

A Study on The Refoforms of GST 2.0 - A Landmark in India's Tax Journey

Dr. Devarajappa. SN.

Associate Professor of Commerce, GFGC, Bangarpet, Kolar District, Karnataka.

DOI: <https://doi.org/10.51583/IJLTEMAS.2025.1409000027>

Abstract: One of the pivotal moments in India's tax history would be the 56th meeting of the GST Council, which took place on September 3, 2025. Tax rates and structures are just one aspect of these improvements. They signify a dramatic change toward a more straightforward, equitable, and growth-oriented system that is in line with the goals of a Vikasit Bharat 2047. The gradual implementation of measures starting on September 22, 2025, is equally notable. The industry and customers may immediately take advantage of lower rates thanks to this sequencing, which also guarantees revenue stability. The strategy encourages demand and investment while preserving budgetary health. These announcements cover more ground than merely technical fixes. It is a reform of the people. Farmers, laborers, businesses, entrepreneurs, and people are all impacted. India's growth journey now has a stronger basis thanks to GST 2.0, which has simplified the structure, reduced essentials rates, corrected distortions, and strengthened institutions.

Keywords: Goods, Tax, India, system, rates, government, reforms, services.

I. Introduction

One of the biggest tax reforms India has seen since gaining independence in 1947 is the Goods and Services Tax (GST), which went into effect on July 1, 2017. Due to political concerns and competing stakeholder interests, the GST's April 2010 implementation date was postponed. It is a comprehensive tax system that will create a smooth national market by combining all indirect taxes from the federal and state governments. The main goal of the GST's creation was to create a single taxation system in India by combining all indirect taxes, including the Central Excise Tax, VAT/Sales Tax, Service Tax, and others. The GST-based tax system lowers tax evasion and corruption in the nation, boosts GDP from 1% to 2%, and promotes tax transparency. The background of the tax system, the GST concept and important workings, a comparison of the rates of the Indian GST taxation system with those of other global economies, the benefits to different sectors of the Indian economy following the imposition of the GST, and some implementation challenges were all covered in detail in the paper.

Objectives of the study: -

- 1.To analyse the impact of reforms of GST on health sector.
- 2.To find out the benefits to the common man on account of GST reforms.

II. Research Methodology

This study is based on secondary sources of data such as , books, journals, research articles ,websites and newspapers.

III. Review of Literature:

Aggarwal, A. (2018), "Impact of GST on Indian Economy," reveals the macroeconomic implication of GST and also the effects on inflation and consumption patterns.

Batra, P. (2020), "GST and Indian Taxation: A Historical Perspective," reveals the taxation system in India before and after the introduction of GST.

C. Rangarajan [2025], "GT 2.0—short-term pain, possible long-term gain," shows the GST impact on growth arises from avoiding cascading and promoting better resource allocation. The new rat categories do not fully avoid cascading.

Chandrajit Banerjee [2025] noticed the reforms in GST will have an impact on the health sector and improve the daily life of common people in India.

Dey, S. (2021), "Challenges and Opportunities under GST," reveals the problems faced by the business in the implementation of the GST system in India at the time of the initial stage.

Jain, A. (2022), "Impact of GST on Indian Manufacturing Sector," shows the impact of GST on the manufacturing sector's productivity and improvement.

Mehta, R. (2020), "GST Compliance and Efficacy in India," advocates the suggestions to improve the GST system.

Mukherjee, S. (2021), "The Effectiveness of GST Reforms," focused on curbing the tax evasion and other administrative aspects of the GST in India.

Patel, S. (2019), "GST: A Game Changer for the Indian Economy," shows the advantages of GST for small and medium-scale enterprises.

Roy, D. (2022), "GST and Consumer Behavior," noticed how the GST influences consumer behavior in respect of all types of goods and services.

Sharma, V. (2023), "Taxation Reform: GST and Digital Transformation," shows how the digital transformation is used in the GST administration.

IV. Findings: -

1] The everyday lives of Indian householders are directly impacted by the reforms. Now, everyday things like toothpaste, soap, shampoo, bicycles, and kitchenware fall into the 5% range. Paneer, chapatti, paratha, and ultra-high-temperature milk are examples of essentials that are exempt. Notable pricing reductions have been made for packaged foods, noodles, chocolates, and beverages, increasing consumption and providing assistance to families of all income levels.

