



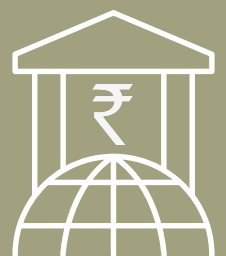
global
where global strategy
meets local precision.

GST 2.0 – India's Great Tax Reset to spur growth



PART I OF III

Lower Slabs, Higher Stakes:
How the 2025 GST Revamp aims to
boost consumption and economy.



The Reset

What changed on 22 Sept 2025—and how price tags, sectors, and supply chains realign.

This opening part lays out the structural reset: what exactly changed, who benefits or loses near-term, and the sector contours readers should keep handy before we move to the fiscal arithmetic in Part II.

01 Summary of GST 2.0

| Sector | Old % | New % |
|---|---------|-------|
| Consumer FMCG - Essentials | 12 - 18 | 5 |
| Consumer FMCG - Cigarettes & Other Tobacco Products | 28 | 40 |
| Consumer Durables - Aircons, TVs >32 inches & Dishwashers | 28 | 18 |
| Cement | 28 | 18 |
| Renewables - Solar, Wind & Fuel Cells | 12 | 5 |
| Automobiles - 2-Wheelers (<350 cc) & Commercial Vehicles | 28 | 18 |
| Automobiles - Tractors | 12 | 5 |
| Automobiles - Small Cars | 21 - 31 | 18 |
| Banking | 18 | 18 |
| Insurance - Life & Retail Health | 18 | 0 |

| Sector | Old % | New % |
|--|-------|-------|
| Textiles - Fabrics, Home Textiles & Man-made Yarn | 12 | 5 |
| Textiles - Apparel & Clothing Accessories >₹2500 per piece | 12 | 18 |
| Off-shore Oil Exploration | 12 | 18 |

02 Context & Intent of the Reset

Seven years after the Goods and Services Tax (GST) first unified India's indirect taxes, the nation is witnessing a transformative "GST 2.0" overhaul. In September 2025, the GST Council – comprising the Union Finance Minister Smt. Nirmala Sitharaman and state representatives – approved a major rationalisation of rates, widely billed as a "one nation, one tax" reset. The reform collapses the old four-tier rate structure (5%, 12%, 18%, 28%) into a simpler system with two primary slabs of 5% and 18%, plus a higher 40% rate reserved for luxury and sin goods. This GST slab reduction is aimed at making everyday goods cheaper while maintaining a premium tax on high-end items. The timing, coinciding with the festive season kick-off, is strategic – the government hopes easier taxes will translate into buoyant consumer spending and an uplifted economy.

The Monday morning, September 22, 2025, announcement has generated optimism, positivity, and expectations in times of predictable unpredictability (unleashed by the American Czar) across the Indian middle class and industry alike. Households anticipate relief in monthly bills, while companies rapidly recalibrate pricing strategies in expectation of higher demand. **Yet the pivotal question remains: who stands to gain more from GST 2.0 – the common consumer or corporate India?**

03 Improving Fairness & Simplicity

elimination of the 28% slab on items like cement and white goods corrects what many experts saw as an unfairly high tax on "middle-class" products that lacked justification. Bringing down cement from 28% to 18%, for example, has been lauded as pro-industry and pro-consumer – it could reduce cement retail prices by ₹25–30 per bag, directly aiding construction and housing affordability. In the textile value chain, the reform finally resolves a long-standing inverted duty structure: man-made fiber and yarn, earlier taxed at 12% versus

5% on the final fabric, will now both be taxed at 5%, freeing exporters and manufacturers from stuck input credits and improving liquidity.

Moreover, by pruning the number of rate slabs and simplifying classifications, the reform is expected to reduce classification disputes and litigation, making GST closer to its moniker of a “Good and Simple Tax.” Businesses could see fewer compliance headaches and a more level playing field as inconsistencies (like value-based or use-based differential rates) are gradually ironed out.

This being said, cutting tax rates on ~375 categories of items effective from Navratri 2025, the government has attempted to put more money back in people’s hands. The few increases in tax rates are focused on luxury consumption (e.g. high-end cars, soft drinks) and special cases like premium apparel or petroleum services – areas where either the ability to pay is higher or the policy had distortions to fix. The net effect is a significant tax reduction for households and many businesses, setting the stage for a demand-led stimulus.

ANNEXURE – A: Impact Analysis on Major Categories with GST 2.0 Revisions

Authored by:



CA Sandeep Gupta

Managing Director



Vasu Gupta

Director - Strategy & Digital Transformation

SRGA Global Management Consultancies LLC

Annexure A Impact Analysis on Major Categories with GST 2.0 Revisions

| Sector | Old % | New % |
|---|---------|-------|
| Consumer FMCG - Essentials | 12 - 18 | 5 |
| Consumer FMCG - Cigarettes & Other Tobacco Products | 28 | 40 |

- Lower prices of essential products will improve consumer sentiment and boost demand in rural and urban markets.
- Improved affordability will drive volumes and support revenue growth. Motilal Oswal report estimates 200-300 basis points volume improvement across companies.
- For tobacco companies, current taxes will continue for now. Uncertainty remains on the final tax structure.

