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Address for correspondence:
Dr. Sunil Ambrushi Gond
Assistant Professor, Savitribai Phule Mahila Mahavidyalaya, Satara
Email: eco.sunilgond@gmail.com

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A Comparative Study of GST 1.0 and GST 2.0

Dr. Sunil Ambrushi Gond
Assistant Professor, Savitribai Phule Mahila Mahavidyalaya, Satara

Abstract: -

The Goods and Services Tax was first introduced in the Budget speech presented on 28 February 2006. The Tax was implemented in the form of an Act on 1 July 2017. The Goods and Services Tax is one of the most important tax reforms introduced in India to simplify the indirect taxation system. In the current situation, Finance Minister Nirmala Sitharaman made some important announcements after the meeting of the Goods and Services Tax Council. The government has taken steps towards implementing a new system of 2 slabs by reducing the 4 slabs of Goods and Services Tax. The new rates have been implemented from 22 September 2025. The present study focuses on the structure and implementation of GST 1.0 and GST 2.0 and compares their benefits. Similarly, the research study highlights slabs of GST 1.0 and 2.0 and its economic efficiency.

Key Words: - *Tax, Indirect Tax, GST 1.0, GST 2.0.*

Introduction-

The main source of public revenue is tax. Taxation plays a vital role in the economic development of any country. Because of development of any country is depends on revenue of the government. There are main two kind's taxes, direct and indirect tax. Central and State governments collect taxes for infrastructural development, various social welfare programs, and administrative activities. In India, before the implementation of GST, there were various different indirect taxes such as service tax, VAT, excise duty, tariff, and luxury tax. These taxes were charged at different stages of making and selling goods and services in India. The Government of India started the Goods and Services Tax on 1 July 2017. GST replaced various different indirect taxes with one common tax system. The first stage of this reform is called GST 1.0. Even though GST 1.0 was an important step in improving India's tax system, it had some issues when it was implemented. Because of the issues, the policymakers suggested a new and improved system called GST 2.0 to make the tax system more efficient and easier to use. The main aims of GST 2.0 to make the tax system simpler and more effective. GST 2.0 focuses on reducing the number of tax rates, improving digital systems, and making tax procedures easier for peoples to follow and increase transparency in tax administration. The main goal of this reform is to build a more efficient tax system that helps support economic growth.

Objectives of the Study: -

1. To understand the concept and structure of Goods and Service Tax.
2. To study the difference of Goods and Service Tax 1.0 and 2.0.
3. To study the benefits of Goods and Services Tax 2.0.

Hypothesis of the Study: -

H_0- Goods and Services Tax 2.0 is not beneficial for the general public than Goods and Services Tax 1.0.

H_1- Goods and Services Tax 2.0 is more beneficial for the general public than Goods and Services Tax 1.0.

Research Methodology: -

The present research paper is based on secondary data. The relevance information has been collected from various sources including books, government reports, research articles, policy documents, and official publications related to GST. The study uses a descriptive and analytical approach to examine the comparison of GST 1.0 and GST 2.0.

Comparison of GST 1.0 and 2.0: -

The table number 1 and chart shows a significant shift in tax priorities between GST 1.0 and GST 2.0, with a clear emphasis on reducing the burden on essential goods and services while, in some cases, increasing taxes on luxury consumption.

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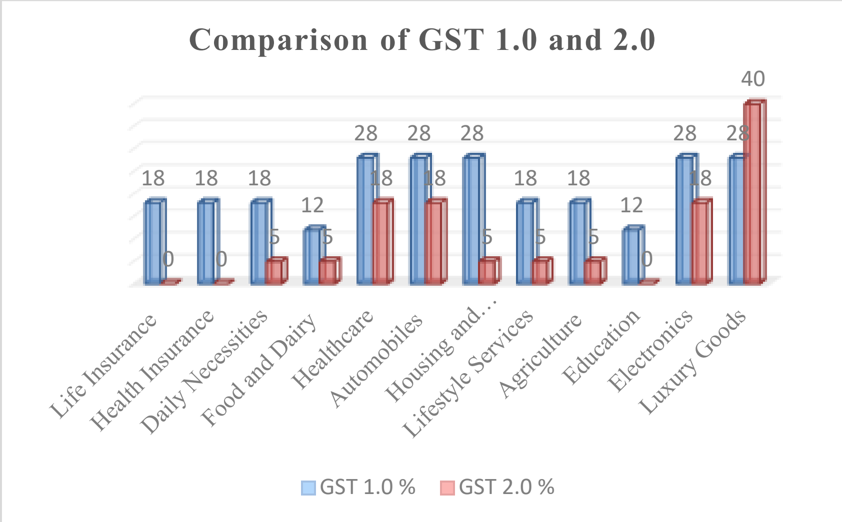
Table No. 1Comparison of GST 1.0 and 2.0

