

THE EQUITY-COMPLEXITY TRADE-OFF IN TAX POLICY: LESSONS FROM THE GOODS AND SERVICES TAX IN INDIA

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Abstract: Developing countries often rely on consumption taxes, because these are broad, easy to administer, and harder to evade. However, the taxation system becomes inherently regressive. To counter this problem of the regressive nature of consumption taxes, there is a temptation among policymakers to address equity concerns through a multiplicity of rates, making the consumption tax system complex. Here, complexity is considered the by-product, or companion, to pursuing goals of equity. Complex tax systems, however, pose a different problem relating to equity. Assuming a minimum fixed cost of compliance imposed by a complex tax system, smaller firms and individuals face a much higher cost of compliance relative to larger firms and richer individuals. Oligarchic sectors dominated by a few large firms also find it easier to organize and lobby to get favorable rates compared to competitive sectors with small firms. Though complexity is considered a by-product of several equity-enhancing measures, the Indian experience with its Goods and Services Tax reform serves demonstrates the opposite, that there is a trade-off between equity and complexity.

KEY WORDS: India, Goods and Services Tax (GST), value added tax (VAT), regressive tax, consumption tax, complexity, compliance costs, rent seeking

I. INTRODUCTION

This essay explores the question of the equity-efficiency trade-off in taxation, using the cautionary tale of the Goods and Services Tax [hereafter GST] reform in India. Indirect taxes targeting consumption, like the GST, are broad, easy to administer, and harder to evade. Because the poor spend a larger proportion of their income on consumption, changing the system to a value added tax (VAT) like the GST can make the overall taxation system inherently regressive.¹ To make the tax more equitable, policymakers create multiple rates and exceptions, with essentials at lower rates and luxury goods at higher rates. However, multiple rates and a complex tax structure result in high compliance costs, which can also be regressive. This is an important aspect to consider in the equity versus efficiency trade-off in tax systems.

The standard concerns for equity and efficiency in taxation have dominated the conversation for decades. The famous “leaky bucket” analogy—in

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¹ Liam Ebrill, Jean Paul Bodin, Michael Keen, and Victoria Summers, *The Modern VAT* (Washington, DC: International Monetary Fund, 2001).

which income redistribution from the top 5 percent to the bottom 20 percent of income earners, while desirable, never makes it in its entirety and is lost in transmission²—is well-known. This trade-off is naturally context-dependent, and developed countries face quite different choices than developing countries.³

There are many considerations of justice and equity in developing countries, in the creation of overall tax policy. Should the tax policy be focused on direct or indirect taxes, that is, should the policy tax labor or consumption? The problem is that consumption taxes tend to be regressive, while taxing labor, especially highly skilled labor, can distort the labor market, lead to “brain drain” or human capital flight, and set countries on a lower growth path.

Focusing only on consumption taxes, another aspect of equity today is to punish those producing and consuming “sin” goods like guns, alcohol, tobacco, fatty foods, and so on, to implement behavioral changes. On the other hand, consumption taxes also reward “green” goods like electric vehicles. These new goals are part of the larger goal of equity in society. However, this approach can also result in a regressive tax policy. Another issue is whether governments should tax wealth and property, or tax consumption and investment. Additionally, once we come to the specifics, like taxation on inheritance or on dividends, there is the additional temporal element—a trade-off between imposing costs or benefits on the present versus future generations.

In each of these spheres of tax policy, instead of identifying and implementing one specific policy that would lead to equity, over the decades, most governments attempt to target multiple goals packaged as equity. As a result, tax policies have increased in complexity, and such complexity is justified to further the goals of equity. Equity is a buffet of policies—in addition to progressive versus regressive tax, there are issues of real income distribution, in federal states—the additional question of equity between states, nudging consumers away from addictive goods, punishing sin goods, and encouraging green goods, encouraging local producers, and so on. The consequence of pursuing these equity enhancing goals is complexity in the taxation system. The trade-off between complexity and efficiency is clear. Complexity is a by-product of some equity goals pursued by policymakers. But there is also a trade-off between complexity and equity, especially in developing countries with weak state capacity.

Using the example of the GST reform implemented in India in 2017, I argue that complexity in tax policy can be regressive in developing countries. The cost of compliance is higher for smaller firms and low-income earners. There are three reasons complexity in the tax system like the GST is

² Arthur Okun, *Efficiency and Equity: The Big Tradeoff* (Washington, DC: Brookings Institution, 1975).

³ Robin Burgess and Nicholas Stern, “Taxation and Development,” *Journal of Economic Literature* 31, no. 2 (1993): 762–830.

regressive: (1) the costs of compliance is regressive as smaller firms will spend a larger proportion of their income/revenue in compliance costs; (2) sectors that are oligarchic with few large firms will find it easier to collectivize and lobby for lower tax rates compared to sectors with a large number of competitive firms; and (3) if the government favors some sectors but wants to still remain revenue neutral, it will increase taxes imposed on other sectors, typically those sectors that are unorganized and have a large number of small competitive firms. These aspects are evident in the case of India's GST, as I shall elaborate in this essay. Where the tax policy is complex because of a multiplicity of equity goals, governments may achieve neither equity nor efficiency.

The GST reform took almost a decade, as all Indian states needed to form consensus over giving up their individual taxes levied within the state and actually moving toward a uniform system of VAT. The Indian Constitution was amended to reflect the change. So, in addition to many federal and state taxes becoming a single GST, the effect of the GST was to turn India into one large free trade zone, with a single tax rate. It was marketed to citizens, businesses, investors, and multilaterals as the "Good and Simple Tax."

However, by the time the reform was complete, it was neither good nor simple. Pursuing several different goals, all masked as increasing or furthering equity, the GST has furthered interest groups seeking rents, tax concessions, and privileges. As a result, India now has eight different GST rates—0 percent, 0.25 percent, 1.5 percent, 3 percent, 5 percent, 12 percent, 18 percent, and 28 percent, and twenty-one different cesses in addition to the GST. According to the World Bank India Development Update 2018, of the 115 countries with a GST regime, 40 countries use a single rate, and 28 countries use two rates. India is an exception along with Italy, Ghana, Pakistan, and Luxemburg—countries with four or more rates.

While the intention in India was to have a good and simple tax, the government gave up on an efficient single rate to ostensibly accommodate equity, levy higher tax rates on luxury goods, as well as punish producers of sin goods. This proliferation of rates makes India's GST system extremely complex, and consequently, regressive.

In [Section II](#), I describe the need for the GST in India, and how it was an attempt to improve the existing taxation system. In [Section III](#), I detail how the process of bringing consensus for the reform also meant a proliferation of rates. In [Section IV](#), I argue that complexity in GST also makes it regressive, and therefore, there is a trade-off between complexity and equity. In [Section V](#), I conclude.

II. INDIA'S MOVE TO THE GOOD AND SIMPLE TAX

Pre-GST, India's tax system was ineffective, expensive, complex, and full of exceptions. The GST effectively subsumed almost all existing indirect taxes—Central Excise Duty, Service Tax, VAT, Central Sales Tax,

entertainment tax, Octroi, luxury tax, many cesses/surcharges and various other state and central levies on goods and services. The exceptions alone, as estimated by Subramanian,⁴ cost the government about 2.7 percent of GDP. While the VAT system in developing countries has been criticized,⁵ there is widespread agreement that it is an improvement over the pre-2017 indirect taxation system in India. The original goal was to formulate a GST that would subsume all these different taxes into one single tax.

The advantage of shifting to the GST was threefold. The first advantage was in having a tax system that was easy to comply with. The union government alone had several indirect taxes—Central Sales Tax; Central Excise Duty; additional duties of excise levied under the Medicinal and Toiletries Preparation Act; additional duties of excise levied under Textiles and Textile Products; additional duties of customs (Countervailing Duties [CVD] and Special Additional Duties [SAD]); Service Tax; Surcharges; and Cesses. Simplifying this into a single tax would reduce compliance costs for individuals and firms, reduce administrative costs for the government, reduce tax and regulatory arbitrage, as well as increase tax buoyancy.

Second, unifying the state tax system and converting India into a single free trade zone with no differential levies while crossing state borders was a big advantage of switching to the GST. Every state set its rates for the following kinds of taxes: State Sales Tax or in some states the State VAT; Purchase Tax; State Entertainment Tax; Luxury Tax; Entry Tax (All Forms); Taxes on lottery, betting, and gambling; Surcharges and Cesses; and Taxes on advertisements. There are two aspects to indirect state taxes. First, unifying the taxes within each state would accrue the same benefits as unifying central taxes of reduced compliance costs, reduced arbitrage, and tax buoyancy. The second element of differential tax rates is the entry taxes imposed on interstate trade. Such tax rates essentially fragmented the Indian economy and created tariffs for interstate trade that did not exist for intrastate trade. In other words, India was a single country with freedom of movement, but it was not a single free trade zone.

This caused enormous logistical delays and imposed high costs on any activity that was conducted across states. For instance, goods transporting trucks in India drive 280 kilometers per day compared to 450 kilometers per day in Brazil and 800 kilometers per day in the United States. Only 40 percent of the total travel time is spent on driving, while checkpoints and other official stoppages take up almost one-quarter of total travel time. Eliminating differential tax rates and entry fees, and thereby checkpoints, would

⁴ Arvind Subramanian, "Report on the Revenue Neutral Rate and Structure of Rates for the Goods and Services Tax (GST)," *Ministry of Finance, Union of India*, 2015.

