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"GOODS AND SERVICES TAX (GST) IN INDIA: AN ANALYTICAL STUDY OF RECENT SLAB CHANGES AND THEIR IMPACT"

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ABSTRACT

The implementation of the Goods and Services Tax (GST) on July 1, 2017, India saw a significant transition from the convoluted indirect tax structure to a more uniform and efficient one. GST sought to end cascading taxation, improve transparency, facilitate commercial dealings, and establish a one national market by combining every state and federal indirect taxes into a one tax system. This paper offers a thorough analysis of the development, objectives, and social, administrative, and economic impacts of GST since its introduction. The latest slab modifications implemented in 2025, which streamlined the system into major tax rates of 5% and 16% with a higher rate of 40% for luxury and indulgence goods, receive particular attention. By intensifying the duty base and bolstering compliance through the Input Tax Credit system and digital tax administration, the GST has also greatly aided in the formalization of the Indian economy, according to the report. The study looks at how these shifts impact government earnings, small and medium-sized businesses, pricing, and consumer spending. The study examines the advantages and difficulties of achieving fiscal stability and effective compliance using more than one method that incorporates both primary and secondary data. The outcomes are expected to contribute to ongoing discussions regarding the refinement of Indian Incidental duty structure and the promotion of balanced fiscal evolution.

KEYWORD

Goods and Service Tax, Indirect Tax Reform, Fiscal Policy, Slab, Compliance

1. INTRODUCTION

The Goods and Services Tax legislation in India is thorough, Stratified, terminus- focused tax that is "imposed on each cost increment". The tax rule significantly impacts a nation's economy. The primary revenue source for the administration is the levies imposed on inhabitants, whether they are straight or secondary. As soon as both the influence and occurrence descent on the similar individual, it is referred to as direct tax; however, once the effect and occurrence comes with two different individuals; that is, problem can be passed to another person, which is referred to as indirect levy. Prior to the implementation of GST, India had a complex indirect tax structure featuring numerous taxes levied by union and state independently, with the implementation of GST all the indirect taxes will be consolidated under one framework and guaranteeing a seamless national market with a high rate of economic growth. The introduction of Goods and Service Tax (GST) in 2017 marked one of the most significant fiscal reforms in India's history. Its goal was to create a unified national market, streamline the process, and increase transparency by replacing many indirect taxes with one. GST has been criticized for its complexity and difficulties in compliance, even though it has successfully combined several tax regimes. The GST Council made significant adjustments to the tax slabs in 2025 with the goal of streamlining the system by combining several rates into two slabs (5% and 18%) and imposing a 40% tax rate on certain luxury and hazardous items. These events emphasize how crucial it is to reconsider GST's wider ramifications.

First implemented in France in 1954, the Goods and Services Tax, or GST, was later expanded globally. More than 160 nations, including Canada, Australia, South Korea, Japan, Germany, Italy, and the United Kingdom, have passed the GST law. While most nations have implemented a single GST, some, like Canada and Brazil, have a dual GST system in which both the federal and provincial governments oversee tax administration.

1.1 STATEMENT OF THE PROBLEM

Businesses and consumers continue to face transitional issues, including as frequent changes in tax rates, concerns with compliance, and disparities between states, even though GST has simplified tax administration. Despite being designed to make the system simpler, the new slabs that were implemented in 2025 have sparked fresh concerns about fairness, inflation control, and revenue consistency. A targeted investigation is required to comprehend the effects of these modifications.

1.2 OBJECTIVES OF THE STUDY

The chapter's main goals are:

1. To give a summary of the evolution and composition of India's GST.

2. To evaluate the administrative and economic effects of the implementation of GST.

3. To assess how the 2025 slab changes will affect government income, businesses, and consumers.

4. To pinpoint the issues and make policy suggestions for better tax governance.

1.3 METHODOLOGY

A mixed-method technique is used in this investigation. doctrinal technique that entails examining statutes and constitutional provisions. An analytical method that tracks movements in revenue, inflation, and consumer behaviour before and after the 2025 reforms using secondary data from reports by the Reserve Bank of India, Ministry of Finance, and GST Council Comparative Analysis: To illustrate global best practices, the Indian GST model is contrasted with those from Australia and Canada.

