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# PROSPECTS AND CHALLENGES OF GST 2.0: A STUDY

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**ABSTRACT:**

Goods and Services Tax (GST) was implemented in the year 2017 in India. GST simplified the indirect tax system of India. GST 2.0 was implemented in the year 2025. GST 2.0 is based on digitalization more than GST 1.0. GST has immense impact on the economic development of the country. GST 1.0 was based on four slabs i.e. 5%, 12%, 18%, 28%. GST 2.0 is based on three slabs i.e. 5%, 18%, 40%. GST 2.0 has changed the consumption pattern of consumers by reducing the tax rates on essential goods. GST 2.0 has enhanced the purchasing power of consumers. Small businessmen face difficulties to understand the rules and regulations of GST 2.0. Government should conduct awareness programmes for both consumers and businessmen for proper implementation of GST 2.0. The study is based on both primary data and secondary data. Primary data has been collected from the state of West Bengal. Secondary data has been collected from journal articles. In this paper, an attempt has been made to find out the prospects and challenges of GST 2.0.

**KEYWORDS:**

**GST, GST 2.0, TAX, RATE, GOODS.**

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## I. INTRODUCTION

Goods and Services tax (GST) was implemented in the year 2017 in India. GST 2.0 was implemented in 2025. GST 1.0 was based on four slabs i.e. 5%, 12%, 18%, 28%. GST 2.0 is based on three slabs i.e. 5%, 18%, 40%. Many goods are exempted from tax under GST 2.0, such as paneer, ultra high temperature milk, paratha, roti, exercise book, pencils, maps, pencil sharpners, crayons, note book. Many life savings drugs are exempted from tax under GST 2.0. Life insurance and health insurance premiums are free from tax under GST 2.0. GST 2.0 support the insurance for all initiative. Under GST 2.0, 5% rate is applicable to essential goods and priority sector ; 18% standard rate is applicable to many goods and services ; 40% rate is applicable to luxury and sin goods. GST 2.0 is based on digitalization. Small traders face difficulties to understand the rules and regulations of GST 2.0. Small businesses suffer to comply with GST 2.0 due to inadequate infrastructure. Many consumers and businessmen have lack of awareness about GST 2.0. GST 2.0 has enhanced the ease of doing business.

## II. LITERATURE REVIEW

Online shopping will be affected negatively due to imposition of GST. Pharmaceutical and healthcare industry is benefitted from GST. GST has positive impact on telecommunication industry. Agriculture sector will be highly benefitted from GST. Real estate sector will be affected negatively due to implementation of GST. GST will support the development of textile industry (Yadav, 2023). Consumers belonging to middle income group will be benefitted from GST 2.0. Exporters and manufacturers will be benefitted from GST 2.0. Tax administration will be more active due to the implementation of GST 2.0 (Nirmala Kumari, 2025). GST subsume various indirect taxes such as VAT, excise duty, sales tax, service tax. GST Council should arrange more awareness programmes for customers. Customers have the notion that the prices of goods and services has increased due to GST. GST Council should conduct study on the customers for alteration of rates. GST Council should take appropriate steps for the reformation of tax policy (Vengatesan, 2022). GST replaced various indirect taxes such as excise duty, service tax, customers duty, VAT, central sales tax. GST was implemented on 1st July, 2017 with the aim to achieve the ideology of one nation one tax. GST include Central Goods and Services Tax, State Goods and Services Tax, Union Territory Goods and Services Tax, Integrated Goods and Services Tax

