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GST REFORM 2.0 AND ITS IMPACT ON VEHICLE USERS (An Empirical Study)

ABSTRACT : This study focuses on the GST Reform 2.0 and its impact on the automobile industry. As we know, GST reform 2.0 is effective from 22 September 2025. These reforms have significantly reduced automobile taxation by simplifying tax rates and abolishing the compensation cess. Tax rates may be expected to be lower, which will direct benefit to consumers. Primary and secondary data were collected for the study. Secondary data were taken from government reports, websites, journals, and articles. Primary data for the study were collected from vehicle users planning to purchase vehicles for personal use. Simple Random sampling is used to select sample households and collect data from 200 respondents in Haridwar city, Uttarakhand. Consumer Buying Index is prepared. According to the reforms of GST, the GST rate on Bikes up to 350cc, Small petrol cars (≤1200cc), Small diesel cars (≤1500cc) is reduced from 28% to 18%, but there was no change (5% remained) on Electric Vehicles like Electric scooters, electric bikes, electric cars. It is found from the primary data that 65 per cent of respondents were aware of the GST reform 2.0, in which 59 per cent of respondents belong to urban areas and 6 per cent from rural areas. The study found that about 93.42 per cent of urban respondents and 85.42 per cent of rural respondents were satisfied with the GST 2.0 reform. Further, it has been noted that 79% of respondents were satisfied with the elimination of the compensation cess and the reduction in tax rates. The study concludes that reducing GST on two-wheelers is significantly beneficial to rural consumers, who can easily buy vehicles for personal use.

KEYWORDS: GST, Automobiles, Consumer Buying Index, Two-wheeler, Four-wheeler.

INTRODUCTION : The automobile industry involves the design, development, manufacture, marketing, and sale of various types of vehicles, including cars, trucks, buses, motorcycles, two-wheelers, three-wheelers, and other types. The vehicles are categorised as small car (<1200cc <4m) petrol-based, small car(<1500cc <4m) diesel-based, luxury car(>1500cc), two-wheeler (<350cc), electric four-wheeler (car), Two-wheelers above 350cc, electric two-wheelers, tractors, commercial vehicles (truck, bus), and hydrogen fuel cell vehicles.

GST (Goods and Services Tax is an indirect tax charged on the supply of goods and services in India. It came into force on July,1,2017 and is popularly known as 'one nation one Tax. GST reform 2.0 came into effect from September 22, 2025, and simplified the tax slabs.

Updated GST Rates for Automobiles : The previous complex structure of 28% GST plus varying cesses (upto 22%) has been replaced with a clearer system.

Sr. No	Vehicle Category	Previous Effective Rate	New GST2.0 Rate
1	Small Cars(Petrol <1.2L,Diesel <1.5L,lenth <4m)	29%-31%	18%
2	Luxury car & SUVs (Above small car limit)	43%-50%(28% GST+17%cess)	40%(without cess)
3	Two-wheelers(upto 350 cc)	28%	18%
4	Two-wheelers(above 350 cc)	28%GST+3% cess	40% without cess
5	Electric Vehicles	5%	5%
6	Tractor	12%	5%
7	Commercial Vehicles(Trucks,Buses)	28%	18%
8	Hydrogen Fuel Cell Vehicles	5%	5%

Source: https://service.gst.gov.in

Consumer Buying Decision: Consumers are people who buy goods for personal use, not for commercial purposes. Consumer Buying Decision means the consumer decided to buy goods after satisfying the condition whatever they need and want. The study focuses on the buying decision of personal vehicle users, the personal small car and the personal two-wheeler.

Two-Wheelers are vehicles, i.e., scooters, bikes, and motorcycles, primarily used for personal purposes. The GST reform 2.0: Two-wheeler < 350cc reduced from 28% to 18%; net impact is a relief of 10%. GST on Two-wheeler with power capacity above 350cc increased by 9%, but no changes for electric two-wheeler.

Four-Wheeler(car)-Four-Wheeler(car) for personal purposes are two types: small cars and Luxury cars. Petrol-based small Cars < 1200 cc <4 m got 11% relief; diesel-based small cars <1500 cc <4 m got 13% relief; mid-size/hybrid >4 m got 4% relief; and luxury cars> 1500 cc got 10% relief. No changes in GST were found for electric four-wheelers and hydrogen-based vehicles.

REVIEW OF LITERATURE :

Sarika.V(2025), study examines the recent GST reform 2.0 framework in India. The study is descriptive and analytical. The data was collected from SIAM, the Ministry of Road Transport & Highways, Industry Publications, and other government reports. The data collection period is 2016-2025. The study examines the price impact of the GST 2.0 reform. The results of the study showed that GST 2.0. Its simplified structure, reduced rates, affordable vehicle prices, and continued incentives are expected to boost vehicle sales.