Goods and Service Tax	GST 1.0 %	GST 2.0 %
Life Insurance	18	0
Health Insurance	18	0
Daily Necessities	12 / 18	5
Food and Dairy	12 /18	5
Healthcare	28	18
Automobiles	28	18
Housing and Infrastructure	28	5
Lifestyle Services	18	5
Agriculture	18	5
Education	12	0
Electronics	28	18
Luxury Goods	28	40



Important thing of GST 2.0 is the life and health insurance, education, and basic food items have much lower taxes, with some even becoming tax-free or only 5%, which helps people save money. Daily necessities and agriculture-related goods also benefit from lower rates, which could help reduce the cost of living and support rural economies. At the same time, products like healthcare services, automobiles, and electronics still have taxes but at slightly lower rates, making them a bit more affordable. Notably, luxury goods stand out as the only category where tax increases sharply (from 28% to 40%), suggesting a deliberate move toward progressive taxation, where higher-income consumption is taxed more heavily.

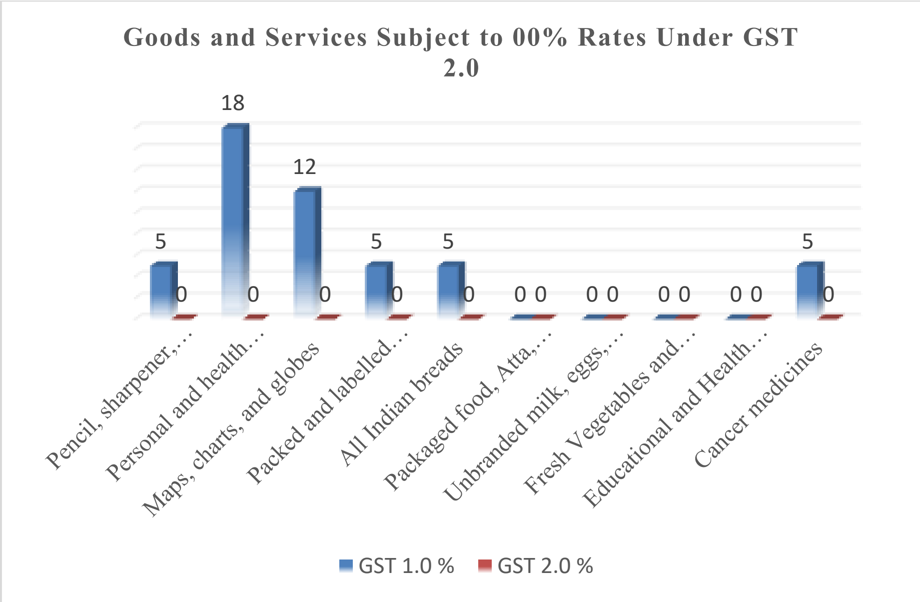
It is concluded that, the GST 2.0 aims to help common people by reducing taxes on necessities while collecting more tax from luxury spending.

Goods and Services subject to 00% rates under GST 2.0

The table number 2 and chart reflects a strong pro-welfare and equity-oriented shift in taxation under GST 2.0, particularly targeting goods and services that are essential for daily living, health, and education.

Table No. 2 Goods and Services subject to 00% rates under GST 2.0

Goods and Service Tax	GST 1.0 %	GST 2.0 %
Pencil, sharpener, eraser, crayon, and notebook.	5	0
Personal and health insurance policies	18	0
Maps, charts, and globes	12	0
Packed and labelled paneer	5	0
All Indian breads	5	0
Packaged food, Atta, and Maida	0	0
Unbranded milk, eggs, and lassi	0	0
Fresh Vegetables and Foods	0	0
Educational and Health Services	0	0
Cancer medicines	5	0



Basic educational items like notebooks, pencils, chart, and maps now tax-free, which makes education cheaper for students and families. Essential food items such as paneer, Indian breads, Atta, and Maida are also either tax-free, helping people afford daily meals more easily. Items like milk, eggs, and fresh vegetables continue to have no tax, which supports basic living needs. Similarly, change is that personal and health insurance, along with cancer medicines, now have no tax. This makes healthcare more affordable and helps people manage medical expenses better. Education and health services also remain tax-free, supporting access for everyone.

