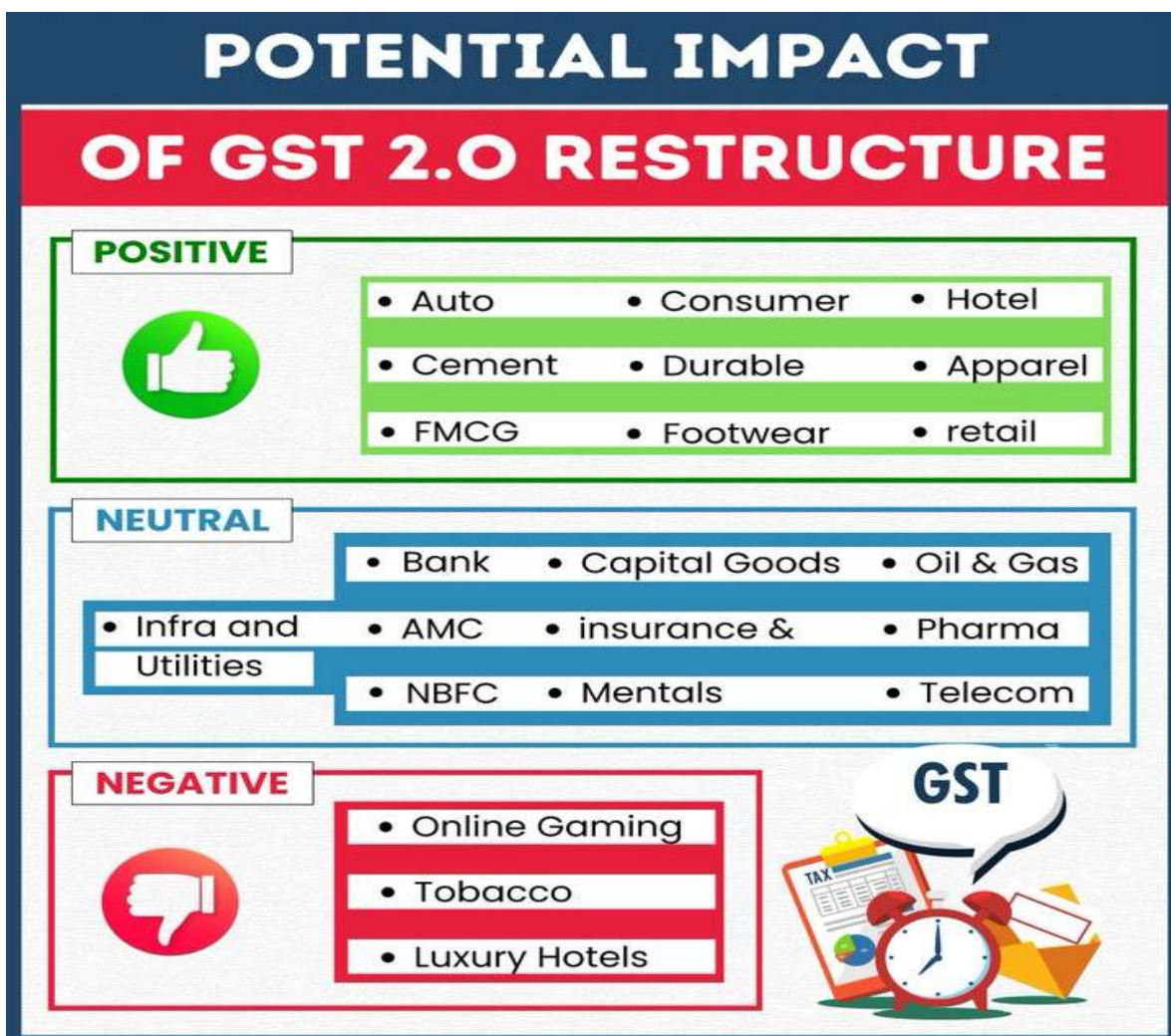


GST 2.0 Explained

The Future of Taxation in India









Context:

- **Eight years** after the rollout of the **Goods and Services Tax (GST)**, **India** is set to witness what many are calling a “**GST 2.0**” moment.
- In his **79th Independence Day** address, **Prime Minister Narendra Modi** underscored the urgency of “**next-generation GST reforms**,” promising a “**Diwali gift**” in the form of tax relief and simplification.
- The **government** has announced a series of structural reforms aimed at simplifying compliance, addressing long-standing industry pain points, and making the **tax regime more business-friendly**.

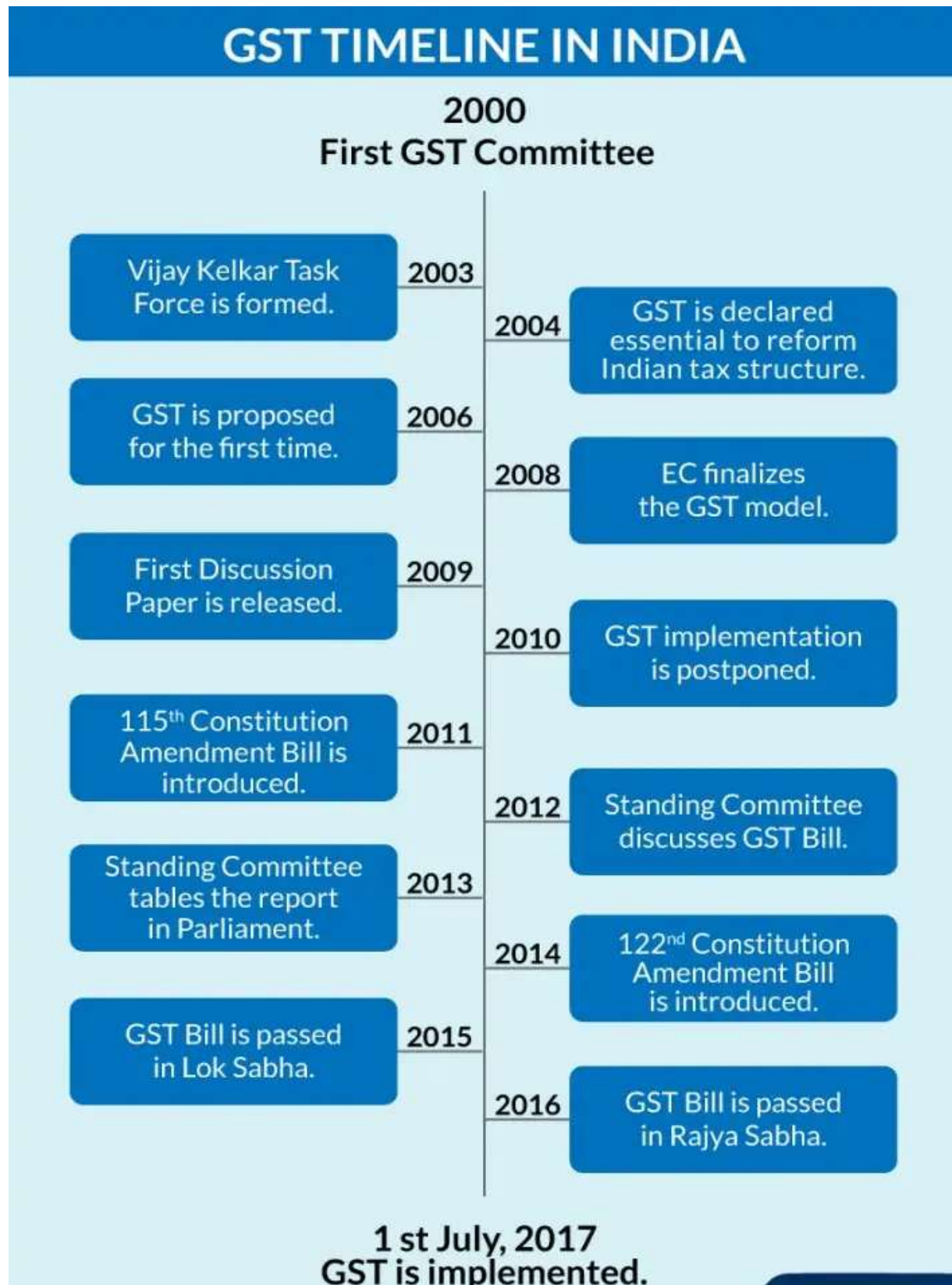


1. What is GST?

- **GST** was introduced in **July 2017** as a “**one nation, one tax**” system.
- It replaced a **complex web of central and state taxes**, aiming to **streamline taxation and boost transparency**.
- Currently, **GST operates under four main tax slabs**:

GST Rates for Goods		
NIL	0.25%	5%
		
Hulled Cereal Grains, Sanitary Napkins, etc	Cut & Semi-polished Stones	Sugar, Spices, Edible Oil, etc
12%	18%	28%
		
