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Socio-Economic Impact of GST 2.0 Reforms on Household Consumption in India[1]

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Abstract

Introduced in 2017 to replace India's fragmented multi-tax system, the Goods and Services Tax (GST) established a unified value-added tax framework. In August 2025, GST 2.0 reforms further rationalised the complex four-tier structure into a streamlined two-rate system (5 per cent merit and 18 per cent standard) to enhance affordability and simplify compliance. This study evaluates the socio-economic impact of these reforms on Telangana's consumption patterns using NSSO Household Consumption Expenditure Surveys (2022–2024). Findings indicate that Telangana's effective household GST burden is projected to decline in the range of 5.4–10.4 per cent to 3.9–7.1 per cent. The reforms maintain progressivity; essential food items see significant relief (projected at 0.9–3.4 per cent). Among all households, female-headed households in Telangana are slated for the nation's lowest effective rates (3.3–6.1 per cent). While high-capacity private transport faces higher tax ceilings, the overall strategy prioritises citizen-centric relief. However, the evidence also shows the persistence of macroeconomic counter-pressures. For example, sharp inflationary trends in service-oriented sectors, notably education (39 per cent) and health (21 per cent), threaten to overshadow these tax savings. The study concludes, acknowledging limitations, that while GST 2.0 acts as a vital buffer, it may only slow price increases rather than lowering the absolute cost of living for consumers.

Key Words: GST 2.0, Telangana, NSS HCES, Socio-Economic Impact, GST Reforms

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SECTION 1: INTRODUCTION

In India, GST came into existence on 1st July 2017 by replacing the existing multiple tax system levied by Union and State Governments through the 122nd Constitutional Amendment Bill, 2014. It is a value-added tax levied on most goods and services sold for domestic consumption. It is a single unified tax system applied throughout the nation. An ideal GST regime intends to create a harmonised system of taxation by subsuming all indirect taxes under one tax. This system advocates one nation and one tax system; and a merger of taxes, i.e., Central taxes (like sales tax, excise duty tax, and service tax) with State-level taxes (like entertainment tax, entry tax).

With the introduction of GST, the burden of Central Sales Tax (CST) is removed. The GST at the State-level is, therefore, justified for (a) additional power of levy of taxation of services for the States, (b) system of comprehensive set-off relief, including set-off for cascading burden of CENVAT and service taxes, (c) subsuming of several taxes in the GST and (d) removal of the burden of CST. Because of the removal of cascading effect, the burden of tax under GST on goods will generally fall.

The GST model adopted in India is the dual GST model. The dual GST model or the dual GST structure means levying tax with two different taxation components. In India, the Central Goods and Service Tax (or CGST) and the State Goods and Service Tax (or SGST) are the components levied on a single transaction within a state due to the federal nature. Under the dual GST structure, both the central and State Governments can charge and collect taxes through the appropriate legislation. Also, both the governments are assigned separate responsibilities and administration, as given under the division of powers statute of the Indian Constitution. A dual GST structure is formulated to align with the Indian Constitutional requirements of fiscal federalism.

The GST system had five slabs — 0%, 5%, 12%, 18%, and 28%. On top of the 28% slab, a cess is levied on automobiles, luxury, and demerit and sin goods[2], to simplify the system and combat a shortfall in collections. Also, some states wanted to reduce the slabs from five to two based on the recommendations made by a committee of officials from the Centre and the States on GST revenue augmentation.

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2 Under the current GST structure, some of the sin goods that attract an additional cess include tobacco products, aerated drinks and pan masala, so on.

Goods and Service Tax Council (GSTC) was created by the 101st Constitutional Amendment and GST Council, in fact is a very new episode in the Centre-State relations, which have for long been in the hands of another Constitutional body, the Finance Commission[3] (Article 280). The GST Council shall be represented by all 29 States and 2 Union Territories which have a legislature besides the Union Government. It is the first body of the Centre and States vested with full decision-making powers. Decisions in the Council are generally made through consensus, but if no consensus is possible, the majority in GST takes the decisions. GST Council would need 75% votes of the members present in the voting to pass a resolution (the weightage of votes is 1/3rd % of votes for Centre and 2/3rd % of votes for States taken together). That means that neither Centre nor States can get any resolution passed because 75% of votes are necessary for bringing any change in GST laws. It ensures that every decision of the Council takes place with the consent of both the Centre and States, representing a proper structure of cooperative federalism.

The GST Council as per Article 279A (4), will make recommendations to the Centre and the States on issues like: (a) goods and services that may be subjected or exempted from GST; (b) principles that govern the supply of place, threshold limit; (c) GST rates including the flow rates with bands; (d) special rates for raising additional resources during natural calamities/disasters; (e) special provisions for specific States; (f) any other matter relating to fiscal discipline and/or related to fiscal consolidation.

Since its inception on July 1st, 2017, India's Goods and Services Tax (GST) has undergone a profound evolution, transitioning from a fragmented tax on tax system to a unified, federalist framework. Governed by the GST Council, which mandates a 75% majority for all decisions, the system ensures that neither the Centre nor the States can act unilaterally. However, the most significant shift occurred in August 2025, when the Next-Generation reforms were announced to pivot the regime toward a more citizen-centric, Simple Tax model.

The hallmark of the 2025 reforms is the rationalization of the complex four-tier structure (5%, 12%, 18%, and 28%) into a streamlined two-rate system. Most goods and services will now fall under a 5% merit rate or an 18% standard rate. A specialized 40% de-merit rate remains for sin goods like tobacco and luxury items to maintain

3 The Finance Commission is a constitutional body, established every five years for recommendations on devolution of funds between the Union and States.

revenue stability. This consolidation significantly reduces the compliance burden for small businesses and simplifies the pricing landscape for consumers.

In a landmark move for social security, the Council approved a total GST exemption (zero tax rate) on all individual life and health insurance policies. This is designed to increase insurance penetration and make financial protection affordable for the common man. Further, healthcare affordability received a massive boost. The Council moved 36 lifesaving drugs (including treatments for cancer and rare diseases) to a nil rate, while slashing GST on all other medicines from 12% to 5%. Medical apparatus and diagnostic tools, such as glucometers and bandages, were also reduced to the 5% merit bracket. To combat rising costs in essential categories, the 2025 reforms targeted daily staples. This directly addresses the steady upward price trend in the household goods and food & beverages commodity groups.

The reforms also focused on labour-intensive and high-growth sectors:

- Agriculture: GST on tractors and soil-preparation machinery was halved to 5%, providing significant relief to the farming community.
- Manufacturing: The Inverted Duty Structure was corrected in the textile and fertilizer sectors, lowering rates on man-made fibres to 5% to boost domestic production.
- Aspirational Goods: To support the middle class, GST on small cars, motorcycles (≤350cc), air conditioners, and cement was reduced from 28% to 18%.

To ensure transparency and swift dispute resolution, the GST Appellate Tribunal (GSTAT) will be operational by the end of 2025. While most rate changes take effect on September 22, 2025, the previous rates on tobacco and bidi will remain temporarily to fulfil existing compensation cess obligations. Collectively, these reforms represent a strategic shift from revenue-focused taxation to a system that prioritizes ease of living and sustainable economic growth.

The overhaul implies a move towards a unified indirect tax system in India. GST is a value-added tax, and it has created a common national market, reduced cascading taxes, and simplified compliance. GST, despite its success, faced various challenges due to multiple tax slabs, inverted duty structure, compliance burden and dispute resolution. GST 2.0 or Next-Gen reforms introduced in September 2025 is a landmark reform which has rationalized rates, simplified structure, seeks to improve compliance and technological upgradation.