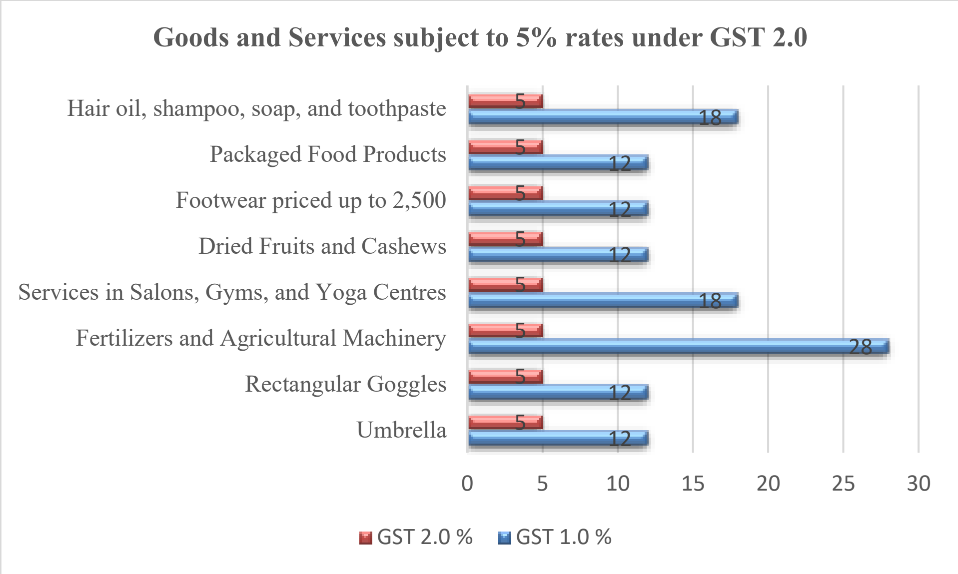
It is concluded that, the GST 2.0 reduces the cost of essential goods and services, making life more affordable and supporting people's basic needs.

Goods and Services Subject to a 5% Rate under GST 2.0

The table number 3 shows that, the clear and significant downward shift in GST rates from the earlier structure (GST 1.0) to the revised framework (GST 2.0), where all listed goods and services have been standardized at a lower rate of 5%. Under GST 1.0, tax rates varied widely between 12%, 18%, and 28%.

Table No. 3 Goods and Services subject to 5% rates under GST 2.0

Goods and Service Tax	GST 1.0 %	GST 2.0 %
Umbrella	12	5
Rectangular Goggles	12	5
Fertilizers and Agricultural Machinery	28	5
Services in Salons, Gyms, and Yoga Centres	18	5
Dried Fruits and Cashews	12	5
Footwear priced up to 2,500	12	5
Packaged Food Products	12	5
Hair oil, shampoo, soap, and toothpaste	18	5



Common items like umbrellas, dried fruits, packaged food, and footwear were taxed at 12%, while services like salons, gyms, and yoga centers and personal care products had 18% tax. Fertilizers and agricultural machinery had the highest tax of 28%, which could increase costs for farmers. In GST 2.0, all these goods and services are taxed at a single lower rate of 5%. This makes the tax system simpler and cheaper.

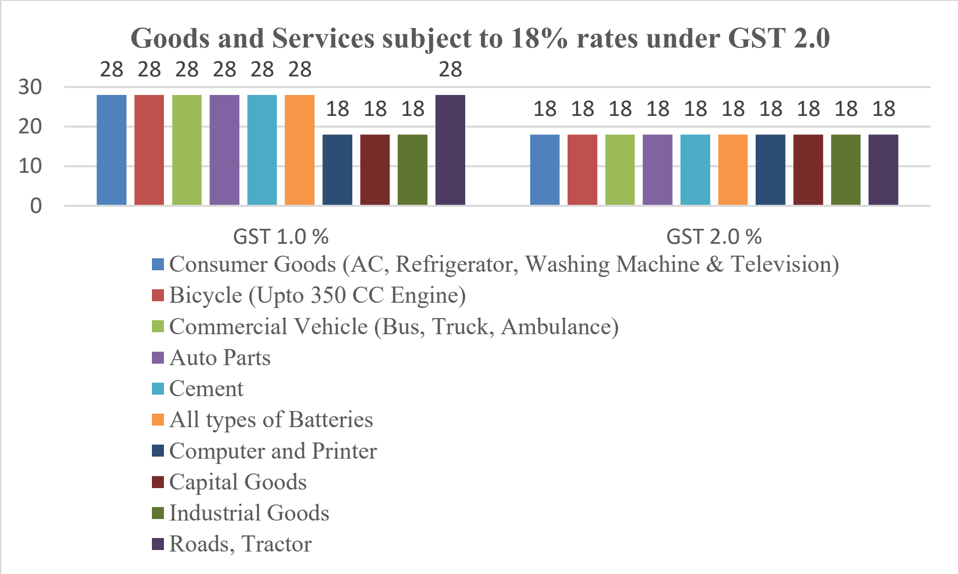
It can be concluded that, Lower tax on farming items can reduce costs for farmers, and lower prices of goods and services can increase buying by people. It can also help service industries grow because their services become more affordable.

