

BENEVOLENT IAS ACADEMY

1626 – A, Sri Vinayaga Complex, Hope College, Peelamedu (PO), Coimbatore – 641 004.

Cell: +91-9787731607, 9787701067.

Web: www.benevolentacademy.com, E-Mail: <u>benevolentacademy@gmail.com</u>

TODAY'S IMPORTANT CURRENT AFFAIRS UPSC MAINS

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TODAY'S DROPS OF NEWS

<u>SUBJECT</u>	<u>IN NEWS</u>
POLITY	
ECONOMY	GST reforms 2025.
GEOGRAPHY	
HISTORY AND ART & CULTURE	
ENVIRONMENT	
SCIENCE & TECH	
MISCELLANEOUS	

ECONOMY

In news: GST reforms 2025.

The 56th Goods and Services Tax (GST) Council, unveiled GST 2.0 with next-generation reforms to make the tax regime citizen-centric, boost agriculture, health, manufacturing, and improve ease of doing business.

- ➤ The changes in GST rates on services will be implemented with effect from 22nd September 2025.
- Next-generation reforms, moving towards a simplified two-slab structure of 5% and 18%.
- ➤ A higher 40% demerit rate will apply only to super luxury, sin, and demerit goods, streamlining India's eight-year-old indirect tax regime.

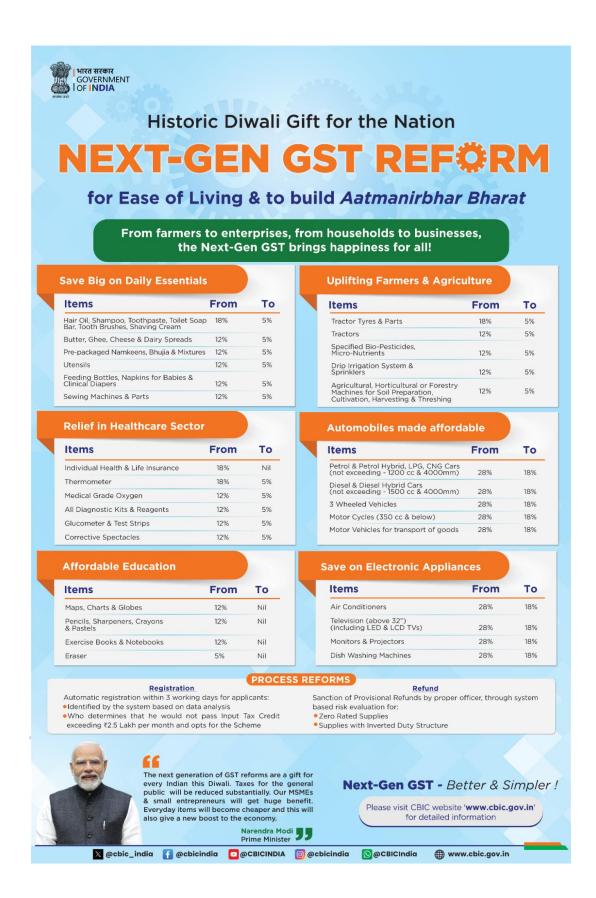
Aim of the reform:

The GST reforms seek to reduce the tax burden on common people, cut slabs, ease working capital issues, and improve business efficiency through automated refunds and registrations.

- ➤ Tax Relief for the Essential Goods: Full GST exemption on individual life and health insurance policies. It will increase the penetration of insurance into the citizen.
- Essential goods such as Ultra-High Temperature (UHT) milk, paneer, and Indian breads now carry nil GST. Will facilitate the consumption economy on daily and essential commodities. This make people at the bottom economic standard to buy more good to boost their economic contribution.
- ➤ Consumer Goods: GST on small cars, TVs, air conditioners, cement, and auto parts has been reduced from 28% to 18%. These goods are mostly bought by the middle-income group of people. Thus, it increase the consumption among them.
- ➤ GST on renewable energy devices has been reduced from 12% to 5%. These cuts are expected to stimulate manufacturing, promote green energy adoption, and boost domestic demand, which in turn boost production and investments in the sector.
- ➤ Medical and Health Devices: GST on 33 lifesaving drugs has been reduced from 12% to nil. GST on three critical drugs used for cancer and rare diseases has been reduced from 5% to nil, strengthening healthcare access. This reduction in the medical expenditure will reduce the out of pocket expenditure among the public.
- ➤ Support for Agriculture and Rural Sectors: Machinery like tractors, harvesters, and composters GST reduced from 12% to 5%.

- Fertilizer inputs such as sulphuric acid, nitric acid, and ammonia: GST reduced from 18% to 5%. This heavily supports the India's aim to double farmers income, by reducing their expenditure cost.
- ➤ Labour-intensive goods like handicrafts, marble, and leather items: GST reduced from 12% to 5%. which will attract more employment opportunities if the demand in the sector increases.
- ✓ Tax Cuts on White Goods and Automobiles
- ✓ GST on ACs, TVs, dishwashers cut from 28% to 18%.
- ✓ Small cars (petrol up to 1200 cc/diesel up to 1500 cc) now taxed at 18%.
- ✓ Motorcycles under 350 cc and all auto parts also shifted to 18%.
- ✓ Luxury cars taxed at 40%; electric vehicles remain at 5%.
- ✓ Special 40% Slab for Sin and Luxury Goods.

A 40% GST rate will apply only to super-luxury and sin goods such as pan masala, cigarettes, gutka, zarda, unmanufactured tobacco, caffeinated beverages, private-use helicopters, airplanes, yachts, and large cars/motorcycles (>350cc). For now, pan masala and tobacco products will remain taxed at 28% plus cess, but they will move into the 40% slab once the Centre repays compensation loans borrowed for states.



MENTOR Mr. V. GOKULA KRISHNAN ACADEMIC ADVISOR Mrs. D. Rajakali Thomas