

 **MONTHLY DIGEST**
September'25 edition

GST 2.0:

A Diwali Gift for Households,
A Balancing Act for the
Exchequer

From Tax Cuts to Market Moves: What GST 2.0 Means for You

This Independence Day, the Prime Minister unwrapped GST 2.0, a reform that could free up nearly ₹48,000 crore for Indian households. For families, it feels like a Diwali gift arriving early, especially after the income tax breaks, greatly benefiting the middle class, were announced in the budget. More cash in hand means stronger consumption, healthier savings, and buoyant markets. But every reform has its trade-offs.

But beneath this cheer lie questions:

- Will India meet its fiscal deficit target of 4.4% for FY25-26?
- Will the festive generosity ultimately strain public finances too far?
- Will the consumption multiplier effect cover the lost revenue?

The answers lie in how the increased disposable income helps boost consumption in the coming months. Let's have a closer look at the GST reforms and see how households stand to benefit.



Old vs New GST Rates Comparison

GST Slab Category	Old GST Rate	GST 2.0 Rate
Essential	0%	0%
Basic	5%	5%
Mid	12%	—
Standard	18%	18%
Higher	28%	28%
Luxury/Sin	—	40%

The new GST rates come into effect from September 22nd.

GST 2.0: The Reform Touching Every Indian Household

Unlike income tax, which applies only to those earning above a certain threshold, GST is a form of indirect tax. This means **every Indian, whether in a metro city or a small town, pays GST each time they buy goods or services**. From groceries and clothes to mobile recharges and medicines, GST quietly shapes the monthly budget of every household.

That is why GST 2.0 feels different. By rationalising slabs and cutting rates on essentials, it delivers relief that is universal, not limited to salaried taxpayers. The government estimates that these changes will return nearly ₹48,000 crore to households. More broadly, GST reforms are expected to **infuse close to ₹2 lakh crore into the Indian economy**, increasing liquidity, boosting demand, and freeing up cash for both spending and savings.

This dual impact—**lighter household expenses and stronger economic liquidity**—is why GST 2.0 is being seen as the reform that touches every corner of Indian life.