⁵ M. Shahe Emran and Joseph Stiglitz, "Equity and Efficiency in Tax Reform in Developing Countries," (2007). Available at SSRN: <https://ssrn.com/abstract=1001269> or <http://doi.org/10.2139/ssrn.1001269>.

keep trucks moving almost six hours more per day, equivalent to an additional 164 kilometers.⁶

Leemput⁷ shows that interstate trade costs exceed intrastate trade costs by a factor of seven to sixteen. Bringing India's interstate trade costs down to the U.S. level (that is, reducing by a factor of six) increases welfare by 15 percent, and eliminating intrastate trade frictions raises welfare by 5 percent. Seventy-two percent of all freight traffic in India moved on roads, and these border checkpoints imposed an enormous cost on Indian domestic trade. Unpredictability in freight transport requires manufacturers to hedge against possible delays by carrying higher levels of inventory. Including indirect effects on inventories and sales, logistics is 10 to 14 percent of the operating costs of manufacturing firms, by far the largest cost difference between them and services firms. Domestic freight performance is explained almost entirely by distance and state-border crossings. Adding two border crossings can add a week of uncertainty in shipments.⁸ The World Bank estimated that about 20 to 30 percent of the overall costs of domestic transport are because of taxes and can be expected to reduce with the introduction of the GST and the elimination of border checkpoints.⁹

The third advantage of switching to the GST was the potential to reduce corruption and tax evasion. Given the proliferation of rates and limited state capacity, India's tax administration system is rife with corruption and Indian firms are notorious for evasion. However, the built-in governance processes that are part of the VAT system ensures that tax credits are only given when the tax liability is disclosed. In other words, the administrative cost of collecting the GST is reduced because of the self-policing incentive inherent to a VAT. In addition to incentive-aligned self-policing by firms, the GST has an additional dual monitoring structure—by the state government and by the union government. Hence, there is a greater probability that evasion will be detected.

The tax reform to switch to a single rate GST also received widespread support from economists within and outside government. Within the government, various committees addressed the question of the equity trade-off with a single rate GST. The *Report of the Task Force on GST* argued in favor of a single rate on the grounds of improving efficiency and reducing corruption.¹⁰ The report also stated that a single GST rate "to the extent, it enhances economic efficiency, it will also create new opportunities for employment which would obviously benefit the relatively poorer section of the society and improve equity." The *Thirteenth Finance Commission Report* also

⁶ JPS Associates, "Study on Economics of Trucking Industry," Final report submitted to the Ministry of Shipping, Road Transport and Highways, October 2011.

⁷ Eva Van Leemput, "A Passage to India: Quantifying Internal and External Barriers to Trade," *FRB International Finance Discussion Paper* 1185 (2016).

⁸ GTCDR South Asia, "Republic of India Manufacturing Plan Implementation Supply Chain Delays and Uncertainty in India: The Hidden Constraint on Manufacturing Growth," 2014.

⁹ World Bank, "Fiscal Policy for Equitable Growth," *India Development Report*, 2015.

¹⁰ *The Report of the Task Force on GST* (2009).

recommended a single positive rate on all goods and services and suggested that the government look to other welfare instruments to enhance equity.

For these three reasons, the GST reform in India had bipartisan support in Parliament, as well as support at the union government and state-level governments. In effect, this meant that most of the major political parties of India came together to implement the reform. But all the states, governed by different political parties, had to sign on to the reform and give up their ability to set their tax rates and decide based on the consensus formed in the GST Council. Since GST acts a trade treaty as much as a tax treaty—the benefits of a larger free trade zone with no differential tariffs and checkpoints were clear for all to see. Almost everyone anticipated that in the long run, states' share in tax revenue would increase. However, in the short run, some states might also see a drop in the revenue under the new GST system. And since these benefits would take some time to materialize, the compensation structure was created to ensure that short term costs would not hamper long-run benefits. The union government promised to make up the shortfall in revenues under a compensation structure for the first five years of the reform.

III. THE ROAD FROM SIMPLE TO COMPLEX IS PAVED WITH GOOD INTENTIONS

The move to a GST in a federal system is no small feat. There is a constitutional trade-off in implementing the GST. States would lose some more fiscal/federal autonomy, in an already centripetal fiscal structure. But in return, states would gain a larger market—the key to long-run prosperity—and hence larger revenues. But to make this entire reform possible, Parliament had to pass a constitutional amendment (the One Hundred and First Amendment of the Constitution of India), as well as have half the states ratify the constitutional amendment, since it amended the entrenched clauses in the constitution.¹¹

Once this was accomplished the first question was what goods and services would be included in the purview of the GST. That battle for a broad system covering all categories of goods and services was lost on multiple margins. Five areas were excluded from the GST altogether, because the states did not want to let go of control over revenues from these goods. Sale of land and real estate is notorious for the highest levels of corruption and tax evasion, but because so much of the land is either directly owned or controlled by political middlemen, including land and real estate in the GST, this area was a non-starter. Similarly, revenue from alcohol sales is one of the highest shares of state tax revenues and losing control over that was also politically difficult. This was further exacerbated by the fact that some states have complete prohibition over alcohol, while others consider it a sin good, and the third category of alcohol-producing states tax it at lower

¹¹ Article 368, Constitution of India.

levels. Electricity, petrol, diesel, natural gas, and so forth were also left out of the GST system with separate taxes levied on them.

The other aspect of the reform, aside from consensus building, was the question of the tax rate. Various experts came up with different rates for a single GST. Consider the Report on the Revenue Neutral Rate and Structure of Rates for the Goods and Services Tax.¹² The Revenue Neutral Rate is the single non-zero GST tax rate that would preserve the revenue at the levels before the GST reform. The report estimated a 15 percent single GST revenue-neutral rate. Most economists suggested a single rate, or at most two rates, mostly along these lines. There were differences in methodology, on the effect of the new GST system on the tax base and revenue collection in the short run, but the idea was largely the same, to ensure a single rate at or above the revenue-neutral rate. Kelkar and Shah estimated the lower end of that range, arguing that applying a single 10 percent rate on 70 percent of the economy would yield 7 percent of GDP as tax revenues.¹³

The report¹⁴ commissioned by the Ministry of Finance, anticipated the political considerations that were brewing. While the report strenuously recommended a single GST rate as a medium-term goal for India, it recommended a three-rate structure. First, a 12 percent GST for goods consumed by the poor; second, the standard GST rate applied to most goods at 17 to 18 percent; and third, demerit goods (luxury or sin goods) at 40 percent. There were a few roadblocks on the way to a single GST rate.

The main challenge in having a single GST rate across the country and all goods and services, was the perception of equity. The idea that a country with predominantly poor people would pay the same rate for their bread as the rich for their Mercedes, was politically and publicly untenable.

The problem was not just related to the GST, but more fundamental. In India, the share of direct taxes in total tax revenue, for both the union and state governments, is only 35 percent. Indirect taxes, now unified as the GST, are therefore inherently regressive because they tax consumption. The poor spend a larger share of their income, sometimes their entire income, on consumption relative to the rich, and therefore end up paying a larger proportion of their income in taxes relative to the rich. The rich, in India and across the world, tend to save a larger proportion of their income, which savings are not taxed. With GST imposed on most goods, and with higher tax rates, the inherently regressive nature of GST becomes more severe.

Right off the bat, there were two options under consideration—the first was to have a zero rate for essentials that the poor relied upon, and a high rate for everything else. But this would affect revenue collections, and having a single high rate, with everything else taxed at zero would deviate from revenue neutrality—perhaps the most important consideration for the

¹² Subramanian, "Report."

¹³ Vijay Kelkar and Ajay Shah, *In Service of the Republic: The Art and Science of Economic Policy* (Westminster: Allen Lane, 2019).

¹⁴ Subramanian, "Report." Supra n. 4.

union government. The alternative was to have a revenue-neutral rate for most goods and services and have very high rates for luxury goods.

There was a stable and persistent coalition pushing for the latter to create multiple rates, not unlike the bootleggers and Baptists lobbying for restrictions on sale of alcohol in the American south.¹⁵ If the pro-poor in India were the baptists, then the bootleggers were not far behind. Thus, enormous pressure came from different sectoral lobbies.

This was already a deviation from the general prescription of economists who have argued for a simpler tax system even before the GST reform. This comes from a larger literature on efficient taxation and multiple tax rates. The Ramsey rule states that under certain assumptions, the excess burden of excise taxes is minimized when goods are taxed in inverse proportion to their elasticities of demand. However, once the knowledge problems and incentive problems faced by government actors are acknowledged, the multiplicity of rates because of the Ramsey rule may no longer be efficient.

James Buchanan noted that standard public finance assumes a benevolent dictator and that the standard analysis assumed different motivations for those in the public sector versus those in the private sector.¹⁶ Buchanan uses the same behavioral assumptions for both private and state actors, that is, they are assumed to be utility maximizers who respond to the incentives they face and make use of the information available to them. State actors and decision makers who design taxes do not have sufficient information on demand elasticities to create a tax structure that conforms to the Ramsey rule, even if they want to. Armed with this kind of behavioral symmetry, and the incentives and information problems, the efficiency of multiple tax rates comes under question. Holcombe argues that if policy makers nominally try to implement the Ramsey rule, the incentives inherent in the political process will lead to non-optimal taxes and will result in a substantial number of rent-seeking losses while doing so.¹⁷ This is also applicable to other kinds of taxes, including the GST in India.

In the context of import tariffs, Panagariya and Rodrik argue that while the case for uniform tariffs is not watertight, uniformity minimizes the pressures for favorable (higher) rates on some goods over others.¹⁸ The commitment to a uniform tax rate introduces a free-rider problem for industries to lobby for lower rates for themselves (since such lower rates are then extended to everyone).

This process of rent seeking began to unfold in India as soon as the GST with multiple rates was announced. Given the proliferation of dozens of

¹⁵ B. E. Yandle, 1983. "Bootleggers and Baptists: The Education of a Regulatory Economist," *Regulation* 7, no. 3 (1983): 12.

¹⁶ James Buchanan, "Public Finance and Public Choice," *National Tax Journal* 28, no. 4 (1975): 383–94.

¹⁷ R. G. Holcombe, "The Ramsey Rule Reconsidered," *Public Finance Review* 30, no. 6 (2002): 562–78.

