

# FROM BURDEN TO BOOST: FUELING MSME COMPETITIVENESS AND GROWTH

THE GST COUNCIL'S LATEST REFORM, GST 2.0, EFFECTIVE FROM SEPTEMBER 22, 2025, MARKS A MAJOR SHIFT FOR INDIA'S 66 MILLION MSMEs.

## KEY CHANGES

- ▶ **TWO-SLAB STRUCTURE:** GST IS SIMPLIFIED TO JUST 5% (MERIT) AND 18% (STANDARD), WITH 40% ON LUXURY/SIN GOODS.
- ▶ **RATE REDUCTIONS:** EVERYDAY GOODS (TOOTHPASTE, SOAPS, KITCHENWARE) ARE NOW AT 5%, WHILE DURABLES (TVS, REFRIGERATORS, VEHICLES), CEMENT, MEDICAL DEVICES, RENEWABLE ENERGY, AND AGRI-INPUTS DROP TO 18%.
- ▶ **COMPLIANCE SIMPLIFICATION:** PRE-FILLED RETURNS, FASTER REFUNDS, AND RELAXED PROCEDURES AIM TO CUT RED TAPE, WITH THE NEW GST APPELLATE TRIBUNAL (GSTAT) ENSURING QUICKER DISPUTE RESOLUTION.
- ▶ **LIQUIDITY SUPPORT:** PROVISIONAL REFUNDS UP TO 90% ON INVERTED DUTY STRUCTURES AND EXPORTS WILL EASE MSME CASH FLOW.

## MSME IMPACT

- **LOWER COSTS & DEMAND BOOST:** CHEAPER INPUTS REDUCE PRODUCTION COSTS, WHILE LOWER CONSUMER PRICES DRIVE DEMAND, PARTICULARLY IN HOUSEHOLD, HEALTHCARE, FOOD, AND AGRI-SECTORS.
- **INVERTED DUTY RELIEF:** RATE RATIONALIZATION ADDRESSES BLOCKED ITC ISSUES, UNLOCKING WORKING CAPITAL.
- **EASIER COMPLIANCE:** AUTOMATED FILINGS AND REFUNDS ENCOURAGE FORMALIZATION AND BETTER ACCESS TO INSTITUTIONAL CREDIT.
- **GROWTH MOMENTUM:** THE GOVERNMENT EXPECTS CONSUMPTION-DRIVEN REVENUE GAINS, WITH STATE LEADERS HIGHLIGHTING STRONG MSME BENEFITS.

## CONCERNS AHEAD

CHALLENGES PERSIST: NEW SYSTEMS LIKE THE INVOICE MANAGEMENT SYSTEM (IMS) MAY ADD COMPLIANCE COSTS (₹1.5 LAKH ANNUALLY), MULTIPLE STATE REGISTRATIONS REMAIN UNRESOLVED, AND MSMEs IN DEFENSE R&D STILL FACE GST ON GRANTS UNLIKE GOVERNMENT ENTITIES.

## CONCLUSION

GST 2.0 OFFERS SUBSTANTIAL RELIEF TO THE MSME SECTOR—FROM COST SAVINGS TO COMPLIANCE SIMPLIFICATION AND IMPROVED MARKET OPPORTUNITIES. HOWEVER, REGULATORY CLARITY, A PHASED ROLL-OUT OF NEW SYSTEMS, AND SECTOR-BY-SECTOR ATTENTION (ESPECIALLY IN INNOVATION-DRIVEN AREAS) ARE CRUCIAL FOR ENSURING MSMEs CAN FULLY LEVERAGE THESE REFORMS.

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