Computer Monitor, Spectacles, etc	Soaps, Hair Oil, etc	AC, Refrigerator, etc

2. Mention about the timeline of GST?



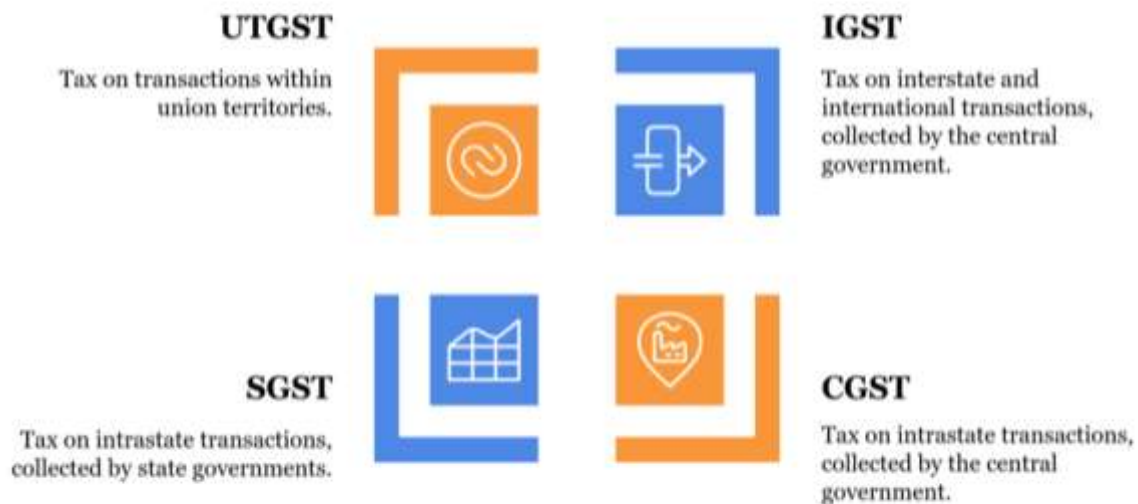
3. What are the taxes subsumed in GST?

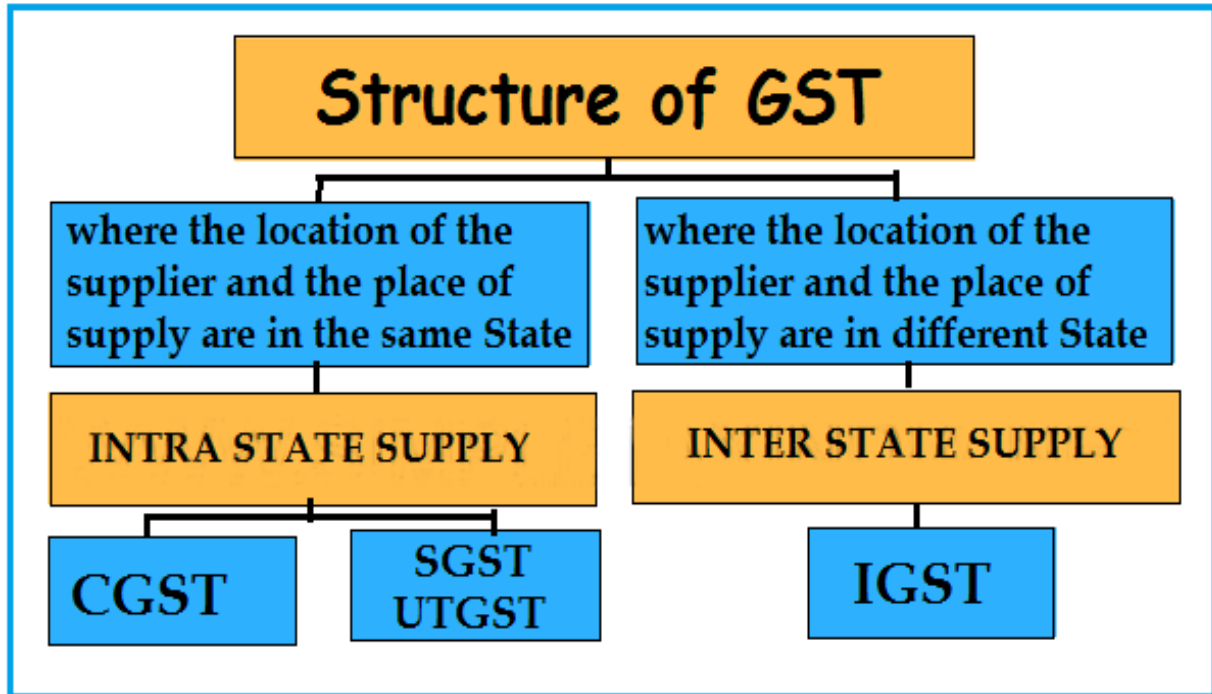
- India's **Goods and Services Tax (GST)** has brought a revolution to the tax system, **simplifying the process** and lightening the burden of multiple **taxes**.
- Taxes subsumed under GST are as follow:
 - **Central Excise Duty**
 - **Additional Excise Duty**
 - **Service Tax**
 - **Additional Custom Duty (Countervailing Duty)**
 - **Special Additional Duty of Customs (SAD)**
 - **Value Added Tax (VAT)**
 - **Central Sales Tax (CST)**
 - **Entry Tax**
 - **Luxury Tax**
 - **Entertainment Tax**
 - **Taxes on Lottery, Betting and Gambling**
 - **Octroi and Purchase Tax**



