



# A Study On Comparitive Analysis Of Gst 1.0 & Gst 2.0: Impact Of Gst 2.0 On Different Sectors Of Indian Economy

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## ABSTRACT:

GST 1. O refers to the GST which was implemented on 1st July 2017. GST 2. O refers to the GST reforms which were implemented on 22nd September 2025 following the 56th GST council meeting, held on September 3, 2025, in New Delhi where the proposals like automated refunds, GST Appellate Tribunal, Simplified Registration, Place of Supply Rules, Simple rates of GST were approved. GST rates on 33 Life savings, Health Insurance Scheme, Essential Commodities, Education and Automobile products were reduced and the tax rate on luxury and sin goods was kept higher than previous tax rates. The study aims to find whether it will be beneficial to the consumers and producers. The study will also provide insight into whether GST 2. O will increase the domestic consumption of goods & services and collection of tax by the government. The research is based on exploratory research methods. It was found that GST 2. O will increase domestic consumption in future and business will expand due to easy compliances with GST 2.O, though it may have the possibility of short-term revenue loss for the Indian Government. In the long-term, the Indian economy will be benefited.

**Index Terms** – GST 1. O, GST 2.O, GST rate, GDP, Sectors of Economy

## I. INTRODUCTION

The goods and service tax was implemented in India on 1st July 2017 after a journey of 13 years since 2003, when the Kelkar Task Force suggested a comprehensive Goods and Service Tax based on the VAT principle. 17 indirect taxes, which include both central and state taxes, were subsumed under the GST. GST played important role in reducing the complexities of indirect taxes. India implemented a dual GST structure like the Canadian model where the center and state are both involved in collection of tax on goods and services at a specified rate. There are four types of GST – CGST (Central goods and service tax), SGST (State goods and service tax), IGST (Interstate goods and service tax), UT-GST (Union Territory goods and service tax). The CGST and SGST/UTGST are applicable for intra-state intra-UT supply of goods and services, whereas the IGST is applicable for interstate supply of goods and services. At the inception of GST law in India, there were five rates of GST. In GST 2. O, there are four tax slabs, which are 0%, 5%, 18% and 40%. On 22nd September, new rates of goods and service tax were implemented. The Next-Generation GST was implemented to simplify the GST law and compliance currently in practice and to increase the domestic consumption of goods and services in India.

## II. LITERATURE REVIEW:

Kumari, N. (2025) conducted a study on GST 1. O and GST 2. O using data from secondary sources (policy releases, government data, news and recent academic work) and made comparison between GST 1. O and GST 2. O on the basis of policy features, compliance mechanism and expected economic outcomes. It was concluded that GST 2. O was likely to raise consumption, improve compliance procedures and reduce cascading taxation for many items while requiring careful monitoring to protect revenue neutrality.

Ode, D (2025) studied the impact of the new GST structure, 2025 on the Indian Economy. The study concluded that GST 2. O reforms represented a decisive and strategic move to make India's indirect tax framework simpler, fairer, and more growth-oriented. Though the success of the new GST framework would depend on the full pass-through of benefits and the seamless operationalization of the new compliance and dispute resolution mechanisms.

Govindasamy, R., et. all. (2025) conducted a study about the impact of GST 2. O on the different sectors of the Indian Economy. It was found that the reduction in taxation on essential goods and emerging technologies from various sectors underscored a forward-looking approach that combined affordability with competitiveness.

Sunil, S., et al. (2025) conducted a study on the effect of GST reforms 2. O on the Banking Sector's operational efficiency in banking services and implications of GST reforms on customer services and product pricing in the banking sector. It was found that GST Reforms 2. O had created significant impacts on the banking sector by adding complexity to compliance and already driving it to digital.

Gupta, S., et al. (2025) conducted a comparative analysis of core complexities and initial policy shortcomings that characterized the early implementation phase of GST 1. O versus GST 2. O. It was found from the study that GST 1. O merely provided the conceptual framework, while GST 2. O is engaged in building the operational efficiency and integrity thereof.

