)	12%	5%
Supply of job work in relation to hides, skins and leather falling under Chapter 41	12%	5%
Rice husk/glassfibre reinforced gypsum/ cement bonded particle/jute particle/ bagasse/sisal fibre boards	12%	5%
Sheets for veneering, bamboo flooring, casks, barrels, vats, tubs of wood.	12%	5%
Idols (wood, stone, metals)	12%	5%
Paintings, drawings and original engravings	12%	5%
Handcrafted candles, carved wood products, handbags including pouches and purses	12%	5%
Stone art ware, stone inlay work, tableware and kitchenware of clay and terracotta	12%	5%
Glass statutes, artware of iron, aluminium, brass/copper	12%	5%
Commercial goods vehicles (trucks, delivery vans)	28%	18%
Prepared/preserved vegetables, fruits, nuts	12%	5%
Man-made fibres (MMF)	18%	5%
Man-made yarns	12%	5%
Toys and sports goods	12%	5%

Source: Ministry of Commerce and Industry

The Government has introduced a simplified GST structure for trade and commerce.Essential industries such as **leather, footwear, paper, textiles, handicrafts, toys, packaging, and logistics** have been covered under this reform. The aim is to boost the present businesses and

GST Rate Cuts

To Make Healthcare and Nutrition Affordable

Sector / Product	Old GST Rate	New GST Rate
Drugs & Medicines	12%	5% / Nil GST
Bio-medical waste treatment services	12%	5%
Pharma Job Work (formulations, APIs, packaging, etc.)	12%	5%
Medical Devices & Equipment (anaesthetics, oxygen, diagnostic kits, bandages, thermometers, etc.)	12%	5%
Tobacco & related products	28%	40%
Spectacles, Contact Lenses, Spectacle Lenses	12%	5%
UHT Milk	5%	Nil (Exempted)
Paneer (branded/unbranded)	5%	Nil (Exempted)
Dry Fruits (almonds, hazelnuts, dates, figs, etc.)	12%	5%
Diabetic Foods	12%	5%
Prepared/Preserved Fish	12%	5%
Fruit pulp / fruit juice based drinks	12%	5%
Milk-based Beverages	12%	5%
Gyms / Fitness Centres	18%	5%

Source: Ministry of Finance

Startups and incentivisethe youth to enter into businesses and initiate startups. The reform aims to reduce the costs for consumers and ease for compliance for traders.

In GST 2.0 the health care sector and nutritional products are also simplified in new regime and product which are harmful for health are considered in high tax rate (40%).
The aim is to boost the medical sector and insurance sector and also support the backward class people in buying the product by giving rebate in tax rate.

How GST 2.0 Help To Accelerate the Indian Economy

Due to the lower slab rates, customers will make more purchases, which will boost our economy.
GST 2.0 has three slabs:
1.5%
2.12%
3.40%

In which, items used in everyday life (such as toothpaste, soap, shampoo, ghee, butter, utensils, etc.) have been placed in the 5% slab, providing relief to people on essential items. The government has also provided relief on agricultural products, which will benefit farmers.

There will be no GST on health, education, and nutrition, which will lead to growth in these sectors in the future, boosting our economy. MSMEs will now receive an immediate 90% return, which will also encourage new startups. In essence, GST 2.0 will not only boost our economy but will also open up employment opportunities for youth in the country and increase investment from other countries.

Benefits we get from GST2.0 In Future

1.Reduce the prices:

GST 2.0 has three slab rates: 5%, 12%, and 40%.

Additionally, several cesses have been removed, making GST even simpler and more effective. The implementation of GST 2.0 will result in a decline in prices for many commodities.

2.Reduce in cost of Production

Lower tax rates will lead to increased production, as raw materials will be available at lower prices, increasing profits and making it easier to avail input tax credit.

3.Increase in consumption

Due to reduction in slab rates, goods will be available at lower prices, which will lead to more purchases by customers and will boost our economy.

4. Boost For MSME

Lower input costs due to lower GST rates on materials like cement and auto parts enhance the competitiveness of micro, small, and medium enterprises (MSMEs), fostering entrepreneurship.

5.Fiscal prudence

A more expansive tax base and conceivably taller overall accumulations in the medium term, in spite of lower rates, help unending monetary security for states and the main management.

6.Savings and Investment Increase

Due to lower tax rates, customers will have to pay less tax, which will lead to savings and open up new avenues for investment.

7.Inflation rate will decrease

As a GST rate is cut down so the Inflation in the market will be reduced and it is easy for the consumers to buy the goods at a lower price. They will consume more goods so automatically There will be rise in GDP growth.

CONCLUSION

As per above we discussed I believe that GST 2.0 will prove to be a game changer for us. Our Indian economy will grow and our economy will become stronger. The common man will get goods at reasonable prices and they will also be able to save the money. New investment avenues will open up. The health and education sectors will touch new heights because there will be no GST on formal education .Byrationalising rates across diverse industries, the government has not only eased the cost of living but also fostered new opportunities for startups, MSMEs, and job seekers.Every sector will see growth in the coming years and according to me, this new regime

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E-ISSN 3107-6009

will really a game changer for our Indian Economy and alsohelp us toAchieve our objective to become 5 trillion GDP Nation.

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