

A Study of Impact of Recent Changes in GST Rates**Dr. Shahebaz Naquibuddin Mohammed**

Assistant Professor,

Maulana Azad College Of Arts, Science And Commerce, Rauza Bagh, Aurangabad, Maharashtra

+91 9860732018

profdrshahebaz@gmail.com**Abstract**

The Goods and Services Tax (GST) in India, introduced in 2017. It represents one of the most significant fiscal reforms in the country's economic policy. For many years the GST framework has evolved through multiple policy revisions aimed at improving compliance, justifying tax rates, and strengthening revenue performance. The recent period marks a major turning point with the implementation of a new rate regarding the tax policy referred to as "GST 2.0 which was approved by the GST Council in September 2025.

By combining the majority of commodities into two primary tax brackets (5% and 18%), this change streamlined the previous multi-slab structure. Essentials continued to have zero or low rates, but luxury and sin goods now had higher rates. The effects of these developments on India's economy and populace are examined in this study. It displays the current state of collections based on information provided by the GST Council and the Government of India. It also displays short-term financial results and compliance trends. According to recent analysis, gross GST revenues in FY 2024–2025 stayed strong. They are now worth about 22.08 lakh crore rupees.

It is clear that the monthly collection in September 2025 was the largest during that time period, coming in at around ₹1.89 lakh crore. It stands for the idea of economic resiliency. The study lists a number of benefits, chief among them being a decrease in the complexity of compliance, an improvement in customer satisfaction, and a greater formalisation of economic activity. It also acknowledges some drawbacks, such as states losing revenue during the changeover. It highlights the difficulties of reclassification and the dangers of unequal sectoral effects. Even if the new GST rules have made taxation simpler, the study comes to this conclusion. Additionally, this has encouraged openness in the efficient execution of ongoing income monitoring. Small enterprises were given particular attention since they are essential to attaining long-term, balanced benefits.

All things considered, the study offers an evidence-based assessment that influences India's fiscal environment, consumer patterns, and inclusive economic growth.

Intorduction

One of India's most extensive and revolutionary fiscal measures since independence is the Goods and Services Tax (GST), which went into effect on July 1, 2017. Excise duty, service tax, VAT, and entry tax were among the many indirect taxes that were merged into a single national taxing system by the GST. Creating a unified national market was its main goal. It seeks to encourage the free movement of goods and do away with tax cascades. Better services beyond state lines as well. The government has worked to make the GST system more open, effective, and business-friendly throughout the years through a number of policy changes, rate adjustments, and digital initiatives. The GST Council

has unveiled significant changes known as "GST 2.0."

By combining several slabs into two main categories, these policies seek to rationalize tax rates. They introduce increased taxes for luxury and sinful commodities while keeping zero or concessional prices for necessities, including 5% and 18%. Faster refund processing is accompanied with simplifications. They continue to fortify systems to improve revenue tracking and compliance. It is anticipated that these modifications will have far-reaching effects on the Indian economy overall. The simplicity lessens categorization conflicts and regulatory obligations for enterprises. Reduced pricing and increased spending are two benefits of rationalized rates for customers.

But the changeover also poses difficulties such administrative changes, reclassification expenses, and brief variations in state revenue. The impact of the recent GST reforms on economic activity, government revenue, trade competitiveness, and consumer welfare is examined in detail in this article. It also assesses the wider ramifications for inclusive growth and fiscal federalism in India's changing tax environment.

Current Status of GST

In a streamlined slab system, the GST Council set a higher tax for sin/luxury products (reported as 40% for some categories), preserved basics at zero or low rates, and moved many items into two principal rates (5% and 18%). The Council recommended the changes, and they were announced to go into effect on September 22, 2025. Changes to the rules and administration (2024–2025) were highly desired. modifications to late fee waivers, clarifications on composition scheme thresholds, and technical amendments to the CGST Rules with the goal of making compliance easier. In order to expedite refunds and lessen compliance friction, a number of clarifying circulars and administrative actions at the state level were also released. Changes to the composition scheme are being started. In 2024–2025, thresholds and scheme requirements were modified for various taxpayer classes, with some manufacturers having a higher barrier under composition.

Public Finance Contribution By GST

This section presents recent, high level revenue numbers to show the contribution of GST

1) GST revenue figures given by official

INDICATOR	PERIOD	AMOUNT
Gross GST Collection	2024-2025	₹22.08 Lac Crores
Gross GST Collection	Sept 2025	₹1.89 Crores

Source: official PIB releases

2) Old GST Rates Vs New GST Rates

Old Rate	Goods or Services	New Rate
0%, 5%	Essentials	0%, 5%
12%, 18%, 28%	Standard Goods	18%
28%	Several Durables	18%, 5%
28% (Luxury)	Sin & Luxury	40% (Luxury)

Source: official PIB releases

Impact Assessment

1) Positive Impacts

Both the government and customers have benefited greatly from the most recent modifications to India's GST system. The taxing process has been made clearer by reducing tax slabs to two primary rates (5% and 18%). It also lessens disagreements regarding categories. Consumer demand has increased as a result of these developments, particularly for durable goods primarily in the automotive and electronics industries. People are encouraged to voluntarily pay taxes under the current system. Businesses, particularly micro, small, and medium-sized businesses (MSMEs), benefit greatly from these adjusted adjustments because they require less time to file returns due to their reduced complexity. Retail prices have decreased as a result of the GST on some goods being reduced from 28% to 18%. Customers also immediately profit from it. Spending and industrial output have soared as a result.

