

## “CURRENT REFORMS IN GST AND THEIR IMPACT ON MARGINALIZED COMMUNITIES IN INDIA”

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### ABSTRACT

The Goods and Services Tax (GST), first introduced in India in July 2017, continues to undergo reforms in order to meet the needs of a fast-changing economy. In 2025, the government announced several important changes to make the system simpler and more inclusive. These changes included reducing the number of GST slabs, bringing down tax rates on essential goods such as food, medicines, and agricultural inputs, and raising rates on luxury and harmful products. At the same time, compliance rules have become stricter, with e-invoicing made compulsory for more businesses and a 30-day reporting rule for invoices introduced to reduce tax evasion. These reforms have a direct effect on marginalized communities. On the positive side, cheaper essential items bring relief to poor households, women, and small farmers who spend a large share of their income on basic needs. Lower tax rates on farm machinery and inputs also support marginal farmers. On the negative side, stricter compliance measures create challenges for small shopkeepers and informal workers who often lack digital skills or resources to meet new rules. This research paper studies the balance between these opportunities and challenges, explains the channels through which GST reforms affect different sections of marginalized society, and suggests ways to make reforms more inclusive and people-friendly.

**KEYWORDS:** GST reforms; marginalized groups; poor households; small traders; farmers; compliance; e- invoicing; India, women entrepreneurs, e-invoicing, digital compliance, tax burden, essential goods, social equity, inclusive taxation, India.

## INTRODUCTION

The Goods and Services Tax (GST), introduced in July 2017, was one of the most significant steps in India's tax reform journey, aimed at unifying multiple indirect taxes into a single nationwide framework. Since its launch, the system has been adjusted many times to fix loopholes, simplify compliance, and balance the needs of consumers and businesses. In 2025, the government introduced a fresh round of reforms to make GST more citizen-friendly and responsive to current challenges. These reforms focused mainly on reducing the number of tax slabs to simplify the system, lowering rates on essential goods such as food, medicines, and agricultural inputs, and raising taxes on luxury and harmful items to ensure fairness. At the same time, compliance rules were tightened with the expansion of e-invoicing requirements to smaller businesses and the introduction of a strict 30-day reporting rule for invoices. Stronger enforcement measures were also announced to minimize tax evasion and ensure transparency in business transactions.

These changes are not only technical in nature but also deeply social in their impact. By making essentials cheaper, the reforms aim to support poor households and reduce the financial strain on daily living. By lowering the cost of farming equipment and inputs, they seek to help small and marginal farmers who struggle with rising agricultural costs. However, the digital compliance measures have created concerns for small shopkeepers, informal traders, and women-led microenterprises who often lack the resources, training, or technology to adapt quickly. This dual nature of the reforms offering relief on one side while introducing challenges on the other makes it necessary to carefully study their impact on India's marginalized communities. This paper examines these reforms in detail, discusses their direct and indirect effects on different vulnerable groups, and suggests policies to make GST more inclusive and socially just.

## Literature Review

Studies from other countries show that value-added taxes (VAT) like GST are often regressive, meaning they affect poor people more, since they spend a higher share of their income on consumption. However, when governments exempt essential goods or keep their taxes low, it reduces the burden on the poor.

In India, researchers have found that GST brought some benefits by reducing price differences across states, but challenges remain for small businesses. The informal sector, which employs millions, often struggles with digital filing and compliance. The 2025 reforms were meant to

fix such issues, but they may create new challenges as well.

Some studies in *Economic and Political Weekly* and *All Research Journal* suggest that while lowering GST on essentials helps the poor, strict compliance requirements can hurt small traders. This shows the mixed impact of GST reforms, which needs closer study.

### Methodology

This study is based on **secondary research**, which means it does not collect new survey data but instead relies on already available sources such as government notifications, press releases, academic articles, journal papers, and news reports. This method was chosen because GST reforms are a matter of national policy and the data is spread across official announcements, economic reports, and expert studies. Collecting fresh field-level data within a short period is not practical for a single researcher. Therefore, the most reliable way to study the reforms and their effects on marginalized groups is to analyse secondary sources that have already documented these developments.

