

Modi Unveils Simplified GST for Diwali

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New Delhi, India – Prime Minister Narendra Modi announced a major overhaul of India’s goods and services tax (GST) on August 15, promising significant relief for consumers, farmers, and small businesses ahead of Diwali. Speaking from the Red Fort during India’s 79th Independence Day, Modi described the reforms as “next-generation GST,” aimed at reducing the tax burden and boosting economic growth.

The government is considering a simplified **two-rate system**, replacing the current four-tier structure that has been in place since GST was launched in 2017. Most goods currently

taxed at 12% could drop to 5%, while the majority of items in the 28% bracket could move to 18%. Luxury and “sin” items, such as cigarettes and online gaming, would face a new 40% levy, replacing the existing compensation cess.

“These reforms will make everyday essentials more affordable, from groceries and medicines to televisions, washing machines, bicycles, and agricultural equipment,” Modi said. “Tax reductions on items used by the common man and small businesses will strengthen our economy and benefit households across the country.”

The proposals have been forwarded to the Group of Ministers examining rate rationalization, which will submit recommendations to the **GST Council**, the apex federal body on indirect taxation, chaired by Finance Minister Nirmala Sitharaman. With most states governed by the BJP and allies, officials expect the reforms to receive broad support, with final approval likely before Diwali.

Economists hailed the changes as transformative. MS Mani, partner at Deloitte India, said a two-rate structure aligns India with advanced economies, reduces classification disputes, and simplifies compliance. Saurabh Agarwal of EY India added that the reforms address structural issues, boost domestic consumption, and enhance export competitiveness while empowering MSMEs.

The new GST framework is expected to directly benefit the middle class and farmers by lowering the cost of daily-use items, education services, insurance, and agricultural equipment. At the same time, it preserves higher rates for luxury and demerit goods, ensuring fiscal responsibility while delivering widespread relief.

“The government’s vision for GST 2.0 strengthens India’s manufacturing, supports small businesses, and makes the economy more resilient to global shocks,” Agarwal said.

The reforms mark the most significant change to India’s indirect tax system since GST’s introduction eight years ago, reflecting Modi’s focus on economic growth, consumer welfare, and efficient governance.