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## Recent Changes in GST in India and their Economic & Social Impact

<sup>a</sup> **Makala Gandhi**

<sup>a</sup> Assistant Professor, PG and Research Department of Economics, Sacred Heart College (Autonomous), Tirupattur, Tamil nadu -635601.  
(Affiliated to Thiruvalluvar University, Vellore)

### 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. This reform simplified the earlier multi-slab structure by consolidating most goods into two main tax brackets (5% and 18%), retained zero or low rates for essentials, and introduced a higher rate for luxury and sin goods. This research article analyses the implications of these changes on India's economy and its citizens. Depending on the data given by the Government of India and GST Council, it reveals the current status of collections. It also shows trends in compliance, and short-term fiscal outcomes. The current research highlights that gross GST revenues remained robust in FY 2024-25. They are touching ₹22.08 lakh crore. It is evident that the monthly collection in September 2025 reached approximately ₹1.89 lakh crore and the highest for that period. It represents about suggesting economic resilience. The paper identifies several positive outcomes mainly in reduced compliance complexity and improved consumer sentiment and increased formalisation of economic activity. It also recognises potential downsides, including transitional revenue loss for states. It emphasises reclassification challenges and risks of uneven sectoral impacts. The analysis concludes that while the new GST reforms have simplified taxation. This has also promoted transparency in effective implementation in terms of continued revenue monitoring. Special focus was given to small businesses that are crucial for achieving balanced and prolonged benefits. Overall, the study provides an evidence-based evaluation which emerges in shaping India's fiscal landscape, consumption dynamics, and inclusive economic growth.

**Keywords:** Goods and Services Tax (GST), Rate Rationalisation, Fiscal Reform, Economic Growth, Revenue Performance, Compliance Simplification, Consumption Dynamics, Inclusive Development, Tax Structure, Policy Impact.

### Introduction

The Goods and Services Tax (GST) is one of India's most comprehensive and transformative fiscal reforms since independence which has been implemented on July 1, 2017, GST subsumed a wide range of indirect taxes such as excise duty, service tax, VAT, and entry tax into a unified national taxation system. Its primary objective was to establish a common national market. It aims to eliminate tax cascading, and promote the free flow of goods. Also better services across state borders. Over the years, GST has evolved through several policy revisions, rate adjustments, and digital interventions, reflecting the government's effort to make the system more transparent, efficient, and business-friendly. Recently the GST Council has introduced substantial reforms, popularly termed "GST 2.0." These reforms aim to rationalize tax rates by merging multiple slabs into two principal categories. They include 5% and 18% while maintaining zero or concessional rates for essential goods, introducing higher rates for luxury and sin items. Accompanied by simplifications it carries faster refund processing. They keep strengthening of mechanisms to enhance compliance and revenue monitoring. These changes are expected to result wide-ranging impacts on the Indian economy as a whole. For businesses, the simplification reduces compliance burdens and classification disputes. For consumers, rationalized rates can lower prices and stimulate spending. However, the transition also presents challenges such as temporary revenue fluctuations for states, reclassification costs, and administrative adjustments. This paper analyses these developments in depth exploring how the recent GST reforms influence economic activity, government revenue, trade competitiveness, and consumer welfare. It also evaluates the broader implications for fiscal federalism and inclusive growth in India's evolving tax landscape.

### Current Status of GST

The GST Council implemented a simplified slab structure that moved many items into two principal rates (5% and 18%), kept essentials at nil/low rates and introduced a higher rate for sin/luxury goods (reported as 40% for some categories). The measures were recommended by the Council and notified for implementation from 22 September 2025. Administrative and rule changes (2024-2025) were very keen about modifications. Amendments to CGST notifications and rules aimed at easing compliance (changes to late fee waivers, clarifications on composition scheme thresholds, and technical amendments to CGST Rules). Several clarifying circulars and state-level administrative steps were also issued to speed up refunds and reduce

compliance friction. Composition scheme adjustments are being initiated. Thresholds and scheme conditions were adjusted for different classes of taxpayers in 2024–2025, including a higher threshold for certain manufacturers under composition.

## Contribution of GST to Public Finance

This section presents recent, high-level revenue numbers to frame the fiscal contribution of GST.

**Table 1: Selected GST revenue figures (official releases)**

| Period             | Indicator                              | Amount (₹ lakh crore or ₹ crore) | Source (official summary)                    |
|--------------------|----------------------------------------|----------------------------------|----------------------------------------------|
| FY 2024–25         | Gross GST collections (financial year) | ₹22.08 lakh crore                | Official press release (Government of India) |
| Sep 2025 (monthly) | Gross GST collections (Sep 2025)       | ₹1,89,000 crore (approx.)        | Monthly release / media reports              |

Notes: The FY 2024–25 figure summarises the year's gross collection and has been reported by official PIB releases. Monthly figures for 2025 (for example September 2025) are published in the GST Network / monthly approved data and reported by financial press.