Shanbhogue, G., et al. (2025) conducted a study to ascertain the influence of GST 2. O on the consumption patterns of Middle-Income Households of Mysore City. The findings of the study were as follows — noticeable price changes occurred in frequently purchased goods (especially essential and household items), spending on non-essential commodities showed moderate variation in consumption pattern, and price comparison behavior increased after the implementation of GST 2.O.

Waghamode, S., et al. (2020) studied the impact of GST on the Indian Economy and tried to find out the challenges faced by GST. It was found that though the GST would increase the revenue collection of state and central government because of its simplified compliances and widening of the tax base, but implementation of GST required concentrated effort of all stakeholders namely, Central and state government, trade and industry.

Kumar, R. (2025) conducted a study focused on sector – wise analysis of the projected effects of GST 2. O on some of the major sectors of the Indian economy, which includes consumer goods, automobiles, cement, insurance, and e-commerce. It was concluded that there would be a reduction in the production cost of consumer goods, MSMEs, automobiles, and cement industries which would increase the demand for such goods. It would boost GDP in the future.

Uttamsagar, K (2025) studied the structural reforms, sectoral reforms and socio-economic implications of GST 2. O. It is concluded that GST 2. O will strengthen digital compliance and will increase demand. Though GST 2. O offers an important step, it requires careful prosecution and non-stop monitoring.

Kumar, M (2025) conducted a study to see the impact of GST 2. O on the Indian economy. It was found that GST 2. O is a step closer to a simple and more efficient indirect tax regime in India. GST 2. O will provide an effective support system for the taxpayers and there will be overall improvement in the ease of doing business.

### III. OBJECTIVES:

The study is conducted to achieve the following objectives:

1. To study the impact of GST 2.0 on the different sectors of the Indian economy.
2. To know whether the different sectors of the Indian economy, like the consumer goods sector, Pharmaceutical sector, Insurance sector, Education sector, Automobile sector, and Agricultural sector will be benefited after the introduction of GST 2.0.
3. To make a comparative analysis of GST 1.0 & GST 2.0 using a comparative chart.

### IV. DATA AND SOURCES OF DATA:

This study is a descriptive study of determining the impact of GST 2.0 on the Indian Economy. The study is based on secondary data which were collected from different sources like GST council press conferences, websites, academic publications, journals and business magazines. A sector-wise comparison chart was used for this study to reach the conclusion.

### V. RESULTS AND DISCUSSION

The impact of GST 2.0 on different sectors of our economy is discussed as below:

#### 1. Consumer Goods Sector:

Domestic consumption denotes consumption of goods and services by the residents of a country within the boundary of a country. It excludes the industrial uses or export of goods and services. Domestic consumption is the largest share (about 70%) of the total gross domestic product of the Indian Economy. As the population of the country is growing, there is a huge potential for demand for household goods in the future. The Indian Economy is a consumption-driven economy. Private Final Consumption Expenditure (PFCE), a measure of economic activity, measures the total spending by resident households and non-profit institutions on final goods and services. It is estimated that PFCE will reach around RS. 20.3 trillion in the financial year 2025-26. The GDP is 6.7% during the financial year 2024-25. The projected GDP will be around 7.4% during the financial year 2025-26.

Benefits — Reduction in GST rates on household goods after implementation of GST 2.0 on 22nd September 2025 will stimulate the demand for household goods and services which will boost the Indian economy. Demand for electronic goods like refrigerators, air conditioners, and TVs will increase due to the reduction of GST rate from 28% to 18% on electronic goods. The MSME sector and FMCG sector will be directly benefited.

The price of luxury and sin goods increased to a large extent due to the new GST rate of 40%. Because the Indian government aimed to discourage harmful consumption and promote the good health of its people. It is expected that such a rate will reduce consumption of such goods in the near future. It will ultimately have a positive impact on the economy of our country.

Limitation – Woolen industry did not benefit from GST 2.0. Some woolen products became costlier after the introduction of GST 2.0. Petroleum products are excluded from the GST 2.0. The price of luxury products, petroleum products, diesel, and woolen products are not reduced after the introduction of GST 2.0. As a result inflationary pressure remained in the market. Consumers could not feel price relief even after the introduction of GST 2.0.