1.4 KEY ARGUMENTS

Although there might be temporary changes in revenue, the report predicts that the 2025 slab rationalization will facilitate compliance and lessen disagreements over categories. While higher taxes on luxury goods support economic balance, lower rates on consumer products are likely to boost demand. The chapter argues that long-term success depends on digital solutions, clear communication, and seamless policy implementation between the centre and states.

1.5 LITERATURE REVIEW

"Goods and Services Tax in India: Progress, Performance, and Prospects" by M. Govinda Rao. Rao offers one of the first thorough critiques of India's GST framework in this study. The report emphasizes how GST reinforces the idea of a single national market by combining various indirect taxes into a single system.[1881]

According to the Kelkar (2009) committee, the GST will significantly alter the country's indirect tax system, and as lower production costs encourage consumer expenditure, the GDP will rise.

According to Ehtisham Ahmed and Satya Poddar's (2009) proposal in "Goods and Services Tax reforms and intergovernmental consideration in India" the implementation of GST will result in a simple and transparent tax system that boosts economic output and productivity, but it depends on the logical structure of GST.[1882]

[1881] M. Govinda Rao, "Goods and Services Tax in India: Progress, Performance and Prospects", Indian Economic Summit,2019

[1882] Ehtisham Ahamad, Satya Poddar, "Goods and Service Tax Reforms and Intergovernmental Consideration in India", Asia Research Center, LSE, 2009.

The NDA administration is optimistic about the implementation of GST, which will benefit the government and all stakeholders in the long run, according to Pinki, Supriya Kamma, and Richa Verma (2014) in "Goods and Services Tax-Panacea for indirect tax system in India." However, IT infrastructure must be prioritized.[1883]

In "GST in India: A key tax reform," Monika Sherawat and Upasana Dhanda (2015) concluded that while the implementation of GST will undoubtedly boost the Indian economy, focus must be placed on a rational framework design and timely execution.[1884]

Bagchi and Poddar (2020) concentrate on the federal and constitutional features of GST, paying special attention to the function of the GST council. Although they warn that sudden changes may have an immediate impact on state revenue, the authors promote slab rationalization as a policy instrument to streamline administration and lower litigation.[1885]

2. INTRODUCTION TO TAXATION IN INDIA.

The evolution of India's tax system can be examined through three distinct perspectives. Taxation in ancient India, taxation under British rule, and taxation in post-independence India. In the renowned treatise "Artha shastra", kautilya outlined different taxes that were present in ancient India. In ancient India, taxes were levied in both cash and goods, collected by the local authorities or agents. The primary sources of tax income for the emperors in ancient times comprised octroi, property tax, levies on gambling establishments, alcohol stores, and on specific occupations like girls dancing etc. In 'Artha shastra', kautilya mentioned the tax on commodities, which could be cited as Customs tariff (Sulka) that includes import tariff (pravesya) and export tariff (Nishramya) and octroi along with additional gate charges (Dwarabahiri kadeya). Manavyaji (transaction tax for royal commodities) is included in transaction tax (Vyaji). Duties or taxes that counterbalance (Vaidharana), road tax (Vartani), monopoly tax (parigha), royalty (Prakriya), taxes paid in kind by villages (pindakara), army maintenance tax (senabhaktam), surcharges (parshvam), portion of production (Bhaga) comprising one-sixth share (Sadbhaga), and taxes in kind (Pratikara) include labor (Vishti) and the provision of soldiers (Ayudhiya).[1886]

Any country's growth depends on its tax rules, which also have a direct impact on the economy's equality and efficiency. To support the nation's infrastructure, defence, public amenities, public safety, and exports, a successful tax policy must address the whole distribution of income and deliver tax revenue to the federal and state governments. The entire foundation for imposing indirect taxes is covered by the provisions of the Indian constitution. Article 246, Seventh Schedule, gives the federal and state governments the power to levy taxes on transactions involving goods and services. Different taxation methods apply depending on the volume of imports or exports, as well as the site of sale. Indirect tax collection systems are designed to assess taxes and collect them anytime any taxable activity takes place. They are based on origin.