The research followed a **three-step approach**. First, government documents and press releases from the Press Information Bureau and GST Council were studied to understand the exact changes made in 2025, such as the reduction of tax slabs, the lowering of GST on essentials, and the tightening of e-invoicing rules. Second, newspaper reports, practitioner commentaries, and tax advisories were reviewed to see how traders, businesses, and experts reacted to these reforms in practice. Third, academic literature in journals such as *Economic and Political Weekly* and *All Research Journal* was analysed to identify broader debates on the distributional effects of GST and its impact on marginalized communities. Thus, the chosen methodology allows for a balanced and realistic understanding of current GST reforms and their likely impact on marginalized communities in India, while also leaving space for future field-based research.

Why this method?

Since GST reforms are a matter of policy, it is not possible for one researcher to collect primary data from all over India within a short period. Instead, the best way is to study **existing reliable sources** that already report on GST reforms.

1. **Policy documents** were used to understand what changes the government announced.
2. **News articles** were studied to see how businesses and citizens reacted.
3. **Research papers and journals** were used to see what scholars say about GST's impact.
4. **Comparisons** were made between expected outcomes and possible challenges.

This method is suitable because it allows us to collect information from multiple reliable perspectives and then **interpret** how these reforms affect marginalized communities. The focus is not only on what the reforms say but also on *what they mean in real life*.

### Major GST Reforms (2025)

#### 1. Simplification of Tax Rates

- The government reduced the number of GST slabs.
- Many essential goods such as food items, medicines, and farming equipment were moved into lower tax categories.
- Luxury and harmful goods were taxed at higher rates.
- This aims to reduce the tax burden on poor families while collecting more from the rich.

#### 2. E-invoicing and Digital Reporting

- Businesses above a certain turnover now must generate electronic invoices and report them within 30 days.
- This ensures that sales are properly recorded and prevents fake invoices.
- However, it increases pressure on small traders who are not familiar with digital tools.

#### 3. Strict Compliance and Enforcement

- Businesses using multiple QR codes or manipulating invoices are penalized.
- The composition scheme for small traders has been modified, balancing ease of business with the need to prevent tax leakage.

### Impact on Marginalized Communities

#### 1. Poor Households

- **Positive:** Lower GST on essentials reduces the cost of daily items like food, medicines, and household goods. This helps poor families save money.
- **Negative:** If shops do not pass on the benefits or if inflation rises in other areas, poor households may not feel much relief.

#### 2. Informal Sector Workers and Small Traders

- **Positive:** Formalization through GST can give them access to loans, bigger markets, and government schemes.
- **Negative:** Strict e-invoicing and filing rules increase costs. Many small shopkeepers lack computers, internet, or accountants. They may either shut down or continue in the informal economy.

#### 3. Farmers

- **Positive:** Reduced GST on farm equipment, seeds, and fertilizers lowers costs of farming. Small farmers benefit the most if they can access these goods.
- **Negative:** Many small farmers still buy inputs from local traders who may not pass on benefits, limiting the impact.

#### **4. Women and Socially Marginalized Groups**

- **Positive:** Women managing households benefit when essential goods are cheaper. Women-led micro-businesses also gain if they can become formal and access credit.
- **Negative:** Digital literacy gaps make compliance harder for women entrepreneurs, especially in rural areas.

### **Policy Recommendations**

#### **1. Simplified Compliance for Small Traders**

- Introduce a special easy filing system for small businesses and rural entrepreneurs.
- Provide mobile-based apps in local languages.

#### **2. Government Support and Training**

- Offer free training camps and help desks to teach traders about e-invoicing.
- Provide subsidies for digital tools.

#### **3. Ensure Pass-Through of Benefits**

- Monitor markets so that tax reductions on essentials actually reach consumers.

#### **4. Protect Farmers**

- Offer GST refunds or direct subsidies for small farmers to ensure benefits reach them.

#### **5. Target Women and Marginalized Groups**

- Special schemes to support women-led micro-businesses with compliance costs.

### **CONCLUSION**

The GST reforms of 2025 have created both opportunities and challenges. By reducing taxes on essentials, the government has supported poor households and small farmers. But stricter digital compliance rules risk pushing small traders and informal workers into difficulty. If supported properly, these reforms can help formalize the economy and improve fairness. However, without safeguards, they may increase inequality.

Therefore, the success of GST reforms depends not only on tax design but also on **implementation with sensitivity** to the needs of marginalized groups. A truly inclusive GST will be one that balances efficiency with equity.

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