(Lekha Prasath, 2026). Prior to the implementation of GST 2.0, GST was based on five primary rates i.e. 0%, 5%, 12%, 18%, 28%. GST 2.0 is based on seven pillars i.e. slab rationalization, consumer welfare, AI driven compliance, manufacturing competitiveness, digital formalization, logistics efficiency, fiscal resilience. The role of GST 2.0 is very significant behind the achievement of fiscal evolution in India (Sharma and Bansal, 2026). GST replaced several central and state taxes such as excise duty, VAT, central sales tax, service tax. GST 2.0 emphasize on digital compliance. Under GST 2.0, 40% tax rate is applicable for luxury goods and sin items (Kumar, 2025). GST replaced various taxes such as central excise duty, service tax, VAT, central sales tax, purchase tax, luxury tax, entertainment tax. GST includes Central GST, State GST, Integrated GST (Nanasaheb and Changdeo, 2025). GST includes Central Goods and Services Tax, State Goods and Services Tax, Union Territory Goods and Services Tax, Integrated Goods and Services Tax. GST is based on various categories i.e. no tax category, 5% tax category, 12% GST category, 18% GST category, 28% GST category (Sharma, 2020). Two slabs GST rate will simplify the taxation system. Two slabs GST structure will reduce the burden on SMEs (Naik et al., 2025). Consumers a benefitted from GST as they avail goods and services at reduced price. GST supports the development of many sectors. Producers are benefitted as the cost of production has reduced due to GST (Waghamode, 2020). Government must arrange awareness programmes on GST for manufacturers and SMEs. The GST regulations should be more simplified to lessen the administrative burden on manufacturers (Rathi, 2023). GST was implemented with a view to make a uniform tax system in the country. GST will bring transparency in tax administration. Both consumers and businesses are benefitted from GST (Usha and Nithya, 2021). GST subsumed various indirect taxes such as value added tax, service tax, excise duty. The implementation of GST has enhanced the growth of Indian economy. GST is the biggest tax reform of the country which aim to achieve one tax, one nation, one market ideology (Bhat, 2019). GST 2.0 emphasizes on digital compliance to reduce the compliance to reduce the compliance cost burden on MSMEs. GST 2.0 has positive impact on agriculture sector. Manufacturing sector is benefitted from GST 2.0. Automobile sector is benefitted due to new rates of GST 2.0. The impact of GST is very significant on micro, small and medium enterprises. Fast moving consumer goods sector is benefitted from GST due to cost reduction (Uttamsagar, 2025). Multiple taxes has been eliminated by GST to introduce one country one tax system. Small traders face difficulties to comply with GST due to lack of infrastructure (Kumar, 2018). Many sectors are benefitted from GST 2.0 such as consumer durables, small cars, FMCG, construction materials, insurance. GST 2.0 has negative impact on luxury goods and sin goods (Bhardwaj, 2025). GST 2.0 is based on various rates such as 5% merit rate, 18% standard rate, 40% rate on luxury and sin goods. GST 2.0 reduced compliance cost and increase ease of doing business. FMCG sector will be highly benefitted from GST 2.0. GST 2.0 will have positive impact on automobile sector. GST 2.0 will have significant sector on real estate sector (Jaimol and George, 2025). GST comprises various legislations such as Central Goods and Services Tax Act, 2017 ; State Goods and Services Tax Act, 2017 ; Integrated Goods and Services Tax Act, 2017 ; Union Territory Goods and Services Tax Act, 2017 (Pushpa, 2025). GST 2.0 delivers service efficiently but increases the threat towards cyber security (Sunil and Devarajappa, 2025). GST replaced several taxes such as excise duty, service tax, custom duty, entertainment tax, purchase tax, sales tax, luxury tax. The aim of GST is one nation one tax (Sinha and Srivastava, 2021). GST 2.0 has mixed level of influence on consumption pattern. Many customers have limited knowledge about GST 2.0 (Shanbhogue et al., 2025). GST has positive impact on GDP growth rate of India. GST has reduced the compliance cost for businesses by simplifying the tax structure (Ainapur and Ainapur, 2025). GST replaced various taxes such as excise duty, VAT, entertainment tax, luxury tax. GST structure comprises of Central Goods and Services Tax, State Goods and Services Tax, Integrated Goods and Services Tax, Union Territory Goods and Services Tax (Govindasamy and Srinidhi, 2025). GST 2.0 has reduced rates on life saving drugs and insurance premiums (Ganesh, 2025). GST subsumed several taxes such as excise duty, VAT, service tax, luxury tax (Pandey et al., 2026). GST aim to achieve one nation, one tax ideology. GST simplify indirect tax structure by subsuming several taxes in India (Deepaware and Dwivedi, 2022).

## III. OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1) To find out the prospects of GST 2.0.

2) To find out the challenges of GST 2.0.

## IV. LIMITATIONS OF THE STUDY

The limitations of the study are as follows:

1) The study is based on limited number of respondents.

2) The study has been conducted in the state of West Bengal only.

## V. METHODOLOGY AND DATA ANALYSIS

Primary data has been collected from the state of West Bengal. The sample size of the study is 200. 65% of the respondents are male and 35% of the respondents are female. 21% of the respondents are between the age of 20 years to 30 years. 32% of the respondents are between the age of 31 years to 40 years. 30% 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 60 years of age. 21% of the respondents have studied upto class twelve. 72% of the respondents are graduates. 7% of the respondents are post graduates. 62% of the respondents are service holders. 33% of the respondents are businessmen.