GST 2.0 has 7 pillars:

1. Building on the success of GST
2. Rationalizing rates for fairer taxation
3. Simplifying filing through taxation
4. Consumers first
5. Empowering MSMEs & manufacturers
6. Stronger states, Stronger Bharat
7. Lower taxes, higher spending

The GST 2.0 reforms reduce the burden on the common man and ease of doing business.

SECTION 2: REVIEW OF LITERATURE

The foundational neoclassical literature treats indirect taxation primarily through the lens of microeconomic price theory, market clearing, and allocative efficiency. In this paradigm, the statutory imposition of a tax creates a wedge between the price paid by the consumer and the price received by the producer. The transmission of this tax, the pass-through elasticity, is determined entirely by the relative price elasticities of demand and supply under perfect competition (Fullerton & Metcalf, 2002). Under conditions of imperfect competition, such as oligopoly or monopolistic competition, neoclassical extensions demonstrate that firms can engage in asymmetric tax pass-through (Delipalla & Keen, 1992; Weyl & Fabinger, 2013).

In contrast to the supply-side focus of neoclassical theory, the orthodox Keynesian framework analyses indirect taxation through its macro-dynamic effects on aggregate demand. From a Keynesian perspective, an indirect tax functions as a structural leakage from the circular flow of income, directly lowering the real disposable income of households. Because consumption expenditure is a function of disposable income, an increase in indirect taxes shifts the aggregate consumption function downward, compressing effective demand (Keynes, 1936). Keynesian theory also highlights a fundamental macroeconomic paradox when indirect tax adjustments interact with systemic inflation. While a broad rate rationalization or a tax cut (such as the reduction in effective household tax burdens under recent reforms) is designed to stimulate aggregate demand by increasing purchasing power, its net impact depends entirely on the marginal propensity to consume of different household cohorts (Brown, 1950; Ritter, 1951). If the tax relief is offset by structural inflation in essential service sectors—such as education and healthcare—the expansionary consumption multiplier is neutralized. The consumer's real demand remains constrained, turning the intended tax buffer into a mechanism that merely slows the contraction of real consumption rather than expanding absolute living standards.

Post-Keynesian economics explicitly rejects the neoclassical assumption that prices are determined by the intersection of marginal utility and marginal cost. Instead, post-Keynesian price theory is built on Kaleckian cost-plus pricing models in markets dominated by oligopolistic, corporate enterprises (Kalecki, 1971; Lavoie, 2022). In these industrial sectors, prices are determined administratively by applying a fixed markup over raw material and direct labour costs. Within this framework, an indirect tax is treated by firms as a direct component of prime costs. Consequently, when indirect tax rates are altered, firms do not adjust prices based on supply-demand schedules; rather, they recalculate their cost base.

The evolving body of Indian public finance literature on the Goods and Services Tax (GST) focuses closely on the major structural overhaul of late 2025, collectively termed GST 2.0. Moving away from early studies that focused on the initial 2017 rollout and administrative unification, recent academic contributions from institutions like the National Institute of Public Finance and Policy (NIPFP) evaluate the macroeconomic, distributional, and price-transmission effects of rate rationalization. Recent literature in India characterizes the transition from the legacy GST framework to the September 2025 GST 2.0 reforms as a significant shift from an administration-focused tax to a demand-driven macroeconomic tool. Mukherjee (2025) examines the structural dilemma between revenue stability and simplification, emphasizing that while the reduction of rate categories creates short-term revenue uncertainty for states, it effectively boosts medium-term compliance and formalization. Mukherjee found that average GST liability rate will fall from 5-7% to 4-6% under GST 2.0. In a study of Consumer Price Index (CPI) movements before and after the 2025 GST reforms, Mukherjee & Badoli (2026), mapped GST rates with CPI (all India), concluded that there is heterogeneous tax pass-through that is, higher price transmission for consumer durables, but frequently consumed goods (FMCG) show incomplete pass-through. For instance, majority of essential food items such as milk, ghee, packaged and processed food recorded an increase in CPI. Mohan, Kakarlapudi & Ramakumar's (2026) paper evaluated GST 2.0 reform, consumption and revenues across Indian States and estimated state-specific Marginal Propensity to Consume (MPC) using household-level panel data from Consumer Pyramids Household Survey (CPHS) of the Centre for Monitoring Indian Economy. They draw three conclusions: i. There is considerable heterogeneity in MPC across states. The MPC for all states was 0.58, Bihar has the highest MPC and Telangana has the lowest MPC and consumption multiplier. Therefore, it is unlikely to expect a uniform demand-side stimulus in all the states due to rate cuts in GST 2.0; ii. States with higher marginal propensities to consume (MPCs) exhibit stronger GST buoyancy, suggesting that tax revenues are influenced not only by statutory tax rates but also by underlying demand-side conditions. This highlights the importance of adopting state-specific frameworks when evaluating the effects of GST rate rationalisation; iii. Unlike earlier tax reforms, the implementation of the GST in 2017 was not accompanied by a significant shift in consumption growth.

SECTION 3: METHODOLOGY

3.1 Objectives

The broader long-term impact of the GST 2.0 reforms will be on all stakeholders. The objective of the present study is to assess the impact of GST 2.0 on household consumption of different categories of households in Telangana. Particularly the study aims to

- Assess the transmission of tax rate reduction on final prices
- Evaluate the impact of GST 2.0 on different household groups — farmers, women, youth, middle class, and neo-middle class

3.2 Proposed Methodology and Strategy

- The study seeks to analyse impact through the secondary data, in particular, NSSO consumption expenditure surveys, Consumer Price Indices, and GST rates.

3.3 Data Sources

The NSSO Household Consumption Expenditure Surveys (HCES) of 2022-23 and 2023-24 have been used. Further, a list of GST rates before GST 2.0 and GST 2.0 rates for all the commodities in the HCES schedule have been compiled. To this extent, the impact study is limited to the expenditure items in the schedule. For instance, HCES being a consumer expenditure survey, it focusses on household level consumption only, does not include any other. That is, a farmer's household consumption expenditure is recorded extensively, but expenditure pertaining to his occupation towards production (equipment) or protection (insurance) is not included in the survey. Nonetheless, the datasets cover a comprehensive list of items which are impacted by changes in final prices, whether it be due to taxation or inflation. These datasets are used to assess the impact of the GST 2.0 to the extent possible.

There are three primary broader datasets to be compiled. First is consumer expenditure. Second is GST rates. Third is Consumer Price Index data. These are collected primarily to analyse in detail the GST 2.0 impact in Telangana. The data is collected during the months of December (2025) and March (2026).

1. NSSO HCES: The data is collected from microdata.gov.in. The data pertains to two sets of two years 2022-23 and 2023-24.
2. GST Rates: The data is collected from various sources. The primary sources are Ministry of Finance-Department of Revenue[4] and GST Council (in particular the recommendations of 56th Meeting of the GST Council[5]. Various secondary sources for micro level data on commodities include business accounting information and tax related online portals[6].
3. Consumer Price Index: The data is collected from Ministry of Statistics and Programme Implementation[7].

3.4 Data Schema and Contents

1. *NSSO HCES*: The broader category of expenditure variables included in the survey fall under three categories:
    a. Food items: cereals & cereals products, pulses & pulse products, sugar & salt, milk & milk products, vegetables, fruits (fresh & dry), egg, fish & meat, edible oil, spices, beverages, and processed food.
    b. Consumables & Services: energy (fuel & light), toilet articles, household consumables (such as buckets), education, medical, conveyance, entertainment, rent (including lodging), and pan, tobacco & intoxicants.
    c. Durable Items: clothing, footwear & bedding, personal goods for domestic use, transport equipment, sports goods, medical equipment, cooking and other household appliances, crockery and utensils, furniture & fixtures for domestic use, recreation for domestic use, residential building, land & other durables for domestic use, and jewellery & ornaments.