4. What is the structure of GST in India?

Structure of GST in India





5. Enlist salient features of GST in India?

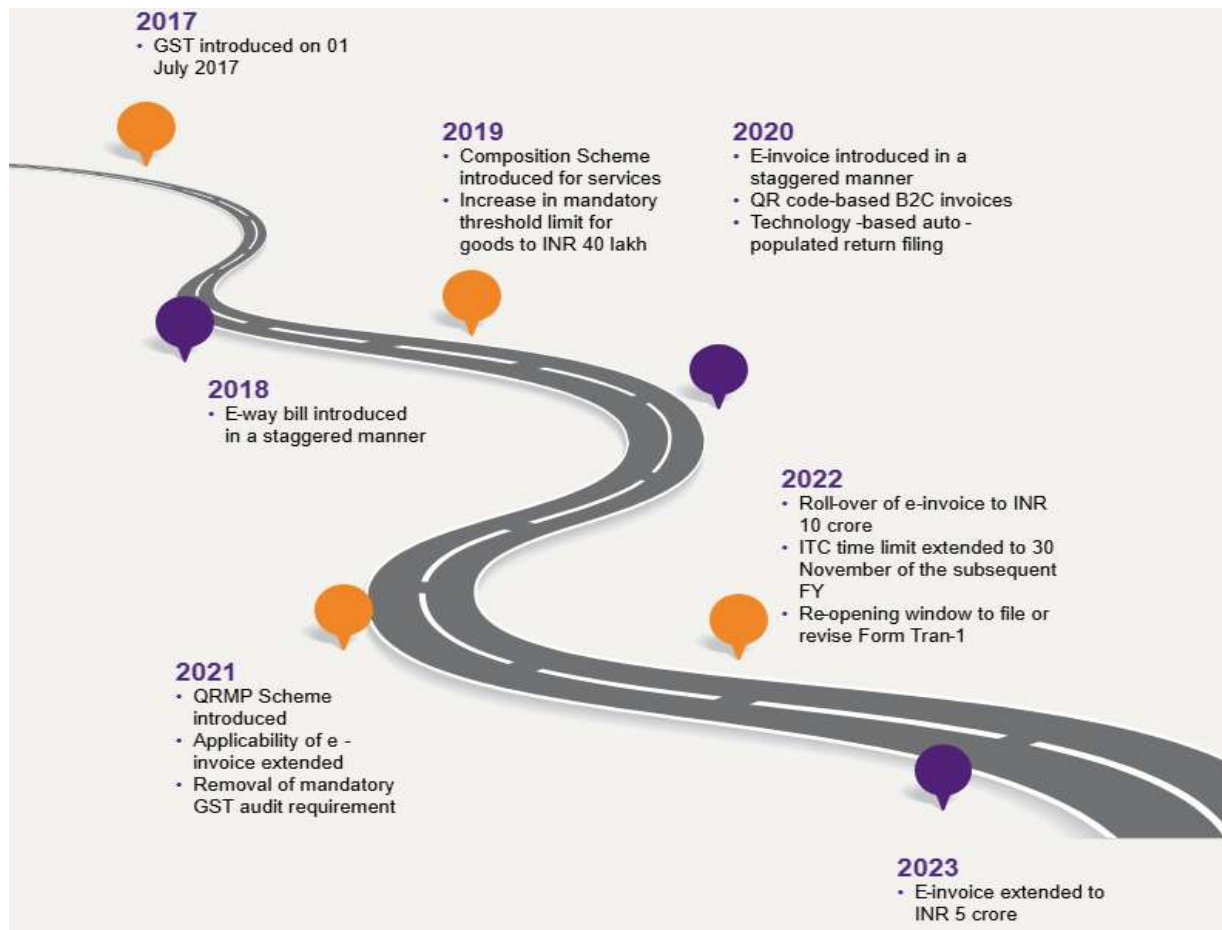
GST Features in India




6. Enlist key milestones of GST in the last 8 years?

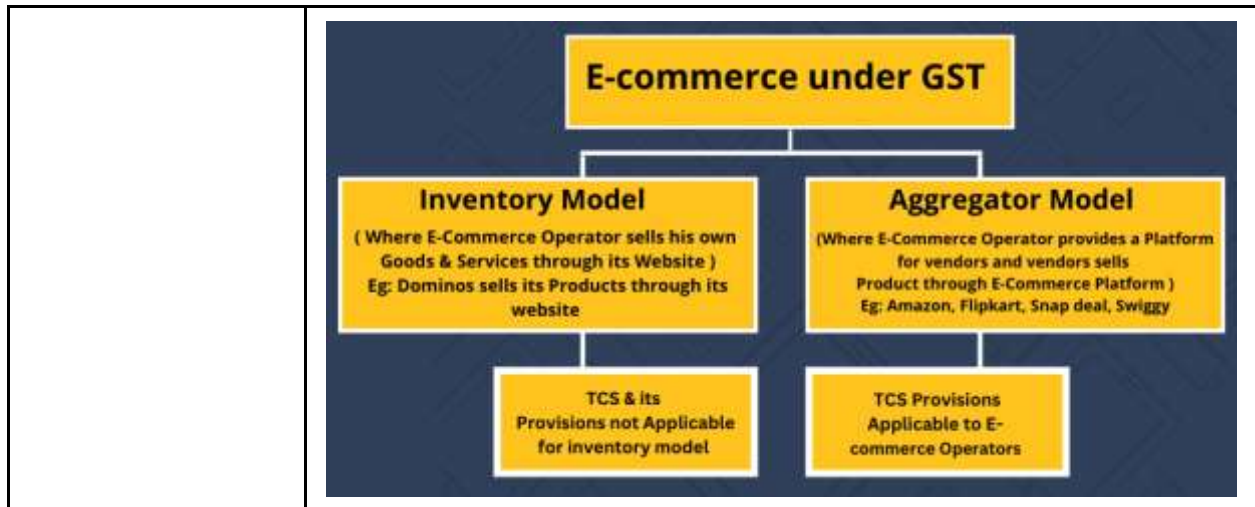
The trajectory

YEAR	KEY HIGHLIGHTS
2017	<ul style="list-style-type: none">• GST rolled out
2018	<ul style="list-style-type: none">• Initial teething issues, rate rationalisations begin, introduction of e-way bill
2019	<ul style="list-style-type: none">• Anti-profiteering focus
2020	<ul style="list-style-type: none">• Covid-19 disruption and introduction of e-invoice
2021	<ul style="list-style-type: none">• Covid-19 relief measures
2022	<ul style="list-style-type: none">• Tighter audits and input credit matching
2023	<ul style="list-style-type: none">• Audit and assessments related notices
2024	<ul style="list-style-type: none">• Focus on litigation reduction, amnesty scheme, credit reform signals
2025	<ul style="list-style-type: none">• GST 2.0 vision and \$4T economy milestone



Milestones	Description
A single tax regime	<ul style="list-style-type: none"> • GST facilitated the establishment of a single, integrated tax system for the country. • The GST mechanism replaced different indirect taxes and removed the cascading effect of taxes. • That, in turn, has helped businesses take advantage of smooth tax credits along the supply chain.
Broadening of tax base	<ul style="list-style-type: none"> • The GST system has broadened the tax base. • The regime incentivises various small companies to legalise their business.

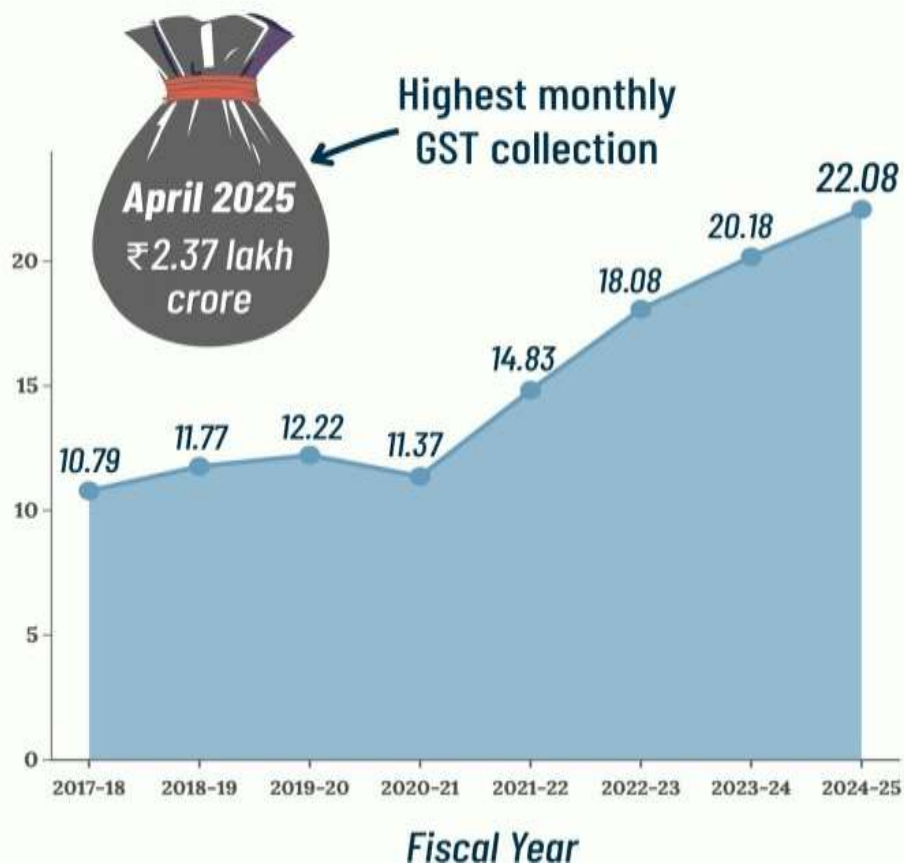
	<ul style="list-style-type: none"> Active GST registrants have increased from roughly 60 lakh in 2017 to over 1.51 crore by April 2025. Improved monitoring of transactions and stricter checks have lessened tax evasion cases and brought more business into the tax fold.
Technology integration	<ul style="list-style-type: none"> The GST system has integrated strong technological innovations. The taxpayers can electronically submit GST returns, make GST refund applications and pay GST.  <p>The diagram illustrates the technological milestones of the GST system over time, represented by a person running up a staircase of steps. The steps are numbered 1 through 8, corresponding to the following milestones:</p> <ol style="list-style-type: none"> 1. July 2017 GST Establishment: GST Returns With Outward Data Transaction; ITC Reconciliation. 2. April 2018 E-Waybill Establishment: GST E-Waybill to Be Generated For Notified Transactions Prior to Dispatch of Goods. 3. 2019 Automated GST Refund Workflow: 4. October 2020 GST E-Invoice System Establishment: Businesses Above T.O. INR 500 Crores; B2B and Export Transactions; Digitally Signed Payload From Government on Real-time Basis (IRN, QR Code). 5. January 2021 Next Round of GST E-Invoice: Businesses Above T.O. INR 100 Crores; Auto Populate Feature for Returns. 6. October 2021 Dynamic QR For B2C Invoices: Invoices for Taxpayers With Turnover Above INR 500 Crores. 7. 2022: GST E-Invoice For Businesses Above T.O. INR 10 Crores. 8. August 2023: E-Invoice Limit For Businesses Above T.O. INR 5 Crores. <ul style="list-style-type: none"> Data analytics by the tax authorities has increased compliance and minimised tax evasion scope.
GST on e-commerce	<ul style="list-style-type: none"> Bringing e-commerce platforms under the GST regime has made things more accountable. It brings tax compliance to a segment that was not regulated earlier, making online transactions taxable as well.