2.1 Historical background and importance of GST reform.

In 2004, the Kelkar Committee first suggested that India implement a nationwide GST. The committee proposed a national GST. In his budget speech on April 28, 2006, P. Chidambaram, the finance minister at the time, made the first announcement about the introduction of GST. The proposed goal date for the implementation of a nationwide GST was April 1st, 2010. The Empowered Committee of State Finance Ministers (EC), which had created

[1883] SK Pinki, R Verma, "Goods and Services Tax- Panacea for indirect tax system in India", Tactful Management Research Journal, vol2, 2014
[1884] M Sehrawat, U Dhanda, "GST in India: A key tax reform", International Journal of Research, 2015
[1885] Bagchi,Poddar, "GST Reform in India: Institutional and Federal Dimensions", 2020
[1886] Dr. Rabinarayan Samantara, "Tax system in India: Origin, structure and issues", International Journal in Management and Social Science, volume 8 Issue 12,2020.

the State VAT, was to provide a plan and framework for the GST. Joint Working Groups of officials from the Centre and the States were formed to investigate various aspects of the GST, such as exclusions and thresholds, service taxation, and interstate supply taxation. Based on internal and central government discussions, the EC released its First Discussion Paper (FDP) on GST in November 2009. This describes the features of the proposed GST and has been the basis for talks between the federal government and the states up to this point. The Indian Constitution was amended on September 16, 2016, to permit the implementation of GST. Both the federal government and states would have concurrent authority to impose and collect GST on goods and services because of these constitutional revisions.[1887]

2.2 NEED FOR A UNIFIED TAX STRUCTURE.

The introduction of the Goods and Services Tax (GST) is one of the most significant advances in India's indirect tax reforms. Prior to the GST, there were a few indirect taxes. While the central government imposed the central excise duty and service tax, the state governments imposed the VAT and entry tax. Because the credit for taxes imposed by one government could not be used to balance the payment of taxes imposed by another, there was also a cascading effect of taxes, or tax on tax, at successive stages. Since achieving independence, India has not had a major indirect tax reform like the Goods and Services Tax (GST). GST will reduce complexity, eliminate the cascading effect, and simplify indirect taxation. It has a big impact on businesses of all kinds and will change how the economy functions.

GST is a comprehensive indirect tax that creates a single market for the entire nation by combining all state and federal levies into a single value-added tax. The GST will reduce the number of taxes and, as a result, the cost of compliance because it includes significant state and federal levies. With GST, the burden of compliance costs would be gradually removed. The objectives of the GST are to prevent tax cascade effects and establish a common national market, according to the Constitutional Amendment bill's declaration of objects and reasons.

2.3 SIGNIFICANCE OF GST AS A FISCAL REFORM.

GST marks a significant fiscal reform in India by consolidating numerous indirect taxes into a unified system, enacted on July 1, 2017, aimed at simplifying taxation and enhancing economic efficiency. Through input tax credits, this policy eliminated the cascading "tax-on-tax" effect, fostering a single national market and reducing compliance requirements. The tax slabs have been further reduced to primarily 5% and 18% by recent revisions like GST 2.0 in 2025, which has improved competitiveness and promoted growth. VAT, excise, and service tax are all integrated into GST, which is a destination-based, multi-stage tax that covers both products and services. It consists of a GST council for setting rates, simplified input tax credits across the supply chain, and digital compliance. These elements promote openness and make corporate operations easier.

