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## Introduction

**G**ST 2.0 has created a lot of buzz. On one hand, it has raised a lot of expectations in the consumers regarding price reductions; on the other hand, taxpayers are enthusiastic as it will boost the overall market sentiment during the crucial marketing season. While the general outlook is positive, the rollout has come with a compressed timeline. The industry must ensure that regulations are complied within allotted time frame while also preserving profitability and customer trust, for which a coordinated effort across finance, accounting operations, and supply chain would be required to enable seamless execution. The

# Rate Rationalisation as a Catalyst for Ease of Doing Business: A Blueprint for GST 2.0

GST 2.0 marks the first major amendment in eight years since the historical introduction of GST in 2017. This milestone is not an overnight reform but is a culmination of years of continuous efforts made by policymakers, industry stakeholders and administrators to resolve ambiguities and operational challenges. This article explores the ease of doing business after rate rationalization and compliance simplification by making registration and refund process easier. It discusses about the revival of insurance sector where deductions removed under the new tax regime get compensated by nullifying the rate in GST 2.0. It mentions practical examples, uncovers post-implementation challenges and systematic gaps observed under the earlier GST framework and outlines measures for smoother adoption of GST 2.0.

reforms are much beyond rate rationalization and the other changes will have a cascading implication in bringing about the anticipated benefits to the industry. GST 2.0 can also be a springboard for greater automation.

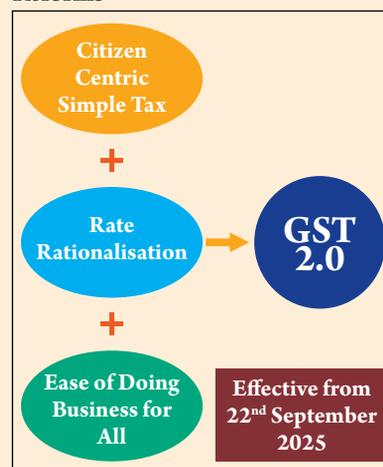
The Core Pillars of GST 2.0 reforms will bring about an avant-garde change as it is Citizen Centric Simple Tax. Moreover, rate rationalisation will enhance the ease of doing business through structural reforms and compliance simplification.

**1. Citizen Centric Simple Tax:** Citizens are always happy when prices get reduced. Price reduction leads to more savings which can either be used for increased spending or channelled into meaningful investing. In both scenarios, some or the other sector gets benefited, contributing towards economic growth. Lower tax rates and simplified compliance processes have further encouraged

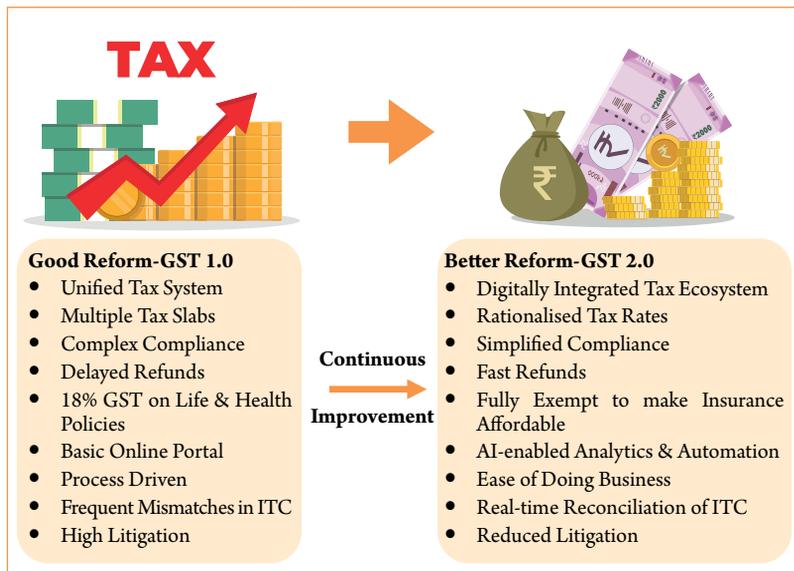
taxpayers. In short: *Save more, Spend more, Invest more.*

**2. Rate Rationalisation:** By reducing multiple slabs and aligning tax rates with industry realities, GST 2.0 resolves ambiguities and promotes uniformity and fairness in taxation. In short: *Simplify, Amplify and Prosper.*

**Figure 1: Core Pillars of GST 2.0 Reforms**



**Figure 2: Evolutionary Progress in GST 2.0**



**3. Ease of Doing Business for All:**

All the improvements mentioned above support ease of doing business. The reduction in the rate of the final product due to rate rationalisation is expected to drive business growth. Significant refinements brought in the refund and registration process have reduced administrative bottlenecks, ultimately benefitting overall business. In short: *Ease in Tax, Ease in Trade.*

In summary, all the above, when combined together, represents a progressive step towards building a growth-oriented tax ecosystem that is more transparent and efficient, ultimately strengthening India's position as a global hub for ease of doing business.

