

Impact Of GST 2.0 on Small Traders: A Study of Amritsar City

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Abstract- GST (Goods & Services Tax) 2.0 having transformative change specially for small traders and consumers due to reduce compliance burdens and lower tax rates. Under GST 2.0 tax slabs are reduced for goods and services those goods which were covered under 12 Percent slab now move to 5 Percent and those goods and services which were covered under 28 Percent slab now move to 18 percent slab. GST 2.0 has significantly reduced prices for cars in India, making them more affordable for consumers and potentially boosting demand. The Automobile Industries for small cars segment now face an 18 Percent GST. Now, all individual life and health insurance premiums are exempt from GST. GST 2.0 remove GST tax rate from 18 Percent to Zero. Beside all these advantages traders also having some problems they will face short-term challenges such as updating IT systems, fixing new prices for products, for generating invoices and handling inventory during transportation and due to the shortcoming immediate clarity on new rates create short term difficulties for small traders. In this paper we will discuss about positive and negative impact of GST 2.0. The Information for this paper will be collected through primary and secondary data. Primary data will be collected through various interviews with the small traders.

Keyword-- GST (Goods & Service Tax) 2.0, Compliance Burden, Inventory Management, IT systems.

I. INTRODUCTION

The Government moved out GST 2.0 from September 22, 2025, called the “GST Bachat Utsav” by Prime Minister of India. The next- generation GST reforms launched by government are going to enhance the demand of products. The main aim of these reforms to leave more disposable income with household it leads to more consumption which is beneficial for both traders as well as for the consumers. These reforms launched by government near to the festival season that launch will provide extra ordinary benefit to businessmen because that will boost the demand for products due to decrease in the prices. After implementation of GST 2.0 litigations are reduced because only two tax slab structure (5% and 18% and 40% for demerit goods) are applicable but before implementation of this system there are five tax slab structure (0%, 5% ,12%, 18% and 28%).

The consumers also get more relief due to tax exemption and reductions. These reforms provide great advantages to traders because such reforms reduced compliance since there are few tax slabs for traders. The small traders don't have to calculate and adjust prices across multiple rates. The study has been attempted to examine that the GST 2.0 benefits for traders but besides all these benefits traders also facing lot of limitations. This paper covers both negative and positive impact of these reforms for the businessmen.

II. NEED OF STUDY

- This study conducted to find positive and negative impact of GST 2.0 reforms for the Indian traders.
- To assess real outcomes versus expectations. The government has promised simplifications, faster refunds, and reduced tax rates. It is important to study whether these promises translate into real benefits for small and medium traders.
- This study conducts to know the impact of reforms on market prices and demand of products in India.
- To evaluate effects on profitability and cash flow.
- To find that what kind of compliance and challenges faced by traders in India.

III. LITERATURE REVIEW

- “*Theoretical foundations*” Tax incidence theory and price-pass-through models from the critical essential for studying how GST reforms impact traders and consumers. Classical outcome shows that the degree of pass through depends on market structure, inventory dynamics and the presence of non-tax misrepresentations.
- “*Empirical evidence from India’s GST (2017) and related reforms*” This empirical effort stresses the role of information systems and supply-chain position in determining who benefits. Observations from big four and tax firms restate that slab simplification and stronger classification decrease disagreements and expand comfort of doing business.



- *“Compliance burden, MSMEs, and Working Capital effects”* A reliable theme in the literature is that compliance costs are important for MSMEs and small traders, even when fundamental statutory burden falls, also refund lags and reversed duty structures can lock up working capital; reforms that speed refunds and rationalize rates therefore have and massive liquidity benefit for traders and distributors.
- *“Anti-profiteering, Price transmission and consumer outcomes”* The anti-profiteering context is essential to understanding traders pricing performance. Previous submission and recent industry explanation show mixed compliance with passing on tax benefits. When anti-profiteering implementation or customer involvement is strong, traders tend to documents pass-through more carefully, increasing administrative burden.
- *“Early literature and media on GST 2.0 (September 2025)”* GST 2.0 have generated a fresh wave of short-term analyses and industry response parts: -
 - i. Official policy documentation outlines slab consolidation and rate rationalization, assured earlier refunds and administrative simplifications. These credentials offer the reforms resolved and legal schedule.
 - ii. Industry and tax-advisor brief summarize real implications for businesses and highlight transitional issues.