4 https://cbic-gst.gov.in/gst-goods-services-rates.html)

5 https://gstcouncil.gov.in/sites/default/files/2025-09/press_release_press_information_bureau.pdf

6 https://busy.in, https://mygst.net, https://cleartax.in.

7 https://cpi.mospi.gov.in

2. *GST rates*: the rates used here for two periods: pre-GST 2.0 and GST 2.0 period for the list of items mentioned above.
3. *CPI*: the time series data is collected for cereals & products, meat and fish, egg, milk & products, oils & fats, fruits, vegetables, pulse and products, sugar & confectionary, spice, non-alcoholic beverages, prepared meals, snacks, sweets, pan, tobacco & intoxicants, clothing, footwear, housing, fuel & light, household goods & services, health, transport & communication, recreation & amusement, education and personal care & effects.

3.5 Data Cleaning

1. NSSO HCES: the datasets include 15 levels of information each for 2022-23 and 2023-24. Of the 15, the datasets used for this analysis are levels 2, 3, 5, 6, 8, 9, 10, 12, 13, and 14.
    a. Levels 2 and 3 provide detailed demographic data, including household type, head of household characteristics, education, and gender. Specifically, identifying the gender of the household head enabled an analysis of female-headed households, while household type classifications allowed us to isolate and study agriculturally dependent households.
    b. Levels 5 and 6 provide data on consumer food expenditures, recorded across both 7-day and 30-day recall periods. To ensure consistency, we standardized all consumption values to a 30-day interval. Further, we excluded items sourced from home production, effectively isolating market-based purchases as our primary metric for analysis.
    c. Levels 8, 9 and 10 provide data on consumables and services expenditure recorded across 7-day, 30-days and 365-day recall periods. To ensure consistency, we standardized all consumption values to a 30-day interval and excluded items sourced from home production.
    d. Levels 12 and 13 provide expenditure data for durable goods based on a 365-day recall period. To maintain consistency with other data levels, we standardized these values to a 30-day interval. While the dataset distinguishes between first-hand purchases, second-hand purchases, and repairs, we excluded second-hand expenditures to focus on new acquisitions. Further, regarding hire purchase (instalment) acquisitions, the lack of specific transaction expenditures necessitated a simplified approach; since this category accounted for less than 1% of total expenditure, we treated these entries as first-hand purchases to maintain the integrity of the total durable goods dataset.

e. Level 14 provides summary data on household expenditures across broad consumption categories. We utilized this dataset to derive the Monthly Per Capita Expenditure (MPCE). To ensure temporal consistency with previous levels, all expenditure values were standardized to a uniform 30-day recall period.

2. GST Rates

   a. Mapping GST rates to HCES data is complicated by the fact that one item code in HCES may cover multiple products subject to different tax treatments. For instance, the distinction between branded and unbranded tea results in a tax spread of 5% to 0%. And, earthenware, paperware, thermocol plates, etc. are recorded under same item in NSSO HCES, but they carry different GST rates. In the absence of data distinguishing these specific purchases, we created two distinct analytical paths: GST-low & GST-high and GST2-low & GST2-high. In such cases, subjective decisions were inevitable. Nonetheless, this allowed us to report the tax impact on total expenditure as a comprehensive range, providing a more realistic picture of the potential tax burden across different consumption baskets.

3.6 Data Integration

Datasets of different levels are either merged or appended. The GST rates dataset is merged with the main dataset with corresponding item codes in the two datasets.

3.7 Analytical Framework

1. After integration, consumption items falling outside the purview of the Goods and Services Tax, specifically intoxicants (alcohol), petroleum products (fuel), residential rent, and various consumer cesses and taxes were removed to isolate the relevant GST base.

2. It is assumed that the reported monthly consumption expenditure values are inclusive of Goods and Services Tax (GST). Accordingly, the GST component is deducted from these expenditure figures to derive the pre-tax value of consumption. This adjustment facilitates a more accurate estimation of the effective tax burden borne by households. By isolating the tax component, the analysis enables an assessment of effective tax rate under the prevailing GST regime and GST 2.0 structure. In this study, it is assumed that the entire tax cut is passed on to the final consumer.

   a. Effective GST Rate = Total GST Paid / Total Consumption Expenditure (pre-tax)

3. The analysis evaluates the effective tax burden across three distinct temporal and structural regimes:
    a. 2022-23 Regime: Effective GST rates for the 2022-23 fiscal year.
    b. 2023-24 Regime: Effective GST rates for the 2023-24 fiscal year.
    c. Proposed Regime (GST 2.0): Proposed structural changes applied to the 2023-24 baseline to forecast future impacts.
4. The analysis or estimating effective tax rate is done multiple times for different cohorts for three sets of effective GST rates range:
    a. State-wise Analysis
        i. All the households.
        ii. Female headed households.
        iii. Households engaged in agricultural activities.
        iv. Youth cohorts defined as households with at least one member aged between 18-29 years.
    b. Telangana-Specific: Unpacking simulated impact of GST 2.0
        i. Households in Telangana were divided into 4 quartile classes based on Monthly Per Capita Consumption Expenditure (MPCE). This analysis is bifurcated by rural and urban sectors. The classification includes four distinct quartiles classes of 25% each.
        ii. Tax rates were estimated for Telangana across three core HCES classifications: Food Items, Consumables & Services, and Durable Items.
        iii. A detailed comparative analysis of Mean MPCE and Mean GST rates was conducted for Telangana, examining the relationship between spending power and tax burden within the specific categories of food, consumables, and durables.

3.8 Limitations

1. The estimations presented in this report are strictly derived from the consumption data available within the integrated household dataset. As the actual GST base is significantly broader—encompassing business-to-business (B2B) transactions, capital goods, and various government-to-business services—the effective rates calculated here represent the household consumption tax burden only. Consequently, these figures should not be interpreted as the total revenue productivity of the GST regime.

2. The findings are subject to the inherent limitations of large-scale primary surveys, such as the National Sample Survey (NSS) HCES.
3. The findings of this study are specific to the years 2022-23 and 2023-24. Because economic conditions and consumption patterns change over time, these results should not be used to make indefinite predictions about the future. Relying solely on this specific two-year window to explain long-term trends could lead to circular reasoning, where the conclusions are only valid for this exact moment in time rather than representing a permanent rule.

SECTION 4: RESULTS AND DISCUSSION

4.1 State-level Analysis of Effective GST Rate and simulated GST 2.0 impact

A. Effective GST Rate for All Households [see table 1]

- Most states saw a slight increase in the effective GST rate between 2022-23 and 2023-24.
- In 2023-24, Northeastern states like Sikkim (6.8%–13.3%) and Nagaland (6.6%–13.6%) exhibit some of the highest effective rates, whereas southern states like Tamil Nadu (5.4%–10.4%) remain on the lower end.
- The GST 2.0 projection for 2023-24 shows a significant reduction in the tax burden across all states, with rates decreasing roughly 1.5% to 4% compared to the standard 2023-24 figures.
- In 2023-24, Telangana's effective GST rate ranged from 5.4% (low) to 10.4% (high). Compared to 2022-23 (5.2%–10.1%), Telangana saw a slight increase in the effective tax burden. Under the GST 2.0 projection, Telangana's rate is expected to decrease significantly to 3.9%–7.1%.

B. Effective GST Rate for Female-Headed Households [Table 2]

- In several states, the effective GST rates for female-headed households are marginally lower than the All-Households average. For example, in Karnataka, the low rate for 2023-24 is 5.5% for female-headed households compared to 5.7% for all households.
- Telangana shows a notably low effective rate for this group in 2023-24, ranging from 4.9% to 9.5%. This cohort in Telangana enjoys the lowest effective GST rates in the entire country for the 2023-24 period. The projected GST 2.0 rate for this group in Telangana is the lowest at 3.3%–6.1%.