Panwar. P et al. (2026) focused on reducing GST on cars to lower car prices. increases demand and, overall, has a positive impact on the industry's performance. The secondary data were collected from government reports, websites, and industry publications. Lower prices increase demand for vehicles, leading people to shift from two-wheelers to four-wheelers (cars), especially in smaller cities and towns.

Jayan .G &Kuruvilla .R(2026), the authors reported that the GST reform 2.0 has an impact on the automobile industry and contributes 7.1 per cent to the country's GDP, with 49 per cent to its manufacturing GDP. The GST reform 2.0 reduced tax rates, boosting demand and growth in certain segments.

R.Raghuveer (2026), this investigation was focused on the Indian automobile sector, which is a major contributor to employment generation, industrial output and tax revenue in the country. The findings of the study show the a lower tax rate which led to reduced ex-showroom prices of vehicle sales.

Srivastava .A (2026) examined the impact of the GST reform 2.0 framework because it was old. GST was burdened by a multi-tiered tax system, but it reduced the taxation burden. The GST reform 2.0 was implemented in September 2025, show 11% reduction in small cars,13% in car 1500 diesel-based,3% relief on hybrid cars,10% relief on luxury cars,and10% on two-wheeler, but no changes were found in electric vehicles,10% relief was seen on commercial vehicles. The analysis highlights three major outcomes: satisfaction among vehicle buyers due to reduced vehicle prices, rapid booking of a larger number of vehicles, and a structural positive shift in consumer sentiment. The study's results show that GST reform 2.0 not only simplifies tax calculation but also supports the automotive market's reinvestment and affordability.

RESEARCH QUESTION : To what extent does the GST reform 2.0 for personal vehicles influence first-time buyers' decision to buy the vehicles?

OBJECTIVE OF THE STUDY :

1. To study the buying decision of consumers of personal vehicles.
2. To study purchasing power of consumers.

RESEARCH METHODOLOGY : Research methodology is the blueprint of the entire research process. It justifies the choice of specific methods and explains how the data were collected and analyzed.

Types of Data: Data collected through primary and secondary sources. Secondary data were obtained from various research articles, government department reports, and research journals. Primary Data were collected from vehicle buyers through a well-prepared questionnaire distributed via Google Forms.

Sample Size and details of data: Primary data were collected from 200 respondents in Haridwar city, Uttarakhand. Data related to general information about sample household vehicles, i.e., two-wheeler, three-wheeler, four-wheeler, brand type, purchase year, price, source of funds or loan, etc. Data were collected from both those who have personal vehicles and those who plan to buy a two-wheeler or a four-wheeler (car). The data were recorded for both types of vehicles, i.e., conventional fuel vehicles (petrol and diesel) and electric vehicles.

Sampling Technique: A simple random sampling technique is applied to collect the required data, i.e., 200 respondents from Haridwar city, Uttarakhand.

Classification of Data: The data were divided into two groups, i.e., urban and rural areas.

Analysis of Data: The study was focused on the effect of GST reform 2.0 on consumer buying decisions. The collected data were analyzed by using statistical tools, i.e., consumer buying decision index, measure index from the respondents who were asked a dichotomous question

Buying Index of Personal Vehicles

Maximum = Mean + SD

Minimum = Mean - SD

The following formula was used for the Buying Index :

$$\text{Consumer Buying Index (CBI)} = \frac{\text{Total score of respondent}}{\text{No.of major factor}} \text{x}100$$

ANALYSIS OF DATA AND INTERPRETATION :

Table-1 Classification of sample households as per gender-wise

Gender	No. of Respondents
Male	160(80)
Female	40(20)
Total	200(100)

Source: Authors' Primary Data Collection, Figures in parentheses indicate percentage to total

From the above table, it is evident that the data collected from the study area shows that 80 per cent of respondents are male and 20 per cent are female. It means male respondents use vehicles as compared to female.

Table-2 Age-wise distribution of sample households

Age-Group(years0	No. of Respondents
18-28	31 (15.5)
Between 28-38	62 (31.0)
Between 30-48	53 (26.5)
Above 48	54 (27.0)
Total	**200(100)**

Source: Authors' Primary Data Collection, Figures in parentheses indicate percentage to total

The table reveals that the classification of data is based on age-wise, divided into four categories: (1) between 18-28 years,(2)between 28-38 years, (3)between 38-48 years, and (4)above 48 years. The table shows that the age group 28-38 has the highest number of personal vehicles, i.e., 62 respondents (31 per cent), followed by the age group above 48 years, i.e., 54 respondents (27 per cent). It means that under these categories, they have their own personal vehicles, whether two-, four-, or both-wheelers.