¹⁸ Arvind Panagariya and Dani Rodrik, "Political-Economy Arguments for a Uniform Tariff," *International Economic Review* 34, no. 3 (1993): 685–703.

union and state rates and hundreds of exemptions over the decades in India, virtually every sector had some special tax concessions and provisions hard-won by lobbies. With a potential single rate GST and no exemptions, some goods and services would end up having their tax rate increase while other goods, especially luxury goods, would see the tax liability decrease. Every single lobby wants its tax burden to decrease and not increase. This is impossible with a single rate. All well-organized sectors suddenly tried to prove their essential status or their contribution to the poor—either by showing consumption patterns, or in case of luxury goods, by demonstrating employment or the supply of essential infrastructure to the economy, and so forth.

State actors also have incentives to increase the number of rates. There are two sets of pressures, favoring different groups, that end up in rate proliferation. The first is with respect to the lobbying efforts of various sectors, which tend to increase the number of rates and exceptions and decrease government revenues, since these lobbying efforts aim to decrease the tax rates for the benefit of those who are lobbying. However, there is an opposing pressure, which is to remain revenue neutral despite the lobbying efforts. To mitigate the impact of the concessions given to favored industries, state actors will increase the tax rate on those goods and services that are relatively inelastic in demand and belong to sectors that are relatively unorganized. Therefore, the kind of rent seeking and lobbying that leads to rate reduction for some special industries will also be accompanied by rate increases for other industries. Both pressures lead to frequent rate changes, increase in exceptions, and eventually rate proliferation.

Initially, most of the goods and services approaching the GST council (listed in [Appendix I](#)) managed to receive a rate reduction from the GST council. For instance, the 23rd GST council meeting reduced rates for over 150 goods and services from 28 percent to 18 percent with no clear guidelines or criteria of equity. However, in the last two to three years, as tax revenues have decreased, there is also a pressure to increase revenues or remain revenue neutral. This has come in two forms. The first is a rate increase for goods like woven fabrics, handmade matches, polythene sacks, caffeinated beverages, and so on. Some of these goods are made by small firms in the unorganized sector and cannot lobby for favorable rates. The other method has been to increase the number and percentage of cesses imposed on “sin” goods like tobacco listed in [Appendix II](#), as they tend to have relatively inelastic demand.

In addition to equity concerns and rent-seeking pressures, a third reason for rate proliferation is the attempt to use the GST to bring about behavioral changes. First is by having high rates or “sin taxes” for goods like tobacco. And second is by providing lower and favorable rates to “green” or environmentally friendly goods. For sin goods, like tobacco, the GST rate is the highest, at 28 percent and in addition, cesses are

imposed. These cesses on tobacco products range from an additional 5 percent to 204 percent depending on the type of tobacco product. (See Appendix II listing cesses.)

Equity goals also get complicated with sin goods. Beedi, considered the “poor man’s cigarette” is taxed at the highest rate, at 28 percent GST. However, unlike cigarettes, no additional cess is imposed on beedis. This has led critics to call for a cess on beedis to help reduce tobacco consumption among lower income groups. Adding a cess to beedis would make the GST more regressive; however, not adding the tobacco cess (intended to nudge behaviors that presumably improve health) will treat lower income groups unfavorably, by not trying to reduce beedi sales through the tax instrument.

Similarly, for green goods, electric vehicles and electric vehicle chargers were encouraged through a rate reduction, while SUVs and diesel vehicles saw an increase in the tax rate because of an added cess. However, diesel engines for tractors saw a rate decrease to encourage farmers, especially small farmers. Taxing diesel vehicles at a higher rate to meet “green goals” can also have regressive effects because it is an input in agriculture, and small commercial vehicles.

The trouble with this kind of lobbying is that the government had to follow through with consequences if the industries and firms at issue did not cater to the poor and tried to profit from the rate change. One bad idea led to the next, and the government announced that it would monitor the prices of goods and services before and after the tax rate reduction. To do this the government made provisions to set up an “Anti-profiteering Authority” to ensure that reduction in tax rates under the GST results in a decrease in prices of goods and services.¹⁹

Finally, there was pressure either to have a single rate with a lot of exemptions, or alternatively, to have multiple rates applying to different goods, with the state carefully analyzing what kinds of goods qualify as essential, those used by the poor, luxury goods, sin goods, and so on. In the process, rates proliferated. From the original suggestion of a single non-zero revenue-neutral rate, the Indian GST system today has eight different rates. 0 percent, 0.25 percent (gemstones), 1.5 percent (diamonds), 3 percent (gold), 5 percent, 12 percent, 18 percent, and 28 percent.

¹⁹ (Section 171, Central Goods and Services Act, 2017): (1) Any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices. (2) The Union Government may, on recommendations of the Council, by notification, constitute an Authority, or empower an existing Authority constituted under any law for the time being in force, to examine whether input tax credits availed by any registered person or the reduction in the tax rate have resulted in a commensurate reduction in the price of the goods or services or both supplied by him. (3) The Authority referred to in sub-section (2) shall exercise such powers and discharge such functions as may be prescribed.

Most items consumed by the poor are taxed at a low 5 percent or 12 percent rate. The government claimed that most of the goods in the Consumer Price Index (CPI) grouping were taxed at these lower rates, or, as in the case of food grains, are completely exempt. The attempt was to tax the bulk of goods at 18 percent and have luxury goods taxed at 28 percent.

However, this also did not end up with the most progressive tax structure. For instance, biscuits are taxed at 18 percent under the GST. Parle-G, a biscuit company that has existed for over a century in India, sells its smallest pack for five rupees (about seven USD cents). This seven-cent pack of biscuits is famous for being carbohydrate-rich, and poor people, who live on less than a dollar a day, often have a pack of Parle-G biscuits when they cannot afford a meal. This is taxed at 18 percent. The rationale is that not all biscuits are consumed by the poorest groups, and giving an exemption to a single firm, though well known in its service to the poor, would be against the ethos of the GST system.

On the other hand, gold jewelry, which is almost entirely held by the middle class or rich, is taxed at only 3 percent. The rationale there was different—it is easy to evade taxes with gold holdings. This rate is so obviously regressive that even reports by government economists and experts have pointed out the hypocrisy. But this rate also proliferated. Initially, gemstones were taxed at 3 percent, but in July 2017, the GST on gemstones was reduced to 0.25 percent. The ostensible reason was to make the Indian gemstone industry more competitive abroad. But the actual reasons were political.²⁰ India's demonetization had crippled its gold and diamond industry, concentrated in Gujarat, and after the demonetization disaster, allegedly Prime Minister Modi assured the sector that they would receive the GST concession in exchange for support in the election. This rate change happened in July 2017 with the state election in December 2017.

Whatever the ostensible and real reasons, poor people living on less than a dollar a day pay 18 percent on a seven-cent meal, while the rich buying gold and gemstones pay 3 percent and 0.25 percent respectively. This is a single example of well-organized industries getting special rates from the government.

If the government can reward well-organized industries that are lobbying it in exchange for favors, it can also punish industries that are not as well organized or have fallen out of favor, or sectors where the demand for goods is relatively inelastic. Several such goods and services, like woven fabrics, or handmade matches, and so forth, saw an increase in GST rates.

In the last six years since the implementation of the GST, there are hundreds of government notifications clarifying various aspects of the

²⁰ S. Gaikwad, "Gujarat Elections: Diamond Traders Angry with BJP over GST but Wary of Backing Congress," *Hindustan Times*, November 16, 2017.

GST. I argue that complexity in tax policy can be regressive in developing countries. It is quite clear that various firms and interest groups are constantly seeking lower tax rates. Appendix I details all the GST Council meetings where rate changes were announced, and the specific rate change for the goods or services. This appendix alone is twice as long as the essay.

So, while there are “only” eight rates, there is a lot of movement of goods within four to five rate categories (0 percent, 5 percent, 12 percent, 18 percent, and 28 percent). Monopolistic and oligopolistic industries tend to be better organized and can better lobby their cause. As expected, larger firms benefit more from a proliferation of rates, because smaller and more competitive firms and industries may not be able to afford the cost of lobbying for lower rates.

IV. COMPLEX TAX SYSTEMS ARE REGRESSIVE

Section III highlighted the efficiency problems caused by multiplicity of rates once informational constraints and political incentives are considered. However, once we account for informational constraints and political incentives, there are also equity problems caused by multiplicity of rates.

One might think eight different rates is not so bad, especially given that the alternative is a single rate with hundreds of exceptions. At least that is how the eight-rate “simple” tax was sold to Indians. The idea was that once there is a clear code of classifications, and people get enough time to get used to the new system, the GST system will subsist.

The government has a detailed list of classifications in the Harmonized System of Nomenclature (HSN)—an eight-digit code for goods classification—which tries to provide and stipulate a code for every conceivable product category. This was used over decades for the various indirect taxes and custom duties. One year into the GST regime, the HSN codebook for GST classification contained 18,306 entries in 438 pages. Even after doing such a detailed job (or maybe because of it), there is inevitable confusion. What happens when a good or service could fit in two different categories, and therefore be taxed at two different rates?

The Indian GST system encourages many to ask existential questions, “Is KitKat a biscuit or a chocolate?” is one such pertinent question, because biscuits were taxed at 18 percent while chocolates were taxed at 28 percent. Or should Pepsi’s *Nimbooz* be classified lemonade (taxed at 28 percent) or as pulp juice (taxed at 12 percent)? Most firms provide an in-house cafeteria, but most firms also have the food prepared outside the premises, often by a third party. Should they be taxed at 5 percent or 18 percent, because cafeteria service is taxed at 5 percent while outdoor catering is taxed at 18 percent? In each instance, members of the industry reached out

to the finance ministry and the GST Council to clarify the matter, and lobby for the lower rate.

The opposite problem also exists with multiple rates and classifications, where variations of the same good are taxed under different rates. In 2017–18, there was a dispute over *barfis* (Indian milk-based sweets). Plain *barfis* were taxed at 5 percent, but *barfis* with dry fruits could be taxed at 12 percent, and chocolate *barfis* could be taxed at 28 percent. The GST Council had to clarify that chocolate *barfis* would be taxed at 5 percent as *barfis* and not as chocolate.