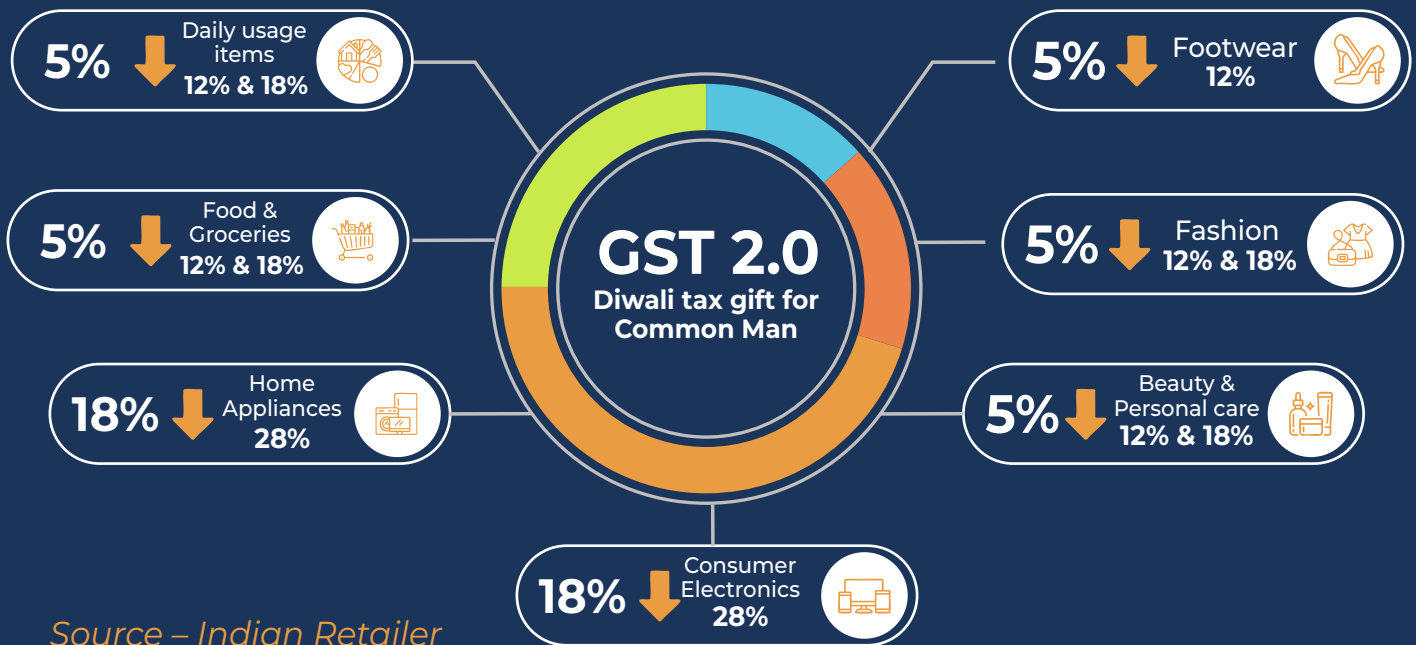


GST 2.0 Impact in Numbers

- ₹48,000 crore: Direct savings for households
- ₹2,00,000 crore: Liquidity infused into the economy (Finance Ministry estimate)
- 5–6%: Expected reduction in rural household monthly budgets
- 7–8%: Expected reduction in urban household monthly budgets

A family with a monthly budget of ₹80,000 will save about ₹1,640 each month or nearly ₹19,680 a year under GST 2.0. For many, this extra room in the budget could mean higher spending on discretionary goods during the festive season, boosting consumption.

What becomes cheaper for the average Indian household post 22nd September?



Additionally, health and life insurance premiums will now fall under the 0% GST bracket. The nil GST on insurance will make life and medical insurance more affordable and could be a game-changer, especially in an underinsured market like India.



Balancing Revenue with Growth: The Fiscal Story of GST 2.0



From a fiscal perspective, the headline revenue loss of ₹93,000 crore due to lower GST on essentials appears steep. However, once you account for the new 40% slab on luxury and sin goods, as well as improved compliance, the net fiscal cost narrows to just ₹48,000 crore, roughly 0.14% of GDP.

GST 2.0 in numbers

Component	Estimated Impact	Direction
GST cuts on essentials & mass-use goods	₹93,000 crore	↓ Revenue
New 40% luxury & sin goods slab	₹45,000 crore	↑ Revenue
Net Fiscal Cost	₹48,000 crore	≈ 0.14% of GDP

The government is betting that higher disposable incomes will do the heavy lifting. Middle-class households already benefited from income tax breaks earlier this year. With GST cuts now amplifying those savings, consumer spending is set to surge. This consumption multiplier is expected to boost indirect tax collections over time, thereby softening the fiscal impact while maintaining growth momentum.

Fiscal Shifts to Market Moves: Tracing the Impact

The ripple effects of the GST overhaul were felt across the equity and debt markets following the announcement of indirect tax reforms.

Equity Markets

The Prime Minister announced the GST reforms on August 15. BSE Sensex has rallied close to 2500 points from its 14th August closing of 80,597, and the Nifty has seen gains of around 1000 points during the same period.

There were numerous market triggers, including the revival of India-US trade talks and the Fed rate cut. However, the impact of GST reforms behind the market rally cannot be overstated, as these reforms will affect the lives of every Indian.



Debt Markets

The bond market's movements are closely intertwined with a country's financial position. The GST revamp sparked fears that India might deviate from its path of fiscal prudence. The 10-year G-Sec yield climbed to 6.56%, its highest level since March 28, 2025. Yields have since cooled off, stabilizing around 6.5% levels as the market realized the revenue slippage would not be as large as earlier anticipation.