2] The GST exemption for all health and life insurance goods has an equally significant effect. One choice will increase insurance affordability, especially for low-income families and senior individuals, boosting social security and increasing insurance penetration in India. Exemptions and reductions on necessary medications, gadgets, and treatments for cancer, uncommon disorders, and chronic ailments have significantly improved health care. Household financial pressures are lessened by these measures, which guarantee greater access to contemporary medicine and diagnostics.

3] Significant reductions will assist farmers. In contrast to fertilizers and inputs like sulfuric acid and ammonia, which were formerly subject to 18% GST, tractors, farm equipment, and other essential tools are now only subject to 5% GST. These reforms increase farm output and reduce cultivation expenses by reversing previous inverted duty systems.

4] Reduced GST rates for labor-intensive industries including leather goods, marble, granite, and handicrafts will boost demand and create jobs. The changes protect livelihoods while creating new opportunities for growth by increasing the competitiveness of conventional sectors.

5] The GST rate on cement, a component of infrastructure and housing, has decreased from 28% to 18%. This will have a multiplier impact on infrastructure and development, and India's green growth path will be accelerated by reduction to automobile and renewable energy components.

6] A significant step forward in the pursuit of universal health coverage has been marked by India's recently proposed Goods and Services Tax amendments. There is a significant effort to make medical care more accessible and cheap for millions of people, particularly those who are dealing with the high expenses of medical treatments or products, as evidenced by this reform of healthcare taxes.

7] The elimination of GST on individual health and life insurance premiums is the largest benefit for households. A family that paid Rs. 50000 for health insurance annually had to pay an additional Rs. 9000 in GST up to this point.

8] That additional burden will be eliminated on September 22, 2025, resulting in an 18% reduction in insurance costs.

9] In addition to health insurance plans like Family Floaters and Senior Citizen policies, the reform covers all forms of individual life insurance, including term, Unit Linked Insurance Plan [ULIP], and endowment. The chain as a whole gains because even reinsurance is covered. By addressing one of the largest barriers to insurance coverage—which currently accounts for only around 3.7% of GDP, compared to the global average of 6.8%—this action immediately advances India's policy objectives.

However, whether it guarantees that these savings are passed on will determine how much consumers truly benefit. There is a chance that some of the benefit could be absorbed before it reaches policyholders if there is unclear monitoring.

10] Under GST, hospital room rates are still handled differently. In order to protect middle- and lower-class families, rooms that cost less than Rs. 5,000 per day are still exempt. Since July 2022, non-intensive care university rooms costing more than Rs. 5,000 per day have been subject to 5% GST without input tax credit. In comparison, all critical care units, including the intensive care unit (ICCU), neonatal intensive care unit (NICU), and intensive care unit (ICU), are completely exempt from GST, regardless of their cost. While only premium lodging options bring in patient care that is subject to tax, this guarantees that life-saving care will continue to be tax-free. Hospitals, physicians, and paramedics continue to provide core medical services that are free from GST, meaning that the treatment itself is not subject to taxation. To put it briefly, nothing has changed; the system is still in place from 2022.

11] Costs for producers and suppliers of health products have changed significantly as a result of the recent GST reductions. The GST Council reduced the tax on life-saving medications to zero and reduced the GST on the majority of medications to five percent, which has streamlined compliance and reduced supply chain costs.

12] Diagnostics and medical gadgets are now mostly covered by a uniform 5% slab. In actuality, hospitals purchasing diagnostic kits that formerly paid 12% GST would now only pay 5%, which lowers procurement expenses. A CT scan machine, for instance,

is now subject to 5% tax instead of the previous 18%. The initial cost of a CT scan scanner will be significantly lower for a hospital, which will cut capital expenses and may eventually lower patient fees.

13] Common laboratory services like MRSs, X-rays, and blood testing can also get a little less expensive. Kits, reagents, and equipment used in laboratories are now subject to lower taxes, although the laboratories themselves are still free from GST on services. The cost of common tests should go down for patients if labs pass the savings on. Sharper price competition and simplified tax frameworks benefit pharmacies and small businesses.

