



GST 2.0 in Action: Reshaping Employment and Livelihood across Rural and Urban India

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Abstract : The introduction of Goods and Services Tax (GST) marked a transformative shift in India's indirect taxation system in 2017. However, the evolution of GST into its advanced version, GST 2.0, introduced in 2025, has further redefined economic dynamics across sectors. This study examines the impact of GST 2.0 on rural and urban livelihoods and employment patterns in India. GST 2.0 simplifies the tax structure by reducing multiple slabs into fewer categories and enhancing digital compliance mechanisms, thereby promoting transparency and efficiency. The paper explores how these reforms influence consumption patterns, employment generation, and the formalization of the economy. In rural areas, reduced tax rates on essential goods and agricultural inputs have improved affordability and demand, indirectly supporting livelihoods. In contrast, urban sectors have witnessed shifts in employment trends due to increased compliance requirements and business restructuring. The study also highlights the challenges faced by small-scale industries and informal workers during the transition phase. While GST 2.0 aims to boost economic growth and simplify taxation, its uneven impact across rural and urban sectors raises critical concerns. The paper concludes that GST 2.0 has the potential to create inclusive growth, but its success depends on effective implementation, awareness, and policy support for vulnerable groups.

Keywords: GST 2.0, Rural Economy, Urban Employment, Livelihood, Tax Reform, Informal Sector

I. INTRODUCTION

India's taxation system has undergone a significant transformation with the introduction of the Goods and Services Tax (GST) in 2017, aiming to unify the country under a single tax regime. However, the complexities associated with multiple tax slabs and compliance challenges led to the emergence of GST 2.0 in 2025 as a refined and simplified version of the original system. GST 2.0 introduced a streamlined tax structure with fewer slabs, primarily 5% and 18%, along with a higher rate for luxury and sin goods. This rationalization was designed to simplify compliance, reduce the tax burden on essential goods, and boost consumption across the economy. The reform also incorporates digital tools and AI-driven compliance systems to enhance transparency and efficiency in tax administration.

The impact of GST 2.0 is not uniform across India, as the country's economy is deeply divided between rural and urban sectors. Rural areas, which depend heavily on agriculture and informal employment, are sensitive to price changes in essential goods and services. Urban areas, on the other hand, are more influenced by industrial growth, service sectors, and formal employment structures. This paper aims to analyze the differential impact of GST 2.0 on rural and urban livelihoods and employment. It examines how tax reforms influence economic activities, job opportunities, and income distribution in both sectors. By focusing on these aspects, the study highlights the broader implications of GST 2.0 for inclusive development and economic sustainability in India.

II. REVIEW OF LITERATURE

The implementation of GST in India has attracted significant scholarly attention, particularly regarding its impact on economic growth and employment. Early studies focused on the initial GST framework, emphasizing its role in creating a unified market and improving tax compliance. However, recent literature has shifted towards analyzing GST 2.0 and its implications.

According to recent policy analyses, GST 2.0 aims to simplify the tax structure and enhance ease of doing business by reducing compliance burdens (Oliveboard 2025). Scholars have highlighted that the reduction of tax rates on essential goods has positively influenced consumption, particularly in rural areas where price sensitivity is high (CMA Knowledge 2025).

Economic commentators argue that GST reforms contribute to the formalization of the economy, thereby improving revenue collection and transparency (KPMG Report 2025). However, some studies point out that small businesses and informal sector workers face challenges due to increased compliance requirements and digitalization (TaxGuru 2025).

Further, literature indicates that GST 2.0 has sector-specific impacts, with industries such as FMCG, agriculture, and manufacturing experiencing varied outcomes. The reduction in tax rates for essential goods has increased rural demand, while urban industries have benefited from improved supply chain efficiency.

III. RESEARCH GAP

Despite these contributions, there is limited research focusing specifically on the comparative impact of GST 2.0 on rural and urban livelihoods and employment. Most studies analyze macroeconomic effects or sectoral outcomes without addressing regional disparities. This paper seeks to fill this gap by providing a comparative analysis of rural and urban impacts, focusing on livelihood patterns and employment opportunities.

IV. OBJECTIVES OF THE STUDY

- To analyze the structure and features of GST 2.0 in India
- To examine the impact of GST 2.0 on rural livelihoods and employment
- To study the effects of GST 2.0 on urban employment patterns
- To compare rural and urban economic outcomes under GST 2.0

V. METHODOLOGY

This study adopts a descriptive and analytical research methodology based on secondary data sources. Data has been collected from government reports, policy documents, research articles, and credible online sources related to GST 2.0. The study focuses on analyzing trends in employment, consumption, and livelihood patterns in both rural and urban sectors. A comparative approach is used to identify differences and similarities in the impact of GST 2.0 across these sectors. The analysis also incorporates economic indicators such as demand patterns, business growth, and formalization trends.