C. Households Engaged in Agriculture Sector [Table 3]

- For many states, the high effective GST rate for agricultural households is slightly higher than the general population.
- The proposed GST 2.0 significantly lowers the ceiling for agricultural households, with most states falling into a 3.5%–7.5% range.
- Agricultural households in Telangana face a GST range of 5.4% (low) to 10.7% (high) for 2023-24. This is a slight increase from the 2022-23 range of 5.2%–10.2%. The GST 2.0 projection for this cohort in Telangana ranges between 4.0%–7.3%.

D. Youth: HHs with members between 18-29 Years of Age [Table 4][8]

- While most of the states faced higher effective tax rates, select southern states jumped the trend in 2023-24. Youth households in Telangana saw their effective GST rate drop across the board from 5.8%-10.1% down to 5.3%-9.7%. Tamil Nadu similarly saw decreases at both ends (falling to 5.3%-9.4%), and Maharashtra experienced a noticeable drop at the higher consumption ceiling, falling from 10.6% to 9.9%.
- Across every single state, the projected GST 2.0 model delivers a uniform reduction in the effective tax rate for households with youth members. The average high-end tax ceiling declined from 11.03% down to just 7.12%. Under GST 2.0 model, the lowest effective tax floor in the country was observed in Himachal Pradesh (3.2%), while the lowest maximum ceiling would be in Himachal Pradesh and Himachal Pradesh/Uttarakhand/Punjab/Odisha/Chhattisgarh (5.9% to 7.0%).
- The data highlights wide geographical disparities in how youth consumption is taxed. In the 2023-24 HCES, youth households in northeastern states like Sikkim (12.5%) and Nagaland (13.0%), alongside Jammu & Kashmir (12.9%), faced the highest effective tax ceilings in the country. In contrast, youth households in Kerala (9.2%), Tamil Nadu (9.4%), and Himachal Pradesh (9.4%) enjoyed significantly lower top-end effective tax rates, pointing to vastly different regional consumption patterns.

8 This cohort has the lowest sample size.

4.2. Analysis of Effective GST Rates, Consumption, and simulated GST 2.0 impact in Telangana

A. Effective GST Rate by Quartile Class (Rural vs. Urban) [Table 5]

- In both rural and urban areas, the effective GST rate generally increases as the MPCE quartile rises. For example, in 2023-24, the rural 75-100 class faces a high-end rate of 11.0%, compared to 10.4% for the lowest quartile class. In both rural and urban settings, the lowest 25% of households see their maximum effective tax rate decrease. Nonetheless, GST 2.0 substantially lowers effective GST rates across all quartile groups.
- Effective GST rates increase with households' consumption levels, indicating mild progressivity. Relatively, progressivity is higher in urban areas. Poor rural households face a slightly higher effective GST burden than the poor urban households.
- GST 2.0 is more beneficial to the poor households; the percentage decrease in effective GST rates under GST 2.0 is higher for poor households
- GST 2.0 reduces the average effective GST burden by roughly 20–35%, depending on the quartile and estimate used.

B. Effective GST Rate by Broader Category [Table 6]

- Food Items: This category has the lowest effective tax rate, ranging from a low of 2.2% to a high of 7.4% in 2023-24. Under the proposed GST 2.0, the tax on food is projected to decrease significantly to a range of 0.9% to 3.4%. This suggests a policy shift toward making basic nutrition much more affordable.
  - Components: This includes staples like cereals, pulses, milk, vegetables, and meat, as well as processed foods.
- Consumable & Services: This group faces a moderate-to-high tax environment, with effective rates between 8.3% and 11.3% in 2023-24. Our estimates show a moderate reduction to a range of 6.9% to 8.8% under GST 2.0.
  - Components: This is a diverse category covering energy, education, medical services, entertainment, and sin goods like tobacco.
- Durable Items: Durables carry the heaviest tax load, with the high-end effective rate. From 2022-23 to 2023-24, the effective GST rate changed from 7.5–15.6% to 9.0–18.3%. Under GST 2.0, the low-end rate is expected to decrease to 6.9%, the high-end rate remains high at 15.2%.

- o Components: This includes long-term investments such as clothing, footwear, bedding, and domestic durable goods.

4.3 Unpacking Consumption and GST Trends in Telangana

Note: In this section, the analysis is with mean of GST rates, not effective GST rates.

A. Food Items [Table 7.1]

a. In Telangana, average MPCE is highest for processed food, eggs, fish & meat, milk & milk products and edible oil.

b. Essentials such as fresh vegetables and fruits consistently maintain a 0% GST rate.

c. Processed food carries the highest mean rates in this category (13 %), but GST 2.0 proposes a massive reduction to 4–5%. From 2022-23 to 2023-24, the mean MPCE for cereals decreased slightly from Rs. 76.6 to Rs. 69.9, while GST rates remained low (1–2%) under GST 2.0.

d. Basic staples are largely protected by low or zero tax rates. Under GST 2.0 structure, the most significant future change identified is the relief for processed foods, followed by salt & sugar.

B. Consumables & Services [Table 7.2]

a. The highest mean MPCE in this group is for rent, followed by medical & education expenditure, tobacco, and entertainment.

b. Tobacco remains the highest taxed item at a flat 28% (which increased to 40% under GST 2.0 model).

c. Education & medical expenditure categories have seen slight increases in their mean MPCE from 2022-23 to 2023-24. During 2023-24, mean GST on education ranged between 5% and 13%, and it is estimated to change to 3–13% range under GST 2.0.

d. On entertainment expenditure, mean GST rate was in the range of 13–14%, and the GST 2.0 model, it is estimated to increase to 15–18%.

e. GST on education and medical expenditure (non-hospitalisation) is estimated to slightly reduce under GST 2.0 structure, whereas it is projected to increase for tobacco and entertainment.

C. Durable Items Analysis [Table 7.3]

a. Personal transport equipment category is the most taxed individual item in the table, with a high-end rate of 27% in 2023-24. Under GST 2.0, while the low-end rate decreases, the high end is projected to rise to 30%, indicating a shift toward heavier taxation on private vehicles with 350cc and above. (Note: this analysis excludes cesses on various kinds of vehicles).

b. Goods for recreation carry a consistently high mean tax burden, ranging from 24% to 26% in 2023-24. Under GST 2.0, it is estimated to decrease to 16–21% range.

c. GST on commodities required for residential building & land shows variance, with GST rates ranging from a low of 7% to a high of 25% in 2023-24, it is estimated to decrease to a range of 5–18% under GST 2.0.

d. Sports goods maintains a stable and relatively low rate of 12%, which is projected to decrease to 5% under GST 2.0.

e. Personal medical equipment's GST ranges between 9–10%, and it is estimated to be significantly reduced to 4–5% in the GST 2.0 model.

f. Clothing & bedding occupy a middle ground, where GST ranged between 5% and 12% under GST model. However, under GST 2.0, while the low-end rate remains the same, our estimates suggest a potential high-end increase to 17–18%, likely targeting premium apparel brands. The difference between the two also arises from sale value, while high end GST rate on clothing and bedding was 12% for goods valued above ₹1,000, the high-end GST 2.0 rate is 18% for goods valued above ₹2,500.

g. Despite being a high-value durable, jewellery & ornaments carry a uniquely low and flat GST rate of 3% across all periods and models. This significantly lowers the average tax burden for wealthy households who allocate large portions of their MPCE to gold or ornaments. Under durable goods, highest mean MPCE is on jewellery & ornaments.

h. The proposed GST 2.0 model increased the range of the tax brackets for durables. It lowers the low-end tax for almost every item to 5%, but simultaneously increases the ceiling for transport, clothing, footwear, and bedding.

i. Most durable items saw a slight increase in MPCE from 2022 to 2024, except for jewellery and personal transport, which saw notable declines in mean MPCE.