By lowering logistical costs and boosting exports, the reform has increased revenue growth, broadened the tax base, and is predicted to add 1.5–2% to GDP. It helps MSMEs by reducing production costs, standardizes the economy, and increases the competitiveness of Indian goods abroad. Due to input credit issues, the initial deployment impacted working capital and temporarily increased unemployment. For certain businesses, classification disputes and compliance issues persist.[1888]

[1887] Anand Nayyar, Inderpal Singh, "A comprehensive Analysis of Goods and Services Tax (GST) in India", Indian Journal of Finance, 2018

[1888] Dr. Snehalata Das, "Impact of GST Collections On India's Economy and Fiscal Reforms"

3. EVOLUTION, POLICY FRAMEWORK, OBJECTIVES, AND ADMINISTRATIVE SETUP.

3.1 PRE-GST TAX FRAMEWORK AND CHALLENGES

Before the Goods and Services Tax (GST) was implemented in 2017, India's indirect tax structure was incredibly disjointed. Excise duty, service tax, sales tax, value added tax (VAT), and octroi were among the levies included. The numerous levies had a domino effect that increased costs for both consumers and corporations. India's goal of creating a single common market was hampered by the system's complexity, which also hindered trading across states. Understanding the problems and inefficiencies brought about by the old tax system is crucial to realizing the necessity of a shift toward simplicity through cooperative legislative and economic reforms.[1889]

3.2 IMPLEMENTATION PROCESS AND CONSTITUTIONAL PROVISIONS

The commodities and Services Tax (GST) is defined by the recently enacted Art. 366 (12A) of the Indian Constitution as any tax imposed on the sale of commodities, services, or both, except for levies on the supply of alcoholic beverages intended for human consumption. A service is defined as anything that is not categorized as a good in Art. 366 (26A). As of right now, all materials, commodities, and items are considered goods under Art.366(12). The government claims that the Goods and Services Tax (GST), which aims to fix several flaws and problems with the indirect tax system, is a "reform" rather than merely a modification to the current Indian tax system. India was one of 123 countries in the globe that used the VAT taxes system.[1890]

Art. 265 of the Indian constitution states that neither the federal government nor the state governments may impose or collect any kind of tax unless authorized by law.[1891] Art.246 of the constitution grants the power to enact laws and impose taxes and penalties. The Indian Constitution's Seventh Schedule, Art.246, gives the state or parliament The following three lists provide the legislature the power to pass laws: List-1 Union list, List-II State list, and List-III Concurrent list.[1892]

Laws pertaining to tax levies for the subjects (entries) listed in List-I may only be passed by Parliament.

According to List-II, the legislative body of any state has the exclusive power to enact laws pertaining to the topics (entry) listed in that list for that state or any of its territories.

List III states that the state legislature or the parliament has the power to enact laws pertaining to the topics (entries) listed therein.

List III states that the state legislature or the parliament has the power to enact laws pertaining to the topics (entries) listed therein.

Furthermore, even if a matter falls under the State list, parliament has the power to enact laws pertaining to any area of Indian territory that is not designated as a state (i.e., union territories). Put more simply, parliament has the exclusive authority to enact laws for union territories, even if those concerns are included in the state list.

3.3 GST STRUCTURE: CGST, SGST.

Under GST, taxes are imposed jointly by the federal government and the states. The state will charge and collect the state GST and the centre will levy and collect the central GST when goods and services are provided within the state,[1893](CGST/SGST Act, Sec 9). The central GST will be governed by the CGST (Central Goods and Services) Act, which is applicable across India with the exception of the State of Jammu & Kashmir. However, an order dated July 8, 2017, states that the State of Jammu & Kashmir is now subject to the Goods and Services Tax

[1889] (Zaveri, Dr. Kosha Vishvas,TAXATION LAW IN INDIA: CONSTITUTIONAL PROVISIONS, DIRECT AND INDIRECT TAXES, AND EMERGING REGIMES OF REFORMS,International multidisciplinary Research Journal,2025,pg.50-61)
[1890] The Constitution of India, art 366(12 A)

[1891] (The constitution of India, art 265)
[1892] (The constitution of Indian, art 246)
[1893] Central Goods and Services Tax Act, 2017, sec 9

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legislation. Consequently, the goods and services tax now applies to the entire nation of India.

