



GST 1.0 AND GST 2.0: A COMPARATIVE STUDY

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ABSTRACT:

Goods and Services Tax (GST) was implemented in 2017 and GST 2.0 was implemented in 2025. GST 1.0 was based on four slabs. Such as 5%, 12%, 18% and 28%. GST 2.0 is based on three slabs, such as 5%, 18% and 40%. Many essential goods are exempted from tax under GST 2.0. Individual life and health insurance premium are exempted from tax under GST 2.0. 40% rate is applicable to luxury and sin goods. Small entrepreneurs face difficulties to comply with GST 2.0 due to lack of knowledge about the rules and regulations of GST 2.0. Seminars, workshops should be arranged for both businessmen and tax officials for proper implementation of GST 2.0. GST has simplified the indirect taxation systems which enhanced the ease of doing business. GST 2.0 has reduced tax rates on many essential goods to enhance the purchasing power of consumers. The study is based on primary and secondary data. In this paper, an attempt has been made to compare between GST 1.0 and GST 2.0.

KEYWORDS:

GST 1.0, GST 2.0, TAX, RATE, GOODS.

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I. INTRODUCTION

Goods and Services Tax (GST) was first implemented in 2017. GST 1.0 was based on four slabs i.e. 5%, 12%, 18% and 28%. GST 2.0 was implemented in 2025. GST 2.0 is based on three slabs i.e. 5% and 18% and 40%. GST has

simplified indirect tax structure by replacing several central and state taxes. GST has four types such as Central Goods and Services Tax (CGST), State Goods and Services Tax (SGST), Integrated Goods and Services Tax (IGST), Union Territory Goods and Services Tax (UTGST).

7 PILLARS OF NEXT-GEN

GST REFORMS

	PILLAR 1
<p>Building on the success of GST.</p> <p>One Nation, One Tax</p> <p>Expanded the taxpayer base Simpler 2-tire system (5% & 18%)</p>	
	PILLAR 2
<p>Rationalising rates for fairer taxation.</p> <p>Smoother duty structures</p> <p>Faster processing of refunds</p>	
	PILLAR 3

<p>Simplifying filing through technology.</p> <p>Easy registration for small & low-risk businesses</p> <p>90% upfront provisional refunds for exporters</p> <p>Digital compliance with e-invoicing</p> <p>AI-driven risk detection</p>	
	PILLAR 4
<p>Putting consumers first.</p> <p>Essential goods in the 0-5% bracket</p> <p>High - value items cars down from 28% to 18%</p>	
	PILLAR 5
<p>Empowering MSMEs & manufacturers.</p> <p>Fixed inverted duty structures</p> <p>Simpler rates to support Make in India</p>	
	PILLAR 6
<p>Stronger states, stronger Bharat.</p> <p>Sustainable revenue growth for all states</p> <p>Rationalised rates will increased demand</p>	
	PILLAR 7
<p>Lower taxes = Higher spending.</p> <p>Families buy more, demand rises, industries grow.</p> <p>Cheaper appliances, electronics will increase demand</p>	

(Source – Ministry of Finance)

As per GST 2.0, many essential goods are exempted from tax such as food grains, fresh fruits, eggs, paneer, many life saving drugs. Individual life and health insurance premiums are exempted from tax under GST 2.0. As per GST 2.0, 5% rate is applicable to various essential goods, such as cheese, butter etc; 18% rate is applicable to various standard goods and services, such as air conditioners, televisions, washing machines, cement , auto parts etc; 40% rate is applicable to luxury and sin goods, such as tobacco, pan masala, high-end cars etc; The objective of the study is to compare between GST 1.0 and GST 2.0.