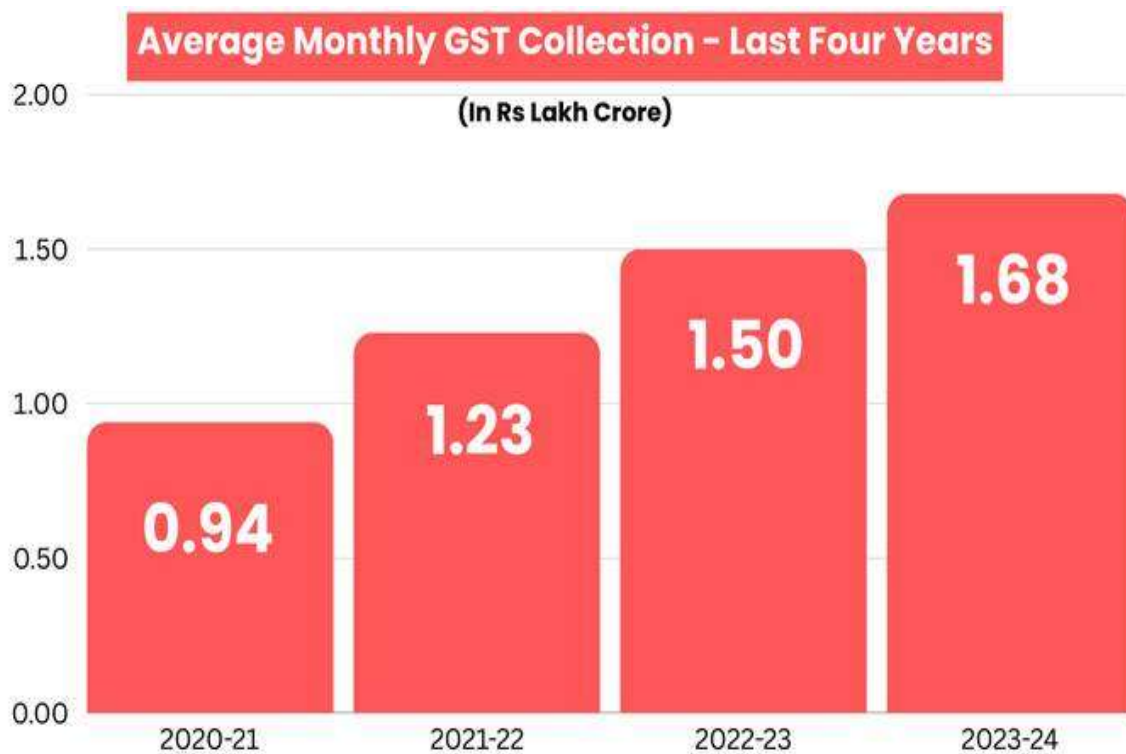
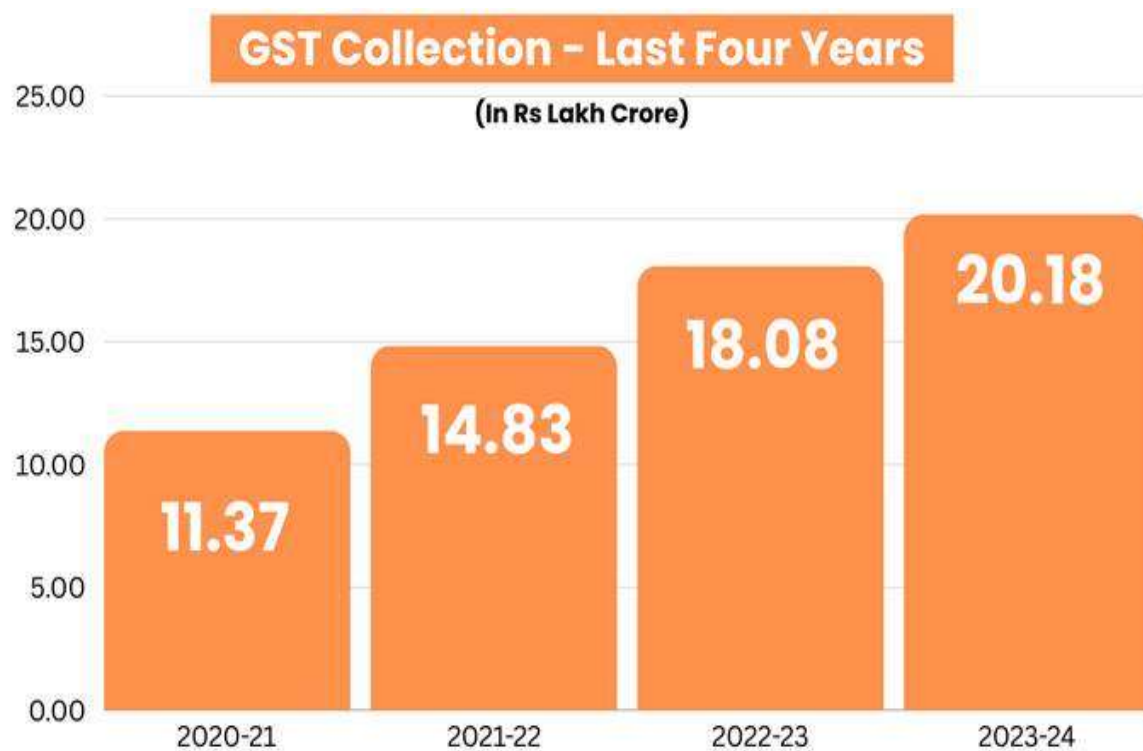


7. Mention about the fiscal impact of GST?

8 YEARS OF GST

A look at Gross GST Collections (in ₹ lakh crore)





8. Highlight key decisions of the GST Council?


- The **GST Council** governs India's indirect tax structure.
- The **GST Council** has played a **pivotal role** in shaping the evolution of GST in India.
- Some of the **key decisions over the last eight years** include:

Decisions	Description
Revision of GST rates	<ul style="list-style-type: none"> • The GST Council has regularly rationalised GST rates to streamline taxation. • For example, rates of taxation on basic goods, luxury products, and services have been realigned to achieve balance and fairness across industries.
Launch of composition scheme for services and QRMP scheme	<ul style="list-style-type: none"> • To help small enterprises, a composition scheme for service providers was launched by the GST Council, through which businesses of less than a prescribed limit may pay tax at a lower simplified rate, cutting compliance costs. • Introduction of QRMP scheme eased the burden of small taxpayers allowing quarterly return filing with monthly payments.
ITC adjustments	<ul style="list-style-type: none"> • Input tax credit reforms enabled companies to offset tax payables through credits on taxes incurred on inputs to lower the overall tax outgo.
Implementation of e-way bill and e-invoicing	<ul style="list-style-type: none"> • The launch of e-way bills and e-invoicing systems was a major move towards checking evasion of tax.

	<ul style="list-style-type: none"> • These systems necessitates the creation of a GSTN-verified electronic invoices and way bills for genuineness of ITC and movement of goods respectively. • It encouraged claiming of precise amounts of ITC and improved tracking of goods movement throughout India.
Amnesty scheme for appeals	<ul style="list-style-type: none"> • Taxpayers could file appeals against demand orders beyond the timelines defined under the law under the amnesty scheme.



9. What PM Modi Said On 79th Independence Day?



**NARENDRA
MODI**

**PRIME
MINISTER**

79TH INDEPENDENCE DAY

- **It's Time To Make Changes To GST Laws, Announcement Will Be Made Before Diwali**
- **We are launching Rs 1 lakh crore, Pradhan Mantri Viksit Bharat Employment scheme today**

- During his Independence Day speech, **Prime Minister Narendra Modi** gave the first **strong signal** about **GST reforms**.
- He called the changes a “**double Diwali gift**”, promising that the new tax structure would:
 - **Simplify the slab system** by **reducing the number of rates**.
 - **Lighten the tax burden** on households and businesses.
 - **Boost demand** in sectors like **autos, appliances, and insurance**.
- This set the tone for what is now being described as **GST 2.0** , a reset that **aims to make taxes easier for both businesses and consumers**.

10. What is changing under GST 2.0?

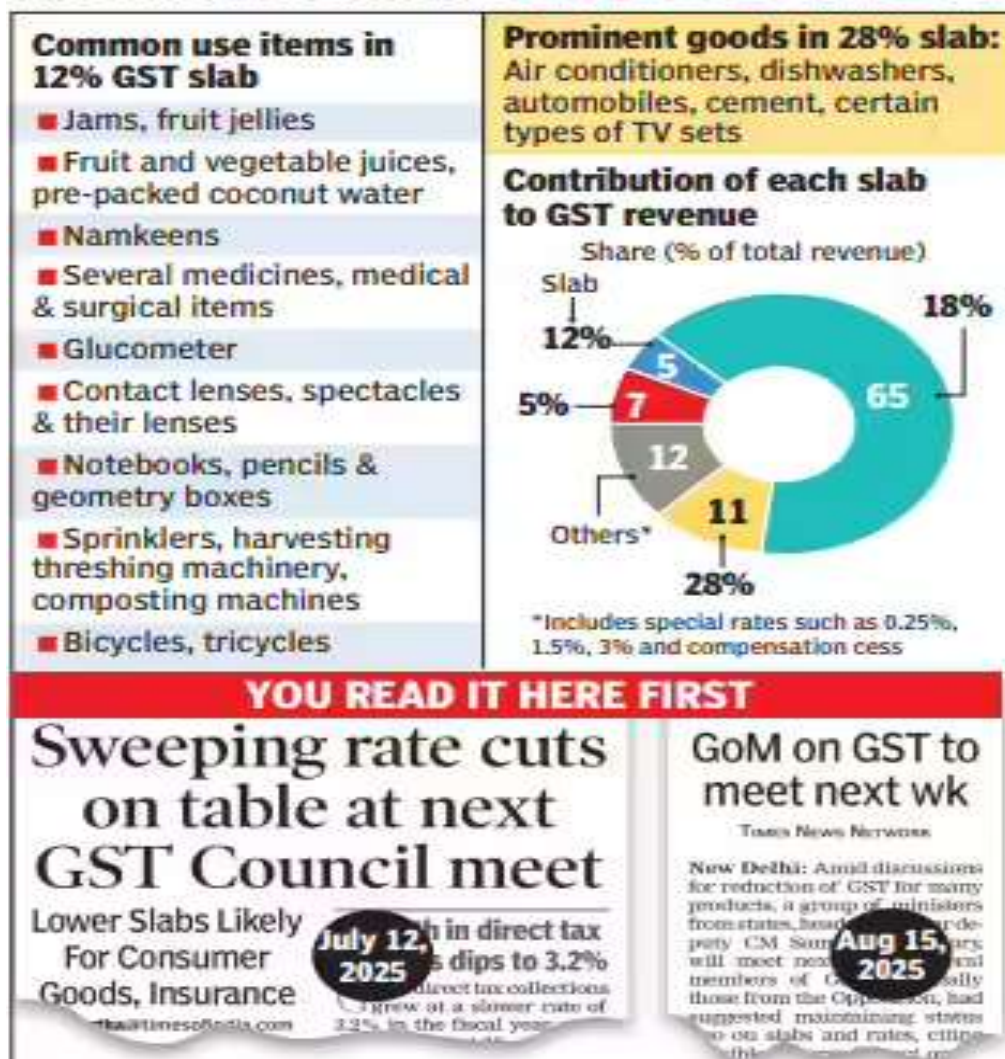
Indirect tax overhaul

Changes to the current structure will be taken up by the GST Council



- Under the new plan, the government is set to **merge the four slabs into two** main categories with an **additional “sin tax” bracket**:
 - **5% slab** — for essential goods.
 - **18% slab** – for most other goods and services.
 - **40% slab** – for luxury and sin goods such as tobacco, alcohol, betting, and online gaming.
- This consolidation is **expected to make tax compliance easier** and also **reduce prices** on many items currently taxed at **12% or 28%**.