Table-3 Area-wise classification of data

Area	No.of Respondents
Urban	152(76.0)
Rural	48(24.0)
Total	**200(100)**

Source: Authors' Primary Data Collection, Figures in parentheses indicate percentage to total

The table above shows the details of sample households in the urban and rural areas of Haridwar city, Uttarakhand. 76 per cent of respondents belong to urban areas and 24 per cent of respondents are from rural areas. It indicated that urban-area respondents have better income sources; therefore, they are able to buy personal vehicles compared to rural respondents.

Table-4 Details of respondents' awareness about GST Reform 2.0 in Vehicles in the survey area

Option	Urban	Rural	Total
Yes	108(54.0)	12 (6.0)	120(60.0)
No	44 (22.0)	36(18.0)	80 (40.0)

Total	152 (76.0)	48 (24.0)	200(100)

Source: Authors' Primary Data collection, Figures in parentheses indicate percentage to total

Table 4 reveals the details of the sample households that are aware of the GST reform 2.0. As we know, the GST reform reduced the tax on personal vehicles. The table shows that 60 per cent of respondents are aware of the GST reduction on personal vehicles, while 40 per cent are not. Further, the table reveals that 108 respondents from urban areas and 12 from rural areas of Haridwar city are aware of GST reform 2.0 for personal vehicles. It means that urban-area respondents are more conscious than those in the rural area under study.

Table-5 Details of sample household who satisfied with GST reform 2.0

Option	Urban	Rural	Total
Yes	142(93.42)	41(85.50)	183(91.50)
No	10(6.58)	7(14.58)	17(8.50)
Total	152 (76.0)	48 (24.0)	200(100)

Source: Authors' Primary Data Collection, Figures in parentheses indicate percentage to total

The table shows the details of sample households that were satisfied with GST reform 2.0. Nearly 91.50 per cent of respondents were satisfied with the reduction of GST in personal vehicles in the study area.

Table-6 Effect of GST reform 2.0 on Consumer Decision to Buy Vehicles

Option	Urban	Rural	Total
Yes	125(82.24)	33(68.75)	158(79.00)
No	27(17.76)	15(31.25)	42(21.00)
Total	152 (100)	48 (100)	200(100)

Source: Authors' Primary Data Collection, Figures in parentheses indicate percentage of total

The table above shows the details of consumers' plans to buy personal vehicles after the GST reform 2.0. From the survey, it has been found that 79 per cent of respondents, i.e. first-time buyers, youth or students, plan to buy vehicles in both survey areas, but 21 per cent of respondents are disappointed. It may be due to the family's low income. However, their response to GST reform 2.0 was positive.

Table-7 Consumer Buying Decision Index of Vehicles

Category	Index Value	No. of Respondents
High	More than 414.4936	42(21.00)
Medium	Between 364.5064 and 414.4936	134(67.00)
Low	Less than 364.5064	24(12.00)

Source: Data Compilation and Calculation, Figures in parentheses indicate percentage of total

The Consumer Buying Index was estimated using a Likert scale after the GST reform 2.0. Index value classified into three categories: high, medium and low. The higher number of respondents (134) falls within the medium index value range of 364.5064 to 414.4936, followed by the higher category index value of 414.4936, i.e., 42 respondents. This means that the majority of respondents were satisfied with the GST reform for personal vehicles, i.e., two-wheelers or four-wheelers (small cars) in the future.

LIMITATION :

1. The study is restricted to the Haridwar district only.

FINDING :

1. It is found from the study that the awareness level of GST reform 2.0 was 54 per cent of respondents, against 22 per cent of respondents who were not aware in the case of the urban

area. In the total sample of households, 60 per cent of respondents were aware in urban areas, and 40 per cent in rural areas.
2. The results show 91.5 per cent of respondents were satisfied with GST reform 2.0 in personal vehicles in both the classified areas of urban and rural.
3. The consumer buying decision of vehicles in future was reported by 79 per cent of respondents who plan to buy personal vehicles.
4. It is found that the higher number of respondents (67 per cent) comes under the category of medium index value between 363.5064 and 414.4936, followed by 21 per cent in the higher category.

CONCLUSION : The study concludes that eliminating GST reduces the final price of two-wheelers, making them more affordable for youth, students, and first-time buyers, especially those from middle-class households. In rural areas, two-wheelers are the main mode of transportation; reduced prices will enhance accessibility and improve daily life by providing a transport option. The study concludes that GST on small cars has been reduced, which is the backbone of India's automobile market. The reduction in vehicle prices attracts consumers to purchase cars and also encourages youth and first-time buyers.

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