**Comparison Chart of GST 1.0 and GST 2.0 (TABLE 1.1)**

| Items                                                                                                                                                                                                                                               | GST 1.0<br>(Rate) | GST 2.0<br>(Rate) | Change in Rate<br>Increase<br>/Decrease /<br>Exempted | Impact on demand<br>Positive / Negative |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------------------------------------------|-----------------------------------------|
| <b>:Essential Goods:</b>                                                                                                                                                                                                                            |                   |                   |                                                       |                                         |
| <b>I. Food Items:</b>                                                                                                                                                                                                                               |                   |                   |                                                       |                                         |
| Beverage Containing milk, Soya bari, Soya milk drinks, plant based milk, lard oil, tallow oil, Yeast and baking soda, Fish, Poultry, Butter, Ghee, Cheese, drinking water, Refined Sugar, Non-package Namkeens, Bhujia, Pasta, Noodles, Jams, Jelly | 12%               | 5%                | Decrease                                              | Positive                                |
| Chocolate, Biscuit, Pastry, Wafers, Corn Flakes, Bulgar Wheat, Malt, Starches, Cocoa powder and butter, Mineral aerated unflavoured water.                                                                                                          | 18%               | 5%                | Decrease                                              | Positive                                |
| <b>II. Personal Care:</b>                                                                                                                                                                                                                           |                   |                   |                                                       |                                         |
| Hair Oil, Shampoo, Toothpaste, Toilet Soap, Shaving cream                                                                                                                                                                                           | 18%               | 5%                | Decrease                                              | Positive                                |
| <b>III. Electronic Goods:</b>                                                                                                                                                                                                                       |                   |                   |                                                       |                                         |
| TV > 32 inch                                                                                                                                                                                                                                        | 28%               | 18%               | Decrease                                              | Positive                                |
| Air Conditioners                                                                                                                                                                                                                                    | 28%               | 18%               | Decrease                                              | Positive                                |
| Refrigerators                                                                                                                                                                                                                                       | 28%               | 18%               | Decrease                                              | Positive                                |
| Washing Machine                                                                                                                                                                                                                                     | 28%               | 18%               | Decrease                                              | Positive                                |
| <b>:Luxury and Sin Goods:</b>                                                                                                                                                                                                                       |                   |                   |                                                       |                                         |
| <b>I. Tobacco products</b>                                                                                                                                                                                                                          |                   |                   |                                                       |                                         |
| Pan masala, gutkha, cigarettes, zarda, bidis, chewing tobacco etc.                                                                                                                                                                                  | 28% + Cess        | 40%               | Increase                                              | Negative                                |
| <b>II. Luxury Products</b>                                                                                                                                                                                                                          |                   |                   |                                                       |                                         |
| Aerated & Caffeinated Drinks, personal yachts, aircraft, and racing cars, Race clubs, gambling, casino, horse-racing, IPL tickets, other leisure activities.                                                                                        | 28% + Cess        | 40%               | Increase                                              | Negative                                |

## 2. Healthcare and Pharmaceutical Sector:

The Indian pharmaceutical sector is growing rapidly due to domestic demand, efficient supply chain management, and demand for generic medicines in the global market. India is the global production hub of generic drugs and has a share of about 20%. At present, the market size of the Indian pharmaceutical sector is 65 billion dollars and expected to reach 130 billion dollars in 2030.

Benefits — GST rate on general medicine is reduced by 7% (from 12% to 5%) which will significantly drop the price of medicine. The middle income group will benefit from such a GST rate change. Further, 33 life-saving drugs (including drugs related to cancer, diabetes, and hypertension etc.) are now exempt from GST, which will reduce the medical expenses of general people.

Limitation – Sudden drop in the GST rate on medicine created a problem in the retail and distribution market. Large corporations could update their ERP systems faster than small and retail chemists. The National Pharmaceutical Pricing Authority (NPPA) clarified that, starting from 22nd September, the retail chemists would sell medicines at a reduced rate of GST and re-labeling of stock would not be mandatory. As re-labelling of packaging is non-mandatory, many dishonest chemists charge the old rate of GST easily from customers by fooling them. In Kolkata, there are nearly 3000 Bengal Chemists and Druggists Association (BCDA) registered neighborhood pharmacies, many of them charge a higher rate of GST from customers instead of a lower rate of GST in the Post GST 2.0 implementation period.