LOOKING TO MAKE LIFE LESS TAXING



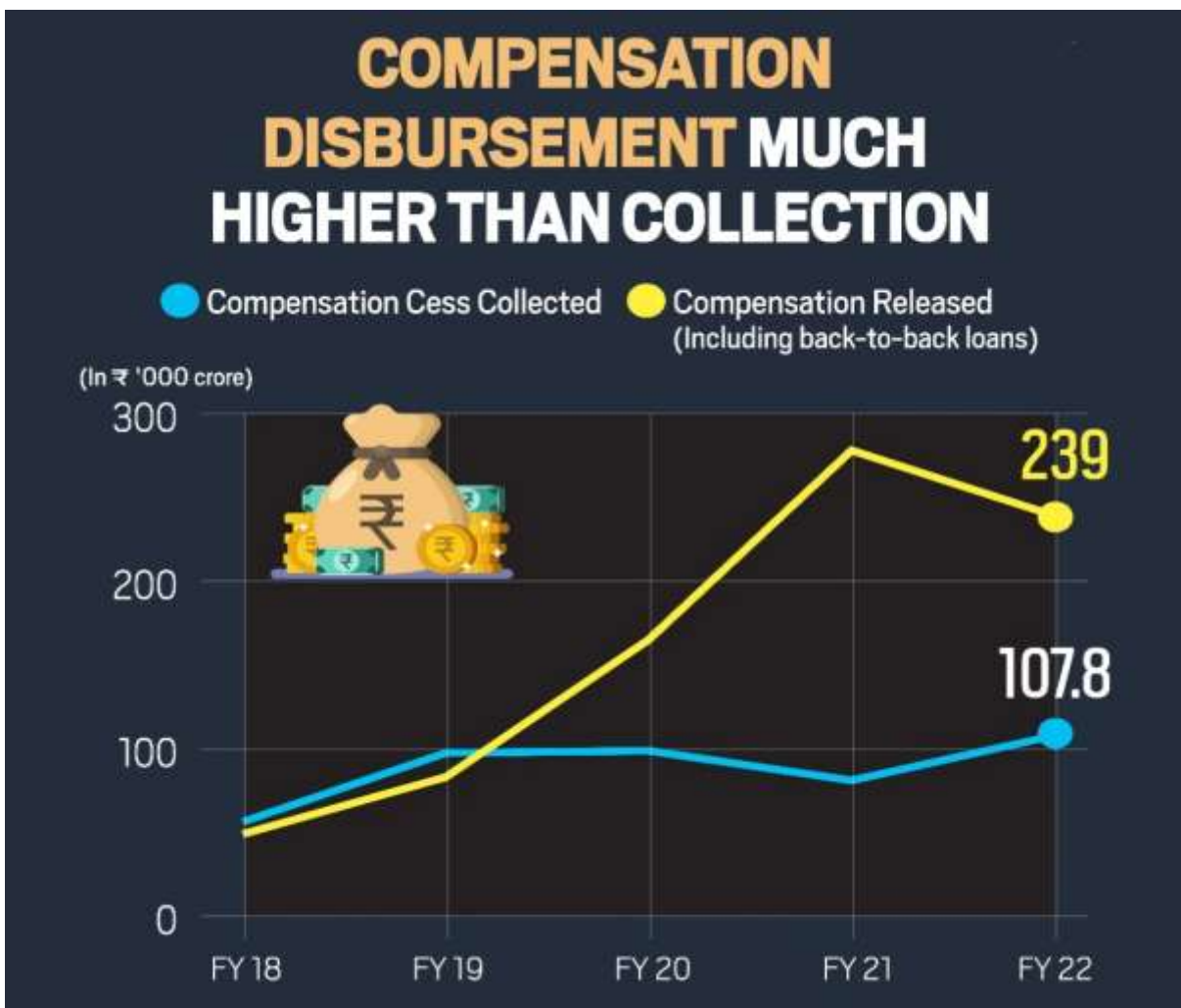
11. Why India needs next-generation GST Reforms?

Need	Description
The SME and MSME Challenge	<ul style="list-style-type: none"> Although GST was a game-changer for bigger companies, it caused problems to SMEs in meeting compliance under the new system. Small business owners were not equipped to meet the stringent filing procedures and technological requirements of the GST regime.

	<ul style="list-style-type: none"> • Despite digitalization, small enterprises, particularly in semi-urban and rural areas, face difficulties in navigating GST software and filing requirements.
Revenue shortfalls	<ul style="list-style-type: none"> • Despite being planned to enhance revenue collection, there were initial years when the system witnessed shortfalls. • Actual collections were less than the targets estimated. • It created doubts regarding the sustainability of the GST framework with respect to generating revenue. • Today, we are able to meet an average monthly GST collection of Rs.1.84 lakh crore, as per the Finance Ministry's PIB report dated 30th June 2025.
Regulatory anomalies	<ul style="list-style-type: none"> • Certain provisions of the GST rules were originally unclear. • It resulted in multiple interpretations among various stakeholders. • These contradictions usually led to legal conflicts, giving rise to delays and complexities in the effective implementation of GST.
Regional Disparities in GST Compliance	<ul style="list-style-type: none"> • GST was meant to create uniformity, but compliance has not been evenly spread across India's diverse regions.

	<div data-bbox="469 195 1386 1239" data-label="Figure"> <h2 style="text-align: center;">GST COLLECTION</h2> <p style="text-align: center;">*Image shows the state wise collection of GST (in Cr) in December 2024</p> <div style="text-align: right; border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> All India: ▲ 8% ₹1,32,589 Cr </div> <table border="1"> <caption>State-wise GST Collection (in Cr)</caption> <thead> <tr> <th>State</th> <th>Collection (Cr)</th> </tr> </thead> <tbody> <tr><td>1. Maharashtra</td><td>₹29,260</td></tr> <tr><td>2. Karnataka</td><td>₹12,526</td></tr> <tr><td>3. Tamil Nadu</td><td>₹10,956</td></tr> <tr><td>4. Haryana</td><td>₹10,403</td></tr> <tr><td>5. Gujarat</td><td>₹10,279</td></tr> <tr><td>6. Uttar Pradesh</td><td>₹8,117</td></tr> <tr><td>7. Rajasthan</td><td>₹4,146</td></tr> <tr><td>8. Telangana</td><td>₹5,224</td></tr> <tr><td>9. West Bengal</td><td>₹5,190</td></tr> <tr><td>10. Odisha</td><td>₹4,841</td></tr> <tr><td>11. Delhi</td><td>₹5,593</td></tr> <tr><td>12. Madhya Pradesh</td><td>₹3,460</td></tr> <tr><td>13. Andhra Pradesh</td><td>₹3,315</td></tr> <tr><td>14. Jharkhand</td><td>₹2,981</td></tr> <tr><td>15. Chhattisgarh</td><td>₹2,882</td></tr> <tr><td>16. Kerala</td><td>₹2,575</td></tr> <tr><td>17. Punjab</td><td>₹2,294</td></tr> <tr><td>18. Uttarakhand</td><td>₹1,547</td></tr> <tr><td>19. Bihar</td><td>₹1,521</td></tr> <tr><td>20. Assam</td><td>₹1,374</td></tr> <tr><td>21. Himachal Pradesh</td><td>₹816</td></tr> <tr><td>22. Goa</td><td>₹578</td></tr> <tr><td>23. Jammu & Kashmir</td><td>₹547</td></tr> <tr><td>24. Dadra & Nagar Haveli & Diu</td><td>₹332</td></tr> <tr><td>25. Sikkim</td><td>₹329</td></tr> <tr><td>26. Puducherry</td><td>₹228</td></tr> <tr><td>27. Chandigarh</td><td>₹224</td></tr> <tr><td>28. Meghalaya</td><td>₹150</td></tr> <tr><td>29. Tripura</td><td>₹83</td></tr> <tr><td>30. Arunachal Pradesh</td><td>₹70</td></tr> <tr><td>31. Ladakh</td><td>₹65</td></tr> <tr><td>32. Nagaland</td><td>₹51</td></tr> <tr><td>33. Manipur</td><td>₹46</td></tr> <tr><td>34. Mizoram</td><td>₹28</td></tr> </tbody> </table> <p style="text-align: left;">Hit Like</p> </div>	State	Collection (Cr)	1. Maharashtra	₹29,260	2. Karnataka	₹12,526	3. Tamil Nadu	₹10,956	4. Haryana	₹10,403	5. Gujarat	₹10,279	6. Uttar Pradesh	₹8,117	7. Rajasthan	₹4,146	8. Telangana	₹5,224	9. West Bengal	₹5,190	10. Odisha	₹4,841	11. Delhi	₹5,593	12. Madhya Pradesh	₹3,460	13. Andhra Pradesh	₹3,315	14. Jharkhand	₹2,981	15. Chhattisgarh	₹2,882	16. Kerala	₹2,575	17. Punjab	₹2,294	18. Uttarakhand	₹1,547	19. Bihar	₹1,521	20. Assam	₹1,374	21. Himachal Pradesh	₹816	22. Goa	₹578	23. Jammu & Kashmir	₹547	24. Dadra & Nagar Haveli & Diu	₹332	25. Sikkim	₹329	26. Puducherry	₹228	27. Chandigarh	₹224	28. Meghalaya	₹150	29. Tripura	₹83	30. Arunachal Pradesh	₹70	31. Ladakh	₹65	32. Nagaland	₹51	33. Manipur	₹46	34. Mizoram	₹28
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<p>Technical glitches</p>	<ul style="list-style-type: none"> • In the beginning, the GST online portal for return filing faced frequent downtimes and data processing errors. These caused inconvenience and compliance issues, especially during the initial years. 																																																																						