According to Sec.1(2) of the CGST/SGST Act, the SGST (State Goods and Service Tax) Act, which covers the entire designated state, would regulate the state GST. Consequently, there are thirty-one SGST Acts and one CGST Act in each of the 29 states, Delhi, and Puducherry. [1894] The same price or value will be subject to both CGST and SGST in the case of an intrastate sale. In the case of an interstate sale, only the integrated goods and services tax (IGST), which will be administered and collected by the central government, will be levied. IGST is a means of transferring a portion of the tax to the state where the goods or services are ultimately consumed; it is not a tax.

4. GST'S CHANGE AND STRUCTURE IN INDIA

4.1 GOODS AND SERVICE TAX CONCEPT

The Goods and Services Tax, or GST, is India's most important and long-overdue tax reform since achieving independence. By replacing several levies with a single consolidated tax, GST seeks to simplify India's indirect tax system. GST is a comprehensive, multi-phase, destination-focused tax that is levied on each increase in value. By creating a single market and reducing the impact of taxes on the cost of products and services, GST will provide a new dimension to the Indian economy. The entire indirect tax structure, including the tax framework, tax burden, tax computation, adherence, input credit application, and reporting procedures, will be impacted. The dual GST structure, known as CGST and SGST, was adopted in Bharat. It is established that a simultaneous dual GST model is necessary. The Indian Constitution gives both the federal and state governments the power to tax domestic products and services.[1895]

[1894] State Goods and Service Tax Act,2017, sec 1(2)

[1895] Monika Sehrawat and Upasana Dhanda, "GST in India: A key tax reform", International Journal of Research - Granthaalayah, 2015, vol. 3, 133-141

4.2 LEGAL FRAMEWORK AND GST COUNCIL MECHANISM

The one Hundred and First Amendment to the constitution of India, officially referred to as The Constitution (One Hundred and First Amendment) Act, 2016, established a national Goods and services Tax in India effective from 1 April 2017.[1896] The goal of the GST, which operates as a Value Added Tax (VAT), is to provide a comprehensive indirect tax on the production, distribution, and consumption of products and services at the national level. The IGST is a single tax on the supply chain of goods and services, from the manufacturer to the consumer, and it will replace all current indirect taxes on products and services.

The Indian Constitution's Article 279A provides for the creation of the GST Council. The highest constitutional authority for determining GST policy is the GST Council. The Union and States will receive GST-related recommendations from the GST. The GST Council was established on September 15, 2016, by Notification No. SO 2957(E). The Chairman of the Council is the Union Finance Minister. The Union Minister of State in charge of Revenue or Finance and the Minister in charge of Finance or Taxation, as well as any other Minister selected by each state government, are the members of the Council. The GST Council will choose a vice chairman from among its members. The GST Council will decide if at least 75% of the weighted average votes are in Favor of it. States will have 66.67% of the vote, while the federal government will have 33.33%.[1897]

5 INPUT TAX CREDIT AND ITS APPLICATION

One essential component of the Goods and Services Tax Law (GST) is the input tax credit. Cenvat Credit across goods and services was permitted under the previous indirect regime for central levies, such as central excise and service tax paid on inputs. However, the state level VAT could not be offset by the Cenvat credit or vice versa. Furthermore, interstate

[1896] The Constitution of India, 101st amendment

[1897] The constitution of India, Article 279A

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purchases were not eligible for the Central Sales Tax (CST) input tax credit. Due to the elimination of the cascading tax effect on product pricing brought about by the implementation of GST, businesses are now better able to compete internationally and have more export prospects. Additionally, domestic market supplies will provide advantages to end consumers through lower prices, which will consequently boost the demand for the products, services, or both.[1898]

GST, businesses are now better able to compete internationally and have more export prospects.