**Comparison Chart of GST 1.0 and GST 2.0 (TABLE 1.2)**

| Items                          | GST 1.0 | GST 2.0 | Change in Rate                | Change in demand    |
|--------------------------------|---------|---------|-------------------------------|---------------------|
|                                | (Rate)  | (Rate)  | Increase /Decrease / Exempted | Positive / Negative |
| <b>A. Drugs:</b>               |         |         |                               |                     |
| 33 Life Saving drugs           | 12%     | 0%      | Exempted                      | Positive            |
| General Medicines              | 12%     | 5%      | Decrease                      | Positive            |
| Nutraceuticals                 | 18%     | 5%      | Decrease                      | Positive            |
| <b>B. Medical devices:</b>     |         |         |                               |                     |
| Corrective Spectacles          | 12%     | 5%      | Decrease                      | Positive            |
| Thermometer                    | 18%     | 5%      | Decrease                      | Positive            |
| All Diagnostic Kits & Reagents | 12%     | 5%      | Decrease                      | Positive            |
| Glucometer & Test strips       | 12%     | 5%      | Decrease                      | Positive            |
| Medical Grade Oxygen           | 12%     | 5%      | Decrease                      | Positive            |
| <b>C. Packaging Materials:</b> |         |         |                               |                     |
| Paper & cardboard boxes        | 12%     | 5%      | Decrease                      | Positive            |
| Wooden Crates & Boxes          | 12%     | 5%      | Decrease                      | Positive            |
| Textile-Based Sacks / Bags     | 12%     | 5%      | Decrease                      | Positive            |

### 3. Insurance Sector:

The Indian insurance sector has a projection of growth at a CAGR of 17% in financial year 2025-26. The insurance sector is growing due to increased participation of private companies in insurance business, public awareness, and favorable regulatory changes. The COVID-19 pandemic boosted the health and life insurance industries. At present, there are about 24–26 life insurance companies and 34–35 non-life insurance companies in India. Apart from LIC, all life insurance companies are private players. General Insurance Company (GIC) is the sole re-insurance company in India. During the financial year 2024-25, the insurance sector issued 41.84 crore policies, collected premiums of RS. 11.93 lakh crore, and paid claims of RS. 8.36 lakh crore. So, it is expected that the insurance business has the potential of growth.

Benefits — Due to the introduction of GST 2.0, the GST rate on health insurance and life insurance will be nil starting from 22nd September 2025. It is expected that many people will be encouraged to avail more life and health insurance policies at an affordable cost. It will help to achieve the vision of “Insurance for All by 2047.”

Limitation – Due to the introduction of GST 2.0, the ITC balance of insurance companies may increase due to non-GST on insurance policy. Input GST already paid by the insurance companies will not be set

off against the output GST. There is no reduction in the GST rate for motor insurance, other general insurance and group insurance. It is still charging at 18%, which is quite high.

**Comparison Chart of GST 1.0 and GST 2.0 (TABLE 1.3)**

| Items                                                                                                   | GST 1.0<br>(Rate) | GST 2.0<br>(Rate) | Change in Rate<br>Increase /<br>Decrease /<br>Exempted | Change in demand<br>Positive / Negative |
|---------------------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|-----------------------------------------|
| <b>A. Health Insurance:</b>                                                                             |                   |                   |                                                        |                                         |
| Individuals, Family, Floater, Senior citizen, retail health, retail travel, and personal accident plans | 18%               | 0%                | Exempted                                               | Positive                                |
| <b>B. Life Insurance:</b>                                                                               |                   |                   |                                                        |                                         |
| Individual, Term, ULIP, endowment etc.                                                                  | 18%               | 0%                | Exempted                                               | Positive                                |

#### **4. Education Sector:**

At present, there are 14 – 15 lakh schools, 53000 colleges, and 1300 universities in India and there are about 30 crore students in India. Apart from universities and colleges, there are professional institutions like ICMAI (Institute of Cost and Management of India), ICAI (Institute of Chartered Accountants of India), ICSI (Institute of Company Secretaries of India), and IITs which have lakhs of students registered for their courses. So, India's education sector is large and complex. Under NEP 2020, India targeted to achieve a 100% gross enrolment ratio (GER) in school education by 2030 and a 50% gross enrolment ratio (GER) in higher education by 2035. In India, 50% of the total population is under the age of 25 and 65% of the total population is under age of 35. As India's economy is growing, there will be huge demand of skilled young workforce. So, the potential for growth of the education sector is high.