They highlight that while medium-term simplification is optimistic, short-term execution costs and inventory discrepancies are factual.

IV. OBJECTIVES

1. To study the impact of GST 2.0 reforms on the Indian Traders.
2. To study the effect of GST 2.0 on the working capital and cash flow position of traders.
3. To evaluate the impact of GST 2.0 on the profitability and pricing strategies of traders.
4. To find the problems faced by traders after the implementation of GST 2.0.
5. To provide recommendation and policies to improving GST 2.0 execution and increasing its usefulness for the trading community.

V. RESEARCH METHODOLOGY

This research paper attempt to study the impact of GST 2.0 reforms on the Indian traders with the help of primary and secondary data. The primary data collected from various small traders of city Amritsar (Punjab) through interviews and secondary data collected through newspapers, articles, research papers and Publications. This paper provides information regarding positive and negative impact of these reforms on businesses.

Table I:
POSITIVE AND NEGATIVE IMPACT OF GST 2.0

Annual Turnover	No. of Businesses	Positive Response	Negative Response
Turnover More than 20 Crore	2	2	0
Turnover More than 10 Crore but Less than 20 Crore	5	3	2
Turnover More than 5 Crore but Less than 10 Crore	10	6	4
Total	17	11	6

- 17 responded are covered in this survey all these responded are businessmen. Out of these 17 responded 2 responded are those whose turnover more than 20 crore. These two responded provide positive response because they said GST 2.0 reforms made whole tax structure easy for both traders and customers.
- In this survey 5 responded whose turnover More than 10 crore but less than 20 crore. Out of these 5 responded 3 provide positive response and 2 responded negative responses.
- 10 responded whose turnover more than 5 crore but less than 10 crore. Out of these 10 responded 6 provide positive response and 4 provide negative responses.
- In conclude total 17 responded responses are recorded out of these 17 responded 11 provide positive and 6 provide negative response on these reforms.
- Sample Size of Study have 17 Indian Traders.

A. Sample Size

A sample of **17 traders** was selected from small traders in Amritsar city of Punjab state. The sample included wholesalers, retailers, electronics, textiles, and automobile spare parts sectors. This primary data was collected through interview from these traders.

B. Impact Of Gst 2.0 Reforms On Small Traders In India

These reforms having both positive and negative impact on traders in India. Following are the impacts.

a. Positive Impact on Traders

Tax Burden reduced on Goods: - After implantation of GST 2.0 reforms in India many consumer goods prices are reduced. This change provides cheap goods to consumers, now consumer get their daily uses goods at lower price. The GST rates reduced on consumer goods only two rates slab (i.e.5% and 18%) applicable but before these reforms there were five rates slab.

Sales or Demand Increases: - The demand for consumers goods also increases after these reforms in India. The makers of cars, television sets and consumer electronics demand are increased and these makers are struggling to maintain in adequate stocks and timely deliveries as record Navratri sales, boosted by sweeping cuts in GST rates, throw supply pipelines out of gear. Sales During Navratri Dussehra surged by up to 100 percentage. (Source Economic Time Newspaper on 07/10/2025)

Simplification of Tax Slabs: - After implementation of these reforms only two main rates: 5 percent (for essential and merit goods) 18 percent (standard rate). A 40 percent slab is reserved for demerit goods/sin goods/luxury goods. Before this reform 12 percent and 28 percent slabs are removed or merged in another slab.

Exemption and Nil rate tax on goods and Services: - Some goods are after these reforms fall into exemption or nil rate tax slab (e.g. some medicines, educational goods, essential food items) and life/health insurance premiums are totally exempt from GST.