14] Treatment is just one aspect of the reforms. They promote preventive health as well. The GST rate has decreased from 18% to 5% for gyms, fitness centers, yoga studios, salons, barbers, and wellness services.

15] Cigarettes are still subject to a high tax rate of 28% GST plus compensating cess, which results in an effective tax rate ranging from 52% to 88%. Although a new 40% "sin goods" slab has been announced, it won't go into effect until cess liabilities have been paid. In order to deter consumption and raise money for public health, sugary drinks—whether aerated, sweetened, or flavored—have been transferred to the new 40% slab, up from 28% plus cess. This puts all of these beverages in the highest tax band.

16] Personal care products like hair oil, soap bars, shampoos, toothpaste, toothbrushes, talcum powder, face powder, shaving cream, and aftershave are now subject to 5% GST instead of the previous 12% to 18%, making healthier living a little easier for regular households. Previously costing between Rs. 112 and Rs. 118 with GST, a bottle of shampoo that costs Rs. 100 now only costs 105%.

17] The Confederation of Indian Industry has continuously advocated for these reforms, and it is pleased to see that so many of its suggestions—which range from the simplification of car parts to assistance for hospitality and wellness services—have been adopted. Market harmony and less needless arguments will result from these adjustments.

18] Additionally, there will be a special 40% category for "sinful" and ultra-luxury products. A lot of common meals become less expensive. For instance, a variety of sugar-based goods, such as chocolates, jams, fruit jellies, and sugar-boiled candy, will go from 12–18% to 5%, and pizza bread would go from 5% to zero. In contrast, 40% will be allocated to aerated beverages and other sugar-based beverages.

Analysis:

Table:1 Shows the main rate and price changes on account of reforms in GST.

Change	Percentage fall in rate	Percentage fall in Post-tax price
18%to 5%	$13/18=72.2\%$	11%
12% to 5%	$7/12=58.3\%$	6.3%
28% to 18%	$10/28=35.7\%$	7.8%
18%,12%, and 5% to Nil	100%	15.3%,10.7% and 4.8%

[Source: The Hindu, Newspaper]

The said table shows that, out of a total number of 546 goods where rate changes have been brought in, more than 80% have been subjected to rate reductions and 20% to rate increases.

Table:2 Key reductions in GST rate as per the reforms:

Sl.No.	Particulars	From	To
1	Daily Essentials		
	Hair oil, Shampoo, toothpaste, toilet soap bar, toothbrush, shaving cream	18%	5%
2	Butter, ghee ,cheese and dairy spreads	12%	5%
3	Pre-packaged namkeens, bhujia, and mixtures	12%	5%
4		12%	5%

	Utensils, feeding bottles, napkins for babies clinical diapers sewing machines and parts		
1	Health Care Sector		
	Individual health and life insurance	18%	NIL
2	Thermometer	18%	5%
3	Medical grade oxygen, corrective spectacles	12%	5%

[Source: The Hindu newspaper, page No.10,dated September 4,2025]

The above table interprets the reduction of GST rates relating to daily essentials to human beings from 18% and 12% to 5%. So it boosts savings and benefits all sections of society.

V. Recommendations:

1]In keeping with the objectives of Viksit Bharat till 2047, these GST reforms aim to change the way India finances healthcare. The government has created a framework that supports the whole health-care chain by eliminating the GST on insurance, reducing the price of life-saving medications, streamlining equipment taxes, and lowering rates for preventive treatments. Higher revenue collections won't be the real measure of success; rather, it will be how many more treatments people can access, whether wellness and preventive services become standard, how much consumer trust in healthcare increases, whether antibiotic and Schedule H drug abuse is reduced, and—above all—how many lives are saved.

2]The correction of inverted duty structures in important areas is a noteworthy accomplishment. For example, a long-standing distortion that has hampered the high value of textiles has been removed with the 5% GST decrease on man-made fiber and yarn. It is anticipated that this action will increase domestic value addition, exports, employment, and competitiveness in the textile and clothing industries.