GST is essentially a tax that is applied only on value added at every level since input tax credits earned at each step will be available in the subsequent stage of value addition. As a result, after deducting set-off incentives from the Indian Central and State governments at every point of the supply chain, the final consumer will only pay the GST levied by the last vendor. For most goods and services, it is meant to be inclusive. The GST is being implemented in India in a "dual" manner, which means that it is divided into two parts: one that is levied by the federal government (CGST) and another that is levied by states and union territories (SGST). However, the supplier of products or services, or both, may claim Input Tax Credit (ITC) under the applicable categories; if ITC is not squandered, it will only experience a short-term cash flow issue.[1899]

5.1 DIGITALISATION AND GSTN PORTAL IMPROVEMENTS.

For GST management to ensure compliance and stop input tax credit abuse, the Goods and Service Tax Network (GSTN), a robust IT network, is crucial. On March 28, 2013, the government and private organizations jointly formed the Goods and Services Tax Network (GSTN) as a section 25 business (non-profit organization). The Central Government and State Governments would entirely own GSTN after the GST Council's resolution on April 5, 2018. The company was founded primarily to provide IT infrastructure and services to taxpayers, state and federal governments, and other stakeholders to carry out the Goods and Services Tax (GST).

To make it easier for businesses to handle taxes, GSTN has been tasked with developing an indirect taxation platform for GST that would help taxable individuals prepare, file, correct returns, and pay indirect tax requirements. The GSTN will make it significantly simpler for taxable individuals and the government to monitor the status of returns and payments. Mr. Ajay Bhushan Pandey has been designated as the acting chairman of GSTN effective from 8/9/2017. Mr. Naveen Kumar served as chairman of GSTN until 29-08-2017.

6.OVERVIEW OF CURRENT SLAB CHANGES[1900]

India's Goods and Services Tax (GST) system uses a multi-slab rate structure to strike a balance between economic efficiency, social justice, and revenue generation. Since its introduction in 2017, the GST rate structure has undergone several revisions in response to practical challenges, revenue considerations, and stakeholders feedback. The government's attempt to rationalize tax rates while guaranteeing the affordability of necessities and the proper taxation of luxury and demerit products is reflected in the current slab structure.

6.1 COMPARATIVE ANALYSIS OLD VS NEW RATES

Currently, there are four main tax slabs under which GST is imposed: 5%, 12%, 18%, and 28%. There is also a nil-rated category for necessities, as well as specific higher rates and a cess on some luxury and sinful commodities including cars, tobacco, and pan masala**.** Essential goods of mass consumption are generally placed under the nil or 5% slab to minimise tax burden on necessities. Goods and services considered standard or non-essential

[1898] Dr. Girish Ahuja, Dr. Ravi Gupta, Systematic Approach to GST (Wolters Kluwer (India) Private. Ltd, Punjab, 3rd Edition,2018)
[1899] Lourdunathan F and Xavier P, A study on implementation of goods and services tax (GST) in India: Prospectus and challenges, (International Journal of Applied Research) 2017, vol 3(1): 626-629.

[1900] Ministry of Finance- department of Revenue, Central Board of Indirect Taxes and Customs Goods and Services tax- cbic-gst.gov.in (Last visited on Jan 16 2026) are largely taxed at 12% or 18%, with 18% emerging as the principal of standard rate. The greatest slab of 28% is drawn to luxury and demerit items, which are frequently coupled by a compensation cess to make up for the states' lost revenue.

6.2 GST RATE FOR COMMERCE AND TRADE INDUSTRY

The latest GST changes for business and trade indicate a distinct attempt to reduce tax rates and enhance affordability through numerous industries. The government shifted the majority of items that previously held a 12 % rate within the 5% category- cartons, leather products, shoes, icons, artwork accompanied by artisanal objects now rest there. Tiny plants, local craftsmen in addition to conventional manufactures, pay lower taxes and encounter reduced prices on the shelf – their products remain competitive. Towns reliant on leather yet also shoe units attract a bigger labour force demand due to the reduction in price boosts demand. Sculpted timber, interlaced baskets beside village art also move to the 5% range- the reduced tax preserves traditional crafts and generates income in countryside areas. Canned fruit along with vegetables, synthetic fiber, thread, playthings belong to the same slab. The textile supply chain- particularly synthetic fibers and yarn – decreases from 18% or 12% to 5% and mills expand capacity to increase clothing production. Merchandise vehicles now encounter 18% GST rather than 28%; fleet owners reduce costs while also offering reduced shipping rates along the chain. The revised framework reduces the tax burden. The changes align with the expressed objective of supporting small businesses and allowing expansion to permeate various areas of the Indian economy.[1901]