The study relies on qualitative interpretation supported by relevant statistical insights available in secondary literature. This approach helps in understanding the broader socio-economic implications of GST 2.0 without relying on primary data collection.

VI. IMPACT ON RURAL LIVELIHOOD AND EMPLOYMENT

GST 2.0 has brought significant changes to rural India, particularly in terms of affordability and consumption. The reduction in tax rates on essential goods such as food items, fertilizers, and basic commodities has increased purchasing power among rural households. This has led to a rise in demand for consumer goods, thereby supporting local markets and small businesses. Agriculture, which is the backbone of rural livelihoods, has also benefited from tax rationalization. Lower tax rates on agricultural inputs have reduced production costs, enabling farmers to improve their income levels. Additionally, the availability of cheaper goods has improved the standard of living in rural areas. GST 2.0 has also contributed to the formalization of rural businesses. With digital tax systems and simplified compliance, small enterprises are gradually entering the formal economy. However, this transition has not been without challenges. Many rural entrepreneurs lack digital literacy and infrastructure, which makes compliance difficult. Employment in rural areas has seen mixed outcomes. While increased demand has generated opportunities in sectors such as retail and agriculture, the shift towards formalization has affected informal workers who are unable to adapt to new regulations. GST 2.0 has created opportunities for growth in rural areas, but its benefits are unevenly distributed due to infrastructural and educational limitations.

VII. IMPACT ON URBAN LIVELIHOOD AND EMPLOYMENT

Urban areas have experienced a different set of impacts under GST 2.0. The simplifications of tax rates and improved compliance systems have enhanced the ease of doing business, particularly for organized sectors. Businesses have benefited from reduced tax complexities and better input tax credit mechanisms, leading to increased efficiency. The service sector, which dominates urban economies, has seen significant changes due to GST 2.0. Lower tax rates on certain services have boosted demand, while digital compliance has streamlined operations. This has created new employment opportunities in areas such as finance, technology, and logistics. However, small and medium enterprises (SMEs) in urban areas face challenges in adapting to new compliance requirements. The need for digital infrastructure and regular tax filings has increased operational costs for some businesses.

Urban employment patterns are also shifting towards formal jobs due to increased regulatory oversight. While this enhances job security and benefits, it also leads to the displacement of informal workers who cannot meet compliance standards. Moreover, GST 2.0 has influenced consumption patterns in urban areas by reducing prices of essential goods and certain consumer products. This has stimulated economic activity and contributed to job creation. GST 2.0 has strengthened urban economies by promoting efficiency and formalization, but it has also created transitional challenges for small businesses and informal workers.

VIII. COMPARATIVE ANALYSIS OF RURAL AND URBAN IMPACT

The impact of GST 2.0 on rural and urban sectors reveals both similarities and differences. In both areas, the reduction of tax rates on essential goods has increased consumption and improved living standards. However, the extent of these benefits varies significantly. Rural areas benefit primarily from increased affordability and demand, which supports agriculture and small-scale industries. In contrast, urban areas benefit from improved business efficiency and formal employment opportunities. The level of digital infrastructure also plays a crucial role in determining the impact of GST 2.0. Urban areas, with better access to technology and education, are able to adapt more easily to digital compliance systems. Rural areas, on the other hand, face challenges due to limited resources and awareness. Another key difference lies in employment patterns. While urban areas are witnessing a shift towards formal employment, rural areas still depend heavily on informal jobs. GST 2.0 has accelerated formalization, but this transition is slower in rural regions.

Overall, GST 2.0 has the potential to bridge the gap between rural and urban economies, but targeted policies are required to ensure inclusive growth.

IX. CONCLUSION

GST 2.0 represents a significant step forward in India's economic reform journey, aiming to simplify taxation, improve compliance, and boost economic growth. Its impact on rural and urban livelihoods and employment highlights both opportunities and challenges. In rural areas, GST 2.0 has improved affordability and demand, supporting livelihoods and enhancing living standards. However, challenges related to digital literacy and infrastructure limit its full potential. In urban areas, the reform has strengthened business efficiency and created formal employment opportunities, but it has also posed challenges for small enterprises and informal workers. The comparative analysis reveals that while GST 2.0 promotes overall economic growth, its benefits are not evenly distributed. To ensure inclusive development, policymakers must address regional disparities and provide support to vulnerable groups.

In conclusion, GST 2.0 has the potential to transform India's economic landscape, but its success depends on effective implementation, awareness, and continuous policy refinement.

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