3]Although politicians have presented GST 2.0 as more logical, a public health perspective indicates that affordability improvements may circumvent the intention of healthier consumption. For instance, you can use sourdough, fine flour, or whole wheat flour to make pizza bread. Since sourdough bread is healthier, it should be more reasonably priced; but, despite its unhealthy nature, Maida will now be more widely available. Similar to this, lowering the GST on confections attracts goods that are nutritionally counterproductive to India's non-communicable disease [NCD] policy.

VI. Conclusion

There has been a significant institutional advancement with the news that the Goods and Services Tax Appellate Tribunal [GSTAT] will be operational by year-end. This translates into more consistent decisions, quicker dispute resolution, and increased systemic trust for taxpayers. The uncertainty and compliance costs are further decreased by other process innovations, such as harmonizing valuation regulations, providing provisional funding for inverted duty arrangements, and risk-based compliance checks. When taken as a whole, these policies strengthen India's standing as one of the most approachable big economies by far.

A long-standing desire of both industry and consumers has been simplification of the many GST slabs [5%, 12%, 18%, and 28%]. A transparent "Simple Tax" with only two rates—18% for the Standard Rate and 5% for the Merit Rate—as well as a 40% demerit rate for a small number of commodities is a revolutionary change. This audacious move lessens the stress of compliance, improves corporate predictability, and makes the tax system more palatable to citizens. It demonstrates unequivocally the government's resolve to bring Indian taxation into line with international best practices.

Reference: -

Journals

1. Adhana, D.K. (2015). Goods and services tax (GST): A panacea for Indian economy. *International Journal of Engineering & Management Research*, 5 (4), 332 – 338]
2. Aggarwal, A. (2018). *Impact of GST on Indian Economy*. New Delhi: XYZ Publishers.
3. Batra, P. (2020). GST and Indian Taxation: A Historical Perspective. *International Tax Review*, 29(2), 120-140.
4. Confederation of Indian Industry (2022). *Sectoral Analysis of GST Impact on SMEs*. CII Report.

5. Dey, S. (2021). Challenges and Opportunities under GST. *Indian Tax Review*, 33(4), 178-192.
6. Garg, G. (2014). Basic concepts and features of goods and services tax in India. *International Journal of Scientific Research and Management (IJSRM)*, 2 (2), 542 – 549]
7. GST Council (2023). GST Amendments and Compliance Measures. GST Council Secretariat.
8. KPMG (2020). GST Compliance: Challenges and Solutions. KPMG India.
9. Jain, A. (2022). Impact of GST on Indian Manufacturing Sector. *Journal of Economic Studies*, 52(1), 90-110.
10. Mehta, R. (2020). GST Compliance and Efficacy in India. *Economic Journal*, 45(3), 215-234.
11. Mukherjee, S. (2021). The Effectiveness of GST Reforms. *Financial Journal of India*, 14(2), 101-118.
12. Ministry of Finance (2023). GST Revenue Collection Report. Government of India.
13. PwC (2021). The Future of GST in India. PwC India Research Report.
14. Patel, S. (2019). GST: A Game Changer for the Indian Economy. Mumbai: ABC Press.
15. Roy, D. (2022). GST and Consumer Behavior. *Indian Journal of Economics*, 55(3), 145-162.
16. Reserve Bank of India (2023). Macroeconomic Impact of GST. RBI Bulletin.
17. Singh, P. (2022). GST in India: Lessons Learned. New Delhi: DEF Publishers.
18. Sharma, V. (2023). Taxation Reform: GST and Digital Transformation. *Indian Tax Review*, 41(1), 132-150.

News Papers

1. The Hindu, Thursday, September 4, 2025, The Hindu Bureau, New Delhi, Finance Minister Nirmala Sitharaman speaking to the media report, p.1.
2. The Hindu, Friday, September 5, 2025, Bengaluru, Editorial page, GST 2.0 a landmark in India's tax journey, Chandrajit Banerjee-Director General, CII.p-10.
3. The Hindu, Friday, September 12, 2025, Bengaluru, Editorial Page, A health check' for the new GST health-care reforms, Dr. Ankur Mutreja-Director of External Affairs and Health Security, PATH.p-12.
4. The Hindu, Wednesday, September 17, 2025, Bengaluru, Editorial page, GST 2.0-short-term pain, possible long-term gain, C. Rangarajan, Chairman, Madras School of Economics and formerly, the Governor, RBI.