Under GST 2.0, health and life insurance premiums are exempted from tax. GST 2.0 supports the development of

insurance sector. 88% of the respondents agree that GST 2.0 has positive impact on insurance sector. In food sector, many items are exempted from tax under GST 2.0, such as paneer, ultra high temperature milk, pizza bread, roti, paratha. Under GST 2.0, the tax rates are reduced from 12% to 5% on many items such as butter, ghee, cheese, condensed milk, dates, jams, namkeens, chocolates, pastry, cakes. Food sector is highly benefitted from GST 2.0. 71% of the respondents agree that GST 2.0 has positive impact on food sector. In agriculture sector, the tax rate on many goods under GST 2.0 has reduced from 12% to 5%, such as hand pumps, tractors, hand propelled vehicles, diesel engines. GST 2.0 supports the development of agriculture sector more than GST 1.0. 81% of the respondents agree that GST 2.0 has positive impact on agriculture sector. In education sector, many goods are exempted from tax under GST 2.0, such as exercise book, maps, note book, pencil, pencil sharpners, crayons. GST 2.0 supports the development of education sector more than GST 1.0. 73% of the respondents agree that GST 2.0 has positive impact on education sector. In renewable energy sector, the tax rates on many goods are reduced under GST 2.0 in comparison to GST 1.0, such as solar power based devices, solar power generator, solar water heater, solar cookers, solar lamp. GST 2.0 supports the development of renewable energy sector more than GST 1.0. 67% of the respondents agree that renewable energy sector is highly benefitted from GST 2.0. In wood sector, the tax rates on many goods are reduced under GST 2.0, such as rice husk board, jute particle board, bamboo flooring, packing cases, tools. GST 2.0 supports the development of wood sector more than GST 1.0. 88% of the respondents agree that GST 2.0 has positive impact on wood sector. In consumer electronics sector, the tax rates are reduced from 28% to 18% on many goods such as air conditioners, dish washing machines, televisions, monitors and projectors. GST 2.0 supports the development of consumer electronics sector more than GST 1.0. 72% of the respondents agree that GST 2.0 has positive impact on consumer electronics sector. In textile sector, the tax rates are reduced on many goods under GST 2.0, such as sewing thread, carpets, textile wall coverings, textile floor coverings, fabrics, hats. GST 2.0 supports the development of textile sector more than GST 1.0. 86% of the respondents agree that GST 2.0 has positive impact on textile sector. In health sector, the tax rates are reduced on many items under GST 2.0 in comparison to GST 1.0, such as life saving medicines, medical devices and equipments, surgical rubber gloves, thermometers, diagnostic kits. Health sector is highly benefitted from GST 2.0. 88% of the respondents agree that GST 2.0 has positive impact on health sector. In transport sector, the tax rates are reduced on many items under GST 2.0 in comparison to GST 1.0, such as road tractors, motor vehicles for transport of goods commercial buses, three wheeled vehicles, electronic vehicles. Transport sector is highly benefitted from GST 2.0. 78% of the respondents agree that GST 2.0 has positive impact on transport sector. Many consumers and businessmen are not properly aware about GST 2.0. 63% of the respondents agree that many consumers and businessmen have inadequate knowledge about GST 2.0. Small traders face difficulties to comply with GST 2.0 due to lack of infrastructure. 78% of the respondents agree that small traders suffer to comply with GST 2.0 due to inadequate infrastructure.

## VI. CONCLUSION

GST 2.0 has positive impact on various sectors such as insurance sector, food sector, agriculture sector, education sector, renewable energy sector, wood sector, consumer electronics sector, textile sector, health sector, transport sector. GST 2.0 is based on digitalization more than GST 1.0. Small businesses face difficulties to comply with GST 2.0 due to inadequate infrastructure. GST 2.0 has enhanced the ease of doing business. Many consumers have lack of knowledge on GST 2.0. Government should take appropriate steps to increase the awareness of consumers on GST 2.0. Many businessmen face difficulties to comply with GST 2.0 due to lack of awareness. GST council should conduct seminars to increase the awareness of businessmen regarding the rules and regulations of GST 2.0. Tax officials should be trained properly to implement GST 2.0 effectively. GST 2.0 is more consumer friendly than GST 1.0. The consumption capacity of consumers has increased due to lower tax rates of GST 2.0 in comparison to GST 1.0.

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