4.4 Analysis of Consumer Price Index (Combined) Trends [Figure 1]

A. High-Growth

- Education group shows a distinct staircase pattern. Significant spikes occur annually around May–July, coinciding with the start of the academic year. CPI education in May 2022 was 173 and it has risen to 239 in August 2025. A change by 38%.
    - o Components: tuition and other fees; stationary, books, etc.
- Personal care & effects group exhibits the most aggressive growth, particularly from early 2024 onwards. It ends the period as the highest index among commodity groups. CPI of personal care and effects group was 166 in April 2022 and it has risen to 232 in October 2025, showing a sharp increase of 40%.
    - o Components: toilet articles, gold, silver, ornaments, barber, beautician, raincoat, watch, handbag, and other personal items.
- Health shows a very consistent and steady upward trajectory. It rose from approximately 192 in April 2022 to over 230 by October 2025, indicating constant inflationary pressure on medical services and products. A change by 20%.
    - o Components: Medical charges (institutional and non-institutional expenses), medical devices, etc.

B. Volatile Growth

- Food & beverages are the most volatile group. It shows significant seasonal peaks and troughs, likely due to harvest cycles and supply chain shifts. The food & beverages CPI was 182, and was at 207 in October, 2025. A change by 14%. However, its peak was in October 2024 at 222.
    - o Components: Cereals & products, meat & fish, egg, milk & products, oils & fats, fruits, vegetables, pulses & products, sugar & confectionary, spice, non-alcoholic beverages, prepared mean, snacks, sweets, etc.

C. Gradual Growth

- Clothing & footwear group maintains a very stable and linear upward trend, moving from roughly 176 in April 2022 to 203 in October 2025. over the three-year span. A change by 27%
    - o Components: Clothing, footwear.

- Transport & communication group remains stagnant for long periods with occasional step-up increases (notably in mid-2024). Its CPI was 162 in April 2022 and increased to 183 in October 2025. A change by 13%
  - o Components: Automobiles, bicycle, tyres & tubes, petrol & diesel, lubricants, railway fare, bus, tax, auto-rickshaw fare, telephone & mobile handset, internet expenses, mobile charges, and other such expenses
- Recreation & amusement category shows slow but persistent growth, beginning with 190 in April 2022 and increased to 212 in October 2025. A change by at approximately 214. A change by 12%
  - o Components: TV, camera, laptop/pc, sports goods, newspapers, periodicals, cinema (normal day fare), subscription fees, hotel lodging, and other such related expenses.
- Household goods & services has the lowest index value overall (starting at 152 in April, 2022), it followed a consistent upward slope, and was at 170 October, 2025. A change by 12%
  - o Components: furniture, bedding, Air conditioner/cooler, washing machine, stove, electric fan, purifier (air and water), kitchen utensils, electric iron, and other such household durables.

D. Deflationary Trend

- Fuel & light is the only category that shows an overall decline over the period. After a peak in March 2023 (at 180), it experienced a sharp decrease and remained relatively low, ending the period at approximately 160 (lower than its starting point in April 2022 at 168). A change by (-)5%.
  - o Electricity, LPG, Kerosene, Diesel, firewood, coal, charcoal and other fuel items.

4.5 Summary

- Except for Fuel & Light, every category ended 2025 at a higher index than it began in 2022.
- The sharpest increases are seen in education, health and personal care, suggesting that service-oriented and lifestyle costs are rising faster than basic commodities in Telangana.
- Household goods and clothing remain the most predictable in terms of steady, low-volatility price increases.

Table 1: Effective GST Rate based on NSS HCES (in per cent) for all HHs

State Code	State	GST 2022-23 HCES		GST 2023-24 HCES		GST 2.0 2023-24 HCES	
		Low	High	Low	High	Low	High
01	Jammu & Kashmir	5.2	10.7	5.5	11.2	3.9	7.2
02	Himachal Pradesh	5.6	10.4	6.0	11.8	3.8	7.3
03	Punjab	5.4	11.0	6.1	12.3	3.8	7.4
05	Uttarakhand	5.6	10.7	6.1	11.9	4.1	7.6
06	Haryana	5.4	11.2	5.7	12.3	3.9	7.6
07	Delhi	6.4	11.8	7.1	12.2	4.9	8.7
08	Rajasthan	5.6	10.9	6.4	12.4	4.2	7.9
09	Uttar Pradesh	5.7	10.8	6.0	11.7	4.1	7.4
10	Bihar	5.2	9.9	5.6	10.7	3.9	6.9
11	Sikkim	6.7	12.9	6.8	13.3	4.6	9.0
12	Arunachal Pradesh	5.8	11.1	6.2	11.8	4.2	8.0
13	Nagaland	5.9	12.8	6.6	13.6	4.4	9.1
14	Manipur	5.3	11.1	5.5	11.5	3.9	7.2
15	Mizoram	6.8	11.1	7.2	12.0	5.1	8.7
16	Tripura	5.7	11.4	5.9	12.4	4.1	7.9
17	Meghalaya	5.2	12.1	5.3	12.3	3.6	7.8
18	Assam	5.3	10.6	5.5	11.4	3.9	7.2
19	West Bengal	5.6	10.3	5.9	10.9	4.1	7.2
20	Jharkhand	5.3	10.0	5.6	10.7	3.8	7.0
21	Odisha	5.6	10.0	5.8	10.8	4.1	7.3
22	Chhattisgarh	5.5	9.9	5.9	10.8	4.2	7.2
23	Madhya Pradesh	6.0	11.2	6.3	12.1	4.6	7.9
24	Gujarat	5.5	10.6	5.9	11.4	4.1	7.3
27	Maharashtra	5.6	10.3	6.1	11.0	4.2	7.4
28	Andhra Pradesh	5.3	10.0	5.6	10.9	3.9	7.1
29	Karnataka	5.2	9.9	5.7	10.9	3.9	7.2
30	Goa	5.1	10.5	6.1	12.8	3.7	7.7
32	Kerala	5.7	10.6	6.0	11.4	4.3	7.8
33	Tamil Nadu	5.1	9.8	5.4	10.4	3.6	6.7
36	Telangana	5.2	10.1	5.4	10.4	3.9	7.1

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Table 2: Effective GST Rate based on NSS HCES (in per cent) for Female Headed HHs