If one goes to the GST Council website, there are several hundred notifications, more than one for each day of the law's existence. The union government alone has issued hundreds of such notifications since the implementation of the GST in 2017. Each of the twenty-eight states has, similarly, issued hundreds of notifications. There is a constant process of raising disputes and questions, and the government trying to clarify classifications and solve problems. And then there are the legal challenges in courts. And this is only about the current stock of goods and services in the economy. It does not account for new products and services that will surely enter the market in the future.

Some people blame the government for not doing a good enough job of detailing and specifying various classifications. It has done a remarkable job, but that is hardly the point. The problem is that it is an impossible task. No matter how detailed the classification codebook, there will be disputes and confusion, because we live in a wonderful world with interesting, complicated, customized goods and services with many dimensions that serve many needs.

The problem is that the finance ministry and the GST Council are asking the wrong question. The question is not how best to classify each good, but to realize the impossibility of successfully classifying each good. Therefore, it is best to do away with the need to classify each good. A single GST for all goods and services needs no classification system. All individuals and firms simply pay the same rate, and the government and the legal system can use valuable time and resources resolving other disputes and problems.

Often, the argument used *against* simplicity in the GST system is the lack of uniformity in the real world. The economy comprises different individuals and firms that come together in a beautiful dance coordinated by the price system. When the individuals and firms are so different, is it fair to treat them equally? After all, the entrepreneur owning a small sweetshop is not in the same position as the entrepreneur owning a luxury car showroom, and fairness demands that the rich pay higher taxes. To make the system just, *barfis* are taxed at 5 percent while luxury cars are taxed at 28 percent.

One of the main advantages of the GST system is that it provides an incentive for all members in the supply chain to ensure that taxes have

been paid at each level. In cases where the supplier has not paid the tax or is exempt, the receiver pays the tax. However, the more complicated the tax classification and rate system, the harder it is to understand the tax burden of all the inputs. For instance, the Diwali holiday gift basket, ubiquitous in India, requires different sweets and dry fruits, and so on, as its inputs. If the *barfi* seller is unclear on whether he must classify a chocolate *barfi* as chocolate at 28 percent or as a *barfi* at 5 percent, then the seller creating the gift baskets is also affected. Either the *barfi* seller does not pay the tax, in which case it falls upon the gift basket sellers to figure out whether to pay 5 percent or 28 percent on the *barfis* and collect it from the *barfi* seller. Alternatively, the *barfi* seller pays the incorrect amount, affecting the tax payments and deductions of the gift basket seller. So, the more inputs required for any good or service, the higher the compliance burden created by the multiple GST rates. It is not enough to have clarity on one's tax classification, but this extends to every single input. This can get extraordinarily messy and costly.

All this can only be resolved by having a single GST tax rate. If there is no confusion over the tax rate for different inputs, it will help the incentive mechanism built into the GST system work more smoothly.

The increase in high compliance costs due to complexity makes the GST regressive. Unfortunately, the intention to help the smaller and poorer firms by using multiple tax rates, often makes them worse off. Though 5 percent is a lower tax burden than 28 percent, the complicated GST system with its eight different tax rates and myriad exceptions, poses a disproportionately high compliance cost on the sweetshop. The burden to comply with the GST is very similar for both small and larger firms. And because the compliance requirements and, therefore, the costs are similar, a small firm pays a much larger proportion of its earnings to deal with compliance, relative to a large firm. In this sense, a complicated tax system is inherently regressive, because it forces the poor to spend a greater proportion of their earnings on compliance burdens imposed by the tax. Creating complex systems to maintain a progressive tax can perversely generate a regressive tax structure once compliance costs are considered.

It is the small firms, shops, and individual innovators and entrepreneurs who need simple rules the most. They need to use the scarce resources at their disposal to best serve their customers, instead of using those resources to pay professionals to help them understand complicated regulatory and tax requirements. The sweetshop owner potentially benefits more from simplicity than a luxury car business.

The GST compliance system has three parts. First, each taxpayer needs to figure out the classification and the rates applicable to their good or service. Second, each taxpayer must understand the classification and the rates applicable to their inputs. And then finally, the taxpayer must file returns and pay taxes. Each of these tasks is so complicated and costly under the

present regime, that small firms and individual proprietors need to devote a significant proportion of their resources to understand and comply with the GST regime.

The classification system is quite clearly a mess, as briefly discussed above. Each taxpayer must navigate the 438-page long HSN code book (2017) with its 18,306 entries to identify which of the eight tax rates apply to the good or service in question. Any additional cess, sometimes levied by individual states, must also be added. This is no small task, and there are disputes and notifications that must be tracked almost daily in order to even calculate the criterion for the tax burden under the GST.

However, the compliance nightmare does not end there. Much has been said about the extremely cumbersome filing system, where taxpayers had to file monthly returns for union and for state GST. While a move has been made to reduce the frequency of filing returns and creating a more streamlined filing system, the process will be easier and cheaper with a single rate. If there is no confusion over the tax rate, more businesses are likely to file and submit vouchers on the GSTN on time, which means it is easier for sellers to match vouchers for their inputs and meet their tax and filing requirement with ease and on time.

Now comes the question of equity. For smaller firms, typically categorized as MSME (Micro, Small, and Medium Enterprises), there are three to four different aspects that raise compliance costs. First is that both small and large firms must spend similar resources to understand the HSN classification system to determine the tax rates applicable for their goods and all their inputs. Second, both small and large firms have the same number of tax filings per year. Third, the reverse invoice matching system to receive the input credit is similar for small and large firms, which means smaller firms, especially informal firms or those firms sourcing inputs from the informal sector, will have high costs of compliance with invoice matching. And finally, a larger proportion of the working capital is tied up for small (relative to large) firms, while waiting for input credit. Since the GST is not even six years old in India at the time of this writing, of which two years were during the COVID-19 pandemic, there are very few countrywide studies or estimates looking at the exact incidence of compliance costs on MSMEs.

Based on the experience of other developing countries, Emran and Stiglitz argue that “the regressive bias of compliance costs may be significant. A recent European Commission Staff working paper shows that the compliance costs of VAT are 2.6% of sales for small and medium firms, while it is only 0.02% of sales for large firms.”²¹

In India, this sector is large—MSMEs’ contribute to a third of the GDP and almost half of all exports. The Finance Ministry’s 2019 report on MSMEs²²

²¹ Emran and Stiglitz, “Equity and Efficiency in Tax Reform.” Supra n. 5.

²² Report of the Expert Committee on Micro, Small and Medium Enterprises, 2019.

admits that with the imposition of the GST “the compliance in terms of time, cost as well as energy is much higher for MSMEs vis-à-vis the bigger companies.” Instead of simplifying the system and reducing compliance costs, the Finance Ministry has instead announced a number of relaxations, exceptions, and benefits to MSMEs “necessary in order to help them cope with sudden increase/change in compliance challenges.”²³

V. CONCLUSION

Equity and efficiency considerations in taxation are important everywhere, not just in developing countries. However, in developing countries, they take on different forms. One form discussed here is value added taxes on consumption, because they are broad, easy to administer in poorer countries, and harder to evade, the move becomes inherently regressive.

To counter this problem—the regressive nature of consumption taxes—countries start adding layers of equity-enhancing goals and tools. In the end, tax rates proliferate, making the entire system complex. Here, complexity is considered the by-product, or essential companion of equity.

Complex tax systems, however, pose problems of both inefficiency and equity. They are inherently regressive, because smaller firms and individuals face a much higher cost of compliance relative to larger firms and richer individuals. Complex tax systems are also prone to interest group capture, and monopolistic industries, with better organized lobbying, also end up at lower tax rates. And if the government favors some sectors but wants to remain revenue neutral, it will increase taxes imposed on other sectors, typically those that are unorganized and have a large number of small competitive firms, that are unable to get the reduced/favorable tax rates.

Though complexity is considered a by-product of a number of equity-enhancing goals, the Indian experience with its GST reform shows the opposite, that there is a trade-off between equity and complexity.

Political Economy, Mercatus Center, George Mason University

²³ *Ibid.*, 1.

APPENDIX I: TIMELINE OF CHANGING GST RATES

16th GST Council Meeting (June 11, 2017)²⁴

Goods	Old Rate	New Rate
Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, etc.	5%	0%
Cashew nut	12%	5%
Cashew nut in shell	12%	5% [under Reverse Charge Mechanism]
Raisin	12%	5%
Cereal grains hulled	5%	0%
Palmyra jaggery	18%	0%
Preparations of vegetables, fruits, nuts, or other parts of plants	18%/12%	12%
Ketchup and sauces, mustard sauces	18%	12%
Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings	28%	18%
Bari made of pulses, including mungodi	18%	12%
Ice and snow	12%	5%
Salt, all types	5%	0%
Biogas	12%	5%
Dicalcium phosphate (DCP) of animal feed grade	12%	0%
Insulin	12%	5%
Menthol and menthol crystals, peppermint (mentha oil), fractionated/de-terpenated mentha oil (DTMO), de-mentholized oil (DMO), spearmint oil, mentha piperita oil	18%	12%
Kajal [other than kajal pencil sticks]	28%	Nil
Kajal pencil sticks	28%	18%
Agarbatti	12%	5%
Dental wax	28%	18%
All diagnostic kits and reagents	18%	12%
Plastic beads	28%	12%
Plastic tarpaulin	28%	18%
School satchels and bags other than of leather or composition leather; toilet cases; handbags and	28%	18%

(Continued)

²⁴ [Note: After the 16th GST Council Meeting on June 11, 2017 (and a subsequent 17th Meeting on June 18, 2017), the Government notified the entire GST rate schedule *vide* a notification on June 28, 2017. Post this, rate changes have taken place through notifications.]