**Benefits —** Reduced GST rate on daily needed items of learning will increase the demand for such goods in the market. Because more people will be encouraged to educate their children due to the lower cost of learning tools and stationary items. It will also provide relief to families who are facing financial problems due to the higher cost of their children's education.

**Limitation –** There is no rate cut in GST on the online coaching and professional training. At present, the GST rate on coaching classes is 18%, which is quite high. Nowadays, lakhs of students are preparing for UPSC, JEE, NEET, NET. In 2024, 14.15 lakh students appeared for JEE Main, 23 lakh appeared in NEET in 2024, and 11.21 lakh appeared for NET in the June 2024 Session. So, parents of the students may get relief from financial burden if the GST rate is reduced on such coaching classes.

**Comparison Chart of GST 1.0 and GST 2.0 (TABLE 1.4)**

| Items                                                                      | GST 1.0<br>(Rate) | GST 2.0<br>(Rate) | Change in Rate<br>Increase /<br>Decrease /<br>Exempted | Change in demand<br>Positive / Negative |
|----------------------------------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|-----------------------------------------|
| <b>A. Education Related Stationary:</b>                                    |                   |                   |                                                        |                                         |
| Pencils, erasers, crayons, sharpeners, Note books, and exercise books etc. | 12%               | 0%                | Exempted                                               | Positive                                |
| <b>B. Learning Tools:</b>                                                  |                   |                   |                                                        |                                         |
| Geometry box, mathematical tools                                           | 12%               | 5%                | Decrease                                               | Positive                                |
| Maps, Charts, Globes, atlases, and basic lab gear etc.                     | 12%               | 0%                | Exempted                                               | Positive                                |

**5. Automobile Sector:**

The Indian automobile sector has huge potential for growth due to high domestic demand and an increased flow of foreign investment in this sector. India has a large skilled workforce which is directing the Indian automobile sector into a global manufacturing hub in the future. The recent evolution of electric vehicles (EVs) and escalating demand for such vehicles is leading towards the expansion of automobile market size. During the year 2024, India manufactured over 30 lakh vehicles (including PVs, CVs, and 2/3 wheelers) and over 20 lakh vehicles were sold in the domestic market. It is expected that the market will reach US 247.4 billion dollars by 2033 with an expected CAGR of 7%.

**Benefits** – The reduction in the GST rate on small cars, commercial goods vehicles and buses will increase demand for small cars (two-wheelers, small petrol and diesel cars). There is the lowest rate of GST on electric vehicles, i.e. 5%, which indicates that the government of India is promoting green energy to combat pollution. Sustainable developmental goals will be achieved following this path.

**Limitation** – Though there is a significant reduction in the GST rate on automobile items, luxury vehicles became costly in the market.

**Comparison Chart of GST 1.0 and GST 2.0 (TABLE 1.5)**

| Items                                                       | GST 1.0<br>(Rate) | GST 2.0<br>(Rate) | Change in Rate<br>Increase /<br>Decrease /<br>Exempted | Change in demand<br>Positive / Negative<br>/ Neutral |
|-------------------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|------------------------------------------------------|
| <b>A. Small Vehicle</b>                                     |                   |                   |                                                        |                                                      |
| Petrol / LPG / CNG < 1200 cc & < 4m, Diesel < 1500cc & < 4m | 28% + 1-3% cess   | 18%               | Decrease                                               | Positive                                             |
| Motorcycles < 350cc                                         | 28%               | 18%               | Decrease                                               | Positive                                             |
| Electric Vehicle (all types)                                | 5%                | 5%                | -                                                      | -                                                    |
| Road Tractors for Semi-Trailers                             | 28%               | 18%               | Decrease                                               | Positive                                             |
| Commercial Goods Vehicles, Buses                            | 28%               | 18%               | Decrease                                               | Positive                                             |
| <b>B. Large Vehicle</b>                                     |                   |                   |                                                        |                                                      |
| Motorcycle > 350cc                                          | 28%               | 40%               | Increase                                               | Negative                                             |
| Luxury cars (petrol> 1200cc, Diesel> 1500cc)                | 28% + 15-22% cess | 40%               | Relatively Decrease                                    | Neutral                                              |

