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# GST Rate Rationalisation Under GST Amendment 2025 :- A Critical Study

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**Abstracts:-**

The Goods and service Tax (G.S.T) was implemented in India on July 1,2017 and since then, gradual changes have been made to it from time to time including charges in rates and revolutionary changes in the Classifications. In this sequence a GST Amendment was made in September 22,2025 which is referred to as GST 2.0 . This amendment include several changes in GST rate's . The main objective was to simplify the process this Research paper present of the GST amendment on Traders' , Consumer's and the Indian Economy.

**Keywords:** GST 2.0 ,Indian Economy, Tax Rate, CGST,SGST,IGST, Consumers, Trader's (surface-Level)

## 1. Introduction:-

The first country in the world to implement GST was France, which did so in 1954. More than 170 countries have implemented it, with India leading the way at 160. When GST was implemented in India, the average GST was around 14% – 15% (≈ 14.4%) and after the September 2025 amendment, it has reduced to around 9% – 10% (≈ 9.5%). If we look at the history of the tax system in India, it has seen many ups and downs. First of all, if we look at the indirect tax system in India, it was a very complex system in which.

1. Central Excsie Duty ( C.E.D)
2. Sales Tax (S.T)
3. Service Tax (Se.T)
4. Value Added Tax ( VAT)

GST was implemented on 1 July 2017 to simplify the tax that was imposed. It was implemented at various rates ( 5%,12%,18%,28%). Which was amended in 2025 and an attempt was made to limit it to (5% 18% 40%) 99% of the items which were earlier in 12% are now in 5% and Some items have been included in the 12% to 18% bracket.

**1.1 The following major changes were made in the GST Amendment 2025:**

- Limiting/reducing the 12% and 28% slabs
- Shifting most goods and services to the 5% and 18% categories
- Placing essential goods in the 0% or 5% bracket
- Applying higher rates to luxury and harmful goods

**12% To 5% :-**

Processed Foods :- fruit juice, frozen meets, Butter, Nuts, Ghee and Mava.

Dairy Products :- cheese, cheese preparations, and mixed foods.

Consumers Products :- stationary ,cloths, boots' Normal soap-shampoo.
Medicines and Medical Devices:- life saving medicines.
Others :- incense sticks and some types of agricultural equipment.

**12% To 18% :-**

Services :- Telecom, Banking, Restrons .
Other's :- Beauty products, Toilet rich.

**28% To 18% :-**

Electronics and Home Appliances :- T.V. , Refrigerator, washing machine , A.C, Dishwasher .
Automobile:- 350 CC engine capacity bikes ,small cars Petrol/LPG/CNG (<1200 CC), Diesel engine (<1500 CC), and Commercial vehicle ( Bus, Trucks, Three wheeler, Ambulance ) Robber Tire and engine parts.

**28% To 40% :-**

Luxury cars and premium SUV. Vehicles.
Tobacco products: Cigarettes, Pan Masala and Gutkha.
Irritating drinks such as cola and carbonated soft drinks.
Expensive handbags and yachts.

**1.2 The end of tax on tax :-**

Before GST, VAT input credit was not available on Central Excise duty payments, and Central Excise input tax credit was not available on VAT payments. This is called the cascading effect, which is a kind of tax on tax. This was the biggest drawback of the direct tax system. However, input credit is now available on all taxes, be it CGST, SGST, or IGST.