**Reasons Why GST 2.0 is Needed**

GST 1.0, being a landmark reform initially introduced as a work in progress, faced lots of procedural and structural challenges. Hence, there was a need to address infirmities such as rationalising tax structure driven by political will, crises, or public demand, based on the core belief that the cost of continuing the same outweighs the challenges of change. Consequently,

the next phase of reform for India's tax structure i.e. GST 2.0 was launched, drawing from lessons learned till date.

**Rationale behind GST 2.0: Strengthening Ease of Doing Business and Rate Rationalisation**

The US tariffs was an external shock on Indian exports, thereby making Indian manufactured goods expensive and less competitive in the US market.

Exports ↓ Production ↓ leading to → potential job losses in manufacturing sector.

To counter this loss,

Domestic consumption ↑ Internal Demand ↑ which can be done when → Prices ↓ Tax rate ↓

“ Under GST 1.0, various headings & sub-headings within the same chapter attracted different tax rates leading to litigations. However, with the introduction of GST 2.0, these rates have been standardized. ”

With a decrease in the tax rate, purchasing power and consumer spending also increases. Thus, any adverse effect on exports in the manufacturing sector in the external market can be cushioned by higher domestic sales, thereby helping maintain production and safeguarding jobs.

**Encouraging Insurance Cover: By Exempting and Making It More Affordable**

After a long wait, the insurance sector is set to finally revive and gain new momentum through the relief measures introduced under GST 2.0. Earlier, the withdrawal of Section 80C deductions under the new tax regime made insurance products less attractive, as they no longer provided tax-savings benefits. Now, insurance, health and mediclaim services have been made GST-exempt, thus lowering premium costs, boosting affordability, and driving renewed consumer demand and industry growth. Moreover, this move also serves as a form of



**Table 1: Comparison between GST 1.0 and GST 2.0**

	GST 1.0	GST 2.0
Complex to Simplified Rate Structure	Multiple tier rate structure	Three tier rate structure
	Multiple tax slabs (0%, 5%, 12%, 18%, 28%) along with special rates for precious metals and cess on demerit goods	<div style="text-align: center;"> <p><b>GST 2.0 Tax Structure</b></p> <p>Merit Rate for Essential Goods: 5%      Standard Rate for Normal Good: 18%      Higher Rate for Demerit/Luxury Goods: 40%</p> </div> <p>Goal: To reduce classification disputes and facilitate easier compliance.</p>
Delayed to Fast Registration-Broadening Tax Base	Delayed registration	<div style="text-align: center;"> <p>Small &amp; Low Risk Businesses → Output Tax ≤ Rs. 2.5 lakh per month; voluntary opt-in/out → Registration within 3 working days under automated route</p> </div> <p>Goal: To bring unregistered business to the formal tax net.</p> <p style="text-align: center;"><b>96% of New Applications w.e.f. 01 Nov 2025</b></p>
Simplified Registration for Small Suppliers via E-commerce	Separate GST registration in every State (Section 22 & Rule 8)	Single registration for small suppliers selling via e-commerce across states. (Operational modalities to be notified)
Reviving Insurance Sector: From Tax Burden to Affordable Protection Cover - CBIC's Notifications (9/2025-17/2025)	18% GST on Life and Health Policies	<p style="text-align: center;"><b>GST NIL</b></p> <p>Making insurance sector more affordable. Goal: To compensate withdrawal of Section 80C deductions under the new tax regime. Dual advantage i.e., consumers affordability and stability in the insurance sector.</p>
Removal of the ₹1,000 Refund Restriction - Amendment to Section 54(14) of the CGST Act, 2017	Refund not available (minimum refund threshold of ₹1,000)	<p style="text-align: center;"><b>Refund Available - ₹1,000</b></p> <p>Threshold limit removed; refunds available for small exports with tax payment. Goal: To benefit small exporters exporting through courier and parcels.</p>
Refund for Zero-rated Supplies (exports/SEZ) -Amendment in Rule 91(2) of the CGST Rules, 2017	Officer discretion high; process heavy	90% of the claimed refund will be provisionally sanctioned based on risk assessment for exports or SEZ supplies. <b>w.e.f. 01 Nov 2025</b>
Refund under Inverted Duty Structure (IDS) - Amendment in Section 54(6) of the CGST Act, 2017	Not allowed	90% provisional refund for claims arising from the inverted duty structure, based on risk assessment. <b>w.e.f. 01 Nov 2025</b>
Place of Supply – Intermediary Services Section 13(8) of the IGST Act, 2017	Place of supply for intermediary services = location of supplier Section 13(8)(b) of the IGST Act, 2017	Place of supply for intermediary services = location off recipient. (default under Section 13(2) of the IGST, Act)

