

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
UNSTARRED QUESTION NO.428
TO BE ANSWERED ON MONDAY, FEBRUARY 02, 2026 /*Magha* 13, 1947 (Saka)

GST 2.0 and India's Economic Growth

428. Shri Yaduveer Wadiyar:

Will the Minister of FINANCE be pleased to state:

- (a) the manner in which GST 2.0 is likely to support India's economic growth;
- (b) the expected contribution of the simplified slab structure and increased tax compliance to Gross Domestic Product (GDP) growth and formalisation;
- (c) the details of estimated improvements in household consumption and business due to reduced tax burden, especially in sectors such as e-commerce and essential healthcare and economy; and
- (d) the manner in which GST 2.0 enhances ease of doing business and strengthens India's position as global manufacturing and investment destination under the Viksit Bharat 2047 vision?

ANSWER

**MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)**

(a), (b) and (c): GST 2.0 has simplified and rationalised the rate structure across various industries. The reduction in tax burden on essential goods, services, and emerging sectors is expected to lower the cost of living, improve affordability, and stimulate household consumption demand. At the same time, a simplified two-rate structure, is expected to reduce transaction costs, ease compliance, and encourage small businesses to enter the formal sector, thereby supporting greater formalisation, and widening the tax base.

Lowering rates across sectors, including e-commerce, essential health services, and basic consumer items, is expected to enhance trade competitiveness and support domestic manufacturing. These measures collectively are likely to boost GDP growth by stimulating consumption, encouraging investment, and promoting job creation.

Recent trends in high-frequency indicators such as higher e-way bill generation, improved Purchasing Managers' Index (PMI) readings for manufacturing and services, record festive-season automobile sales, robust UPI transactions, and increased tractor sales, indicate strengthening economic momentum in September-December 2025 following the GST reforms. Furthermore, as per the NABARD Rural Economic Conditions and Sentiments Survey (November 2025), 79.2% of rural households reported increased consumption expenditure in the last one year, the highest among all bi-monthly rounds in FY 2025-26 so far.

(d): Aligned with the **Viksit Bharat 2047 vision**, GST 2.0 also strengthens India's position as a global manufacturing and investment destination. Through rate reductions across key sectors, the GST 2.0 reform is expected to provide a strong stimulus to domestic industry and investment. Lower GST on cement and construction materials is expected to reduce project costs and accelerate the construction of real estate and infrastructure. The cut from 28% to 18% on small cars, two-wheelers and auto-parts is expected to boost demand and strengthen India's automotive manufacturing base. Reduced GST of 0% on life-saving drugs and 5% on medical devices is likely to improve healthcare access while encouraging domestic production. Similarly, the shift to a 5% GST on toys, handicrafts and man-made fibres is expected to support labour-intensive MSMEs and expand export potential, thereby collectively reinforcing India's growth and investment momentum under the reformed GST regime.