**Countries with VAT or GST 2026**

| s.no | Country | Year | s.no | Country | Year |
|---|---|---|---|---|---|
| 1 | Albania | 1995 | 89 | Korea, South | 1977 |
| 2 | Algeria | 1992 | 90 | Kosovo | 2001 |
| 3 | Andorra | 2013 | 91 | Kyrgyzstan | 1999 |
| 4 | Angola | 2019 | 92 | Lao | 2010 |
| 5 | Anguilla | 2025 | 93 | Latvia | 1995 |
| 6 | Antigua and Barbuda3 | 2007 | 94 | Lebanon | 2002 |
| 7 | Argentina | 1974 | 95 | Lesotho | 2003 |
| 8 | Armenia | 1993 | 96 | Liechtenstein | 1995 |
| 9 | Australia | 2000 | 97 | Lithuania | 1994 |
| 10 | Austria4 | 1973 | 98 | Luxembourg | 1970 |
| 11 | Azerbaijan | 1992 | 99 | Madagascar | 1994 |
| 12 | Bahamas | 2015 | 100 | Malawi | 2002 |
| 13 | Bangladesh | 1991 | 101 | Maldives | 2011 |
| 14 | Barbados | 1997 | 102 | Mali | 1991 |
| 15 | Bahrain | 2018 | 103 | Malta | 1999 |
| 16 | Belarus | 1991 | 104 | Mauritania | 1995 |
| 17 | Belgium | 1971 | 105 | Mauritius | 1998 |

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|---|---|---|---|---|---|
| 18 | Belize | 2006 | 106 | Mexico | 1980 |
| 19 | Benin | 1991 | 107 | Moldova | 1998 |
| 20 | Bolivia | 1986 | 108 | Monaco | 1968 |
| 21 | Bosnia Herzegovina | 2006 | 109 | Mongolia | 1998 |
| 22 | Botswana | 2002 | 110 | Montenegro | 2003 |
| 23 | Brazil | 1964 | 111 | Morocco | 1986 |
| 24 | Bhutan | 2026 | 112 | Mozambique | 1999 |
| 25 | Bulgaria | 1994 | 113 | Namibia | 2000 |
| 26 | Burkina Faso | 1993 | 114 | Nepal | 1997 |
| 27 | Burundi | 2009 | 115 | Netherlands | 1969 |
| 28 | Cambodia | 1999 | 116 | New Zealand | 1986 |
| 29 | Cameroon | 1999 | 117 | Nicaragua | 1975 |
| 30 | Canada | 1991 | 118 | Niger | 1986 |
| 31 | Cape Verde | 2004 | 119 | Nigeria | 1994 |
| 32 | Central African Republic | 2001 | 120 | Niue | 2009 |
| 33 | Chad | 2000 | 121 | North Macedonia | 2000 |
| 34 | Chile | 1975 | 122 | Norway | 1970 |
| 35 | China (People's Republic) | 1994 | 123 | Oman | 2021 |
| 36 | Colombia | 1983 | 124 | Pakistan | 1990 |
| 37 | Commonwealth of Dominica | 2006 | 125 | Panama | 1977 |
| 38 | Congo (Dem. Republic) | 2012 | 126 | Papua New Guinea | 1999 |
| 39 | Congo (Republic) | 1997 | 127 | Paraguay | 1993 |
| 40 | Cook Islands | 1997 | 128 | Peru | 1991 |
| 41 | Costa Rica | 2019 | 129 | Philippines | 1988 |
| 42 | Côte d'Ivoire | 1960 | 130 | Palau | 2023 |
| 43 | Croatia | 1998 | 131 | Poland | 1993 |
| 44 | Cyprus6 | 1992 | 132 | Portugal | 1986 |
| 45 | Czech Republic | 1993 | 133 | Romania | 1993 |
| 46 | Denmark | 1967 | 134 | Russia | 1991 |
| 47 | Djibouti | 2009 | 135 | Rwanda | 2001 |
| 48 | Dominican Republic | 1983 | 136 | Saint Kitts and Nevis | 2010 |
| 49 | Ecuador | 1970 | 137 | Saint Lucia | 2012 |
| 50 | Egypt | 2017 | 138 | Saint Vincent and the Grenadines | 2007 |
| 51 | El Salvador | 1992 | 139 | Samoa | 1994 |
| 52 | Equatorial Guinea | 2005 | 140 | São Tomé and Príncipe | 2023 |
| 53 | Estonia | 1991 | 141 | Saudi Arabia | 2018 |
| 54 | Eswatini | 2012 | 142 | Senegal | 1980 |
| 55 | Ethiopia | 2003 | 143 | Serbia | 2005 |
| 56 | Faroe Islands | 1993 | 144 | Seychelles | 2012 |
| 57 | Fiji | 1992 | 145 | Sierra Leone | 2009 |
| 58 | Finland | 1994 | 146 | Singapore | 1994 |
| 59 | France | 1968 | 147 | Slovak Republic | 1993 |