While the equity and the bond markets gave mixed reactions, it was the common man who cheered the GST reforms.

Investment Implications: Positioning Your Portfolio in the Reform Era

As GST 2.0 reshapes the economy, it also opens up new avenues for investors. From stable fixed-income plays to festive-driven equity bets, here's how you can align your portfolio with the reform era.

Government and Corporate Bonds



The GST reforms arrive at a time when fixed-income markets are already looking attractive. The slightly elevated yet stable government bonds, at **6.4%–6.5%**, are signalling a stable interest rate scenario with no further rate cuts by the RBI. Higher yields offer an opportunity to secure predictable returns over the next 1–5 years.

For investors seeking better risk-adjusted returns, **investment-grade corporate bonds (rated AAA to BBB) offer returns of 8%–15%**, providing meaningful growth while also offering much-needed stability to your portfolio. Investment-grade corporate bonds can be easily accessed through Jiraaf, a SEBI-registered OBPP platform.

With liquidity improving in the economy, credit conditions are expected to remain supportive, making bonds a reliable anchor in portfolios.

Equities and Mutual Funds

Equities linked to consumption, particularly FMCG and autos, are well-placed to benefit from GST 2.0 as higher disposable incomes fuel demand. This should eventually strengthen bottom lines and improve growth prospects, but the impact will only unfold as the consumption multiplier sets in. Until demand peaks, equities in these sectors are likely to remain volatile. That makes them a compelling long-term opportunity for investors willing to ride out fluctuations, but less suitable for short- or medium-term, goal-based investments.

In short, GST 2.0 isn't just a tax reform; it's a shift in spending patterns that will ripple through bonds, equities, and beyond. Investors who align early with these trends stand to benefit the most.



Looking Ahead: The Road After GST 2.0

GST 2.0 is more than just a festive tax cut, it's a reset for household budgets and a catalyst for wider economic momentum. Easing the burden on essentials and amplifying income tax breaks frees up cash that can be allocated to both consumption and savings. While questions around fiscal discipline remain, the long-term bet is clear: stronger demand, healthier markets, and new opportunities for investors. For households and portfolios alike, this reform marks the beginning of a new cycle of spending and investment.



Expert Views



What is Indirect Tax?

Every time you buy goods or services, indirect taxes such as GST are built into the cost, impacting your expenses without you always noticing. This post explains how they operate in India.

[Read More](#)

What is a Fiscal Deficit?

When government spending exceeds revenue, the gap must be covered by borrowing. That's fiscal deficit. Learn how it's calculated, its impacts on inflation, borrowing, and why it's crucial for Indian taxpayers and investors.

[Read More](#)

What is the Consumption Multiplier?

The consumption multiplier measures how spending is recirculated through the economy, thereby boosting income and demand. This post shows how reforms like GST 2.0 drive it, why MPC matters, and what it means for India's growth.

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Jiraaf in the News



Why Every Indian Needs Bonds?

Explore how bonds offer stability, inflation protection, and predictable income, making them essential for Indian investors wanting balance in volatile markets. The article demystifies the basics of bonds and explains why they belong in your portfolio.

[Read More](#)

Bonds - A Stable Investment Across Your Lifespan

From your 20s to retirement, bonds quietly bolster financial plans—offering steady income, risk protection, and discipline when markets swing. This article shows how they anchor portfolios through every life stage.

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Top Alternatives to Fixed Deposits Investments

Fixed deposits lose edge as inflation eats away returns. Alternatives such as government securities, PSU Bonds, and high-yield instruments offer higher yields without jeopardising safety. This makes bonds a wiser option for investors.

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Jiraaf Platform Private Limited

CIN No. U65120KA2021PTC149273

SEBI Registration Number (Stock Broker): INZ000315538

NSE Member ID- Debt Segment: 90355

Registered Address: No. 371, St. Johns Hospital Road, Santoshpuram,
Koramangala 3rd Block, Bangalore South, KA - 560034

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