Key Beneficiaries: Britannia Industries, Colgate Palmolive (India), Nestle India and Emami

| Sector | Old % | New % |
|---|-------|-------|
| Consumer Durables - Aircons, TVs >32 inches & Dishwashers | 28 | 18 |

- Lower prices will stimulate demand for first-time buyers and replacement purchases during the festive season, boosting sales volume for manufacturers and retailers.
- Industry expects 10-15% improvement in demand in the room air conditioners segment. However, the gains will be staggered across quarters.

Key Beneficiaries: LG, Daikin, Blue Star and Dixon Technologies

| Sector | Old % | New % |
|--------|-------|-------|
| Cement | 28 | 18 |

- Expected to lower cement prices by ₹25-30 per bag, as per a JM Financial report.
- Support for infrastructure and housing sectors by lowering construction input cost.
- JM Financial report says that despite near-term demand elasticity, the move positions the industry favourably to enhance net realisations and margins over the medium to long term.

Key Beneficiaries: Cost-efficient firms like Prism Johnson and Heidelberg Cement

| Sector | Old % | New % |
|---------------------------------------|-------|-------|
| Renewables - Solar, Wind & Fuel Cells | 12 | 5 |

- Capital cost for solar and wind power projects is expected to come down by around 5%, according to ICRA estimates.
- The internal rate of return of the projects will improve.
- The move will support government initiatives around green hydrogen and renewable energy transition.

Key Beneficiaries: Tata Power, JSW Energy, Vikram Solar

| Sector | Old % | New % |
|--|---------|-------|
| Automobiles - 2-Wheelers (<350 cc) & Commercial Vehicles | 28 | 18 |
| Automobiles - Tractors | 12 | 5 |
| Automobiles - Small Cars | 21 - 31 | 18 |

- Increase affordability for price-sensitive rural and semi-urban segments in the two-wheeler segment (less than 350 cc).
- It will help companies capture latent middle-class demand.
- An Axis Securities report believes that the sector is poised for a re-rating supported by GST reforms, income tax relief and monetary liquidity support by the RBI.

Key Beneficiaries: Maruti Suzuki, TVS Motor, Hero MotoCorp, and Bajaj Auto

| Sector | Old % | New % |
|--------|-------|-------|
|--------|-------|-------|

Banking

18

18

- Banks will benefit from a pick-up in consumption and economic activities, which will increase the demand for credit.
- Non-Banking Financial Companies (NBFCs) focused on retail loans will benefit from rising demand for consumer durables and vehicles.

Key Beneficiaries: HDFC Bank, ICICI Bank, IDFC First Bank, Mahindra & Mahindra Financial Services, Cholamandalam Investment and Finance

Sector

Old %

New %

Insurance - Life & Retail Health

18

0

- While the affordability will improve and contribute to volumes, the insurance companies will lose input tax credit on commissions.
- In the short term, insurance players' margins will be diluted by higher operational costs.
- To nullify the impact, insurance companies may raise premiums. Experts believe that companies will absorb some losses, which will make the cost of insurance cheaper for customers.

Key Beneficiaries: Despite short-term concerns, HDFC Life, SBI Life, Max Financial, LIC, ICICI Prudential, and Star Health will benefit

Sector

Old %

New %

Textiles - Fabrics, Home Textiles & Man-made Yarn

12

5

Textiles - Apparel & Clothing Accessories >₹2500 per piece

12

18

- Reduction in manufacturing costs will benefit apparel makers.
- Reduction in rates on home textile products will help partially offset the tariff-related impact on home textile exporters by improving the domestic demand.
- According to an Elara Capital report, the realignment of GST to 5% for both man-made fibre and yarn resolves a long-standing inverted duty structure—where inputs were taxed higher than outputs—that had tied up working capital and disrupted seamless input tax credit flows.

- The increase in GST rate for apparel priced above ₹2,500 is a key negative for the domestic branded premium apparel segment. Therefore, the impact of the GST reforms is mixed for the industry.

Key Beneficiaries: Sanathan Textiles, Filatex India, Grasim Industries and Reliance Industries

| Sector | Old % | New % |
|---------------------------|-------|-------|
| Off-shore Oil Exploration | 12 | 18 |

- There will be an increase in the cost of exploration, development and production for the oil producers.
- Since the oil and gas sector is outside the GST framework, there is no input credit available. A DAM Capital report estimates this will dent ONGC's cash flow by ₹2,500–3,000 crore.
- A moderation in the oil and gas prices since April 2025 and an increase in the cost of production would be a double whammy for the upstream industry, according to ICRA report.

Key Beneficiaries: ONGC and Oil India (subject to a possible rate hike on onshore activities)



PART I OF III

Rates are reset; the task now is transmission. In **Part II**, we test whether lower MRPs can lift demand faster than revenues dip.

WHERE GLOBAL STRATEGY MEETS LOCAL PRECISION.

With over three decades of experience across borders, SRGA Global empowers growth-focused businesses with integrated, insight-driven solutions—combining global reach and local expertise to deliver clarity, compliance, and strategic transformation.

SRGA refers to the global alliance network, and may refer to one or more of the alliance firms of SRGA Global, each of which is a separate legal entity. SRGA Global Management Consultancies LLC, a UAE company with limited liability. For more information about our organisation, please visit www.srgaglobal.com.



srga global
where global strategy
meets local precision.