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|---|---|---|---|---|---|
| 60 | Gabon | 1995 | 148 | Slovenia | 1999 |
| 61 | Gambia | 2013 | 149 | South Africa | 1991 |
| 62 | Georgia | 1993 | 150 | Spain | 1986 |
| 63 | Germany | 1968 | 151 | Sri Lanka | 1998 |
| 64 | Ghana | 1998 | 152 | Sudan | 2000 |
| 65 | Greece | 1987 | 153 | Sweden | 1969 |
| 66 | Grenada | 2010 | 154 | Switzerland | 1995 |
| 67 | Guatemala | 1992 | 155 | Suriname | 2023 |
| 68 | Guinea | 1996 | 156 | Chinese Taipei | 1986 |
| 69 | Guinea-Bissau | 2025 | 157 | Tajikistan | 1992 |
| 70 | Guyana | 2007 | 158 | Tanzania | 1998 |
| 71 | Haiti | 1982 | 159 | Thailand | 1992 |
| 72 | Honduras | 1964 | 160 | Togo | 1995 |
| 73 | Hungary | 1988 | 161 | Tonga | 2005 |
| 74 | Iceland | 1990 | 162 | Trinidad and Tobago | 1990 |
| 75 | India | 2017 | 163 | Tunisia | 1988 |
| 76 | Indonesia | 1985 | 164 | Turkey | 1984 |
| 77 | Iran | 2008 | 165 | Turkmenistan | 1992 |
| 78 | Ireland | 1972 | 166 | Uganda | 1996 |
| 79 | Isle of Man | 1973 | 167 | Ukraine | 1992 |
| 80 | Israel | 1976 | 168 | UAE | 2018 |
| 81 | Italy | 1973 | 169 | UK | 1973 |
| 82 | Jamaica | 1991 | 170 | Uruguay | 1972 |
| 83 | Japan | 1989 | 171 | Uzbekistan | 1992 |
| 84 | Jersey | 2008 | 172 | Vanuatu | 1998 |
| 85 | Jordan | 2001 | 173 | Venezuela | 1993 |
| 86 | Kazakhstan | 1992 | 174 | Vietnam | 1999 |
| 87 | Kenya | 1990 | 175 | Zambia | 1995 |
| 88 | Kiribati | 2014 | 176 | Zimbabwe | 2004 |

## 2. Research Hypothesis

- $H_0$: The rate simplification in the GST Amendment 2025 has no significant impact on the economy.
- $H_1$: The rate simplification in the GST Amendment 2025 has simplified tax compliance and increased economic activity.

## 3. Objectives of the Study:-

1. To study the nature of rate simplification under the GST Amendment 2025.
2. To understand the impact of the new rate structure on trade and industry.
3. To analyze the impact of price changes on consumers.
4. To critically evaluate the limitations and challenges of rate simplification.

**4. Research Methodology :-**

- Research Type: Descriptive and Analytical
- Data Source: Secondary Data (Government Reports, GST Council Documents, Research Papers, Newspapers)
- Analysis Method: Comparative and Critical Analysis

**5. Impact of rate simplification:-**

**Impact on Trade and Industry**

- Simplification of Tax Determination
- Reduced Compliance Costs
- Relief to the MSME Sector

**Impact on Consumers**

- Decreased Prices of Daily Use Items
- Increased Consumption Levels
- Better Understanding of the Tax Structure

**Impact on Government Revenues**

- Initial Revenue Pressure
- Possibility of Expansion of the Tax Base in the Long Term

**6 Critical Analysis**

While rate simplification is a positive step, there are:

- Adverse impact on the revenues of some states
- Fears of price increases in some sectors
- Lack of a clear definition of luxury and essential goods

These shortcomings may lead to uneven policy impact.

**7. Conclusion**

The rate simplification under the GST Amendment 2025 makes the Indian tax system simpler, transparent, and more business-friendly. While some challenges still remain, this amendment will help promote economic growth and tax compliance in the long run.

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