State Code	State	GST 2022-23 HCES		GST 2023-24 HCES		GST 2.0 2023-24 HCES	
		Low	High	Low	High	Low	High
01	Jammu & Kashmir	5.2	10.9	5.7	12.5	3.7	7.5
02	Himachal Pradesh	5.3	10.3	5.8	11.6	3.6	7.0
03	Punjab	5.3	10.8	6.1	12.1	3.7	7.2
05	Uttarakhand	5.4	10.6	6.0	11.8	4.0	7.5
06	Haryana	5.2	11.2	5.6	12.1	3.8	7.4
07	Delhi	6.1	11.3	6.5	11.7	4.4	7.8
08	Rajasthan	5.3	10.6	5.8	1.6	3.8	7.2
09	Uttar Pradesh	5.5	10.5	5.8	11.5	3.8	7.1
10	Bihar	5.2	9.7	5.5	10.6	3.6	6.6
11	Sikkim	6.7	12.8	6.6	12.9	4.3	8.6
12	Arunachal Pradesh	5.9	11.2	6.3	11.8	4.2	7.9
13	Nagaland	5.9	12.3	6.5	13.3	4.2	8.7
14	Manipur	5.5	11.2	5.4	11.3	3.6	7.1
15	Mizoram	6.1	11.3	7.2	11.9	5.1	8.6
16	Tripura	5.6	11.2	5.9	12.2	4.1	7.8
17	Meghalaya	5.2	12.4	5.4	12.4	3.7	8.1
18	Assam	5.4	10.6	5.5	11.4	3.9	7.2
19	West Bengal	5.7	10.3	5.8	10.7	4.0	6.9
20	Jharkhand	5.0	9.6	5.4	10.5	3.6	6.7
21	Odisha	5.4	9.7	5.7	10.5	3.7	6.7
22	Chhattisgarh	5.1	9.1	5.6	10.4	3.9	6.8
23	Madhya Pradesh	5.6	10.7	6.0	11.6	4.3	7.5
24	Gujarat	5.5	10.6	5.6	11.0	3.8	7.0
27	Maharashtra	5.5	10.1	5.8	10.8	4.0	7.0
28	Andhra Pradesh	5.2	9.6	5.5	10.6	3.6	6.7
29	Karnataka	4.9	9.4	5.5	10.7	3.7	6.8
30	Goa	5.2	10.8	6.0	12.5	3.6	7.5
32	Kerala	5.4	10.3	5.7	11.0	4.0	7.3
33	Tamil Nadu	5.0	9.5	5.2	10.0	3.5	6.3
36	Telangana	4.7	8.8	4.9	9.5	3.3	6.1

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Table 3: Effective GST Rate based on NSS HCES (in per cent)
By HH Type: Engaged in Agriculture Sector

State Code	State	GST 2022-23 HCES		GST 2023-24 HCES		GST 2.0 2023-24 HCES	
		Low	High	Low	High	Low	High
01	Jammu & Kashmir	5.2	10.6	5.6	11.2	4.0	7.3
02	Himachal Pradesh	5.7	10.8	6.2	12.0	3.9	7.4
03	Punjab	5.6	11.2	6.4	12.6	3.9	7.5
05	Uttarakhand	5.7	10.8	6.3	12.0	4.2	7.8
06	Haryana	5.3	11.2	6.0	12.5	4.0	7.8
07	Delhi	6.8	12.1	7.3	12.4	5.0	9.1
08	Rajasthan	5.8	11.3	6.6	12.5	4.3	8.0
09	Uttar Pradesh	5.8	10.9	6.1	11.9	4.2	7.5
10	Bihar	5.3	10.1	5.7	10.9	3.9	7.1
11	Sikkim	6.8	13.2	6.9	13.5	4.6	9.1
12	Arunachal Pradesh	5.6	10.9	6.0	11.7	4.1	7.8
13	Nagaland	6.1	13.2	6.9	14.3	4.6	9.5
14	Manipur	5.3	11.2	5.4	11.5	3.7	7.2
15	Mizoram	6.6	10.8	7.3	12.0	5.1	8.8
16	Tripura	5.7	11.4	5.8	12.4	4.0	7.9
17	Meghalaya	4.9	11.9	5.1	12.1	3.4	7.5
18	Assam	5.2	10.6	5.5	11.5	3.8	7.1
19	West Bengal	5.6	10.2	5.9	11.0	4.1	7.2
20	Jharkhand	5.2	9.9	5.6	10.7	3.9	7.0
21	Odisha	5.5	10.0	5.7	10.7	4.0	7.3
22	Chhattisgarh	5.6	9.9	5.9	10.7	4.2	7.2
23	Madhya Pradesh	6.0	11.3	6.3	12.2	4.6	8.0
24	Gujarat	5.5	10.6	5.9	11.5	4.1	7.5
27	Maharashtra	5.5	10.3	6.0	11.1	4.3	7.6
28	Andhra Pradesh	5.3	10.1	5.6	10.9	3.9	7.2
29	Karnataka	5.2	10.1	5.6	10.9	3.9	7.1
30	Goa	4.6	9.6	6.3	13.4	3.8	7.8
32	Kerala	5.5	10.5	5.8	11.2	4.1	7.6
33	Tamil Nadu	5.1	10.0	5.4	10.5	3.7	6.8
36	Telangana	5.2	10.2	5.4	10.7	4.0	7.3

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Table 4: Effective GST Rate based on NSS HCES 2023-24 (in per cent)
Youth: HHs with at least one member between 18 and 29 years of age

State Code	State	GST 2022-23 HCES		GST 2023-24 HCES		GST 2.0 2023-24 HCES	
		Low	High	Low	High	Low	High
01	Jammu & Kashmir	5.1	10.4	5.7	12.9	3.8	7.6
02	Himachal Pradesh	4.2	7.2	5.0	9.4	3.2	5.9
03	Punjab	5.2	10.3	5.8	11.5	3.7	7.0
05	Uttarakhand	5.5	10.6	5.9	11.1.0	3.9	7.0
06	Haryana	5.7	11.5	5.9	12.0	4.0	7.6
07	Delhi	5.9	11.0	6.5	11.4	4.6	7.7
08	Rajasthan	5.3	9.4	6.1	11.5	4.0	7.3
09	Uttar Pradesh	6.0	10.9	6.1	11.4	4.2	7.3
10	Bihar	5.6	10.3	5.7	10.7	3.9	6.8
11	Sikkim	6.7	12.7	6.5	12.5	4.4	8.4
12	Arunachal Pradesh	6.4	11.7	6.3	11.7	4.3	8.0
13	Nagaland	6.0	12.8	6.4	13.0	4.1	8.4
14	Manipur	5.6	11.4	5.2	10.5	3.4	6.4
15	Mizoram	6.6	10.7	7.2	11.7	5.0	8.1
16	Tripura	5.9	11.6	5.8	12.1	3.9	7.6
17	Meghalaya	5.2	12.2	5.2	11.6	3.4	7.3
18	Assam	5.4	10.9	5.5	11.0	3.8	6.7
19	West Bengal	5.5	10.3	5.5	10.4	3.7	6.5
20	Jharkhand	5.7	10.5	5.8	10.7	3.9	7.0
21	Odisha	5.8	9.9	5.8	10.4	4.0	7.0
22	Chhattisgarh	6.0	10.1	5.9	10.4	4.1	7.0
23	Madhya Pradesh	6.1	11.1	6.4	11.6	4.8	7.8
24	Gujarat	5.8	10.6	6.0	10.9	4.3	7.2
27	Maharashtra	5.9	10.6	5.6	9.9	3.9	6.4
28	Andhra Pradesh	5.5	10.0	5.7	11.0	3.8	7.1
29	Karnataka	5.0	8.7	6.0	10.3	4.0	6.8
30	Goa	5.2	9.4	6.1	10.9	4.3	7.2
32	Kerala	5.1	8.7	5.1	9.2	3.5	6.0
33	Tamil Nadu	5.6	9.6	5.3	9.4	3.5	6.1
36	Telangana	5.8	10.1	5.3	9.7	3.6	6.4

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Table 5: TELANGANA: Effective GST Rate based on NSS HCES (in per cent) 4 Quartile Classes based on MPCE

Sl. No.	Quartile Range	GST 2022-23 HCES		GST 2023-24 HCES		GST 2.0 2023-24 HCES	
		Low	High	Low	High	Low	High
RURAL							
1	0-25	5.1	10.0	5.4	10.4	4.0	7.2
2	25-50	5.2	10.1	5.2	10.4	3.8	7.2
3	50-75	5.4	10.7	5.3	10.7	4.0	7.4
4	75-100	5.5	10.7	5.5	11.0	4.1	7.5
URBAN							
1	0-25	5.2	10.1	4.8	9.5	3.4	6.3
2	25-50	5.3	10.3	5.2	10.3	3.7	6.9
3	50-75	5.9	10.9	5.3	10.3	4.0	6.8
4	75-100	6.1	10.6	6.0	10.5	4.4	7.2