continued

Goods	Old Rate	New Rate
shopping bags of artificial plastic material, of cotton, of jute, vanity bags; handbags of other materials excluding wicker work or basket work		
Exercise books and notebooks	18%	12%
Kites	12%	5%
Children's picture, drawing, or coloring books	12%	Nil
Coir mats, matting, and floor covering	12%	5%
Headgear and parts thereof	28%	18%
Human hair, dressed, thinned, bleached, or otherwise worked	28%	0%
Fly ash blocks	28%	12%
Precast concrete pipes	28%	12%
Salt glazed stone ware pipes	28%	18%
Glasses for corrective spectacles and flint buttons	18%	12%
Rough precious and semi-precious stones	3%	0.25%
Aluminum foil	28%	18%
Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs	18%	12%
All goods, including hooks and eyes	28%	18%
Pawan chakki that is air-based atta chakki	28%	5%
Fixed speed diesel engines	28%	12%
Rear tractor tires and rear tractor tire tubes	28%	18%
Rear tractor wheel rim, tractor center housing, tractor housing transmission, tractor support front axle	28%	18%
Weighing machinery [other than electric or electronic weighing machinery]	28%	18%
Printers [other than multifunction printers]	28%	18%
Ball bearing, roller bearings, parts, and related accessories	28%	18%
Transformers industrial electronics	28%	18%
Electrical transformer	28%	18%
Static convertors (UPS)	28%	18%
Recorder	28%	18%
CCTV	28%	18%
Two-way radio (walkie talkie)	28%	12%
Set top box for TV	28%	18%
Computer monitors not exceeding 17 inches	28%	18%

(Continued)

continued

Goods	Old Rate	New Rate
Electrical filaments or discharge lamps	28%	18%
Winding wires	28%	18%
Coaxial cables	28%	18%
Optical fiber	28%	18%
Perforating or stapling machines (staplers), pencil sharpening machines	28%	18%
Baby carriages	28%	18%
Intraocular lens	18%	12%
Spectacles, corrective	18%	12%
Instruments for measuring length, for use in the hand	28%	18%
Bamboo furniture	28%	18%
Playing cards, chess board, carom board, and other board games, like ludo, etc.	28%	12%
Swimming pools and padding pools	28%	18%
Muddhas made of sarkanda and phool bahari jhadoo	5%	Nil
Postage or revenue stamps, stamp-post marks, first-day covers, etc.	12%	5%
Numismatic coins	12%	5%
Braille paper, braille typewriters, braille watches, hearing aids and other appliances to compensate for a defect or disability	–	5%

[These goods are covered in List 32 appended to notification No.12/2012 – Customs, dated 17.03.2012 and are already at 5% GST rate (Chapter 90)]

18th GST Council Meeting (June 30, 2017)²⁵

Goods	Old Rate	New Rate
Mineral or chemical fertilizers – nitrogenous, phosphatic or potassic	12%	5%

²⁵ Notification on June 30, 2017 [Notification No.18/2017 – Central Tax (Rate)].

20th GST Council Meeting (August 5, 2017)²⁶

Goods	Old Rate	New Rate
Tractor accessories like tires, tube for tires, diesel engine, bumpers, brakes, gearboxes, transaxles, clutch assembly, steering wheels, etc.	28%	18%

21st GST Council Meeting (September 9, 2017)²⁷

Goods	Old Rate	New Rate
Walnuts, whether or not shelled	12%	5%
Tamarind dried	12%	5%
Roasted gram	12%	5%
Grass, leaf or reed, or fiber products, including mats, pouches, wallets	12%	5%
Cotton quilts of sale value not exceeding Rs. 1000 per piece	18%	5%
Cotton quilts of sale value exceeding Rs. 1000 per piece	18%	12%
Worked corals other than articles of coral	28%	5%
Broomsticks	5%	Nil
Rosaries, prayer beads and hawan samagri	18%	5%
Tableware and kitchenware of wood	18%	12%
Statues, statuettes, pedestals; high or low reliefs, crosses, figures of animals, bowls, vases, cups, etc.; other ornamental goods essentially of stone	28%	12%
Pots, jars, and similar articles	28%	12%
Tableware, kitchenware, other household articles, and toilet articles	18%	12%
Tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china	28%	12%
Statues and other ornamental articles	28%	12%
Bells, and the like, non-electric, of base metal; statuettes and other ornaments, of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal; metal bidriware	18%	12%

*(Continued)*²⁶ Notification on August 18, 2017 [Notification No.19/2017 – Central Tax (Rate)].²⁷ Notifications on September 22, 2017 [Notification No. 27/2017 – Central Tax (Rate) and No. 28/2017 – Central Tax (Rate)].

continued

Goods	Old Rate	New Rate
Nozzles for drip irrigation equipment or sprinklers	18%	12%
Worked ivory, bone, tortoise shell, horn, antlers, mother of pearl, and other animal carving material and articles of these materials, articles of coral	28%	12%
Kitchen gas lighters	28%	18%
Charkha for hand spinning of yarns, including amber charkha	Nil/18%	Nil
Computer monitors up to 20 inches	28%	18%
Paper-mache articles	18%	5%
Stone inlay work	28%	12%
Custard powder	28%	18%
Batters	18%	12%
Oil cakes	Nil for cattle feed 5% for other uses	5% [irrespective of end use]
Cotton seed oil cake	Nil for cattle feed 5% for other uses	Nil [irrespective of end use]
Dhoop batti, dhoop, and other similar items	12%	5%
Medical grade sterile disposable gloves of plastics	28%	18%
Plastic raincoats	28%	18%
Rubber bands	28%	12%
Rice rubber rolls for paddy de-husking machine	28%	18%
Duty credit scrips	12%	5%
Khadi fabric	5%	Nil
Corduroy fabrics	12%	5%
Saree fall	12%	5%
Textile caps	18%	12%
Idols made of clay	28%	Nil
Idols of wood, stones, and metals [other than those made of precious metals]	28%	12%
Rough industrial diamonds including unsorted rough diamonds	3%	0.25%

[Note: The notification also specified a list of 'indigenous handmade musical instruments' that attract nil rate of GST]

22nd GST Council Meeting (October 6, 2017)²⁸

Goods	Old Rate	New Rate
Mangoes sliced dried	12%	5%
Khakra and plain chapati/roti	12%	5%
Food preparations put up in unit containers and intended for free distribution to economically weaker sections of the society	18%	5 %
Namkeens other than those put up in unit container	12%	5%
Medicaments, including those used in ayurvedic, unani, siddha, homeopathic or bio-chemic systems	12%	5%
Waste, parings or scrap of plastics	18%	5%
Waste, parings or scrap of rubber [other than hard rubber]	18%	5%
Waste or scrap of hard rubber	28%	5%
Recovered waste or scrap of paper or paperboard	12%	5%
Real zari thread (gold) and silver thread, combined with textile thread	12%	5%
Cullet or other waste or scrap of glass	18%	5%
E-waste	28%/18%	5%
Biomass briquettes	18%	5%
Sewing thread of manmade filaments	18%	12%
Synthetic or artificial filament yarns	18%	12%
Sewing thread of manmade staple fibers	18%	12%
Yarn of manmade staple fibers	18%	12%
Poster Color	28%	18%
Modeling paste for children's amusement	28%	18%
All goods other than: (i) all goods of marble and granite; (ii) statues, statuettes, pedestals; high or low reliefs, crosses, figures of animals, bowls, vases, cups, cachou boxes, etc.; other ornamental goods essentially of stone	28%	18%
Fittings for loose-leaf binders or files, letter clips, letter corners, and similar office articles; staples in strips, of base metal	28%	18%
Parts suitable for use solely or principally with fixed speed diesel engines of power not exceeding 15HP	28%	18%
Parts suitable for use solely or principally with power driven pumps primarily designed for handling water	28%	18%
Plain shaft bearings	28%	18%
Duty credit scrips	5%	Nil

²⁸ Notifications on October 13, 2017 [Notification No. 34/2017 – Central Tax (Rate) and No. 35/2017 – Central tax (Rate)] and October 18, 2017 [Notification No. 39/2017 – Central Tax (Rate)].

23rd GST Council Meeting (November 10, 2017)²⁹

Goods	Old Rate	New Rate
Chewing gum/bubble gum and white chocolate	28%	18%
Cocoa butter, fat and oil	28%	18%
Cocoa powder, not containing added sugar or sweetening matter	28%	18%
Chocolates and other food preparations containing cocoa	28%	18%
Malt extract; food preparations of flour, groats, meal, starch or malt extract, food preparations not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis	28%	18%
Waffles and wafers coated with chocolate or containing chocolate	28%	18%
Extracts, essences and concentrates of coffee	28%	18%
Food preparations not elsewhere specified or included	28%	18%
Other non-alcoholic beverages	28%	18%
Marble and travertine, other than blocks	28%	18%
Granite, other than blocks	28%	18%
Avgas	28%	18%
Artists' colors, modifying tints, amusement colors, and the like	28%	18%
Perfumes and toilet waters	28%	18%
Beauty or make-up preparations and preparations for the care of the skin [other than kajal, kumkum, bindi, sindur, alta]	28%	18%
Preparations for use on the hair [other than hair oil]	28%	18%
Preparations for oral or dental hygiene	28%	18%
Cosmetic or toilet preparations like deodorants, after-shaves, etc.	28%	18%
Organic surface-active products and preparations for washing the skin	28%	18%
Organic surface-active agents [other than soap]; Surface-active preparations, washing preparations, including auxiliary washing preparations and cleaning preparations	28%	18%
Lubricating preparations and preparations of a kind used for the oil or grease treatment of textile materials, leather, fur, skins or other materials	28%	18%
Polishes and creams, for footwear, furniture, floors, coachwork, glass or metal, scouring pastes and powders, and similar preparations	28%	18%
Prepared explosives	28%	18%
Fireworks, signaling flares, rain rockets, etc.	28%	18%
Ferro-cerium and other pyrophoric alloys; combustible articles	28%	18%

(Continued)

²⁹ Notification on November 14, 2017 [Notification No. 41/2017 – Central Tax (Rate) and No. 42/2017 Central tax (Rate)].