	GST 1.0	GST 2.0
Post-Sale Discount - Sections 15 & 34 of the CGST Act, 2017 - Circulars issued. Section 15(3)(b) is amended. Section 34 is updated. Circular No. 212/6/2024 (dated 26 June 2024) is rescinded.	1) A written agreement for discount. 2) Pre-agreed and linked to the invoice for value reduction. 3) If these conditions were not met, the discount could not reduce GST.	Post-sale discount are simplified: 1) If a credit note is issued, and 2) The buyer must reverse ITC proportionately, provided Section 15(3)(b)(i) is removed.
Retail Sale Price (RSP)-Based Valuation	Value under Section 15(1) = transaction value; tobacco and pan masala taxed at ex-factory price, leading to under-valuation	GST valuation based on RSP for pan masala, cigarettes, gutkha, chewing tobacco, zarda, scented tobacco, and unmanufactured tobacco.  CGST Rules, 2017 (Notifications to be issued)

compensation for the benefits now available in GST 2.0 that were not available under direct taxation. In essence, GST 2.0 delivers a dual advantage — enhancing affordability for consumers while fostering growth and stability in the insurance sector.

All the above points have been explained separately with practical examples mentioned below:

**Practical examples:**

■ **Cheaper Household Appliances**

Mrs. A purchases a mid-tier washing machine worth ₹ 24,000.

Before the introduction of GST 2.0, she would have paid ₹ 6,720 extra under the old 28% rate i.e., a total of ₹ 30,720. However, post-reform, with the 18% standard rate, GST drops to ₹ 4,320, i.e. a total of ₹ 28,320, reflecting a saving of ₹ 2,400, directly reflecting on household budgets. With this saving, she can purchase an induction cooktop easily.

■ **Classification Disputes Resolved and Litigations Reduced:**

Under GST 1.0, various headings & sub-headings within the same chapter attracted different tax rates leading to litigations. However, with the introduction of GST 2.0, these rates have been standardized. For Example: The agricultural

**“ The rate rationalization has not only helped in bringing down the final price of the product but has also significantly lowered the inversion in the rate structure. This will not only help avoid the hassles of refund under the inverted rate structure, but also improve liquidity management. Nearly 99% of the goods taxed at 12% have been brought down to 5%. ”**

tractor and its parts and accessories were subject to different GST rates under GST 1.0, even though they fell under the same chapter, as follows:

**Chapter 87-** ‘Vehicles other than railway or tramway rolling – stock and parts and accessories thereof’

**Heading 8701:** Agricultural tractors (GST Rate: 12%)

**Heading 8708:** Parts and accessories of tractors (GST Rate: 18%)

Under GST 2.0, this classification dispute has been removed as the GST rate for both is 5%.

■ **Simplified Registration (Low-Risk):**

A local shop with a monthly tax liability of ₹ 2.23 lakh applies for registration and receives a GSTIN automatically in 3 working days.

■ **Simplified Registration via E-commerce:**

A supplier selling via an e-commerce website across 4 states can obtain a single GST registration under the new scheme, avoiding multiple State-wise registrations.

■ **Insurance under GST 2.0 (Nil Rate)**

The life insurance policy of Mr. A was earlier charged @ 18% GST. The final premium amount payable on a base amount of ₹ 2,750 per year was ₹ 3,245 (including ₹ 495 as GST). Under GST 2.0, with GST reduced to Nil, he now has to pay only ₹ 2,750.

■ **Low-Value Export:**

Mr. A, a small exporter sending parcels via courier worth ₹ 49,500, is now eligible for a full refund, which was previously blocked due to value threshold.

**Table 2: GST 2.0 Rates Comparison**

Category	Pre-GST 2.0 Rates	Post-GST 2.0 Rates	Impact & reference
Essentials (soaps, breads)	5-18%	0-5%	₹ 2 lakh crore consumer savings
Tractors & Agri Tools	12-18%	5%	Annexure I, Press Release
Electronics/White Goods/ Small Cars (<1,200cc)	18-28%	18%	8-10% price drop in FMCG. Notif. 13/2025-CT
Luxury/Sin Goods	28% + Cess	40%	Revenue neutral; reduced evasion. Amended CGST Rules
Services (Insurance)	18%	0%	Boost to healthcare access
Lifesaving Drugs	5-12%	0%	Saves rare disease treatment Notif. 09/2025-CTR

■ **Risk-Based Provisional Refund:**

An exporter filing refund claim of ₹ 16 lakh receives ₹ 14.4 lakh (90%) under the risk-based provisional refund mechanism, while the remaining ₹ 1.6 lakh is processed after detailed verification, if required.

