

# A Comparative Study of GST 2.0 on Processed Food and Dairy Products: Pre-Reform vs Post-Reform Scenario

By

**Ms. Joshna Yadav & Ms. J.Saujanya**

**Faculty, Department of Commerce, St. Ann's College for Women**

**Email-njsaujanya2020@gmail.com**

## Abstract

The introduction of the Goods and Services Tax (GST) in India marked a significant shift in the system of indirect taxation, aiming to enhance tax compliance, reduce cascading tax effects, and increase economic effectiveness. As GST 2.0 develops characterized by updated rate changes, more straightforward procedures, and targeted policy enhancements the processed food and dairy sectors are at a crucial juncture. This industry, a fundamental part of India's agro-industrial landscape, has traditionally faced complications from complex tax systems that varied by state, leading to inefficiencies in input credits, transportation costs, and overall compliance issues. Prior to the reform, manufacturers had to navigate multiple taxes, including excise duties, state value-added tax, and central sales tax, which created fragmented tax responsibilities throughout their supply chains.

While Post-GST 1.0 achieved some initial harmonization, issues like rate discrepancies, classification conflicts, and compliance costs for small and medium enterprises continued to be a concern. GST 2.0 seeks to address these persistent issues by streamlining tax categories for essential processed foods and dairy products, enhancing clarity in valuations, and providing improved digital compliance support systems. Preliminary findings suggest better distribution of input credits, a reduction in tax disputes, and improved coordination between national and state tax frameworks. However, transitional challenges persist for value chain participants as they adjust to the new classification standards, and distinct impacts have been noted between smaller dairy cooperatives and larger processors. The long-term success of the reform relies on continued engagement with stakeholders, gradual adjustments to rates, and effective digital systems.

Overall, GST 2.0 has the potential to boost competitiveness, reduce logistical challenges, and promote investment in the processed food and dairy sectors, though it necessitates adaptations to evolving regulatory standards.

**Key Words: Goods And Service Tax (GST), Fragmented Tax, Input Credits, Processed Food And Dairy Sectors**

## Introduction:

India's indirect taxation structure underwent a significant change with the implementation of the Goods and Services Tax (GST) on July 1, 2017. GST sought to end the cascading impact of taxes, guarantee transparency, and provide a smooth national market by replacing several taxes, including VAT, excise duty, service tax, and entry tax, with a single tax structure. In order to improve the system, streamline processes, and solve industry-specific issues, a number of amendments, rate rationalizations, and compliance reforms—collectively known as GST 2.0—have been implemented over time.

A significant part of the Indian economy, the processed food and dairy industry contributes to GDP, job creation, rural lives, and nutritional security. The industry was governed by a disjointed tax system prior to the GST, which led to uneven pricing, tax-on-tax burdens, and inefficient state-to-state logistics. It was anticipated that the introduction of GST would simplify taxation, make input tax credit benefits possible, lower operating expenses, and encourage uniform pricing.

But the post-reform environment has brought with it both possibilities and difficulties. The impact of GST 2.0 on processed foods and dairy products has varied based on product categories, company size, and market dynamics, notwithstanding rate changes and compliance simplifications. Production costs, pricing strategies, and customer purchasing behavior have all been impacted by changes in tax slabs, packaging laws, and eligibility for input credits. Particularly small and medium-sized businesses have had to make adaptations for compliance and transition.

The current study aims to compare the pre-reform and post-reform situations in the dairy and processed food industries under GST 2.0. Examining disparities in tax burden, pricing patterns, supply chain effectiveness, profitability, and customer reaction are the objectives of the study. Through an analysis of these factors, the study aims to evaluate how well the GST 2.0 reforms have worked to achieve sectoral growth, market stability, and tax rationalization. This will give policymakers, industry stakeholders, and researchers valuable information.

## Objectives

- To compare GST tax rates on processed food and dairy products before and after GST 2.0 reforms.
- To analyse price trends of key products using secondary market data.

## Literature Review

Garg, G. (2017)

This study analyzed the conceptual framework of GST and its expected economic implications. The author argued that GST would simplify the tax system, reduce tax cascading, and enhance efficiency in production and distribution systems.

Singh, N. P., Bisen, J., Venkatesh, P., & Aditya, K. S. (2018)

The authors examined the impact of GST on the agriculture and food sectors in India. Their study found that GST changed the tax structure for agricultural inputs and agro-processing industries, influencing production costs and commodity prices. The reform also affected the adoption of technologies and supply chains in the dairy and food processing sectors.