**Table 2: Old major GST slabs (pre-September 2025) vs. new simplified slabs (from 22 Sep 2025)**

| Category                             | Typical earlier slabs   | Revised slab (Sep 22, 2025 onwards, illustrative) |
|--------------------------------------|-------------------------|---------------------------------------------------|
| Essentials (food, basic medicines)   | 0% / 5%                 | 0% / 5%                                           |
| Standard goods (many consumer goods) | 12% / 18% / 28%         | 18%                                               |
| Several durables (previously 28%)    | 28%                     | 18% or 5% (item-specific)                         |
| Sin & luxury                         | 28% (luxury) / specific | 40% (special high rate for certain goods)         |

### Positive Impacts

The recent changes in India's GST system have brought many benefits for the consumers, and government. Simplifying tax slabs into two main rates (5% and 18%) has clarified the taxation process. Further it reduces disputes over classifications. These changes have improved consumer demand, especially in the durables mainly in electronics and automotive sectors. The present system encourages people to pay taxes willingly. These modified changes are very helpful in businesses, especially micro, small, and medium enterprises (MSMEs), this lower complexity means they spend less time filing returns. By reducing GST on certain goods from 28% to 18% has lowered retail prices. It also benefiting consumers very directly. This has encouraged spending and increased industrial output. Early data from September 2025 shows a rise in sales volumes. The reforms have strengthened the digital compliance system. By following advanced analytics has made tax evasion harder and improved transaction very transparency. The data-driven monitoring has made revenue collection more efficient. It is ensuring that compliance stays high even with rate reductions. Another benefit is the fairer tax system. By keeping essential goods and services at a zero or low tax rate, the government has kept the tax burden on low for the common man. This promotes social fairness and supports inclusive economic growth. Additionally, cooperation between state and central authorities under the GST Council has made policy responses quicker. Regular council meetings and data reviews allow for fast adjustments to market changes, contributing to a more stable tax environment. GST has shown resilience and better coordination also helps predict fiscal outcomes for businesses and governments. GST's role in maintaining fiscal stability is still significant. With revenues for FY 2024-25 exceeding ₹22 lakh crore, continues to support both central and state budgets. The simplification has broadened the tax base by encouraging formalization in previously unregistered sectors, contributing to long-term economic stability.

### Negative Impacts

GST reforms of 2024-2025 have provided several benefits. They have also created a range of short- and medium-term challenges. The biggest challenge is the potential loss of revenue for states. The reduction in tax rates on many goods has raised fears in terms of decline in state GST collections. Although overall revenues have been stable so far, a continued slowdown in consumption or uneven recovery in different sectors which later could result in strain state finances. It is true for few states that rely heavily on indirect tax revenue. Another concern is the interruption of business operations during the transition. 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. All those reforms have also revealed technological and administrative constraints. E-invoicing can be difficult for smaller firms. There is lack of proper digital infrastructure. Concerns like inconsistent internet availability and limited technical skills in rural and semi-urban areas hinder to a large extent. Frequent policy changes lead to uncertainty among investors and traders. Every businesses need be stable for investments planning. Sometimes ongoing revisions can lead to misperception. There is also 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.

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## Results and Recommendations

Compensatory fiscal framework for states: Any permanent rate rationalisation must be partnered with a short-term revenue compensation fund or calibrated devolution adjustments to protect states' fiscal space. Phased implementation and transition window, to reduce reclassification costs, introduce transition windows and practical compliance checklists and automated HSN mapping tools. Strengthen anti-profiteering monitoring but improve dispute resolution speed. Use analytics-driven monitoring while offering a fast-track grievance for anti-profiteering disputes. Targeted relief for MSMEs, Expand simplified compliance tools and periodic amnesty windows to bring small taxpayers into the formal net without excessive costs. Public communication and training: A national outreach campaign for taxpayers and tax officers about new slabs, invoices, and return changes will reduce confusion.

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## Conclusion

The Goods and Services Tax (GST) is considered to be an essential part of India's indirect tax system. It targets for simplification of the complicated tax rules that existed before 2017. The recent reforms signify an important move toward a transparent, predictable, and growth-focused tax system. Changes regarding this show the government's awareness of specified economic conditions. Its dedication to balancing fiscal efficiency with social fairness is really appreciable. Simplifying tax slabs into broader categories, the reforms have lowered costs. Making every taxpayer very confident and showing the reduced classification of disputes. The very process of keeping low or zero tax rates on essential goods protects lower-income households. It is helping to everyone ensure that GST remains fair. Additionally, improved digital systems, such as e-invoicing and automated return matching, have strengthened compliance and reduced tax evasion. These necessary factors contribute to stable revenue more possible ways. It is quite evident in the steady increase of GST collections in FY 2024-25. The transition period is generally begins with plenty of challenges. Many states have raised their concerns regarding losing revenue due to lowering the rates. There is a possibility that smaller businesses firms may struggle with technology and filing issues. There is a chance for differences in industrial functioning and consumption patterns among states. The states could widen financial gaps if they are not addressed properly about new reforms. The changes in GST reforms show that India's tax system is becoming simpler. And also more inclusive. In order to incorporate these improvements, policymakers need to ensure good coordination between the Centre and states. They must be able to encourage taxpayers in educating, and enhance the ability to resolve disputes. Proper execution of GST can create a strong base for revenue generation. This can be a striving force and driver of economic growth and social progress in India.

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