II. LITERATURE REVIEW

Tax reduction for essential goods and services under new regime is very significant. The GST council simplified the tax structure into two main slabs of 5% and 18% with a higher slab of 40%. The aim of GST 2.0 is to promote a simplified taxation system which is growth oriented. Tax rates are reduced for essential goods and services whereas higher taxes have been imposed on luxury and sin goods (Ganesh, 2025). The aim of GST was to replace several state and central levies such as excise duty, value added tax, central surcharges, state taxes, entertainment tax. GST

structure comprises of four types of GST such as State Goods and Service Tax, Central Goods and Services Tax, Integrated Goods and Services Tax, Union Territory Goods and Services Tax. The new reforms focus to benefit MSMEs, women, farmers, youth. GST 2.0 ensures ease of doing business for entrepreneurs (Govindasamy and Srinidhi, 2025). GST has played vital role to increase tax revenues of the Government of India. GST has reduced the complexity in indirect taxation system. GST has significant impact on IT Sector, FMCG sector, automobile sector, textile sector, pharmaceutical sector. GST provide job opportunities in industries. The investment in small scale manufacturing units has reduced due to GST (Ainapur and Ainapur, 2025). GST focus to unify the indirect tax structure. GST 2.0 has played necessary role to simplify tax administration. GST faced challenges initially for proper implementation of rules and regulations. The new tax reforms has significant impact on businesses and consumers. GST has direct effect on the consumption pattern of middle income consumers. The tax slabs of GST 2.0 has immense impact on consumption behavior. GST 2.0 is consumer friendly indirect tax structure which has significant influence on the purchasing decisions of consumers (Shanbhogue et al., 2025). GST subsumed

several central and state taxes such as service tax, customers duty, excise duty, entertainment tax, sales tax, purchase tax, luxury tax. GST was implemented in 2017 to change the economy of India by reforming the indirect tax structure. GST is IT driven system which has impact on businesses virtually. GST was implemented in 2017 to modify the old tax structure. The aim of GST is to minimize the tax burden on consumers. GST is very effective for indirect taxation system inspite of the disadvantages of GST (Sinha and Shrivastava, 2021). The implementation of GST in 2017 was very significant for indirect taxation system of India. GST 2.0 is based on digitization than first GST cycle. The effect of GST for banking sector is very significant. Banks require more digitization to comply with GST (Sunil and Devarajappa, 2025). The aim of GST is to enhance taxpayer base. GST adopt online procedures to enhance ease of doing business (Deepaware and Dwivedi, 2022). GST introduced in 2017 which replaced several central and state taxes such as value added tax, service tax, excise duty. GST is a unified indirect tax system. GST 1.0 was based on four slabs i.e. 5%, 12%, 18% and 28%. GST 2.0 is based on two slabs i.e. 5% and 18% with a slab of 40% on luxury and sin goods. Individual life and health insurance premiums are fully tax exempted under GST 2.0. Many essential items like paneer, traditional Indian bread are more affordable to consumers as the tax rate is nil under GST 2.0 (Pushpa, 2025). GST replaced various central and state indirect taxes like service tax, excise duty, value added tax. The main objective of GST is "One nation, one tax". GST was introduced in 2017 with four slabs i.e. 5%, 12%, 18% and 28%. GST 2.0 is based on three slabs i.e. 5%, 18% and 40%. 40% rate is applicable for sin goods and luxury items. GST 2.0 is consumption oriented indirect tax structure to develop the economy. GST 2.0 focus on increasing ease of doing business. GST 2.0 emphasize to reduce compliance cost of small businesses (Jaimol and George, 2025). Taxation is the backbone of the economy of a country. Before the implementation of GST, the indirect tax system was very complex due to several central and state taxes such as value added tax, service tax, luxury tax. GST simplified indirect tax system to create unified national market. Businesses require to adopt digitization to comply with GST. GST simplified indirect tax system to implement uniform tax rates (Pandey et al., 2026). GST was implemented in 2017 to create unified tax structure. GST 1.0 had four slabs i.e. 5%, 12%, 18% and 28%. GST 2.0 was implemented in 2025 with three slabs i.e. 5%, 18% and 40%. GST 2.0 focus on digitization. GST 2.0 enhance the purchasing power of consumers (Uttamsagar, 2025)

III. METHODOLOGY AND DATA ANALYSIS

The study is based on primary data and secondary data. The sample size of the study is 150. 60% of the respondents are male and 40% of the respondents are female. 28% of the respondents are between the age of 21 years to 30 years. 37% of the respondents are between the age of 31 years to 40 years. 18% of the respondents are between the age of 41 years to 50 years. 12% of the respondents are between the age of 51 years to 60 years.