Compliance simplifications: - Due to decrease tax rate slabs chances of dispute become overcome and compliance are easy for traders. Now, it's easy for traders to understand this taxation system.

Relief in working capital / input credit benefit: - A reduction in reversed duty situations means very rare cases where traders pay additional tax on their inputs than receive in output, discharging tied up capital. Shortened structure may decrease disagreements over classification and proceedings, decreasing compliance costs over time.

b. Negative Impact on Traders

As per data collected from different traders beside all above explained positive impacts of these reforms there are some negative impacts which are as follow: -

Inventory Losses Due to Changes in Rate of Taxes: - Due to change in the rate of taxes after these reforms many traders are stuck because they bought stock with old rate of taxes but now, they have to sell under new lower tax rate slab. With these reforms registered traders may take the advantages because they can claim ITC (Input Tax Credit). But unregistered traders or small traders might have to engage the cost of difference in their Stock.

Difficult to Claim Input Tax Credit: - After implementation of these reforms now it's not easy to claim ITC for small and unregistered traders. Small and Unregistered traders often cannot claim Input tax credit so, from now these traders bear higher taxes.

Compliance, Slabs and Taxation System Changed: - These reforms introduce changes in tax slabs. Due to these changes traders need to change MRP over products and also need to change labels and stickers over existing products. Such changes required to incurred additional cost for traders these changes also effect on the budgets of small traders.

Pressure on Small Traders: - The small traders who operate their businesses casually and face pressure to formalise (registrations, e-invoicing, digital compliance) or drop out. This can be heavy. The auxiliary sectors (agri-inputs, handloom, ancillary trading) extra susceptible for the reason that they may not have suitable support/knowledge.

Inventory Cost Issues/Inventory Carrying cost increases: - Due to these reforms rate change so, it leads traders need to change prices, labels, need to update software etc. all such changes required some additional cost. Some sectors are facing problems because the accumulated credits (or cess) risk losing or becoming impracticable with the new tax slabs/cess changes. This is difficult in festival/peak-inventory seasons because in festival season demand increases.

Variance/slab-variance problems increase to confusion: - These reforms transfer to fewer slabs, there remain differences (e.g., goods priced just below/above thresholds taxed differently) causing sorting uncertainties. The traders face problem in defining the exact rate for each brand/model. Due to wrong classification traders can be impose with penalties. The traders obtaining from various states must confirm accurate GST registration and correct slab claim; any wrong step could mean additional tax liability, penalties or lost credit.

VI. RECOMMENDATIONS AND POLICIES TO IMPROVE GST 2.0 EXECUTION

Compliance Procedure become Simple

- *Recommendation:* After implementation of GST 2.0 reforms return filing procedure become simpler because GSTR-1, GSTR-3B, and annual returns now integrating into a single, user-friendly form.
- *Policy Submission:* Government announce a policy "**Ease of Compliance Portal**" with auto-filling and AI-based error correction for small traders. This policy helpful for small traders because they no need to hire professionals for filing returns.
- *Anticipated Effect:* With these reforms return filing burden become reduces and its result increasing accuracy and reduces penalties and clerical mistakes.

Establishment Digital Infrastructure

- *Recommendation:* With these changes **GSTN portal** upgrade for handle peak-time loads and guarantee faster processing.

- *Policy Submission:* After Launch a "**GST Digital Support Mission**" to create high-speed data servers and multilingual interfaces for rural traders and small traders.
- *Anticipated Impact:* Rarer portal crashes and provide better access for traders in tier-2 and tier-3 cities.

Lesser Compliance Cost for Small Traders

- *Recommendation:* After reforms tax slabs become simple because number of Tax slabs reduced. Increase the **composition scheme threshold**. Limit claiming composition scheme before these reforms are up to rupees 1.5 crore but after these reforms limit increases up to rupees 2 crore. (e.g., from ₹1.5 crore to ₹2 crore).
- *Policy Submission:* Proposal **tax credits for digital compliance expenses** such as accounting software or consultancy fees.
- *Anticipated Impact:* Inspires small traders to remain compliant and formalize their business operations.