Digital governance	<ul style="list-style-type: none">• E-invoicing, which now covers businesses above certain thresholds, has created one of the largest invoice processing systems globally.• The next step is to integrate artificial intelligence, blockchain, and big data analytics into GST processes, allowing real-time fraud detection, predictive audits, and transparent tracking of supply chains.• Such moves will not only plug leakages but also reduce harassment of honest taxpayers.
Fiscal Federalism	<ul style="list-style-type: none">• One of the sharpest political economic challenges in GST reform is fiscal federalism.• States are concerned that rationalization could reduce their revenues, especially after the expiry of the compensation arrangement.• A ₹500 billion revenue shortfall, as projected by some models, is not trivial in a federal polity.• Without a sustainable formula for Centre–State revenue sharing, consensus within the GST Council may prove elusive



12. How is GST 2.0 different from GST 1.0?

Aspects	GST 1.0	GST 2.0
Compliance Complexity	Moderate compliance requirements; manual reconciliation was common.	Stricter compliance norms with automated reconciliation to reduce errors.
E-Invoicing	Applicable only to businesses above a specified turnover threshold.	It is likely to be mandatory for all businesses, regardless of size, with real-time reporting.

Input Tax Credit (ITC)	Allowed with lenient timelines for invoice uploads.	Strict timelines for uploading e-invoices (e.g., 30 days) to claim ITC.
Refund Processing	Slower and partially manual process.	Faster and fully automated refund mechanism, especially for exporters.
Technology Integration	Basic integration with GST portals; limited adoption of advanced tools.	With advanced integration with GSTN, businesses will need robust digital tools for compliance.
Penalties for Non-Compliance	Penalties existed but were less stringently enforced.	Heavier penalties with real-time monitoring and reporting, reducing room for non-compliance.
Ease of Doing Business	Simplified tax regime but with some procedural bottlenecks.	Aims to enhance the ease of doing business through automation and transparency.
Small Businesses	Simplified compliance for businesses below the turnover threshold.	May introduce enhanced automation for small businesses but stricter rules overall.
Focus on Transparency	Basic tracking of transactions via GSTN.	Enhanced transparency with real-time data sharing and tracking through advanced digital platforms.

Automation Role	Optional for many businesses.	Central to compliance, businesses will need automated solutions for invoicing and filings.
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13. Enlist key highlights of announced GST reforms?

LOOKING TO MAKE LIFE LESS TAXING

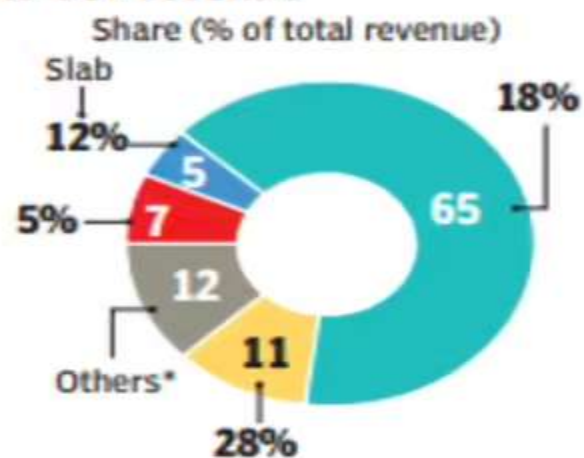
Common use items in 12% GST slab

- Jams, fruit jellies
- Fruit and vegetable juices, pre-packed coconut water
- Namkeens
- Several medicines, medical & surgical items
- Glucometer
- Contact lenses, spectacles & their lenses
- Notebooks, pencils & geometry boxes
- Sprinklers, harvesting threshing machinery, composting machines
- Bicycles, tricycles

Prominent goods in 28% slab:

Air conditioners, dishwashers, automobiles, cement, certain types of TV sets

Contribution of each slab to GST revenue



*Includes special rates such as 0.25%, 1.5%, 3% and compensation cess

YOU READ IT HERE FIRST

Sweeping rate cuts on table at next GST Council meet

Lower Slabs Likely For Consumer Goods, Insurance

July 12, 2025 Direct tax collections grew at a slower rate of 3.2% in the fiscal year

GoM on GST to meet next wk

Times News Network

New Delhi: Amid discussions for reduction of GST for many products, a group of ministers from states, headed by deputy CM Samir Singh, will meet next week. Several members of the Opposition, had suggested maintaining status quo on slabs and rates, citing this as a key demand.

KEY HIGHLIGHTS OF GST 2.0

RATE RATIONALISATION



Moving towards
a two-slab structure

EASE OF REGISTRATION



Addressing
registration-
related hurdles

INVERTED DUTY STRUCTURE FIX



Encouraging
domestic
manufacturing

RESOLUTION OF CLASSIFICATION DISPUTES



Ensuring
predictability

Provisions	Description
Rate Rationalisation	<ul style="list-style-type: none"> • One of the biggest demands from industry stakeholders has been the rationalisation of GST slabs. Currently, GST is divided into multiple slabs—0%, 5%, 12%, 18%, and 28%. • According to early reports: <ul style="list-style-type: none"> ▪ The 12% slab will likely be merged. Goods and services currently under 12% may shift to either 5% (for essential consumption) or 18% (for others). ▪ The number of slabs could reduce significantly, making GST simpler and more predictable. • This reform is expected to: <ul style="list-style-type: none"> ▪ Boost consumer demand through lower prices on essentials. ▪ Simplify classification, reducing disputes. ▪ Improve compliance rates as businesses face less confusion.
Ease of Registration	<ul style="list-style-type: none"> • New measures will address registration-related hurdles. • Many MSMEs face procedural bottlenecks during GST registration, often leading to delays in starting operations. • Streamlined registration will help new businesses come under the tax net more smoothly.

Inverted Duty Structure Fix	<ul style="list-style-type: none">• Industries such as textiles, footwear, and electronics have long complained about inverted duty structures where input taxes are higher than output taxes.• This led to blocked input credits and working capital stress.• GST 2.0 aims to fix these anomalies, encouraging domestic manufacturing and reducing the refund burden.
Resolution of Classification Disputes	<ul style="list-style-type: none">• Frequent disputes such as whether a food item should be taxed at 5% or 18%, created uncertainty for businesses.• A clearer, standardized classification framework is expected, which will reduce litigation and ensure predictability.
Input Tax Credit (ITC) Liberalisation	<ul style="list-style-type: none">• For MSMEs, the most awaited reform is the liberalisation of ITC provisions. Businesses have long demanded easier ways to claim ITC and faster refund cycles.• GST 2.0 is expected to introduce:<ul style="list-style-type: none">▪ Seamless ITC credits across sectors.▪ Simplified refund procedures.▪ Lower compliance costs for small firms.

14. Why does the GST 2.0 reform matter for the Indian Economy?

Fruit of Labour

GST 2.0 to offer simple, stable regime

Emphasis on rate rationalisation & process reforms

Framework readied after months of discussions

Focus on fast track implementation

Council likely to meet in Sept to take up proposed changes

KEY FOCUS

Rationalise slabs to 2 | Ease input tax credit

Aspect	Description
Boosting Consumption	<ul style="list-style-type: none"> • With prices dropping on essentials, appliances, and vehicles, households will likely spend more. • This could deliver a strong push to consumption just before the festive season.
Market Sentiment	<ul style="list-style-type: none"> • The stock market has already reacted positively.

	<h2>Consumption runs</h2> <p>— Nifty India Consumption — Nifty 50</p> <p>120 110 100 90</p> <p>112.8 105.8</p> <p>Base = 100</p> <p>Mar 28, '25 Aug 18, '25</p> <p>Source: NSE</p> <ul style="list-style-type: none"> • The Nifty 50 surged more than 1% in the immediate aftermath of the announcements. Auto and consumer goods stocks saw the sharpest gains.
Growth Outlook	<ul style="list-style-type: none"> • Economists estimate that the new GST structure could add 0.7–0.8 percentage points to India's GDP growth by stimulating demand and easing compliance burdens.