5% of the respondents are above the age of 60 years. 23% of the respondents have studied upto class twelve. 68% of the respondents are graduates. 9% of the respondents are post graduates. 58% of the respondents are service holders and 42% of the respondents are businessmen. In construction sector, the rate on cement as per GST 2.0 is 18% which was 28% under GST 1.0. The GST rate of Bricks was 12% under GST 1.0 but under GST 2.0 the rate has reduced to 5%. 87% of the respondents agree that GST 2.0 has positive impact on construction sector. The GST rates on individual health insurance and individual life insurance premium was 18% in GST 1.0. The GST rates under GST 2.0 on individual health insurance and individual life insurance premium is 0%. 96% of the respondents agree that GST 2.0 has positive impact on insurance sector. In wood sector, the GST rate on many wood products has reduced to 5% from 12% in GST 2.0. 79% of the respondents agree that GST 2.0 has positive impact on wood sector. In agriculture sector, the GST rate on machinery, tractors, fertilizers has reduced in GST 2.0 in comparison to GST 1.0. The new GST rates supports the development of agriculture sector. 93% of the respondents agree that GST 2.0 has positive impact on agriculture sector. In food sector, the GST rates are lower in GST 2.0 than GST 1.0 for many items such as milk, bread, butter, cheese, nuts, dates, fruit, vegetables, coconut water, drinking water, cornflakes, cakes, ice cream, fruit juice, sugar confectionery, chocolates. 92% of the respondents agree that GST 2.0 has positive impact on food sector. In renewal energy sector, the GST rate on solar cookers has reduced to 5% from 12% in GST 2.0. The GST rate on solar water heater has reduced to 5% from 12% under GST 2.0. The rates are reduced for many items such as solar lamp, solar power generator and devices. 84% of the respondents agree that GST 2.0 has positive impact on renewal energy sector. In consumer electronics sector, the rate has reduced to 18% from 28% for air conditioners, dish washers, televisions. GST 2.0 supports the development of consumer electronics sector. 91% of the respondents agree that GST 2.0 has positive impact on consumer electronics sector. In education sector, the new GST rate is 0% on many items such as pencils, erasers, exercise books, maps, crayons in GST 2.0 which was previously 12%. The rate on geometry boxes was 12% in GST 1.0 but in GST 2.0, the rate has reduced to 5%. The reduction in GST rate under GST 2.0 supports the development of education sector. 88% of the respondents agree that GST 2.0 has positive impact on education sector. In paper sector, the new GST rate is 0% on many items such as exercise books, note books. The new GST rate is 5% on many items such as boxes, cartoons, paper boards. The new rates under GST 2.0 supports the improvement of paper sector. 64% of the respondents agree that GST 2.0 has positive impact on paper sector. In textile sector, the rate has reduced to 5% from 12% in GST 2.0 on many items such as sewing thread, synthetic yarns, ropes, carpets, fabrics. The new GST rate supports the improvement of textile sector. 57% of the respondents agree that GST 2.0 has positive impact on textile sector. In

transportation sector, the new rate as per in GST 2.0 is 18% which was previously 28% in GST 1.0 on many items such as commercial vehicles, road tractors, petrol driven motor vehicles, diesel driven motor vehicles, three wheeled vehicles. The new rates of GST 2.0 supports the improvement of transportation sector. 61% of the respondents agree that GST 2.0 has positive impact on transportation sector.

IV. CONCLUSION

GST was implemented with the objective to simplify the indirect tax structure. GST 1.0 was based on four slabs but GST 2.0 is based on three slabs. Small businessmen face problems to understand the rules and regulations of GST 2.0. GST 2.0 has positive impact on construction sector, insurance sector, wood sector, food sector, education sector, paper sector, renewable energy sector, consumer electronics sector, textile sector, transportation sector. Small entrepreneurs face difficulties to comply with GST 2.0 due to lack of appropriate infrastructure. GST 2.0 is based on digitization more than GST 1.0. GST 2.0 has enhanced the ease of doing business by reforming indirect tax system. GST 2.0 has reduced the burden on MSMEs in comparison to GST 1.0. The GST rates on many essential goods are reduced under GST 2.0 more than GST 1.0. The aim of GST is to develop the economy by restructuring indirect taxation system. GST 2.0 is more consumer oriented than GST 1.0. GST 2.0 has enhanced the consumption capacity of consumers.

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