Goods and Services Subject to a 18% Rate under GST 2.0

The table number 4 shows that GST rates have been reduced from GST 1.0 to GST 2.0, especially for items that were earlier taxed very high.

Table No. 4 Goods and Services subject to 18% rates under GST 2.0

Goods and Service Tax	GST 1.0 %	GST 2.0 %
Consumer Goods (AC, Refrigerator, Washing Machine & Television)	28	18
Bicycle (Upto 350 CC Engine)	28	18
Commercial Vehicle (Bus, Truck, Ambulance)	28	18
Auto Parts	28	18
Cement	28	18
All types of Batteries	28	18
Computer and Printer	18	18
Capital Goods	18	18
Industrial Goods	18	18
Roads, Tractor	28	18



In GST 1.0, many important sectors such as consumer durables (air conditioners, refrigerators, washing machines, televisions), automobiles, auto parts, cement, batteries, and infrastructure-related items like roads and tractors were taxed at the highest slab of 28%. In GST 2.0, these items have been moved to a lower rate of 18%, indicating a policy effort to reduce the tax burden on key sectors and promote affordability and demand. However, some items like computers, printers, capital goods, and industrial goods remain at the same 18% rate, showing no change for these categories.

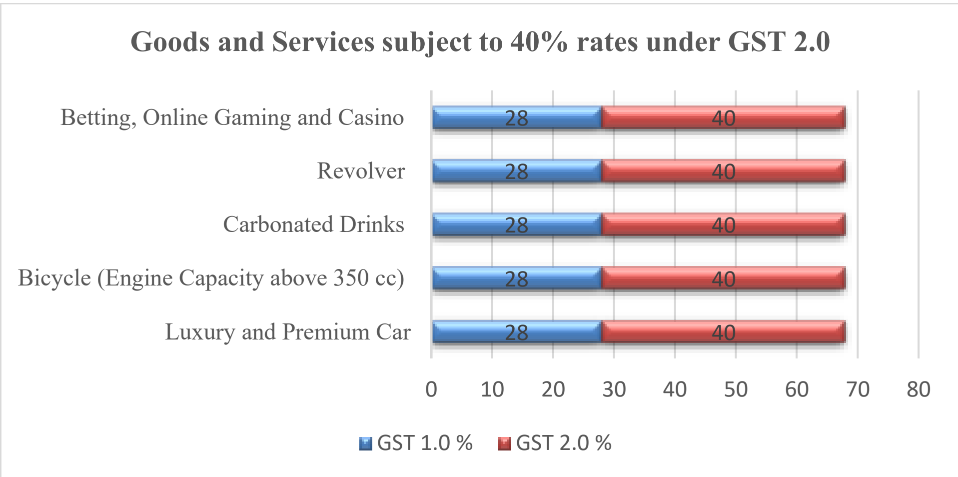
It can be concluded that, lowering the tax from 28% to 18% can reduce production costs, encourage industries to grow, and increase customer purchases. It also supports sectors like construction, transport, and manufacturing, helping improve the economy.

Goods and Services Subject to a 40% Rate under GST 2.0: -

The table number 5 indicates that, the clear upward revision in GST rates from GST 1.0 to GST 2.0 for selected goods and activities classified as luxury items or non-essential/regulated sectors.

Table No. 5 Goods and Services subject to 40% rates under GST 2.0

Goods and Service Tax	GST 1.0 %	GST 2.0 %
Luxury and Premium Car	28	40
Bicycle (Engine Capacity above 350 cc)	28	40
Carbonated Drinks	28	40
Revolver	28	40
Betting, Online Gaming and Casino	28	40



Items like luxury cars, high-engine bikes (above 350 cc), carbonated drinks, revolvers, betting, online gaming, and casinos were taxed at 28%. In GST 2.0, the tax on all these items has been increased to 40%. This increase means the government wants to reduce the use of such items and activities, especially those that may affect health or society, like soft drinks and gambling. It also helps the government earn more revenue from people who spend more on luxury goods. By keeping a higher and common tax rate of 40% for these items, it clearly separates them from essential goods that have lower taxes.

It concluded that, this change shows that higher taxes are being applied to luxury and non-essential items to control their use and increase government income.

Conclusion-

GST 2.0 reduces the number of tax rates to just two, which removes confusion and makes the system simpler. It focuses on helping consumers by lowering taxes on essential goods, household items, and small cars. This makes these products more affordable and leaves people with more money to spend, which helps increase demand in the economy. Similarly, GST 2.0 supports different industries. Lower taxes on hybrid cars and auto parts can increase production and create jobs. In short, GST 2.0 makes the tax system simpler, reduces costs for consumers, supports businesses, and helps in economic growth.

Acknowledgement

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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