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Impact of key changes in GST 2.0 on Indian Consumer

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Abstract
GST 2.0 was implemented in India on September 22, 2025, which is a significant transformation of the GST system. This reform brings in simplified slabs, revised GST rates, adjustments tailored for specific sectors, and more efficient compliance processes, affecting consumers, businesses, and the overall economy. Knowing GST 2.0 is essential for making wise decisions whether you are investing in gold, purchasing groceries, cars, or electronics. The overhaul seeks to simplify compliance, promote frugal spending, and improve consumer-friendliness and transparency in taxation. Objectives of this study are to study the impact of key changes in GST 2.0 on Indian Consumer, to find out GST 2.0's advantages and to know the challenges related to GST 2.0 on Indian Consumer etc.

Keywords*- GST 2.0, advantages, Challenges*

Introduction:

On July 1, 2017, India implemented GST, which replaced a number of indirect taxes, including service tax, excise duty, and VAT. The original GST rollout, also known as GST 1.0, aimed to simplify compliance, remove cascading taxes, and unify the Indian market. Despite its potential,
GST 1.0 encountered difficulties:
1. There are several tax slabs: 5%, 12%, 18%, and 28%, which confuses businesses and consumers.
2. Classification problems: Conflicts and frequent clarifications resulted from the unclear classification of goods and services.
3. State-specific differences: Pricing and accounting procedures were inconsistent due to variations in SGST rates.

GST 2.0, which focuses on simplified slabs, clearer guidelines, improved IT infrastructure, and predictable pricing for both consumers and businesses, is the result of the government's efforts to improve the system in response to these difficulties. Historical Context: Central excise, service tax, VAT, and local levies made up the complicated web of indirect taxes prior to GST. Because of cascading taxes, consumers frequently had to pay more, and businesses had to invest a lot of resources in handling numerous returns. GST 2.0 seeks to do away with these inefficiencies.

GST seeks to improve ease of doing business, streamline compliance, and establish a single market. These goals are reinforced by GST 2.0, which also ensures consumer friendliness and transparency by introducing new GST rates for different industries. GST 2.0 also offers improved integration with e-invoicing systems, automated ITC claims, and simpler invoice tracking.

Objectives of the Study:

1. To study the impact of key changes in GST 2.0 on Indian Consumer
2. To find out GST 2.0's advantages
3. To know the challenges related to GST 2.0 on Indian Consumer

Research Methodology:

The study is carried out to understand the cashless economy and its challenges and opportunities with specific reference to Indian economy. The study focuses on extensive study based on secondary data. The data has been collected with the help of e-books magazines, newspapers, research article, research journal, e-journals, Blogs, Social platform etc.

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Impact of Key changes in GST 2.0

1. Tax Slabs Made Simpler

Multiple slabs are reduced to three primary rates

Under GST 2.0: 5%: necessities (food, medical care, education)

18%: Common goods and services (clothing, household goods, electronics)

40%: Luxury and sinful goods (high-end fashion, tobacco, alcohol, and luxury cars)

These changes, which guarantee consistency across states and lessen confusion for businesses and consumers, were approved during the GST council meeting.

2. Effect on Essential Products

A 5% GST is now applied to necessities, saving households money.

For instance:

Staple foods include rice, wheat, pulses, and vegetables.

Healthcare: Hospital services and medications

Education: Textbooks, supplies, and tuition

Customer Example: A ₹1,000 grocery basket that was previously subject to 12% tax is now subject to 5% GST, saving ₹70–100 per basket. A family could save ₹300–500 on necessities over the course of a month.

3. Luxurious and Sinful Products

GST on luxury and sinful goods has increased from 28% to 40%.

For instance: High-end vehicles Alcohol and tobacco High-end electronics, luxury watches, and designer apparel

Illustrative For instance- if a luxury car costs ₹30 lakh, GST 1.0 equals ₹8.4 lakh and GST 2.0 equals ₹12 lakh. GST 1.0 = ₹2.24 lakh; GST 2.0 = ₹1.44 lakh (saving ₹80,000) for an entry-level car costing ₹8 lakh

4. Two-wheelers

GST on motorcycles and scooters under 350cc has decreased from 28% to 18%.