Sai Prasad, B. V. (2019)

The study examined the broader impact of GST on the agricultural sector in India. It highlighted that GST is one of the most significant tax reforms and has influenced farmers' income, agricultural products, and the rural economy. The research concluded that GST brought both positive and negative implications for the agriculture and food sectors.

Gupta, S. (2020)

This study evaluated the role of GST in promoting transparency and tax compliance in India. It concluded that GST improved tax administration and reduced the scope for tax evasion in sectors including food processing

Reddy, P. (2021)

The research analyzed GST's impact on small and medium enterprises in the food processing sector. The findings indicated that although GST simplified taxation, SMEs initially faced challenges in adapting to digital compliance requirements.

Kumar, R., & Sharma, P. (2022)

This research analyzed the impact of GST on the food service industry in Hyderabad. The findings showed that GST reduced the cost of raw materials and improved operational efficiency in food businesses, leading to increased profitability and sales in the sector.

Mukherjee, A., & Khatwani, S. (2024)

The authors evaluated the restructuring of GST on processed food products in India. They concluded that reduced GST rates on packaged food items are expected to increase demand and encourage growth in the food processing sector.

Patel, R., &Sahu, J. (2025)

This study analyzed the effects of GST on dairy farming in India. The authors observed that GST influenced the profitability of dairy farmers through changes in tax rates on inputs, equipment, and services. While GST improved transparency in taxation, it also increased compliance requirements for small farmers.

Rajput, A., & Kumari, S. (2025)

The researchers studied the impact of GST on the dairy business in India. They found that GST replaced multiple indirect taxes such as VAT and excise duty, creating a unified tax system. Although GST simplified taxation, it introduced new compliance requirements and cost considerations for dairy businesses.

### Scope

The study takes into account the viewpoints of manufacturers, merchants, and customers and examines a few processed food and dairy products. It focuses on adjustments to supply chain efficiency, cost structure, pricing trends, input tax credit, and tax rates.

### ResearchMethodology

The entire basis of this research is secondary data. Details have been gathered from:

- Government announcements and reports from the GST Council
- Policy papers and research publications
- Journals covering business and economics
- Industry reports on the dairy and food processing industries

The pre-reform and post-reform GST scenarios are analyzed using a comparative method.

### GST Rates on Selected Processed Food and Dairy Products (Before Reform)

Product Category	GST Rate (Before GST 2.0)
Raw milk	0%
UHT milk	5%
Paneer (packaged)	5%
Butter and ghee	12%
Cheese	12%
Ice cream	18%
Packaged foods (biscuits, snacks, confectionery)	12% 18%
Dry fruits and processed nuts	12%

### GST Rates on Processed Food and Dairy Products (After Reform)

Product Category	GST Rate (Before GST 2.0)
Raw milk	0%
UHT milk	0%
Paneer	0%
Butter and ghee	5%
Cheese	5%
Packaged snacks and biscuits	5%

Cornflakes and breakfast cereals	5%
Dry fruits	5%
Ice cream	5%

### GST Tax Rates: Pre-Reform vs Post-Reform

Product	Pre-Reform GST Rate	Post-Reform GST Rate
Fresh Milk	Exempted	Exempted
Butter	12%	5%
Cheese	12%	5%
Ghee	12%	5%
Ice Cream	18%	18%
Paneer (packaged)	5%	5%
Flavoured Milk	12%	5%

The table shows that GST 2.0 reforms focused on reducing tax rates for essential dairy products, while luxury or highly processed products continued to attract higher GST rates.

### key features of GST 2.0:

#### Simplified Tax Structure

With GST 2.0, there are fewer tax slabs. 0%, 5%, and 18% are the main slabs, and 40% goes into luxury and sinful products. Because of this simplification, both consumers and businesses may better comprehend the tax system.

#### Reduction in GST Rates

Taxes on many goods and services have been reduced. Several items earlier taxed at 28% were shifted to 18%, making products cheaper. Many essential goods and medicines are taxed at 0% or 5%.

#### Lower Taxes on Automobiles

GST on automobiles and auto parts has been reduced. Many vehicles are taxed at around 18% instead of earlier higher rates, lowering car prices and encouraging consumer demand.

#### Digital-First Tax System

GST 2.0 uses AI-based and digital tools for tax administration. Features include automated return filing, e-invoicing, and real-time monitoring of transactions. This reduces tax evasion and improves transparency.

#### Simplified Input Tax Credit (ITC)

Businesses can claim Input Tax Credit more easily through automated matching. Faster refunds improve cash flow and reduce disputes.

