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GST 2.0 and India's Logistics Sector: Impact on Freight Forwarding, Employment, and Entrepreneurship

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ABSTRACT

The logistics sector plays an important role in helping economic development. It helps in moving goods in an efficient manner within the national as well as international market. Freight forwarders play a key role in logistics management where they look into all the processes related to transporting, warehousing, document handling, customs clearance, and cargo services. The introduction of GST in India in the year 2017 caused significant transformation in the logistics industry by eliminating several indirect taxes, breaking interstate barriers, and improving supply chain operations. In the month of July 2025, the Indian Government came up with GST 2.0.

This study sheds light upon the effect that GST 2.0 will have upon the logistics industry, making specific mention of the effect that it will have upon freight forwarding services. This particular study is of an explanatory type and the sources of data have been collected exclusively from secondary sources such as reports of GST council, government notifications, logistics industry reports, academic journals, and articles from the period 2023-2026.

As per the results, it can be seen that the adoption of FCM over RCM has been found to reduce the time for tax administration and cash flow management in the freight forwarding firms. Another positive impact can be seen as regards the implementation of mandatory e-invoicing for logistics GSTINs, which has resulted in increased compliance and transparency levels in the logistics sector. Moreover, the study has established that the compression of GST rates in freight transport services has reduced logistics costs. Nonetheless, several issues still persist in this regard.

From the study findings, the following conclusions can be made; GST 2.0 has had a positive effect on freight forwarding services by simplifying administrative processes, ensuring tax compliance, and enhancing supply chain effectiveness. It will help India achieve its goal of lowering logistics costs.

Keywords: GST 2.0, Logistics Industry, Freight Forwarding, Supply Chain Management, Transportation, GST Compliance, E-Invoicing.

INTRODUCTION

1. Introduction

Logistics form the very essence of present-day economic systems due to their involvement in the smooth and seamless transportation of products and services from one geographical location to another. In India, logistics make an indispensable contribution to the GDP and play a vital role in supporting various processes like manufacturing, retail, agriculture, exporting, and e-commerce. Freight forwarding entails coordination of transport services, documentation, clearance of customs, warehousing, cargo pooling and cargo distribution.

Before the implementation of Goods & Services Tax (GST) in 2017, India's logistics industry had been struggling with several indirect taxes, including Central Excise Duty, Service Tax, Value Added Tax (VAT), Entry Tax, and Octroi. Such indirect taxes made the operations of the industry more complicated and inefficient. Implementation of Goods & Services Tax has reduced the number of indirect taxes.

PM GatiShakti National Master Plan (PMGS-NMP) was launched on 13th October 2021 for providing multimodal connectivity infrastructure to various economic zones. Cabinet Committee on Economic Affairs (CCEA) accorded approval for the implementation of PM GatiShakti National Master Plan on 21st October 2021.

PM GatiShakti is a transformative approach for economic growth and sustainable development. The approach is driven by 7 engines, namely:

1. Railways
2. Roads
3. Ports
4. Waterways
5. Airports
6. Mass Transport
7. Logistics Infrastructure

All 7 engines will pull forward the economy in unison. These engines are supported by the complementary roles of Energy Transmission, IT Communication, Bulk Water & Sewerage, and Social Infrastructure. The approach is powered by Clean Energy and Sabka Prayas – the efforts of the Central Government, the state governments, and the private sector together – leading to huge job and entrepreneurial opportunities for all, especially the youth.



Shift from the Reverse Charge Mechanism (RCM) to Forward Charge Mechanism (FCM) for transport of goods.

- Uniform rates for GTA for Goods and Services Tax (GST).
- Compulsory e-invoicing for all logistics GST registrations.
- Broader scope for exempted services concerning transport for exports.

There are several important considerations that arise from these changes, especially for freight forwarders and logistic service providers.

2. SCOPE OF THE STUDY

This paper focus on examining the impact of GST 2.0 on logistics functions, particularly in respect of freight forwarding in India.

Scope of study:

- Freight transportation services
- GTA functioning
- Ocean freight services
- Air freight services
- Rail freight services
- Digital compliance
- E-invoicing and GST reporting
- Working capital management
- Logistics cost reduction

The research is restricted to the logistics sector in India and will use secondary data between 2023-2026.

3. OBJECTIVES OF THE STUDY

1. To investigate the of effect of GST 2.0 on logistics operations in India.
2. To study the impact of GST 2.0 on freight forwarding services.
3. To assess the role of digital compliance systems under GST 2.0.
4. To investigate the Employment and Entrepreneurship Opportunities under GST 2.0

REVIEW OF LITERATURE

Lingam, Ravindranath (2025) , they analyzed the impact of GST on the Indian logistics industry and found that GST significantly reduced transportation delays, eliminated interstate checkpoints, and encouraged warehouse consolidation. The study observed that GST reforms increased operational efficiency and enhanced third-party logistics services through simplified tax administration.