15. Mention about the implications of GST 2.0?

Brighter Outlook

Sector	Segment	Stock Picks	Brokerage	Suggested Impact
Auto	2-W (below 125cc)	Hero MotoCorp, TVS, Bajaj Auto	SBI Securities	GST on vehicles in the 28% tax slab may come down to 18%, promotes buying ahead of festive season.
	PV (below 1000 cc)	Maruti Suzuki India		
	Tractors	M&M, Escorts Kubota, V.S.T. Tillers Tractors		
	Related auto ancillaries	Lumax Auto Technologies, Gabriel India, UNO Minda		
Cement	—	UltraTech Cement, Ambuja Cements, Dalmia Bharat, JK Lakshmi Cement, Sagar Cement	ICICI Direct	GST rate cut from 28% to 18% can reduce the overall market price by ₹25 per bag, increasing demand and profitability.
Consumer	Staples	HUL, Britannia Industries	Motilal Oswal Financial Services	Majority of staples at 18% GST can come down further, or benefit from demand revival. ACs can see reduction from 28% tax to 18%.
	Durables	Volta, Havells India		
	EMS	Amber Enterprises India		
Retail	Apparel	Trent, Vedant Fashions, Sai Silks	Globe Capital Market	GST cut on garments above ₹1,000 and footwear between ₹1,000 and ₹5,000 from 12% to 5% to increase volumes and retail footfalls.
	Footwear	Bata India, Relaxo Footwears, Campus Activewear		
Hotel	—	Lemon Tree Hotels, Indian Hotels Company	Motilal Oswal Fin Services	GST on the sub ₹7,500 ARR inventory can move lower from 12% to 5%.
Financials	Banks	SBI, HDFC Bank	ICICI Direct	Lower GST is expected to boost consumption, credit growth and benefit banks, retail-focused NBFCs and auto financiers. Lower or no GST on all kinds of insurance will boost penetration and business.
	NBFCs	Bajaj Fin, L&T Fin, Shriram Fin		
	Life Insurance	HDFC Life Insurance		
	General Insurance	ICICI Lombard General Insurance		



HOUSEHOLD ITEMS

ACs (₹1,500–₹2,500 less)
TVs (32" & above)
Fridges, Washing Machines
Mobile Phones, Computers

SCHOOL & DAILY USE

Stationery, Geometry Boxes
Readymade Garments (<₹1,000)
Footwear

HEALTHCARE & AGRICULTURE

Vaccines
Agricultural Tools

AUTOMOBILES

Cars & Two-Wheelers
(Tax cut 28% → 18%)
Nifty Auto Index ↑ 4.6% (Aug 18)

WHAT WILL COST LESS UNDER GST RECAST



DAILY ESSENTIALS 5% TAX BRACKET

Tooth powder, Bhujia, Namkeen
Jam, Ketchup, Chips
Packaged Juices, Pasta, Noodles
Butter, Cheese, Ghee, Milk
Beverages

Key sectors	Implications
Consumers	<ul style="list-style-type: none"> • Many household products, which are currently taxed at 12% are expected to move down to the 5% slab. • This includes: <ul style="list-style-type: none"> ▪ Toothpaste, soaps, and shampoos. ▪ Packaged foods like biscuits, snacks, and juices. ▪ Dairy items such as ghee and condensed milk. ▪ Bicycles and stationery. ▪ Apparel and footwear below a certain price point. • For middle-class households, even small reductions on daily-use goods can add up to significant monthly savings.
MSMEs	<ul style="list-style-type: none"> • Reduced Compliance Burden: <ul style="list-style-type: none"> ▪ Fewer slabs and clearer classification will make it easier for MSMEs to file returns and stay compliant. • Better Working Capital Flow: <ul style="list-style-type: none"> ▪ Faster ITC refunds will ease liquidity pressures. • Competitive Pricing: <ul style="list-style-type: none"> ▪ Lower GST rates on essentials may allow MSMEs to expand their market reach. • Export Competitiveness: <ul style="list-style-type: none"> ▪ Addressing inverted duty structures will strengthen manufacturing exports, especially in sectors like textiles and handicrafts.

Household Appliances & Electronics	<ul style="list-style-type: none"> • Items that currently sit in the 28% bracket could be brought down to 18%, making them cheaper by as much as 7-8%. These include: <ul style="list-style-type: none"> ▪ Air conditioners. ▪ Refrigerators and dishwashers. ▪ Large-screen televisions. ▪ Cement (important for construction and housing). • This could be a big boost for India's growing middle class, making appliances and electronics more affordable.
Automobiles	<ul style="list-style-type: none"> • The auto industry has lobbied for years to cut GST on passenger vehicles and two-wheelers, currently taxed at 28% + cess (up to 50%). • The automobile sector is expected to benefit significantly. <ul style="list-style-type: none"> ▪ Small cars (engine size under 1,200cc) could see GST cut from 28% to 18%. ▪ Two-wheelers, a backbone of Indian mobility, may also move to a lower slab. ▪ Larger luxury cars and SUVs would continue to be taxed at higher rates. • Lower taxes on small cars and two-wheelers could revive demand in a sector that has seen fluctuating sales. • Auto companies such as Maruti Suzuki, Hyundai, and Tata Motors could benefit from increased consumer demand.

Insurance And Financial Services	<ul style="list-style-type: none"> • Currently, insurance premiums attract 18% GST, making them relatively costly. Under GST 2.0, premiums may be moved to a lower slab, or in some cases, exempted. • Lower insurance costs can increase coverage among middle-income households, boosting financial security and reducing vulnerability to medical or life risks.
Cement & Infrastructure	<ul style="list-style-type: none"> • Cement, currently taxed at 28%, may move to 18%, cutting prices by 7–8%. • This will: <ul style="list-style-type: none"> ▪ Lower construction costs for infrastructure and housing. ▪ Benefit companies like Ultratech, Shree Cement, Ambuja, while boosting real estate demand.
Hospitality, quick commerce & logistics	<ul style="list-style-type: none"> • Hotels and restaurants becoming cheaper will boost domestic tourism. • Quick commerce platforms like Zepto, Swiggy, and Blinkit could see higher household spending. • Logistics firms such as Delhivery stand to gain from higher demand for goods movement.
Luxury and Sin Goods	<ul style="list-style-type: none"> • Goods like tobacco, pan masala, luxury cars, and online gaming now attract a 40% GST (special sin tax). • These products become significantly more expensive, likely curbing consumption and generating more tax revenue.

16. What Businesses can expect from GST 2.0?

Expectations	Analysis
E-Invoicing and Real-Time Reporting	<ul style="list-style-type: none"> Businesses must now submit real-time invoices to remain eligible for Input Tax Credit (ITC). This means a shift to a fully automated system for generating, submitting, and tracking invoices.
Faster GST Refunds for Exporters	<ul style="list-style-type: none"> One of the most anticipated features of GST 2.0 is automating the GST refund process. Exporters, who often face delays in getting refunds, will benefit from a streamlined and faster process.
Increased Automation and Data Accuracy	<ul style="list-style-type: none"> The government will integrate more automation into the system, reducing the scope for human errors and speeding up processes like matching invoices with tax payments and reconciling data.
Stricter Compliance and Penalties	<ul style="list-style-type: none"> With tighter compliance regulations, businesses will face stricter penalties for delays or inaccuracies in their tax filings. It's imperative to adopt automated systems to keep up.

17. How Businesses can prepare for GST 2.0?



Aspects	Analysis
Upgrade Your Invoicing System	<ul style="list-style-type: none"> One of the first steps to prepare for GST 2.0 is adopting an e-invoicing system that automatically uploads invoices in real time. This will ensure that your business remains compliant and eligible for ITC without delays.
Streamline GST Reporting	<ul style="list-style-type: none"> GST 2.0 requires businesses to provide accurate and real-time data to the tax authorities. Businesses need to adopt tools that can handle the increased volume of data and ensure timely reporting.

<p>Adopt Automation Tools for Faster Tax Filing</p>	<ul style="list-style-type: none"> • As GST 2.0 introduces more stringent compliance requirements, automation becomes indispensable. • Adopting automated tools reduces the chances of manual errors and accelerates the entire tax filing process, ensuring your business stays compliant without hassle.
<p>Train Your Team and Stay Informed</p>	<ul style="list-style-type: none"> • It's essential to ensure your accounting team is trained in using the new systems and understands the latest compliance rules.

