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ESWATINI

India launches GST 2.0 reforms with lessons for Eswatini
by Adekunle Owolabi (September 11, 2025)

Mbabane – The Government of India has rolled out sweeping Goods and Services Tax (GST) 2.0 reforms, which take effect on 22 September 2025, aiming to simplify its tax system while supporting inclusive growth. The reforms, announced by Prime Minister Narendra Modi during Independence Day celebrations in New Delhi, are expected to reshape India's economy and provide a policy blueprint for developing countries, including Eswatini.

India's new framework reduces the existing four-tier tax system to two main slabs—5 percent for essential goods and 18 percent for most goods and services. Luxury and "sin" products, such as high-end cars, aerated drinks and tobacco, fall under a 40 percent rate. More than 440 items will be affected, with 38 essential goods now tax-free and others shifting into lower categories.

Healthcare is a central focus. Life and health insurance policies are exempted from GST, while 33 lifesaving drugs, traditional medicines, and medical equipment have also seen tax reductions. For Eswatini, which faces ongoing healthcare funding challenges, the Indian example shows how tax policy can improve access to affordable treatment.

Farmers are also set to benefit. Taxes on agricultural machinery such as tractors and irrigation systems drop from 12 percent to 5 percent, while inputs like sulfuric acid and ammonia used in fertilizers shift from 18 percent to 5 percent. India hopes this will boost food security and rural livelihoods—issues equally pressing in Eswatini, where agriculture employs much of the population.

Manufacturing and exports are another priority. Textiles and automobiles, including small cars and motorcycles, will be taxed at lower rates, making them more competitive abroad. India's pharmaceutical exports, a major component of its trade with Eswatini, are expected to become cheaper, potentially improving medicine affordability in the kingdom.

The reforms also support the digital economy by lowering service taxes and adjusting export rules for service providers, positioning India to expand its global role in IT and outsourcing.

India's finance officials say the changes will cushion the economy against global headwinds, including US trade tariffs, by stimulating domestic demand. Economists predict the reforms could raise India's GDP by up to 1 percent and reduce inflation, a prospect that will be closely watched by governments in Africa.

For Eswatini, the reforms hold direct relevance. India is a key trade partner, exporting pharmaceuticals, machinery and fertilizers into the kingdom. With Eswatini's membership in regional blocs such as SACU and SADC, the lower Indian prices could flow through to Southern African markets.

The GST 2.0 package, approved through consensus by India's federal and state governments, is being presented as both an economic reform and a governance model. Its approach to balancing fiscal sustainability, social welfare, and political agreement may resonate with smaller developing nations charting their own growth paths.

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