

Summary of GST Reforms 2025: Relief for Common Man, Boost for Businesses

□□ Introduction

- GST, launched on **1st July 2017**, unified multiple central and state taxes, creating a common national market.
- After 8 years, the **56th GST Council Meeting (Sept 2025)** approved **Next-Gen GST reforms** to simplify rates, reduce burdens, and drive economic growth.
- PM Modi announced these reforms as a **“Diwali gift”** to benefit the common man, MSMEs, farmers, women, youth, and middle-class families.

□□ Key Features of Reforms

- **Simplified Structure:** Only **two slabs - 5% and 18%** (removal of 12% & 28%).
- **Essentials:** Daily-use goods like soaps, toothpaste, breads → **5% or Nil**.
- **Healthcare:** Life-saving drugs → **Nil or 5%**; medicines & medical devices → **5%**.
- **Vehicles & Durables:** Small cars, two-wheelers, TVs, ACs, cement → **18%**.
- **Farming:** Tractors, irrigation equipment, machinery → **5%**.
- **Luxury/Sin Goods:** Tobacco, pan masala, aerated drinks, luxury cars, yachts → **40%**.

Effective from **22nd September 2025**.

□□ 7 Pillars of GST 2.0

1. Simplified 2-tier tax structure.
2. Relief for households & common man.
3. Empowering MSMEs with lower compliance burden.
4. Supporting farmers & agriculture.
5. Boosting manufacturing & exports.

6. Strengthening state revenues.
7. Driving consumption-led growth.

▣▣ Sector-Wise Benefits

▣▣ Household & Food

- Milk, paneer, Indian breads → **Nil**.
- Soaps, toothpaste, bicycles → **5%**.
- Packaged foods (namkeen, sauces, chocolates, coffee) → **5%**.
- TVs, ACs, dishwashers → **18%** (from 28%).

▣▣ Housing & Construction

- Cement → **18%** (from 28%).
- Marble, granite, bricks → **5%**.
- Bamboo/wood packaging → **5%**.

▣▣ Automobiles

- Small cars, two-wheelers → **18%**.
- Buses, trucks, auto parts → **18%**.

▣▣ Agriculture

- Tractors, tyres, parts → **5%**.
- Harvesters, irrigation equipment, poultry/bee-keeping machines → **5%**.
- Bio-pesticides & menthol → **5%**.

▣▣ Service Sector

- Hotels (< ₹7,500/day) → **5%**.
- Gyms, salons, barbers, yoga → **5%**.

☐☐ Toys, Sports & Handicrafts

- Man-made fibre & yarn → **5%**.
- Handicraft idols, paintings, toys → **5%**.

☐☐ Education

- Books, pencils, erasers, crayons → **Nil**.
- Geometry boxes, trays → **5%**.

☐☐ Medical & Insurance

- Life-saving drugs & kits → **Nil**.
- Ayurveda, Homoeopathy, Unani medicines → **5%**.
- Spectacles, medical devices, oxygen, thermometers → **5%**.
- **Life & Health Insurance premiums → GST Exempt.**

☐☐ Wider Benefits for All

- **Cheaper goods → higher savings → more consumption.**
- **MSMEs more competitive** due to reduced input costs.
- **Simpler compliance** with two rates → fewer disputes, quicker refunds.
- **Larger tax base & better revenue** through voluntary compliance.
- **Boost to domestic manufacturing & exports** by correcting inverted duty structures.
- **Stronger social protection** with exemptions on insurance & essential medicines.

☐☐ Performance of GST (2017-2025)

- Taxpayer base expanded from **66.5 lakh (2017) → 1.51 crore (2025)**.
- GST collections doubled to **₹22.08 lakh crore in FY 2024-25**, CAGR **18%**.
- Avg. monthly collections rose from **₹82,000 crore (2017-18) → ₹2.04 lakh**

crore (2025).

☐☐ Conclusion

GST 2.0 introduces **fairer, simpler, and growth-oriented taxation**. By lowering costs for essentials, boosting businesses, and exempting critical healthcare/insurance, the reforms ensure **ease of living + ease of doing business**.

Effective **22nd Sept 2025**, they represent a milestone in India's journey toward **inclusive prosperity and economic transformation**.

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