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data, and NSS HCES Reports. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Table 6: TELANGANA: Effective GST Rate based on NSS HCES (in per cent) By Broader Expenditure Category

Code	Category	GST 2022-23 HCES		GST 2023-24 HCES		GST 2.0 2023-24 HCES	
		Low	High	Low	High	Low	High
FDQ	Food Items	2.2	7.2	2.2	7.4	0.9	3.4
CSQ	Consumable & Services	8.5	11.7	8.3	11.3	6.9	8.8
DGQ	Durable Items	7.5	15.6	9.0	18.3	6.9	15.2

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Note: FDQ includes cereals & cereal products, pulses & pulse products, sugar & salt, milk & milk products, vegetables, fruits, egg, fish, meat, edible oil, spices, beverages and processed food. CSQ includes energy, toilet articles & other household consumables, education & medical, conveyance & other consumer services, entertainment, pan, and tobacco. DGQ includes clothing, footwear, bedding, and durable goods for domestic use.

Table 7.1: TELANGANA Estimates based on NSS HCES FOOD ITEMS

Item Code	Description	mean_mpce	mean_mpce	gst_low	gst_high	gst_low	gst_high	gst2_low	gst2_high
		2022-23 HCES	2023-24 HCES	2022-23 HCES	2022-23 HCES	2023-24 HCES	2023-24 HCES	2023-24 HCES	2023-24 HCES
		In Rs.		Mean GST rate (in per cent)					
129	Cereals	76.6	69.9	0	2	1	2	1	2
139	Cereal Substitutes	2.8	3.2	0	5	0	5	0	5
159	Pulses & Pulse Products	23.4	25.2	0	5	0	5	0	5
169	Milk & Milk Products	168.7	163.4	0	7	0	7	0	5
179	Salt & Sugar	12.1	13.0	0	6	0	6	0	3
189	Edible Oil	156.8	128.5	5	5	5	5	5	5
199	Egg, Fish & Meat	186.2	201.7	0	5	0	5	0	5
219	Vegetables	31.6	34.2	0	0	0	0	0	0
239	Fruits (Fresh)	74.7	77.9	0	0	0	0	0	0
249	Fruits (Dry)	59.7	46.2	7	7	7	7	5	5
269	Spices	18.4	19.5	2	5	2	5	2	5
279	Beverages	78.2	69.0	5	9	5	9	2	11
289	Served Processed Food	426.0	361.7	8	11	8	12	0	3
299	Packaged Processed Food	66.2	65.4	13	14	13	13	4	5

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Note: Data includes items which are part of GST base.

Table 7.2: TELANGANA Estimates based on NSS HCES CONSUMABLES & SERVICES

Item Code	Description	mean_ mpce	mean_ mpce	gst_low	gst_high	gst_low	gst_high	gst2_low	gst2_high
		2022-23 HCES	2023-24 HCES	2022-23 HCES	2022-23 HCES	2023-24 HCES	2023-24 HCES	2023-24 HCES	2023-24 HCES
		In Rs.		Average GST rate (in per cent)					
309	Pan	71.5	87.5	1	4	1	6	1	6
319	Tobacco	150.2	158.8	28	28	28	28	35	35
349	Fuel & Light	89.1	70.6	2	2	2	2	2	2
409	Education	222.2	233.6	4	12	5	13	2	13
419	Medical - Hospitalisation	165.2	182.5	6	8	5	9	5	9
429	Medical - non-Hospitalisation	178.2	187.5	8	9	8	8	4	5
439	Entertainment	112.1	117.9	12	13	13	14	15	18
459	Toilet Articles	23.0	25.2	16	16	16	16	6	6
479	Other Household Consumables	27.9	28.3	15	16	15	16	11	14
499	Consumer Services excluding Conveyance	92.7	92.1	13	13	12	12	11	12
519	Conveyance	167.2	132.1	0	2	0	2	0	2
529	Rent	419.7	269.4	0	18	0	18	5	5

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Note: Data includes items which are part of GST base.

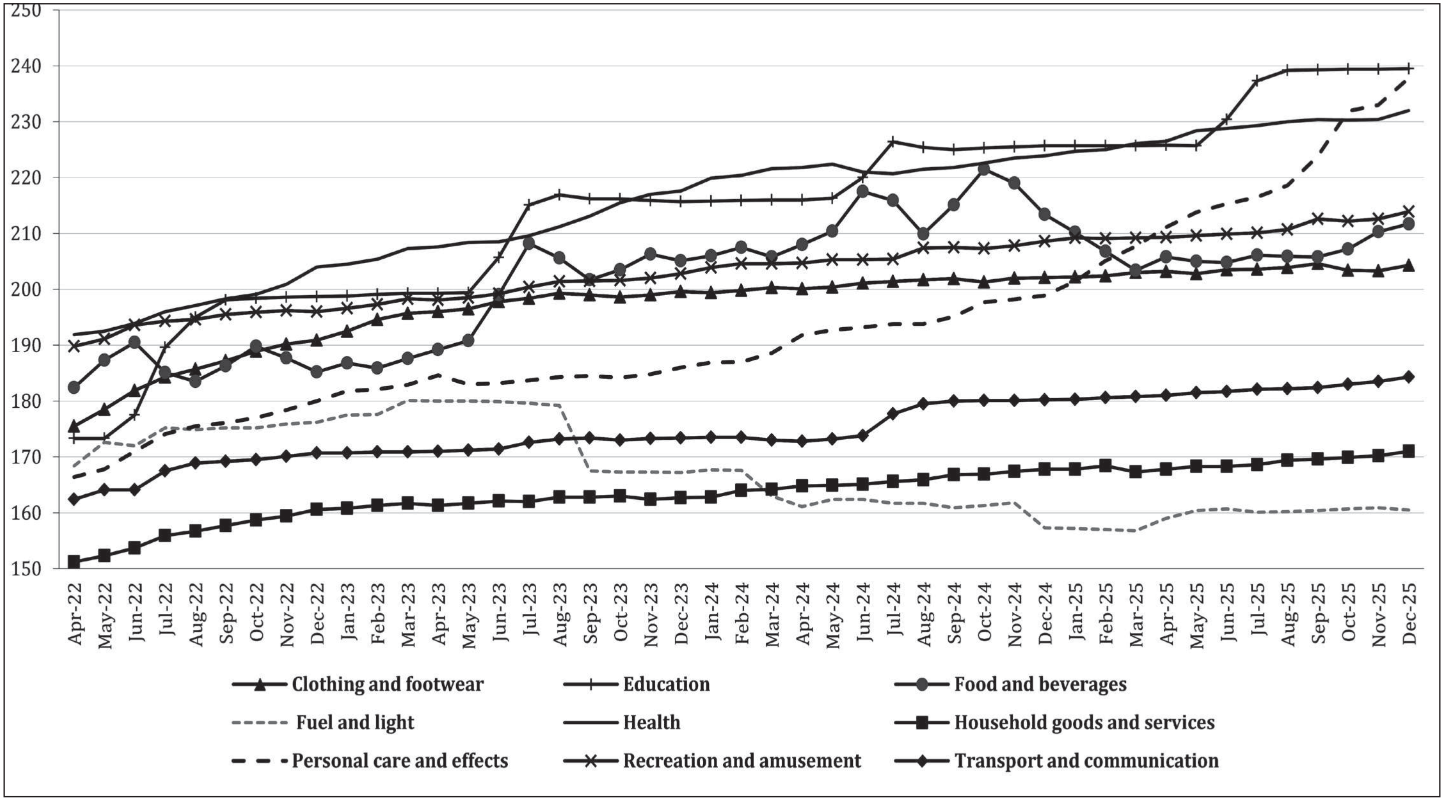
Table 7.3: TELANGANA Estimates based on NSS HCES DURABLE ITEMS