## 6. MSME Sector:

The micro, small, and medium enterprise sector is the backbone of the Indian economy. At present, the MSME sector has a 30% share of GDP and a 45% share of exports. Udyam Registration, PMEGP, PM Vishwakarma, and GeM (Government e-Marketplace) are boosting the MSME sector of our country. So, the MSME sector is playing a major role in providing and generating huge employment in our country.

Benefits – GST 2.0 is a boon for the handicraft industry, artisan's work etc. The GST rate on handcrafted candles, carved wood products, handbags (purses, pouches), toys, sports goods, and man-made yarns is reduced from 12% to 5% which will reduce the price of such products in the market. The demand for artisan and handicraft products like drawings, carvings, stoneware, and leather products will increase in the market due to a fall in GST rate by 7%.

Limitation – Still the small businesses are facing problems with mandatory registration on the GST portal and high tax compliances costs in GST 2.0.

**Comparison Chart of GST 1.0 and GST 2.0 (TABLE 1.6)**

| Items                                                                                                         | GST 1.0<br>(Rate) | GST 2.0<br>(Rate) | Change in Rate<br>Increase /<br>Decrease /<br>Exempted | Change in demand<br>Positive / Negative<br>/ Neutral |
|---------------------------------------------------------------------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|------------------------------------------------------|
| <b>A. Artisans and Handicraft Product:</b>                                                                    |                   |                   |                                                        |                                                      |
| Glass statutes, stone art ware, stone inlay work, kitchenware of day, terrakota, artware of iron.             | 12%               | 5%                | Decrease                                               | Positive                                             |
| Man-made yarns                                                                                                | 18%               | 5%                | Decrease                                               | Positive                                             |
| Toys and Sport goods                                                                                          | 12%               | 5%                | Decrease                                               | Positive                                             |
| Idols (wood, stone, metals)                                                                                   | 12%               | 5%                | Decrease                                               | Positive                                             |
| Paintings, drawings and original engravings                                                                   | 12%               | 5%                | Decrease                                               | Positive                                             |
| <b>B. Leather products:</b>                                                                                   |                   |                   |                                                        |                                                      |
| Chamois leather and composition leather with a basis of leather or leather fibre                              | 12%               | 5%                | Decrease                                               | Positive                                             |
| Leather after tanning/crushing                                                                                | 12%               | 5%                | Decrease                                               | Positive                                             |
| Footwear (<2500)                                                                                              | 12%               | 5%                | Decrease                                               | Positive                                             |
| <b>C. Other Products:</b>                                                                                     |                   |                   |                                                        |                                                      |
| Paper pulp moulded trays, cartoons, boxes, cases of corrugated Non-paper or paper Boards                      | 12%               | 5%                | Decrease                                               | Positive                                             |
| Rice husks, glassfibre reinforced gypsum, cement bonded particles, jute particle, bagasse, sisal fibre boards | 12%               | 5%                | Decrease                                               | Positive                                             |

## 7. Agricultural Sector:

At present, the agricultural sector has a 16–18% share of gross domestic product. The agricultural sector has the potential for growth. India is the leading producer of rice, wheat, sugarcane, and fruits/vegetables in the global market. India had food grain production of 357.73 million tones in financial year 2024-25.

**Benefit** – The Indian agricultural sector is adopting the latest technology of farming, good manure and scientific methods of farming. The price of crops, fresh vegetables, and fruits will be reduced due to the drop in GST rate. It will stimulate the demand for agricultural product in future.