continued

Goods	Old Rate	New Rate
Anti-knock preparations, oxidation inhibitors, and other prepared additives	28%	18%
Preparations and charges for fire-extinguishers; charged fire-extinguishing grenades	28%	18%
Fibre board of wood or other ligneous materials	28%	18%
Plywood, veneered panels and similar laminated wood	28%	18%
Densified wood, in blocks, plates, strips, or profile shapes	28%	18%
Wooden frames for paintings, photographs, mirrors or similar objects	28%	18%
Builders' joinery and carpentry of wood, including cellular wood panels, assembled flooring panels, shingles, and shakes	28%	18%
Wood paving blocks, articles of densified wood, parts of domestic decorative articles used as tableware and kitchenware	28%	18%
Wall paper and similar wall coverings; window transparencies of paper	28%	18%
Artificial flowers, foliage and fruit and parts thereof; articles made of artificial flowers, foliage, or fruit	28%	18%
Wool or other animal hair or other textile materials, prepared for use in making wigs or the like	28%	18%
Wigs, false beards, eyebrows and eyelashes, switches and the like	28%	18%
Setts, curbstones and flagstones of natural stone [except slate]	28%	18%
All goods of marble and granite	28%	18%
Worked slate and articles of slate or of agglomerated slate	28%	18%
Articles of asphalt or of similar material	28%	18%
Panels, boards, tiles, blocks, and similar articles	28%	18%
Articles of plaster or of compositions based on plaster, not ornamented	28%	18%
Articles of cement, of concrete or of artificial stone, whether or not reinforced	28%	18%
Fabricated asbestos fibers; mixtures with a basis of asbestos or with a basis of asbestos and magnesium carbonate; articles of such mixtures or of asbestos	28%	18%
Friction material and articles thereof for example, sheets, rolls, strips, segments, discs, washers, pads	28%	18%
Worked mica and articles of mica, including agglomerated or reconstituted mica	28%	18%
Articles of stone or of other mineral substances, including carbon fibres and peat	28%	18%
Blocks, tiles, and other ceramic goods of siliceous fossil meals or of similar siliceous earths	28%	18%

(Continued)

continued

Goods	Old Rate	New Rate
Ceramic articles like flooring blocks and the like; chimney pots, cowls, pipes, pipe fittings, flags and paving, wall tiles, troughs, tubs, sinks, wash-basins, and other ceramic articles	28%	18%
Cast glass and rolled glass, in sheets or profiles	28%	18%
Drawn glass and blown glass, in sheets	28%	18%
Float glass and surface ground or polished glass	28%	18%
Glass bent, edge-worked, engraved, drilled, enamelled or otherwise worked	28%	18%
Safety glass, consisting of toughened (tempered) or laminated glass	28%	18%
Multiple-walled insulating units of glass	28%	18%
Glass mirrors, whether or not framed, including rear-view mirrors	28%	18%
Glass envelopes, including bulbs and tubes, open, and glass parts thereof, for electric lamps, cathode-ray tubes or the like	28%	18%
Signaling glassware and optical elements of glass [other than those of heading 7015], not optically worked	28%	18%
Paving blocks, slabs, bricks, squares, tiles and other articles of pressed or moulded glass; glass cubes and other glass smallware; leaded lights and the like; multi-cellular or foam glass	28%	18%
Other articles of glass	28%	18%
Stoves [other than kerosene and LPG] ranges, grates, and parts thereof, of iron or steel	28%	18%
Radiators for central heating, air heaters and hot air distributors	28%	18%
Sanitary ware and parts thereof of iron and steel	28%	18%
All goods other than utensils, i.e., sanitary ware and parts thereof of copper	28%	18%
Other articles of copper	28%	18%
Doors, windows and their frames and thresholds for doors	28%	18%
All goods other than utensils, i.e., sanitary ware and parts thereof	28%	18%
Razors and razor blades, including razor blade blanks in strips	28%	18%
Other articles of cutlery, manicure or pedicure sets, and instruments	28%	18%
Base metal mountings, fittings and similar articles; base metal hat-racks, hat-pegs, brackets and similar fixtures; castors with mountings of base metal; automatic door closers of base metal	28%	18%
Armored or reinforced safes and the like, of base metal	28%	18%
Filing cabinets, card-index cabinets, and similar office or desk equipment, of base metal	28%	18%

(Continued)

continued

Goods	Old Rate	New Rate
Sign-plates, name-plates, address-plates and similar plates, numbers, letters and other symbols, of base metal	28%	18%
Concrete pumps	28%	18%
Air or vacuum pumps, air or other gas compressors and fans	28%	18%
Electric or electronic weighing machinery	28%	18%
Fire extinguishers	28%	18%
Fork-lift trucks	28%	18%
Other lifting, handling, loading, or unloading machinery	28%	18%
Self-propelled bulldozers, angledozers, graders, levelers, etc.	28%	18%
Other moving, grading, leveling, scraping, excavating machinery	28%	18%
Printers, copying machines, facsimile machines, ink cartridges	28%	18%
Other office machines	28%	18%
Automatic goods-vending machines	28%	18%
Machinery for preparing or making up tobacco	28%	18%
Passenger boarding bridges	28%	18%
Crank shafts for sewing machine	28%	18%
Gaskets and similar joints of metal sheeting	28%	18%
Static converters, for example, rectifiers, and inductors	28%	18%
Primary cells and primary batteries	28%	18%
Electrical lighting or signaling equipment, windscreen wipers, defrosters, and demisters	28%	18%
Portable electric lamps designed to function by their own source of energy	28%	18%
ISDN System, ISDN Terminal Adaptor, X 25 Pads	28%	18%
Single loudspeakers, audio-frequency electric amplifiers, electric sound amplifier sets, parts	28%	18%
Sound recording or reproducing apparatus	28%	18%
Parts and accessories suitable for use solely or principally with the apparatus of headings 8519 or 8521	28%	18%
Transmission apparatus for radio-broadcasting or television	28%	18%
Radar apparatus, radio navigational aid apparatus, and radio remote control apparatus	28%	18%
Reception apparatus for radio-broadcasting	28%	18%
Parts suitable for use solely or principally with the apparatus of headings 8525 to 8528	28%	18%
Electrical signaling, safety or traffic control equipment for railways, tramways, roads, inland waterways, etc.	28%	18%
Electric sound or visual signalling apparatus	28%	18%

(Continued)

continued

Goods	Old Rate	New Rate
Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits	28%	18%
Boards, panels, consoles, desks, cabinets, and other bases	28%	18%
Sealed beam lamp units and ultraviolet or infrared lamps, arc lamps	28%	18%
Insulated, including enameled or anodized, wire, cable, and other insulated electric conductors	28%	18%
Brushes and goods under 8545, including arc lamp carbon and battery carbon	28%	18%
Insulating fittings for electrical machines, electrical conduit tubing and joints therefor, of base metal lined with insulating material	28%	18%
Goggles including goggles for corrective vision	28%	18%
Binoculars, monocular, other optical telescopes, and mountings therefor	28%	18%
Photographic [other than cinematographic] cameras; Photographic flashlight apparatus and flashbulbs	28%	18%
Cinematographic cameras and projectors	28%	18%
Image projectors, other than cinematographic; photographic [other than cinematographic] enlargers and reducers	28%	18%
Apparatus and equipment for photographic [including cinematographic] laboratories	28%	18%
Compound optical microscopes	28%	18%
Microscopes other than optical microscopes; Diffraction apparatus	28%	18%
Liquid crystal devices, other optical appliances and instruments, not specified or included elsewhere in Chapter 90	28%	18%
Direction finding compasses; other navigational instruments and appliances	28%	18%
Surveying [including photogrammetrical surveying] instruments and appliances, excluding compasses; rangefinders	28%	18%
Electric or electronic balances	28%	18%
Apparatus based on the use of X-rays or of alpha, beta, or gamma radiations	28%	18%
Instruments, apparatus and models, designed for demonstrational purposes	28%	18%
Wrist-watches, pocket-watches and other watches	28%	18%
Instrument panel clocks and clocks of a similar type	28%	18%
Time of day recording apparatus for example, time registers and time-recorders	28%	18%

(Continued)

continued

Goods	Old Rate	New Rate
Time switches with clock or watch movement or with synchronous motor	28%	18%
Watch movements, complete and assembled	28%	18%
Complete watch movements, incomplete watch movements, assembled; Rough watch movements	28%	18%
Watch cases	28%	18%
Cases for other than clocks, and parts thereof	28%	18%
Watch straps, watch bands, and watch bracelets, and parts thereof	28%	18%
Other watch parts	28%	18%
Pianos and other keyboard stringed instruments	28%	18%
Other string musical instruments	28%	18%
Wind musical instruments	28%	18%
Percussion musical instruments	28%	18%
Musical instruments, the sound of which is produced, or must be amplified, electrically	28%	18%
Other musical instruments not falling within any other heading of this chapter	28%	18%
Parts and accessories of musical instruments; Metronomes, tuning forks and pitch pipes of all kinds	28%	18%
Seats whether or not convertible into beds, and parts thereof	28%	18%
Other furniture [other than furniture wholly made of bamboo or cane] and parts thereof	28%	18%
Mattress supports; articles of bedding and similar furnishing	28%	18%
Lamps and lighting fittings, illuminated signs, illuminated name-plates, and the like	28%	18%
Festive, carnival, or other entertainment articles	28%	18%
Articles and equipment for general physical exercise, gymnastics, athletics	28%	18%
Roundabouts, swings, shooting galleries, and other fairground amusements	28%	18%
Worked vegetable or mineral carving material	28%	18%
Date, sealing or numbering stamps, and the like [including devices for printing or embossing labels]	28%	18%
Cigarette lighters and other lighters	28%	18%
Vacuum flasks and other vacuum vessels	28%	18%
Tailors' dummies and other lay figures	28%	18%
Wet grinder consisting of stone as a grinder	28%	12%
Tanks and other armoured fighting vehicles, motorised	28%	12%