Sales volumes have increased, according on preliminary data from September 2025. The system for digital compliance has been reinforced by the revisions. Adhering to sophisticated analytics has increased transaction transparency and made tax avoidance more difficult. Revenue collection is now more effective because to data-driven monitoring. It is making sure that even when rates are lowered, compliance remains high. The more equitable tax structure is an additional advantage. The government has kept the tax burden on the average person low by maintaining basic products and services at a zero or low tax rate. This encourages inclusive economic growth and social justice.

Furthermore, the GST Council's collaboration between state and federal agencies has sped up policy responses. A more stable tax environment is facilitated by quick responses to market fluctuations made possible by regular council meetings and data reviews. GST has proven resilient, and improved coordination aids in forecasting fiscal results for governments and corporations.

The GST continues to play a vital role in preserving fiscal stability. With more than ₹22 lakh crore in income for FY 2024–2025, both the federal and state budgets are still supported. By promoting formalisation in previously unregistered industries,

the simplification has expanded the tax base and bolstered long-term economic stability.

2) Negative Impacts

The 2024–2025 GST revisions have yielded a number of advantages. A variety of short- and medium-term difficulties have also been brought about by them. The possible loss of state money is the largest obstacle. Concerns about a drop in state GST collections have been raised by the cut in tax rates on a number of commodities. Even if total revenues have been steady thus far, the state's finances may eventually be strained if consumption slows down more or if different sectors recover at different rates. For a small number of states that primarily rely on indirect tax revenue, this is accurate. The disruption of business activities throughout the changeover is another issue.

This has caused temporary confusion and increased administrative costs. Small businesses have particularly struggled to adjust to the new rules and filing formats, even with the government offering digital support tools. It also led to differences between sectors which have become evident. Industries that come under higher tax slots, like luxury goods have found in reduced demand, resulting employment in those areas and the businesses that sell low-margin goods have had trouble passing on the reduced tax benefits to consumers due to pricing constraints and competition. There is also inflationary risks which keep on continuing to be a yet another concern.

Additionally, all of those improvements have exposed administrative and technological limitations. For smaller businesses, e-invoicing can be challenging. The digital infrastructure is inadequate. Issues such as uneven internet access and a lack of technological expertise in rural and semi-urban areas significantly impede progress. Investors and dealers experience uncertainty as a result of frequent policy changes. All firms must be steady in order to prepare for investments. Ongoing changes might also result in misunderstandings. Additionally, there is a risk of regional inequality within the States with stronger industrial bases may benefit more from increased consumption and production, while less developed states might see slower revenue growth. This eventually could disrupt the balance of fiscal federalism. This highlights the need for stronger

prolonged mechanisms. These GST reforms offer potential scope for efficiency and inclusiveness. The transitional costs, challenges for state budgets, and administrative complexities require careful policy adjustments and ongoing monitoring to ensure long-term stability.

Suggestions

States' compensatory fiscal framework: To preserve states' budgetary space, any permanent rate rationalisation must be combined with either a short-term revenue compensation fund or calibrated devolution adjustments. phased deployment and transition window, as well as useful compliance checklists and automatic HSN mapping tools, in order to lower categorisation expenses. By using analytics-driven monitoring and providing a fast-track grievance for anti-profiteering disputes, you can increase anti-profiteering monitoring while also speeding up dispute resolution. specific assistance for MSMEs, Extend periodic amnesty windows and simplified compliance tools to include small taxpayers in the formal system at a reasonable cost. Training and communication with the public: Confusion will be decreased via a nationwide education campaign for tax officers and taxpayers regarding new slabs, invoices, and return modifications.

Conclusion

One of the most important components of India's indirect tax structure is the Goods and Services Tax (GST). It aims to simplify the convoluted tax laws that were in place prior to 2017. The latest changes mark a significant step towards a tax structure that is open, predictable, and growth-oriented.

Modifications to this demonstrate that the government is cognisant of certain economic circumstances. Its commitment to striking a balance between social justice and economic efficiency is truly admirable. The modifications have reduced costs by simplifying tax slabs into more general categories. demonstrating the decreased classification of conflicts and fostering a sense of confidence among all taxpayers. Lower-income households are protected by the very practice of maintaining low or nil tax rates on necessities.

Everyone benefits from ensuring that GST stays equitable.

Better digital systems have also increased compliance and decreased tax evasion, such as automated return matching and e-invoicing. In more ways than one, these essential elements support steady revenue. The consistent rise in GST collections in FY 2024–2025 makes this very clear. There are usually several difficulties at the start of the transition period. Many states are worried that decreasing the rates may result in a loss of revenue. It's possible that smaller enterprises will have trouble with filing and technology. States may differ from one another in how their industries operate and how they consume.

If the states' concerns about proposed reforms are not adequately addressed, financial disparities may increase. India's tax structure is getting simpler, as seen by the modifications to the GST reforms. Additionally, it is more inclusive. Policymakers must guarantee effective collaboration between the federal government and the states in order to implement these advances. They must be able to improve conflict resolution skills and motivate taxpayers to educate themselves. A solid foundation for revenue generation can be established by properly implementing GST. This could be a motivating factor for India's economic expansion and social advancement.

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