6.3 GST IN HEALTHCARE AND NUTRITION

The updated GST rates for health care and nutrition emphasizes a notable streamlining in fundamental and lifestyle items, indicating a shift toward effectiveness and equity. An evident decrease is observable in the healthcare industry, in which pharmaceuticals, treatments, healthcare products devices and pharmaceutical tasks have been reduced from 12% to 5%, facilitating treatment and healthcare services more accessible. In a like manner, essential food products like UHT milk and cheese are now exempt from taxes, while dried fruits, foods for diabetics, and the amounts of preserved fish have also seen decreases, alleviating spending by consumers on food. Accessibility to vision care is encouraged by the GST on glasses, contact lenses, and related products being lowered from 12% to 5%.

Gyms and other fitness facilities have been drastically reduced from 18% to 5%, encouraging healthier lifestyles. On the other hand, the tax on tobacco and related products has increased dramatically from 28% to 40% to discourage harmful consumption. Drinks such as dairy-based drinks and juice-based fruit products also benefit from a 5% lower rate, which may lead to more demand. Affordable disposal of medical waste is ensured by the reduction of the biomedical waste treatment service tax from 12% to 5%. Overall, the shift from high to low prices, especially for basics, demonstrates a focus on public welfare, equity, and affordability while upholding strict taxes on hazardous goods like tobacco.

6.4 GST FOR EVERYDAY FOOD ITEMS

A major step toward affordability, inclusivity, and fairness in consumption is represented by the GST adjustment for everyday food items. The abolishment of GST on essential items like UHT Milk, Paneer, Pizza bread, Chapati, khakhra, and paratha/parotta emphasizes the government's aim to eliminate taxes on essential food items, thus directly lowering household spending. These kinds of changes are especially advantageous for middle- and lower-income communities, Since, these foods are integral to their everyday nutrition. Another favourable change is the decreases in GST on packaged drinking water and tender coconut

[1901] https://cbic-gst.gov.in/gst-goods-services-rates.html (last visited on Jan 16 2026) water. Water, along with various sauces and condiments ranging from 12% to 5%, aids both consumers and food service companies by lowering input expenses. Likewise, the streamlining of GST on nuts, dates, dried fruits, including figs, enhance the availability of nutritious food to a wider audience, thereby encouraging healthier dietary practices.

The sector of processed foods also gains, as canned meats, fish, condensed milk, cheese, jams, pickles, and preserved vegetables have been relocated from 12% to 5%. This move is anticipated to increase demand in the ready-to-eat and packaged food industries, fostering market expansion while lowering consumer costs. The reduction in GST on dairy products, including butter, ghee, and other dairy fats, is a significant addition that is expected to provide relief in a crucial category that forms the basis of Indian homes. Cuts on beverages including fruit or vegetable juices, dairy drinks, and non-dairy milk also show flexibility. consumer preferences and wellness-related choices. Ice creams, desserts, tortes, confections, cocoa products, soups, and broths are examples of high-end and semi-high-end food categories that have seen notable drops from 18% to 5%. This significant decrease increases cost-effectiveness and may increase demand in both rural and urban exchanges. Reductions in tea, coffee, and plant extracts ensure that commonly consumed beverages become more affordable, supporting both home consumption and café businesses. Notably, the steady shift of most products from higher levels, like 12% and 18%, to 5% simplifies compliance for businesses, reduces categorization disputes, and aligns with the goal of a simple tax system. Additionally, this simplification shows how luxury goods can be made more affordable for infrequent use while also encouraging improved health and essential dietary intake. However, it's also critical to acknowledge that lowering the cost of high-calorie products like candies, baked goods, and frozen desserts may increase consumption of less nutrient-dense things, raising concerns about potential health effects. On the other hand, from an economic perspective, reduced GST promotes market growth, increases consumption, and helps small businesses in the food production sector by boosting their competitiveness. Overall, the reform shows a clear focus on the consumer approach: basic products are left out, while high-end diet-focused products are made available.