Quicker Refund Devices

- *Recommendation:* With Implementation of these reforms **automatic refund processing** for exporters and input tax credits.
- *Policy Submission:* It found a "**Refund within 15 Days**" policy for confirmed claims with interest penalties for delays. The Traders can claim the refund with in shorter period of time without any unnecessary delays.
- *Anticipated Impact:* These reforms may Improves cash flow and working capital management for trades.

Indian traders encourage towards the digital literacy

- *Recommendation:* For providing knowledge to small and medium traders need to Conduct **digital GST training programs**.
- *Policy Submission:* Industry associations and state governments run "**GST 2.0 Awareness Camps.**"
- *Anticipated Impact:* Chances of Increases compliance accuracy and approval of online platforms.

Stronger Synchronization Between Centre and States Government

- *Recommendation:* Advance inter-governmental synchronization on rate changes and implementation.
- *Policy Submission:* Generate a **Joint GST Implementation Council (JGIC)** for constant assessment and response from trade builds.



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- *Anticipated Impact:* Unbroken policy implementation and reduced national discrepancies.

VII. TO IMPROVE GST 2.0 IMPLEMENTATION AND MAKE IT MORE SUITABLE FOR THE TRADING SECTOR. IN THIS PAPER THESE ARE GROUPED INTO

- (A) *GST Council Measures*
- (B) *State Level & Administrative measures*
- (C) *Traders Bodies Measures*

A. GST Council Measures (policy-level)

1. Tax structured become simple after implementation of GST 2.0 reforms.
2. Ease of Compliance.
3. Evaluation and justify rates occasionally to eliminate variances affecting vital trading goods.
4. Due to the updating in the technology peak period return filing load handling become easy.
5. Automatic and faster refund settlement procedure after these reforms.
6. Lesser compliance helpful for small traders to filing accurate and timely returns on portal.
7. Fixed definite time limit for refund process which provide more liquidity to traders.

B. State Level & Administrative Measures

1. Government provides regular training to small traders, tax officials and accountants for conduct regular GST 2.0 workshops.
2. Government also provides measures to ensure timely data sharing between state tax department and GST council.
3. Government makes simple registration procedure for small traders and now, limit for composition dealers decreases
4. Provide 24x7 helplines and online ticket systems for faster resolution of all problems faced by small traders.
5. Every state prepares an annual GST Implementation review report to find traders satisfaction and compliance levels.

C. Traders Bodies Measures

1. Every Traders' associations should organize seminars and awareness campaigns to teach members on GST changes and compliance.

2. Create a formal discussion platform between traders and GST authorities for regular feedback on policy changes.
3. Encourage voluntary submission through noble responsibility and proper trade practices.
4. Inspire practice of accounting software and e-invoicing tools to decrease manual mistakes.
5. Traders' associations can cooperate with academic institutions to study the effect of GST 2.0 on pricing, profitability, and market demand.

VIII. CONCLUSION

The implementation of GST 2.0 marks a significant reform in India's indirect tax system, offering both opportunities and challenges for small traders. The reduction in tax slabs, simplification of compliance procedures, and exemptions on essential goods have created a more transparent and trader-friendly tax environment. These reforms have lowered tax burdens, enhanced demand for consumer goods, and simplified pricing and invoicing structures. However, the study also highlights certain short-term issues such as the difficulty in claiming input tax credit, the need to reprice and relabel goods, and increased compliance pressure on small and unregistered traders. Transitional challenges like inventory losses, higher administrative costs, and system adaptation remain critical concerns. Overall, the findings indicate that GST 2.0 has a predominantly positive impact on traders by streamlining processes and improving ease of doing business, though the benefits vary with business size and digital readiness. To ensure long-term success, the government must continue simplifying procedures, strengthening digital infrastructure, and promoting trader education. Active collaboration among the GST Council, State Governments, and Traders' Bodies will be essential to maximize the advantages of GST 2.0 and make it more inclusive and sustainable for India's diverse trading sector.

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