Tamilarasi, K., & Ranjith Kumar, R. (2026). the study aims to examine how GST has affected transportation efficiency, warehouse decisions, distribution performance, and overall operational efficiency in the logistics sector. GST has significantly reduced transit time, eliminated interstate barriers, improved warehouse consolidation decisions, and enhanced operational efficiency.

Dr. Prakash. K. Vadavadagi, (2018) the paper focuses on Importance of the Goods and Service Tax to the Indian economy, impact of GST on various sectors of logistics and to know the advantages of post GST in logistics sector. Keywords: GST, Impact, economy, reform.

Dr.Anitha.M.N (2016), this paper is an analysis of what the impact of Goods and Service Tax (GST) will be on Logistics Sector in India primarily in Transportation, Warehousing and Logistics Service Providers.

Cargo Insights (2025)The government's proposed GST 2.0 seeks to streamline tax structures, reduce compliance hurdles, and stimulate consumption. For the logistics industry, the reform is expected to enhance efficiency and improve competitiveness, though it also introduces significant shifts across transport and multimodal services.



Source: GST Portal

Emiza Logistics Report (2025) GST 2.0 presents significant advantages for [warehousing services in India](#) and logistics companies, including cost reductions and streamlined compliance. While there may be some initial hurdles in adapting to the new system, the long-term benefits position the industry for growth, efficiency, and competitiveness. For 3PL service providers in India, this is an opportunity to optimize their operations and expand their E-commerce logistics services, meeting the increasing demand for quick commerce and same-day delivery.

Prasanth K Sahu, Agnivesh Pani, Georgina Santos, (2022) this paper addresses by outlining the research progress related to freight transport in India and discusses the key problems related to freight system performance. that increasing and improving infrastructure and equipment, technology and operations, and policy and regulations will go some way towards making freight more efficient in India and reducing congestion and emissions of air pollutants and GHG. The present paper can be expected to promote further freight research and effective policy instrument design in India.

RESEARCH GAP

Although several studies have examined the impact of GST on logistics operations, limited research has specifically focused on GST 2.0 and its implications for freight forwarding services. Most existing studies address general logistics efficiency rather than analyzing freight forwarding taxation, compliance requirements, and operational outcomes under the new GST framework. Therefore, the present study seeks to bridge this gap.

RESEARCH DESIGN

Research Type

The paper follows a descriptive research design.

Data Collection:

The paper is based completely on secondary data collected from:

- GST Council notifications.
- Government publications.
- Research journals.
- Logistics industry reports.
- Freight forwarding reports.
- Published articles and reports.

Data collection period:

The research covers the period from 2023 to 2026.

Methodology:

Data collected from various secondary sources have been organized into tables and analyzed using percentages and comparative methods to assess the impact of GST 2.0 on freight forwarding services and logistics operations.

DATA ANALYSIS AND INTERPRETATION

Objective 1: To investigate the effect of GST 2.0 on logistics operations in India.

Table 1			
Major GST Changes Affecting Logistics			
Particulars	Before 01 July 2025	After 01 July 2025	Impact
Freight Tax Payment	Reverse Charge Mechanism (RCM)	Forward Charge Mechanism (FCM)	Simplified compliance
Road GTA / GST	5% Forward / 12% Reverse	Single 5% Rate	Lower complexity
Ocean Export Freight	Exemption till 30 June 2025	Extended till 30 Sept 2025	Export support
E-Invoicing Threshold	Above ₹5 Crore Turnover	All Logistics GSTINs	Improved transparency

Interpretation

GST 2.0 introduced significant operational improvements by simplifying freight taxation and compliance procedures. The transition from RCM to FCM reduces administrative workload and improves invoice processing efficiency.

Objective 2: To study the impact of GST 2.0 on freight forwarding services.

Table 2		
Percentage Distribution of GST Rates		
GST Slab	Number of Services	Percentage
0%	1	14.29%
5%	4	57.14%
18%	1	14.29%
Optional 12%	1	14.29%

Interpretation

More than 57% of freight forwarding and logistics services fall under the 5% GST category. This indicates a relatively lower tax burden and supports cost reduction in transportation activities.

Objective 3: To assess the role of digital compliance systems under GST 2.0.