**Limitation** – There is 18% GST on branded agricultural products, which is quite high. There is no GST rate reduction on dairy products (butter, ghee), and fisheries equipment, which is increasing cost to the allied agricultural sectors.

**Comparison Chart of GST 1.O and GST 2.O (TABLE 1.7)**

| Items                                                 | GST 1.O<br>(Rate) | GST 2.O<br>(Rate) | Change in Rate<br>Increase /<br>Decrease /<br>Exempted | Change in demand<br>Positive / Negative<br>/ Neutral |
|-------------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|------------------------------------------------------|
| Specified Tractors (Engine Capacity 1800cc)           | 12%               | 5%                | Decrease                                               | Positive                                             |
| Harvesting & Threshing Machinery, composting Machines | 12%               | 5%                | Decrease                                               | Positive                                             |
| Specified Bio-pesticides and Micro Nutrients          | 12%               | 5%                | Decrease                                               | Positive                                             |
| Drip Irrigation systems and sprinklers                | 12%               | 5%                | Decrease                                               | Positive                                             |
| Tractor Tyres and Parts                               | 18%               | 5%                | Decrease                                               | Positive                                             |

## 8. Service Sector:

The service sector is contributing more than 50% share to the total GDP of India. About 30% of the total workforce of India is involved in the service sector. The Indian tourism sector contributes about 5–6% to Indian GDP. The tourism sector has the potential of annual growth of 7%.

**Benefit** — The reduction of GST on medium rooms will boost the tourism sector in India. Reduction of the GST rate on transport fares will reduce the fares of the buses. Tickets will be cheaper for all tourists.

**Limitation** — There will be problems for businesses due to non-claim of ITC on inputs like consumables, repairs, and outsourced services, which will increase operational costs. Tour operators will be facing compliance problems and ITC claims.

**Comparison Chart of GST 1.O and GST 2.O (TABLE 1.8)**

| Items                                          | GST 1.O<br>(Rate) | GST 2.O<br>(Rate) | Change in Rate<br>Increase /<br>Decrease /<br>Exempted | Change in demand<br>Positive / Negative<br>/ Neutral |
|------------------------------------------------|-------------------|-------------------|--------------------------------------------------------|------------------------------------------------------|
| <b>Hotels:</b>                                 |                   |                   |                                                        |                                                      |
| Budgeted Room (up to RS.1000)                  | 0%                | 0%                | -                                                      | -                                                    |
| Medium Room (> RS. 1000 but < RS.7500)         | 12%               | 5%                | Decrease                                               | Positive                                             |
| Luxury Room (>RS. 7500)                        | 18%               | 18%               | -                                                      | -                                                    |
| <b>Hospitality:</b>                            |                   |                   |                                                        |                                                      |
| Non-ICU/CCU/NICU rents (< RS. 5000), ICU rents | 0%                | 0%                | -                                                      | -                                                    |
| Non-ICU/CCU/NICU rents (> RS. 5000)            | 5%                | 5%                | -                                                      | -                                                    |
| <b>Transport service:</b>                      |                   |                   |                                                        |                                                      |
| Transport bus fare (10+ seats)                 | 28%               | 18%               | Decrease                                               | Positive                                             |

**CONCLUSION:**

The following conclusions are drawn from the above study –

1. GST 1.O had multiple rates on goods and services, whereas GST 2.O had reduced the multiple rates to one or two rate.
2. GST 2.O made tax compliances easier than GST 1.O. GST 2.O will provide stability in government revenue and will reduce the technological and legal complexities.
3. GST rates on agricultural inputs are not reduced under GST 2.O. Though GST rates on branded, processed agricultural inputs, and chemical fertilizers are not reduced, which in turn will increase the cost of agricultural product.
4. In GST 2.O, GST rates on household sector goods and healthcare sectors are reduced to a large extent which will provide financial relief to the middle income group.
5. GST 2.O will boost up out economy by stimulating the domestic demand of consumable durable products due to reduced rate of GST on consumer durable goods.
6. In GST 1.O the GST rate on luxury and sin goods was 28% plus cess but in GST 2.O it is simplified by imposing flat GST rate of 40% on luxury and sin goods with the aim of reduction of consumption of such goods.

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