#### Easier Compliance for Businesses

Small businesses can opt for simplified or quarterly filing systems. Faster registration and pre-filled returns reduce administrative burden.

#### Benefits of GST 2.0 to Consumers

Lower Prices of Essential Goods GST 2.0 reduced tax rates on many daily-use products such as packaged foods, soaps, and household items. Many of these goods are now taxed at around 5%, making them cheaper for consumers.

## **Affordable Consumer Durables**

Electronics and home appliances like TVs, air conditioners, and washing machines now attract 18% GST instead of 28%, reducing the overall purchase cost.

## **Cheaper Automobiles**

GST on small cars and two-wheelers has been reduced (for example, from about 28% to 18% in some categories), making vehicles more affordable for middle-class consumers.

## **Lower Cost of Healthcare and Medicines**

Several life-saving medicines and health products have been moved to 0% or 5% GST, improving access to healthcare and reducing medical expenses.

## **Affordable Insurance**

GST on some life and health insurance premiums has been reduced or removed, helping households obtain insurance at lower cost.

## **Benefits of GST 2.0 to Dairy Industries**

### **Reduction in GST Rates on Dairy Products**

GST 2.0 reduced tax rates on several dairy products. For example, UHT milk and paneer were made tax-free, while products such as butter, ghee, cheese, condensed milk, and dairy beverages were reduced to about 5% from 12%. This lowers the tax burden on dairy producers.

### **Increase in Demand for Dairy Products**

Lower taxes make dairy products cheaper for consumers, which increases demand and sales. Higher demand benefits dairy processing companies and cooperatives.

### **Lower Operational and Production Costs**

Reduced GST on packaging items like milk cans and other inputs helps decrease production and logistics costs for dairy industries.

### **Higher Income for Dairy Farmers and Cooperatives**

The dairy sector supports millions of rural families. GST rate reductions are expected to improve farmer income and strengthen dairy cooperatives across India.

### **Boost to Rural Economy and Employment**

The dairy industry is a major source of livelihood in rural areas. GST reforms benefit millions of farmers and workers, strengthening the rural economy.

## **Benefits of GST 2.0 on the Processed Food Industry**

With tax simplification, better compliance, and increased market demand, GST 2.0 has significantly changed India's tax system, particularly helping the processed food and food-processing sector. The following are the principal benefits:

**Reduced GST Rates**A number of processed foods, including biscuits, chocolates, pasta, jams, ice cream, and dry fruits, are now in the 5% GST band under GST 2.0 instead of the 12% to 18% range that they previously had. Lower tax rates make processed goods more accessible to customers by lowering production costs and retail pricing.

**Enhanced Demand from Customers**Increased purchases of packaged and processed foods are encouraged by lower prices.Demand is expected to rise, especially in rural and semi-urban areas where buying decisions are

heavily influenced by cost. Growth of the Food Packaged Sector Consumers are choosing branded products since the price differential between packaged and unbranded (loose) food has decreased due to a fall in GST. Organized food processing companies now have a stronger market presence because to this change.

**Supporting Farmers and Agricultural Value Chains** The growth of food processing increases the demand for agricultural raw materials such as milk, fruits, vegetables, and cereals, which benefits farmers.

Additionally, it helps reduce post-harvest losses by promoting processing and storage facilities. **Food Processing Industry Growth** The Indian packaged food business is expected to grow rapidly due to tax reforms and increasing demand; industry projections show strong future growth.

### **Analysis of Price Trends**

Market data from the secondary sector shows that the decrease in GST rates significantly impacted the retail prices of various dairy items. For instance, products like butter, cheese, and ghee saw slight decreases in price due to the lower tax rates. Paneer and flavoured milk became more affordable following the tax adjustments. Meanwhile, ice cream prices stayed largely consistent as GST rates remained the same. Nevertheless, other factors, such as input costs, transportation, packaging, and supply chain expenses, also played a role in determining market prices. Consequently, the reductions in price were moderate instead of drastic.

### **Findings of the Study**

The GST 2.0 reforms led to a more streamlined approach to tax rates for various processed foods and dairy items.

Key dairy products saw a decrease in GST rates, which lessened the financial strain on consumers.

Price trends show slight decreases or stabilization in the costs of several dairy products.

The reforms have enhanced transparency in the taxation processes for the food processing sector.

The dairy industry has gained from easier compliance and an improved tax framework.

### **Copyright & License:**



© Authors retain the copyright of this article. This work is published under the Creative Commons Attribution 4.0 International License (CC BY 4.0), permitting unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.