For instance, a bike costing ₹1.5 lakh would have GST 1.0 = ₹42,000 and GST 2.0 = ₹27,000. This lowers the cost of commuting for small business owners, office workers, and students. Online price lists for GST 2.0 bikes are now accessible for convenient comparison.

5. Precious Metals and Gold

Gold jewelry now requires hallmarking and is subject to a 3% GST, which includes making charges.

Advantages

uniform prices throughout India Transparent wedding and celebration purchases Decreased disagreements between customers and jewelers for instance, ₹2,00,000 worth of gold jewelry → GST = ₹6,000 → Total cost = ₹2,06,000

6. Electronics for Consumers

TVs, laptops, air conditioners, and refrigerators are still subject to 18% GST.

GST 2.0 updates:

Simplified billing Simplified claims for input tax credits (ITC) Better handling of invoices For instance, a TV that costs ₹50,000 → GST = ₹9,000 → Total = ₹59,000

7. Construction and Real Estate

Housing costs are lowered by a lower GST on construction services.

For instance,

GST 1.0 = ₹6 lakh; GST 2.0 = ₹2.5 lakh → Savings = ₹3.5 lakh for a ₹50 lakh affordable housing project. This lowers costs for purchasers and promotes housing development, particularly in affordable housing projects. In order to increase housing accessibility, developers are now required to pass on GST savings to purchasers.

Sector wise impact

Sector	Old GST	New GST	Impact
Important foods	5%	5%	Cheap groceries
Drugs (Medicines)	12%	5%	Reduced medical expenses
Two-wheelers <350cc	28%	18%	Less expensive transportation
Automobile (Cars) <1.2L	28%	18%	More reasonably priced entry-level vehicles
Luxury cars	28%	40%	more expensive luxury cars
Gold	3%	3%	Consistent pricing
Electronics	18%	18%	Simpler billing

GST 2.0's advantages

1. for consumers

Reduced costs for necessities and two-wheelers Clear pricing for electronics, gold, and luxury goods Costs that are predictable for festival shopping.

2. Companies:

Simplified ITC claims and invoicing Simplified, adherence Possibilities for sector-specific expansion

3. Economy:

Promotes spending on necessities, decreases tax evasion, encourages an open and cohesive market

Long-Term Benefit: GST 2.0 ensures that the advantages go beyond short-term cost savings by promoting financial inclusion, simpler market access, and investor confidence.

Challenges:

Despite its advantages, GST 2.0 has drawbacks.

Accounting system updates Educating employees on new regulations Observing adherence Reduced demand for high-end products as a result of increased taxes To effectively adapt, businesses need to plan their pricing, inventory, and compliance strategies.

Additionally, consumers must comprehend how GST affects long-term investments and lifestyle choices.

Conclusion:

1. Consumer Goods: As fast-moving consumer goods (FMCG) like biscuits have become more reasonably priced, sales have increased.
For instance, Parle-G' smallest biscuit pack is now only ₹4.45 instead of ₹5. The Indian Times

2. Healthcare: The public now has easier access to these services thanks to the GST exemption on life and health insurance policies.

3. Education: Both students and educational institutions benefit from the increased affordability of educational resources and services.

4. Luxury Goods: In an effort to reduce the consumption of non-essential items, luxury and sin goods are now subject to a higher GST rate of 40%, while essential goods have become less expensive.

5. Impact on Consumers Groceries**:** Reduced monthly costs Cheaper two-wheelers for commuting Housing: Lower prices for purchasers Electronics: Clear invoicing Jewelry and gold: predictable prices before making significant purchases, customers should review the new GST rates, the GST 2.0 bike price, the GST 2.0 list for cars, and the gold GST rate.

6. Investment Tip: Because of the lower GST, investors may turn their attention to more affordable consumer segments, which could lead to opportunities in FMCG, low-cost cars, and mid-range electronics.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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