Item Code	Description	mean_ mpce	mean_ mpce	gst_low	gst_high	gst_low	gst_high	gst2_low	gst2_high
		2022-23 HCES	2023-24 HCES	2022-23 HCES	2022-23 HCES	2023-24 HCES	2023-24 HCES	2023-24 HCES	2023-24 HCES
		In Rs.		Average GST rate (in per cent)					
099	Sports Goods	18.9	18.5	12	12	12	12	5	5
379	Clothing	31.6	31.9	5	12	5	11	5	17
389	Bedding, etc	16.1	16.8	5	12	5	12	5	18
399	Footwear	21.4	24.7	12	18	12	18	5	18
559	Furniture & Fixtures	34.2	36.2	7	16	7	16	5	14
569	Goods for Recreation	46.3	57.8	23	25	24	26	16	21
579	Crockery & Utensils	11.9	13.5	11	13	11	13	5	7
599	Cooking & Other Household Appliances	25.0	27.1	17	18	17	19	11	12
609	Personal Transport Equipment	66.0	52.2	24	26	23	27	13	30
619	Medical Equipment	36.1	46.8	10	10	9	10	4	5
629	Other Personal Goods	39.7	38.6	15	16	15	16	12	16
639	Residential Building, Land, and Other Durables	48.2	63.0	7	25	7	25	5	18
649	Jewellery & Ornaments	203.6	126.7	3	3	3	3	3	3

Source: For Consumption Data -NSSO HCES 2023-24 Survey Data. For GST data: PIB, Central Board of Indirect Taxes and Customs, mygst.net, cleartax.in. Own computations.

Note: Data includes items which are part of GST base.

Figure 1: TELANGANA
Combined CPI (R+U)



Source: mospi

SECTION 5: SUMMARY & CONCLUSION

The analysis of National Sample Survey Office (NSSO) Household Consumption Expenditure Survey (HCES) data indicates that while most states saw a marginal increase in effective GST rates between 2022-23 and 2023-24, GST 2.0 is projected to provide significant tax relief. Across all states, the proposed structure is expected to reduce the household tax burden. This reduction is most pronounced in essential categories, particularly food items.

A. State-level analysis of Effective GST Rates and Projected GST 2.0 Impact

Across all categories, states generally experienced a slight increase in effective GST rates between 2022-23 and 2023-24—with Northeastern states facing the highest burdens and southern states like Telangana and Tamil Nadu remaining on the lower end. Demographically, female-headed households marginally benefit from lower effective rates than the national average. Conversely, agricultural households face slightly higher tax ceilings due to their specific consumption patterns, though GST 2.0 is expected to sharply compress this ceiling to a manageable 3.5%–7.5% range nationwide. Finally, Youth households are taxed significantly lower than households engaged in agriculture across virtually every single state and timeframe. Further, Youth households have a flatter, more compressed high-end tax cuts compared to female-headed households.

B. Telangana: Progressivity and Sectoral Shifts

In Telangana, the effective GST rates decline from the range of 5.4–10.4% to 3.9–7.1% in 2023-24, due to GST 2.0. Telangana's GST system is inherently progressive, with effective tax rates rising alongside household MPCE quartiles. In 2023-24, rural middle-class (25-75 quartile class) maximum rates remained tightly bounded between 10.7%, while their urban counterparts faced a slightly lower ceiling of 10.3%. The proposed GST 2.0 framework reduces tax burdens across all expenditure classes.

Taxation across commodity categories varies significantly based on essentiality. Food items have the lowest effective rates, under GST and GST 2.0. Under the simulated GST 2.0 model, food taxes reduced to 0.9%–3.4% range from 2.2%–7.4% range during 2023-24. Meanwhile, moderate-rate consumables and services ease to 6.9%–8.8% under GST 2.0 from 8.3–11.3%, and for the durables, the range changes from 9.0%–18.3% to 6.9%–15.2%.

In Telangana, mean consumption data reveals that processed foods, milk, and high-MPCE jewellery carry significant expenditure. Under GST 2.0, basic food essentials remain untaxed while processed food rates plunge from 13% to 4–5% under GST 2.0. Further, mean GST on sin and luxury goods will rise, high-end rates on transport increases to 30% under GT 2.0, while medical, education, and sports goods receive targeted tax relief.

C. The Counter-Pressure of Rising Prices (CPI)

While GST rates are projected to fall, CPI data for Telangana (April 2022 to October 2025) shows price growth that may neutralise or even outweigh these tax savings:

- Education & health: costs in these sectors rose by 38% and 20% respectively. Even with a slight reduction in mean GST for education (from 5–13% GST rates to 3–13% GST 2.0 rates), the 39% increase in underlying prices suggests that consumers will still face significantly higher out-of-pocket expenses.
- Personal Care: this category saw the most significant increase by 40%, ending 2025 as the highest index among commodity groups.
- Food & beverages: Despite the projected decrease in GST, food prices themselves increased by 14% during this period.

D. Macroeconomic Context: Inflation and GST

While GST 2.0 offers potential tax relief, households in Telangana continue to face significant inflationary pressures. CPI data shows significant growth in Education (38%) and Health (20%) costs between 2022 and 2025, suggesting that service-oriented costs are rising faster than basic commodities. Conversely, fuel and light were the only category to show a deflationary trend (-5%) over the same period. The interaction between rising prices and the proposed GST 2.0 rate reductions creates a complex dynamic for end consumers, where the tax relief acts as a partial buffer against significant inflationary pressures.

E. The Magnitude of GST 2.0 Tax Relief

The analysis indicates that GST 2.0 is projected to reduce the effective household tax burden by approximately in the range of 1.5% to 4% across all states. Specific cohorts are slated for even more substantial tax cuts.

F. Net Impact: Benefit or Normalisation in Telangana?

Whether the end consumer ultimately benefits depends heavily on their consumption basket:

1. For essential goods like food, the reduction in tax (approximately 4% decrease in effective rate) helps soften the blow of a 17% price increase, but it does not fully offset it. The consumer still pays more than they did in 2022, though less than they would have under the old tax regime.
2. For items like private transport, particularly for those above 350cc, the trend is less beneficial. While underlying inflation for transport was a more modest 14%, GST 2.0 actually proposes increasing the high-end tax ceiling for personal transport equipment to 30% (this includes expenditure on parts), potentially compounding the cost for consumers.
3. Because service-oriented costs (education & health) are rising much faster than basic commodities, the minor GST reductions in these areas are likely to be overshadowed by inflation, resulting in a net increase in the cost of living for these services.

In conclusion, while GST 2.0 represents a strategic policy shift toward affordability, the sharp upward trajectory of CPI in almost every category (except fuel & light) suggests that tax reductions may only slow the rate of price increases for the end consumer rather than lowering the absolute cost of living.

G. Concluding Remarks and Limitations

The findings suggest that GST 2.0 is designed to alleviate the tax burden on the consumption base. However, it is critical to acknowledge the study's limitations:

- The analysis is restricted to household consumption and does not account for the broader GST scenario derived from B2B transactions or capital goods.
- The results are specific to the 2022–2024 economic window; changing consumption patterns and economic conditions mean these findings should not be used for long-term predictions.

The proposed GST 2.0 model represents a strategic shift toward market-based relief for households in Telangana, potentially offsetting some of the rising costs identified in recent inflationary trends.

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