Goods	Old Rate	New Rate
All goods [except fresh or chilled], put up in unit container	12%	5%
All goods [except fresh or chilled], other than the above	12%/5%	Nil
All goods [except fresh or chilled], other than those put up in unit container	5%	Nil
Condensed milk	18%	12%.
Vegetables (uncooked or cooked by steaming or boiling in water), frozen other than those put up in unit container	5%	Nil
Manioc, arrowroot, salep, Jerusalem artichokes, sweet potatoes, and similar roots and tubers	5%	Nil
Dried makhana, other than those put up in unit container	5%	Nil
Desiccated coconut	12%	5%
Flour of potatoes put up in unit container	18%	5%
Meals, powder, flakes, granules, and pellets of potatoes other than those put up in unit container	18%	Nil
Guar meal	5%	Nil
Copra other than of seed quality	5%	5%
Hop cones	5%	Nil
Coconut shell, unworked.	5%	Nil
Khandsari sugar	5%	Nil
All goods, including refined sugar containing added flavoring or coloring matter, sugar cubes [other than those which are at 5% or Nil GST.]	18%	12%
Puffed rice chikki, peanut chikki, sesame chikki, til chikki, til patti, til revdi, sugar makhana, gajak, groundnut sweets, khaja, etc.	18%	5%
Pasta	18%	12%
Other single cell microorganisms, dead	18%	12 %
Curry paste	18%	12%
Mayonnaise and salad dressings	18%	12%
Mixed condiments and mixed seasoning	18%	12%
Idli, dosa batter	12%	5%
Diabetic foods	18%	12%
Chutney powder	18%	5%
Uranium ore concentrate	5%	Nil
Fly ash	18%	5%

(Continued)

continued

Goods	Old Rate	New Rate
Medical grade oxygen	18%	12%
Inks	18%	12%
Leather, further prepared after tanning or crusting; or metallized, patent, or patent laminated	12%	5%
Composition leather with a basis of leather or leather fiber	12%	5%
Hand bags and shopping bags, of cotton or jute	18%	12%
Raw cotton, supplied by agriculturist to a registered person	5%	5% (under reverse charge)
Coir, cordage and ropes	12%	5%
Jute twine	12%	5%
Knotted netting of twine, cordage or rope; made-up fishing nets and other made-up nets, of textile materials	12%	5%
Products of coir	12%	5%
Narrow woven fabrics including Newar cotton	12%	5%
Worn clothing and other worn articles; Rags	5%/12%	5%
	12% depending on sale value	
Hats (knitted/crocheted) or made up from lace or other textile fabrics	18%	12%
Fly ash bricks	12%	5%
Fly ash aggregate with 90% or more fly ash content	18%	5%
Bangles of lac/shellac	3%	Nil
Parts of agricultural, horticultural or forestry machinery for soil preparation or cultivation; Lawn or sports-ground rollers	18%	12%
Parts of harvesting or threshing machinery, including straw or fodder balers; Grass or hay mowers; Machines for cleaning, sorting, or grading eggs, fruit, or other agricultural produce	18%	12%
Parts of sewing machines	18%	12%
Frames and mountings for spectacles, goggles, or the like, and parts thereof	18%	12%
Orthopedic appliances, including crutches, surgical belts, and trusses	5%	5%

(Continued)

continued

Goods	Old Rate	New Rate
Furniture wholly made of bamboo or cane	18%	12%
Fishing hooks	12%	5%
Specified parts of aircraft	18% / 28%	5%
(i) Scientific and technical instruments, apparatus, equipment (including computers); (ii) Accessories, parts, consumables and live animals (for experimental purposes); (iii) Computer software, Compact Disc Read Only Memory (CD-ROM), recorded magnetic tapes, (iv) Microfilms, microfiches; (v) Proto-types	18%/28%	5%

25th GST Council Meeting (January 18, 2018)³⁰

Goods	Old Rate	New Rate
Tamarind kernel powder	18%	5%
Mehendi paste in cones	18%	5%
Rice bran (other than de-oiled rice bran)	Nil	5%
Liquefied propane and butane mixture, liquefied propane, liquefied butane, and liquefied petroleum gases (LPG) for supply to household domestic consumers	18%	5%
Scientific and technical instruments	18%	5%
Sugar boiled confectionery	18%	12%
Drinking water packed in 20 liter bottles	18%	12%
Fertilizer grade phosphoric acid	18%	12%
Certain biopesticides	18%	12%
Biodiesel	18%	12%
Bamboo wood building joinery	18%	12%
Tableware and kitchenware of wood	18%	12%
Sprinklers; drip irrigation system; mechanical sprayers	18%	12%
Cigarette filter rods	12%	18%
Ghamella	–	18%
Articles of straw, or of other plaiting materials; basketware, etc.	12%	5%
Velvet fabric	12%	5%
Sanitary ware and parts thereof, of iron and steel	28%	18%
Buses for use in public transport which exclusively run on biofuels	28%	18%

(Continued)

³⁰ Notification on January 25, 2018 [Notification No. 6/2018 – Central Tax (Rate), No. 7/2018 – Central Tax (Rate) and No. 8/2018 – Central Tax (Rate)].

continued

Goods	Old Rate	New Rate
Precious stones [other than diamonds], ungraded precious stones [other than diamonds]	3%	0.25%
Diamond and precious stones	3%	0.25%
Synthetic or reconstructed precious stones	3%	0.25%
De-oiled rice bran	–	Nil
Cotton seed oil cake	–	Nil
Vibhuti	–	Nil
Parts and accessories for manufacture of hearing aids	–	Nil
Old and used, petrol liquified petroleum gases (LPG) or compressed natural gas (CNG) or diesel driven motor vehicles or vehicles exceeding engine capacity 1500 cc	28%	18%
All old and used vehicles other than the three mentioned above	28%	12%

28th GST Council Meeting (July 21, 2018)³¹

Goods	Old Rate	New Rate
Ethyl alcohol supplied to oil marketing companies	18%	5%
Ecaussine and other calcareous monumental or building stone alabaster	–	5%
Fertilizer grade phosphoric acid	12%	5%
Article of apparel and clothing accessories or cap/topi, knitted or crocheted, of sale value not exceeding Rs 1000 per piece	12%	5%
Bamboo flooring	18%	12%
Brass kerosene pressure stove	18%	12%
Hand-operated rubber roller	18%	12%
Fuel cell motor vehicles	28%	12% (with no cess)
Slide fasteners and parts thereof	18%	12%
Paints and varnishes	28%	18%
Glaziers' putty, grafting putty, and other mastics; painters' fillings; nonrefractory surfacing preparations for indoor walls, floors, ceilings etc.	28%	18%
Refrigerators, freezers and other refrigerating or freezing equipment, electric or other	28%	18%

*(Continued)*³¹ Notification on July 26, 2018 [Notification No. 18/2018 – Central Tax (Rate)].

continued

Goods	Old Rate	New Rate
Household or laundry-type washing machines, including machines that both wash and dry		
Lithium-ion batteries	28%	18%
Vacuum cleaners	28%	18%
Electro-mechanical domestic appliances, with self-contained electric motor, other than vacuum cleaners	28%	18%
Shavers, hair clippers and hair-removing appliances, with self-contained electric motor	28%	18%
Electric instantaneous or storage water heaters and immersion heaters; electrothermic hairdressing apparatus and hand dryers.	28%	18%
Television set, including LCD or LED television, of screen size not exceeding 68 cm	28%	18%
Special purpose motor vehicles, other than those principally designed for the transport of persons or goods	28%	18%
Works trucks, self-propelled, not fitted with lifting or handling equipment, tractors of the type used on railway station platforms; parts of the foregoing vehicles	28%	18%
Trailers and semi-trailers; other vehicles, not mechanically propelled; parts thereof	28%	18%
Scent sprays and similar toilet sprays, and mounts and heads therefor; powder-puffs and pads for the application of cosmetics or toilet preparations	28%	18%

28th GST Council Meeting (July 21, 2018)³²

Goods	Old Rate	New Rate
Sal leaves, siali leaves, sisal leaves	5%	Nil
Vegetable materials, for manufacture of jhadoo or broom sticks	5%	Nil
De-oiled rice bran	5%	Nil
Deities made of stone, marble, or wood	5%	Nil
Khali dona; goods made of sal leaves, siali leaves, sisal leaves,	5%	Nil
Rupee notes or coins when sold to Reserve Bank of India or the Government of India	18%/12%/5%	Nil
Coir pith compost other than those put up in unit container	5%	Nil
Sanitary towels (pads) or sanitary napkins; tampons	12%	Nil
Rakhi	18%	Nil

³² Notification on July 26, 2018 [Notification No.19/2018 – Central Tax (Rate)].