18. Enlist common challenges for businesses and how can they overcome them?

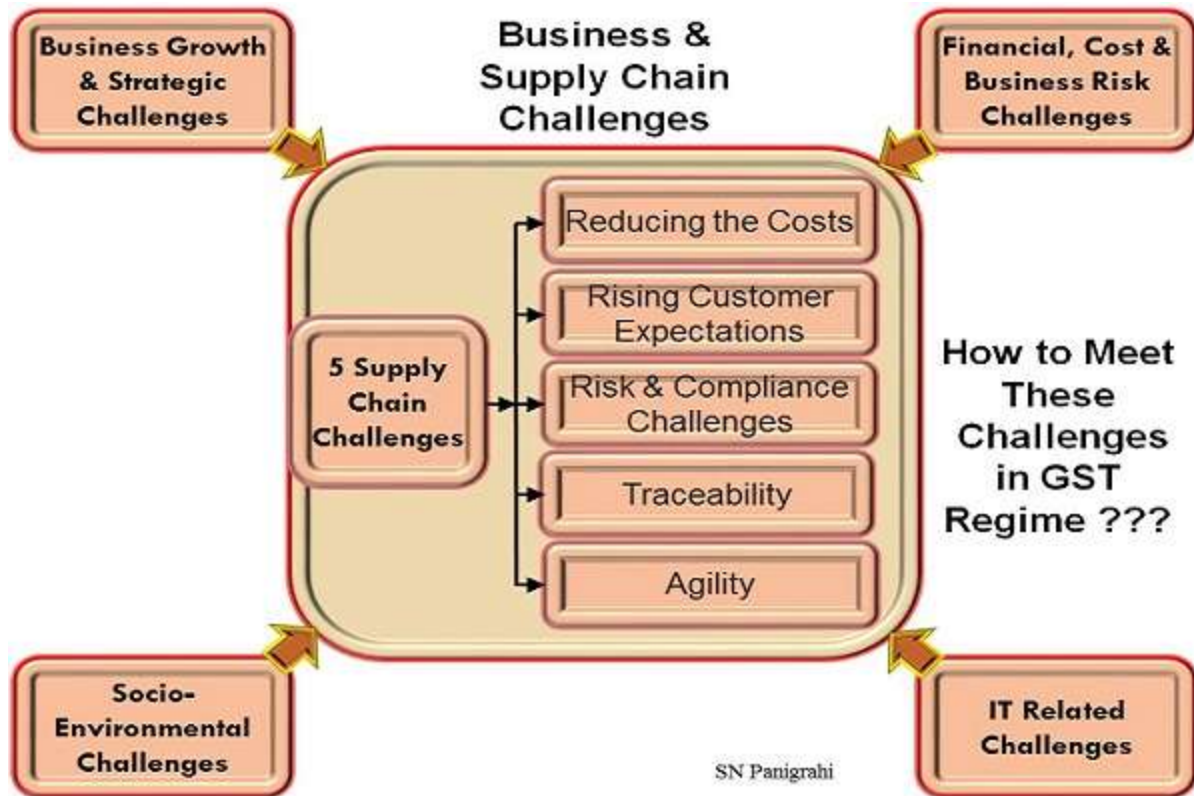


Disadvantages of GST



- While the **transition to GST 2.0** will **benefit businesses** in the long run, the changes will also **come with challenges**, especially for **small and medium enterprises (SMEs)**.
- Here are a **few potential hurdles** and how **businesses** can tackle them:

Potential Hurdles	Ways to tackle them
Managing Real-Time Invoicing	<ul style="list-style-type: none"> • Real-time invoicing can be daunting for businesses that are used to manual processes.
Ensuring Data Accuracy	<ul style="list-style-type: none"> • With the new system relying heavily on data accuracy, businesses must ensure their accounting and invoicing systems are error-free.
Adapting to Automation	<ul style="list-style-type: none"> • Automation may seem like a big leap for some, but it is crucial for staying compliant. • By investing in tools that handle GST reporting and invoicing, businesses can adapt quickly and benefit from increased efficiency and reduced errors.



19. What could be the Economic impact of GST 2.0?



Report	Analysis
SBI report	<ul style="list-style-type: none"> • According to an SBI report, GST 2.0 could boost consumption by ₹1.98 lakh crore in FY26, despite an estimated revenue loss of ₹85,000 crore. • Combined with income tax cuts announced earlier this year, the total consumption uplift is pegged at ₹5.31 lakh crore, or 1.6% of GDP. • With India's marginal propensity to consume (MPC) at 0.7, most of this relief translates directly into spending • The report also highlighted that when combined with the income tax cuts announced earlier, the overall impact is even more pronounced. Together, both measures are expected to add nearly ₹5.31 lakh crore to consumption expenditure in the economy, which translates into around 1.6 per cent of GDP.
Morgan Stanley	<ul style="list-style-type: none"> • Morgan Stanley predicts a 0.5–0.6% GDP boost, with CPI inflation falling by 40 basis points. • “We expect the net effect on growth to be positive as the multiplier for indirect tax cuts is 1.1, implying potential upside of 50-70bps,” the report notes.

20. What is the possible impact of GST 2.0 reform on the Financial market?

- Sectors and stocks that could benefit in FY2025-26 due to **GST 2.0 reform** are:

Sectors	Stocks Likely to Benefit
Automobiles	<ul style="list-style-type: none"> Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Hero MotoCorp, Bajaj Auto, TVS Motor, Eicher Motors, Ashok Leyland
Cement	<ul style="list-style-type: none"> UltraTech Cement, JK Cement
FMCG	<ul style="list-style-type: none"> Hindustan Unilever, ITC, Britannia, Dabur, Emami
Consumer durable	<ul style="list-style-type: none"> Voltas, Havells, Blue Star, Whirlpool, Amber Enterprises
Banks	<ul style="list-style-type: none"> HDFC Bank, ICICI Bank, IDFC First Bank
Retail	<ul style="list-style-type: none"> Relaxo, Bata, Vedant Fashions, Trent, Shoppers Stop

Brighter Outlook

Sector	Segment	Stock Picks	Brokerage	Suggested Impact
Auto	2-W (below 125cc)	Hero MotoCorp, TVS, Bajaj Auto	SBI Securities	GST on vehicles in the 28% tax slab may come down to 18%, promotes buying ahead of festive season.
	PV (below 1000 cc)	Maruti Suzuki India		
	Tractors	M&M, Escorts Kubota, V.S.T. Tillers Tractors		
	Related auto ancillaries	Lumax Auto Technologies, Gabriel India, UNO Minda		
Cement	—	UltraTech Cement, Ambuja Cements, Dalmia Bharat, JK Lakshmi Cement, Sagar Cement	ICICI Direct	GST rate cut from 28% to 18% can reduce the overall market price by ~₹25 per bag, increasing demand and profitability.
Consumer	Staples	HUL, Britannia Industries	Motilal Oswal Financial Services	Majority of staples at 18% GST can come down further, or benefit from demand revival. ACs can see reduction from 28% tax to 18%.
	Durables	Voltas, Havells India		
	EMS	Amber Enterprises India		
Retail	Apparel	Trent, Vedant Fashions, Sai Silks	Globe Capital Market	GST cut on garments above ₹1,000 and footwear between ₹1,000 and ₹5,000 from 12% to 5% to increase volumes and retail footfalls.
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	NBFCs	Bajaj Fin, L&T Fin, Shriram Fin		
	Life Insurance	HDFC Life Insurance		
	General Insurance	ICICI Lombard General Insurance		

21. Enlist challenges due to GST reforms?

- While the **reforms are promising**, there are **hurdles**:

Challenges	Description
Revenue Neutrality	• Rate cuts must not lead to large revenue losses for the government.
Transition Phase	• Businesses will need time and guidance to adapt to new slab structures.
Enforcement	• Ensuring that tax benefits are passed on to consumers requires strict monitoring.
Technology Integration	• GSTN must be upgraded to handle new compliance rules smoothly.

22. What is the relevance of the topic for UPSC CSE?

- **For Prelims:** Goods and Services Tax (GST), Indirect Tax System, E-way Bills, MSMEs, Cascading Effect, Input Tax Credit (ITC), VAT, GST Appellate Tribunal (GSTAT), GST Council, Inverted Duty Structure, GST Network (GSTN), ICEGATE, Carbon Credits.
- **For Mains:** Performance of GST in last 8 years and associated challenges, Measures required to strengthen the existing GST framework.

Some previous years prelims questions.

Q1. Consider the following items: (2018)

1. Cereal grains hulled
2. Chicken eggs cooked
3. Fish processed and canned
4. Newspapers containing advertising material

Which of the above items is/are exempted under GST (Goods and Services Tax)?

- (a) 1 only
- (b) 2 and 3 only
- (c) 1, 2 and 4 only
- (d) 1, 2, 3 and 4

Ans: (b)

Q2. What is/are the most likely advantages of implementing ‘Goods and Services Tax (GST)’? **(2017)**

1. It will replace multiple taxes collected by multiple authorities and will thus create a single market in India.
2. It will drastically reduce the ‘Current Account Deficit’ of India and will enable it to increase its foreign exchange reserves.
3. It will enormously increase the growth and size of the economy of India and will enable it to overtake China in the near future.

Select the correct answer using the code given below:

- (a) 1 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (a)

Some previous years mains questions.

Q1. Explain the rationale behind the Goods and Services Tax (Compensation to states) act of 2017. How has COVID-19 impacted the GST compensation fund and created new federal tensions? **(2020-15Marks)**

Q2. Enumerate the indirect taxes which have been subsumed in the goods and services tax (GST) in India. Also, comment on the revenue implications of the GST introduced in India since July 2017. (2017-10Marks)

Some questions from this year and previous years interview transcripts.

Board Suman Sharma mam:

- What do you do in GST?
- What are your roles and responsibilities as GST inspector?
- What is the good, bad and improvement you feel in GST?

Board Dinesh Dasa sir:

- What are the taxes that are subsumed in GST

Board Preeti Sudan mam:

- How many slabs in GST?
- What changes should be made in the GST slabs?

Some questions for QUIZ.

Q1. With reference to the Goods and Services Tax (GST) Council, consider the following statements:

1. The GST Council is responsible for setting tax rates related to the Goods and Services Tax (GST).
2. The Council's decisions are legally binding.
3. The vote of the Central Government carries a weightage of two-third of the total votes cast at the meeting.

How many of the above statements are incorrect?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

Ans: (a)

Some questions for POLL.

Q1. Do you think the GST 2.0 will boost Make in India initiative?

- (a) YES
- (b) NO
- (c) Can't say.

Q2. Do you support GST reforms?

- (a) YES
- (b) NO
- (c) Can't say.

■■■■