■ **Inverted Duty Structure Refund:**

Mr. A, a manufacturer, procures inputs taxed higher than final goods, then, ₹ 6.3 lakh (90% of ₹ 7 lakh claim) refunded provisionally.

■ **Place of Supply for Intermediary Services:**

An Indian IT firm providing intermediary services to an Australian client will now have the place of supply as the Australian client's location, making the service eligible for export benefits.

■ **Post-Sale Discount:**

A manufacturer issues a credit note for a ₹ 18,900 discount to a dealer. ITC is reversed accordingly, and the discount is treated as additional consideration in downstream sale.

■ **RSP-Based Valuation:**

GST on chewing tobacco sold at a retail price of ₹ 190 is computed on ₹ 190 instead of the factory price.

The rate rationalization has not only helped in bringing down the final price of the product but has also significantly lowered the inversion in the rate structure. This will not only

help avoid the hassles of refund under the inverted rate structure, but also improve liquidity management. Nearly 99% of the goods taxed at 12% have been brought down to 5%.

It is now the time and opportunity to recalibrate our systems. The major areas requiring attention include managing inventories, ITC flows, classification changes, as well as supply chain transactions. The industry must ensure compliance, technological readiness and also reassess pre-agreed contracts.

### Challenges

Despite being a progressive reform, certain challenges will always persist in the pipeline such as:

■ **Transitional Disruptions:**

Inventories with old MRPs require re-sticker approvals due to changes in rates, leading to additional costs for restocking and disruptions in the supply chain.

■ **Revenue Impact:** There may be revenue loss due to lower rates and more exemptions, raising fiscal stress for both the Centre and States. The States which heavily rely on GST revenue transfers might face budget constraints for welfare and infrastructure programs.

■ **Further Rate Rationalization:** The major challenge for GST 2.0 is rationalizing rates while taking care of two sides i.e., sacrificing vital revenue for Governments or

sacrificing the progressive intent that protects the poor.

### Inversion of tax structure has been reduced to a large extent

It is a state where the rate of input > rate of output, resulting in accumulation of ITC, thereby escalating the cost, which has been taken care of by rationalizing rates. Hence, the scope of inversion has reduced to a great extent under GST 2.0.

■ **Quick Dispute Resolution:**

Disputes should be resolved on time and efficiently, hence, the GST Appellate Tribunal needs to be fully operational across all States.

■ **Awareness Drives:** Reforms should be adopted as soon as possible.

Therefore, nationwide campaigns and training for businesses and the public are required to minimize confusion.

■ **Compliance Gaps:** MSMEs

continue to struggle with digital tools and e-invoicing errors. Tax evasion via fake invoices also persists. MSMEs may struggle with technological upgrades or new reporting formats.

### Suggestions

■ GSTN's AI-powered compliance framework needs to be strengthened in order to detect evasion and support taxpayers.

■ More clarity should be provided by issuing updated circulars on

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product classification and ITC eligibility.

- The technological handholding and capacity-building for MSMEs should be expanded.
- Fully operationalize GSTAT in all states to ensure timely, fair dispute resolution.
- The biggest point from a consumer’s viewpoint is to include petroleum, diesel, crude oil & electricity in the next phase i.e. GST 3.0.
- The most anticipated issues would be the cases of MRP or RSP goods in transit and the services rendered during the transition phase.
- Use statistics on Aadhaar-linked refunds, ITC mismatches, and GSTAT case flows to track shifts in taxpayer behaviour under stricter procedural rules.
- GST’s new role needs to be studied in promoting women-owned businesses, rural enterprise, and local craftsmanship through reduced rates and extended exemptions.

### Conclusion

Besides being a tax collection mechanism, GST 2.0 serves as the central nervous system of India’s formal economy. The tax system is aligned with broader public health and environmental objectives by discouraging the consumption of “sin goods” and directing funds into more productive or socially desirable industries. With the use of advanced technology such as artificial intelligence



for predictive analytics, risk-based audits, automated reconciliations, and identifying fraudulent input tax credits, it is forward looking to achieve global competitiveness. Predictability and business confidence are enhanced by automated compliance, digital invoicing, and speedy refunds. India can transform its GST from a complex, compliance-heavy system into a simple, efficient, and trusted fiscal instrument by systematically learning from global leaders.

The roadmap for GST 2.0 should be about reinventing the wheel as well as intelligently adapting the world’s best practices to India’s unique federal and economic context. Although the Council’s recent work shows the blueprint, it is now an individual’s responsibility to build upon it with courage and vision. GST 2.0 can live up to its promise of supporting India’s formalization and growth drive while preserving state finances and business confidence with prudent monitoring and adaptive reforms. Ultimately, GST 2.0’s legacy hinges on equitable enforcement—transforming tax from a burden to a growth engine.

Thus, GST 2.0 is “Empowering families, energizing businesses, accelerating growth.”

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