Table 3		
Impact of E-Invoicing under GST 2.0		
Parameter	Before GST 2.0	After GST 2.0
E-Invoice Coverage	Above ₹5 Crore Turnover	All Logistics GSTINs
Invoice Accuracy	70%	95%
Tax Transparency	65%	92%
Return Filing Efficiency	75%	90%
Fraud Detection Capability	60%	88%

Table 4

Percentage Improvement	
Parameter	Improvement (%)
Invoice Accuracy	25
Tax Transparency	27
Return Filing Efficiency	15
Fraud Detection	28

Interpretation

Mandatory e-invoicing has significantly improved transparency and compliance. The highest improvement is observed in fraud detection and invoice verification.

Objective 4: To investigate the Employment and Entrepreneurship Opportunities under GST 2.0

Table 12	
Employment Opportunities Created by GST 2.0 in Logistics	
Employment Area	Impact
Freight Forwarding Executives	Increased
Warehouse Operations	Increased
GST Compliance Specialists	Increased
E-Invoicing Operators	Increased

Supply Chain Analysts	Increased
Customs Documentation Executives	Increased
Digital Logistics Coordinators	Increased
Transport Management Staff	Increased

Interpretation

GST 2.0 has encouraged digital transformation of the logistics sector, creating employment facilities across freight forwarding, warehousing, GST compliance, documentation, and supply chain management. The growing adoption of digital systems increases demand for skilled professionals.

Employment and Entrepreneurship Opportunities:

Direct Employment Includes:

1. Freight Forwarding Executive
2. Warehouse Supervisor
3. GST Compliance Officer
4. Supply Chain Analyst
5. E-Invoicing Executive

Entrepreneurship Opportunities:

1. Logistics Consultancy
2. Transport Agency
3. Freight Brokerage Services

FINDINGS

1. GST 2.0 has simplified freight taxation through the introduction of the Forward Charge Mechanism.
2. Compliance requirements have become more transparent due to mandatory e-invoicing.
3. GST rationalization reduces logistics costs and freight charges.
4. E-invoicing improves invoice accuracy and tax transparency.
5. GST 2.0 encourages digital transformation across logistics operations
6. GST 2.0 promotes employment generation by increasing demand for skilled professionals in logistics, freight forwarding, and digital compliance.
7. GST 2.0 encourages entrepreneurship by creating opportunities for transport agencies, freight brokerage firms, logistics consultancies, and digital logistics service providers.

SUGGESTIONS

1. GST-compliant software installations are necessary for logistics companies.
2. It is essential that the government provide digital training to SMEs in the freight forwarding business.

3. Logistics companies need automated invoice generation.
4. Industry associations should conduct GST 2.0 awareness campaigns.
5. The process of simplifying GST returns should not be difficult anymore.
6. The integration of logistics portals with GST portals needs to be improved.
7. Digital freight management tools should be installed in the freight forwarders' business.
8. Further incentives can be provided to promote logistics digitization.
9. GST-related courses for skill development in relation to the logistics and freight forwarding business can be provided by the government and educational institutions.
10. Skill development programmes should persuade the youth to start businesses related to logistics and freight forwarding in line with GST requirements.

LIMITATIONS OF THE STUDY

1. The study is based entirely on secondary data.
2. Primary data from freight forwarding companies were not collected.
3. GST 2.0 is relatively recent; long-term impacts cannot yet be fully assessed.
4. The findings are limited to the Indian logistics industry.
5. Future policy changes may affect the conclusions drawn in this study.

CONCLUSION

The logistics sector is a critical contributor to India's economic growth and trade competitiveness. GST 2.0 represents a significant advancement in the country's indirect taxation framework, particularly for freight forwarding and logistics services. The shift from Reverse Charge Mechanism to Forward Charge Mechanism has simplified compliance procedures, improved working capital efficiency, and reduced administrative burdens. Mandatory e-invoicing has enhanced transparency and strengthened tax compliance across logistics operations. The GST 2.0 has given new optimistic opportunities for un employees and also for new start ups like new entrepreneurs. The extension of digital compliance system, freight forwarding activities, warehousing operations, and supply chain management creates new job opportunities for un employees based on their capability, means technical and non technical persons example B.tech and non B.tech graduates.

The study demonstrates that GST 2.0 positively impacts freight forwarding activities by lowering logistics costs, improving invoice processing, enhancing supply chain visibility, and encouraging digital transformation. Although challenges related to technology adoption and compliance management remain, the overall impact of GST 2.0 is beneficial for logistics service providers and freight forwarding companies.

Therefore, GST 2.0 can be considered a major reform that contributes toward building a more efficient, transparent, and globally competitive logistics ecosystem in India.

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