6.5 GST FOR DAY-TO DAY ITEMS

The daily items' GST rates were also altered. A deliberate attempt to preserve cost-effectiveness, economic growth, and community well-being is evident in the simplification of GST across multiple sectors. In the leather business, products like chamois skin composite leather and leather after tanning now only receive 5% GST instead of 12%. This change helps exporters, small manufacturers, and artisans by reducing costs and increasing their competitiveness in global markets. The fabric industry sees a sharp decline, with synthetic fibres falling from 18% to 5% and fibers from 12% to 5%. This will significantly lower production costs, boost India's textile exports, and support regional producers**.** The packaging sector benefits from a reduction in the GST on packing materials and containers from 12% to 5%. It also helps businesses by lowering input costs in supply networks and logistics.

Business cars, which were previously taxed at 18% in logistics and transportation, are now taxed at 5%, which lowers fleet purchasing costs and encourages investment in the supply chain framework. Similarly, napkins, feeding bottles, and thermometers are reduced to 5% while UHT milk is completely excluded, making childcare essentials more affordable for families. Cigars, cheroots, and cigarettes are set to see a substantial GST hike from 28% to 40%, clearly demonstrating a health policy-oriented strategy to deterrent. In terms of education, supplies like learning equipment including pencils, coloured pencils, sharpeners, maps, books, diagrams, and erasers are now totally excluded, bolstering the idea of tax-exempt admission to school and supporting students from a variety of financial circumstances.

The segments of toys and sports gain advantages from a GST cut to 5%, encouraging local toy production under the "Make in India" campaign. Bicycles are also justified at 5%, reinforcing options for sustainable transportation. Fitness centers and workouts centers, previously taxed at 18%, are currently at 5%, which might promote greater acceptance of exercise habits between young individuals and city dwellers. In the automobile industry, compact cars and motorcycles are on the rise to 350 CC now draw only 18% GST rather than 28%, whereas buses (10+) also experience a comparable diminution, shaping individuals and collective transportation easier to reach. The building sector experiences relief with cement decreasing from 28% to 18% and marble/granite blocks reduced from 12% to 5%, decreasing building expenses and enhancing residences and development of infrastructure. Ultimately, unmanned aerial vehicle technology, previously subjected to the high 28% bracket, has been streamlined to 5%, which is expected to speed up integration in farming, monitoring, and manufacturing programs.[1902]

7 CONCLUSIONS AND RECOMMENDATION.

The government's careless attempt to streamline the nation's indirect tax's structure is the Goods and Services Tax (GST) area. The administration needs to thoroughly examine the GST mechanism established by various nations worldwide and their consequences prior to execution. Undoubtedly, GST has made things easier. It can be inferred that GST will create a Unified Nation and a Single tax market. By increasing the tax base and improving tax compliance, an efficient GST design will benefit both the federal government and the states in terms of resources and revenue.

Additionally, it may be said that GST has a good impact on various industries and sectors. All parties involved in the GST implementation, including the federal and state governments as well as business and industry, are concentrating their efforts. Corruption and tax evasion will be reduced by using GSTNET to handle tax returns, refunds, and payments automatically without the need for human intervention. The government must thus provide education, appropriate training, and continuing seminars and workshops on GST as a critical requirement. An integrated check on business dealings via seamless credit and return processing will minimize opportunities for black money creation, promoting effective capital utilization. Although the existing indirect tax structure helps to address the nation's tax system, it has a disadvantage since the price of necessities has risen. Economic development is slowing down, and the unforeseen implementation of the GST may have made the fall worse because of the ensuing disruptions. Making the switch to GST easier is the only way to address this interruption.

The current slab structure aims to address socio-economic priorities by ensuring progressivity in indirect taxation while maintain fiscal stability. However, despite periodic rationalisation, the multiplicity of slabs continues to attract criticism for adding complexity, increasing classification disputes, and complicating compliance. Ensuring stability in GST rates, addressing inverted duty structures, and strengthening the input tax credit mechanism are essential to improve compliance and ease of doing business. Further, GST slab changes should be guided by data-driven impact assessments while maintain cooperative federalism to balance revenue interests of Centre and States and promote long-term fiscal sustainability.

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