28th GST Council Meeting (July 21, 2018)³³

Goods	Old Rate	New Rate
Handcrafted candles	18%	12%
Handbags including pouches and purses; jewelry box	18%	12%
Carved wood products, art ware/decorative articles of wood, including inlay work, casks, barrel, vats	18%	12%
Wooden frames for painting, photographs, mirrors, etc.	18%	12%
Statuettes and other ornaments of wood, wood marquetry and inlaid, jewelry box, wood lathe and lacquer work	18%	12%
Art ware of cork, including articles of sholapith	18%	12%
Solid biofuel pellets and biomass briquettes	18%	5%
Chenille fabrics and other fabrics	12%	5%
Mats, matting and screens of vegetable material, basketwork, wickerwork, and other articles of vegetable materials	12%	5%
Articles made of paper-mache	12%	5%
Coir articles	12%	5%
Toran, doorway decoration made from cotton yarn or woolen yarn and aabhala (mirror)	12%	5%
Handmade carpets, handmade textile floor coverings, lace, tapestries, braids, embroidered articles, shawls, not exceeding Rs. 1000	12%	5%
Handmade/hand embroidered shawls of sale value exceeding Rs. 1000 per piece	18%	12%
Carved stone products for example, statues, statuettes, figures of animals, etc.	18%	12%
Stone art ware, stone inlay work	18%	12%
Tableware and kitchenware of clay and terracotta, other clay articles	18%	12%
Statuettes and other ornamental ceramic articles including blue potteries	18%	12%
Ornamental framed mirrors	18%	12%
Bangles, beads and small ware	–	5%
Glass statues [other than those of crystal]	18%	12%
Glass art ware	18%	12%
Silver filigree work	–	3%
Handmade imitation jewelry	–	3%
Art ware of iron	18%	12%

*(Continued)*³³ Notification on July 26, 2018 [Notification No. 19/2018-Central Tax (Rate)].

continued

Goods	Old Rate	New Rate
Art ware of brass, copper/copper alloys, electroplated with nickel/silver	18%	12%
Aluminum art ware	18%	12%
Bells, gongs, and like, non-electric; statuettes, and other ornaments; photograph, picture, or similar frames; and mirrors of base metal	18%	12%
Handcrafted lamps, including panchloga lamp	18%	12%
Furniture of bamboo, rattan, and cane	18%	12%
Dolls or other toys made of wood or metal or textile material	18%	12%
Ganjifa card	18%	12%
Worked articles of ivory, bone, tortoise shell, horn, antlers, coral, mother of pearl, seashell, other animal carving material	18%	12%
Worked vegetable or mineral carving, articles of wax, of stearin, of natural gums, or natural resins, or of modeling pastes	18%	12%
Hand paintings, drawings, and pastels	18%	12%
Original sculptures and statuary, in metal, stone or any other material	18%	12%

31st GST Council Meeting (December 21, 2018)³⁴

Goods	Old rate	New rate
Vegetables that are preserved provisionally but are not suitable for immediate consumption	5%	Nil
Cooked or uncooked vegetables that are steamed, frozen, or boiled (branded)	5%	Nil
Music books	12%	Nil
Parts for manufacturing renewable energy devices ³⁵	-	5%
Natural cork, raw or simply prepared	12%	5%
Footwear of sale value not exceeding Rs. 1000 per pair	18%	5%
Fly ash blocks; Fly ash bricks or fly ash aggregate with 90 percent or more fly ash content	12%	5%
Walking sticks, including seat sticks	12%	5%
Marble rubble	18%	5%
Agglomerated cork	18%	12%
Cork roughly squared or debugged	18%	12%

(Continued)

³⁴ Notification on December 31, 2018 [Notification No. 24/2018 – Central Tax (Rate) and No. 25/2018 – Central Tax (Rate)]

³⁵ This rate was prescribed in the meeting.

continued

Goods	Old rate	New rate
Articles of natural cork	18%	12%
Flexible intermediate bulk containers	5%/12%	12%
Movie tickets worth Rs. 100 or less	18%	12%
Premium on third party insurance on vehicles	18%	12%
Accessories for handicapped mobility vehicles	28%	5%
Power banks	28%	18%
Movie tickets worth more than Rs.100	28%	18%
Video game consoles, equipments used for billiards and snooker, etc.	28%	18%
Lithium-ion accumulators [other than battery] including lithium-ion power bank	28%	18%
Retreated and used pneumatic rubber tires	28%	18%
Color television sets and monitors up to "32 inches"	28%	18%
Digital and video camera recorders	28%	18%
Pulleys, transmission shafts, cranks, and gear boxes	28%	18%

36th GST Council Meeting (July 27, 2019)³⁶

Goods	Old rate	New rate
Electric chargers	18%	5%
Electric vehicles	12%	5%

37th GST Council Meeting (September 20, 2019)³⁷

Goods	Old rate	New rate
Plates and cups made of tree products	5%	Nil
Caffeinated beverages	18%	28%+12% cess
Supplies of railways, wagons, and coaches (without the refund of accumulated ITC)	5%	12%
Diamond job work	5%	1.5%

*(Continued)*³⁶ Notification on July 31, 2019 [Notification No. 12/2019 – Central Tax (Rate)].³⁷ Notification on September 30, 2019 [Notification No. 14/2019 – Central Tax (Rate), No. 15/2019 – Central Tax (Rate), No. 16/2019 – Central Tax (Rate) and No. 20/2019 – Central Tax (Rate)].

continued

Goods	Old rate	New rate
Other job work	18%	12%
Woven or nonwoven polyethylene packaging bags	18%	12%
Marine fuel	18%	5%
Almond milk ³⁸	-	18%
Parts of slide fasteners	18%	12%
Wet grinders consisting of stone as a grinder	12%	5%
Dried tamarind	5%	Nil
Semi-precious stones, cut and polished	3%	0.25%
Specified goods for petroleum operation under Hydrocarbon Exploration Licensing Policy	Applicable rate	5%

38th GST Council Meeting (December 18, 2019)³⁹

Goods	Old rate	New rate
Sacks of polythene and polypropylene	12%	18%
State owned lotteries	12%	28%
State authorized lotteries	28%	28%
Woven and nonwoven fabrics	12%	18%
Flexible intermediate bulk containers	12%	18%

39th GST Council Meeting (March 14, 2020)⁴⁰

Goods	Old rate	New rate
Handmade matches	5%	12%
Mobile phones	12%	18%
Other matches	18%	12%
Aircraft MRO services	18%	5% along with full ITC

³⁸ This was a clarification by the CBIC.³⁹ Notification on December 30, 2019 [Notification No.27/2019 – Central Tax (Rate)] and February 21, 2020 [Notification No. 1/2020 – Central Tax (Rate)].⁴⁰ Notification on March 25, 2020 [Notification No. 03/2020 – Central Tax (Rate)] and March 26, 2020 [Notification No. 02/2020 – Central Tax (Rate)].

43rd GST Council Meeting (May 28, 2021)⁴¹

Goods	Old Rate	New Rate
Diethylcarbamazine	12%	5%

44th GST Council Meeting (June 12, 2021)⁴²

Goods	Old Rate	New Rate
Medical grade oxygen	12%	5%
Tocilizumab and Amphotericin B	5%	Nil
Remdesivir and Heparin	12%	5%
Covid-19 testing kits	12%	5%
Inflammatory diagnostic (marker) kits	12%	5%
Hand sanitizer	18%	5%
Helmets for use with noninvasive ventilation	12%	5%
Gas/electric/other furnaces for crematorium	18%	5%
Oximeter/high nasal flow canula device/oxygen generator/ ventilators/BiPAP machine	12%	5%
(i) Noninvasive ventilation nasal or oronasal masks for ICU ventilators (ii) canula for use with ventilators	12%	5%
Temperature check equipment	18%	5%
Ambulance	28%	12%

45th GST Council Meeting (September 17, 2021)⁴³

Goods	Old Rate	New Rate
Temporary or permanent transfer or permitting the use or enjoyment of Intellectual Property (IP) right	12/18%	18%
Other manufacturing services; publishing, printing and reproduction services; material recovery services	12/5%/Nil	18%
Services by way of job work in relation to manufacture of alcoholic liquor for human consumption	5%	18%

⁴¹ Notification on June 2, 2021 [Notification No. 01/2021 – Central Tax (Rate)].

⁴² Notification on June 14, 2021 [Notification No. 05/2021 – Central Tax (Rate)].

⁴³ Notification on September 30, 2021 [Notification No. 06/2021 – Central Tax (Rate)].

45th GST Council Meeting (September 17, 2021)⁴⁴

Goods	Old Rate	New Rate
Services by way of grant of National Permit to goods carriages on payment of fee	18%	Nil
Skill Training for which Government bears 75% or more of the expenditure	18%	Nil
Services related to Asian Football Confederation Women's Asia Cup 2022.	18%	Nil

45th GST Council Meeting (September 17, 2021)⁴⁵

Goods	Old Rate	New Rate
Following renewable energy devices and parts for their manufacture:-	5%	12%
(a) Bio-gas plant;		
(b) Solar power based devices;		
(c) Solar power generator;		
(d) Wind mills, Wind Operated Electricity Generator (WOEG);		
(e) Waste to energy plants / devices;		
(f) Solar lantern / solar lamp;		
(g) Ocean waves/tidal waves energy devices/plants;		
(h) Photo voltaic cells, whether or not assembled in modules or made up into panels		
Rail locomotives powered from an external source of electricity or by electric accumulators	12%	18%
Other rail locomotives; locomotive tenders; such as Diesel electric locomotives, Steam locomotives and tenders thereof	12%	18%
Self-propelled railway or tramway coaches, vans and trucks, other than those of heading below	12%	18%
Railway or tramway maintenance or service vehicles, whether or not self-propelled (for example, workshops, cranes, ballast tampers, track liners, testing coaches and track inspection vehicles)	12%	18%
Railway or tramway passenger coaches, not self-propelled; luggage vans, post office coaches and other special purpose railway or tramway coaches, not self-propelled (excluding those of heading above)	12%	18%
Railway or tramway goods vans and wagons, not self-propelled	12%	18%

(Continued)

⁴⁴ Notification on September 30, 2021 [Notification No. 07/2021 – Central Tax (Rate)].⁴⁵ Notification on September 30, 2021 [Notification No. 08/2021 – Central Tax (Rate)].

continued

Goods	Old Rate	New Rate
Parts of railway or tramway locomotives or rolling-stock; such as Bogies, bissel-bogies, axles and wheels, and parts thereof	12%	18%
Railway or tramway track fixtures and fittings; mechanical (including electro-mechanical) signalling, safety or traffic control equipment for railways, tramways, roads, inland waterways, parking facilities, port installations or airfields; parts of the foregoing.	12%	18%
Cartons, boxes, cases, bags and other packing containers, of paper, paperboard, cellulose wadding or webs of cellulose fibres; box files, letter trays, and similar articles, of paper or paperboard of a kind used in offices, shops or the like	12%	18%
Ball point pens; felt tipped and other porous-tipped pens and markers; fountain pens; stylograph pens and other pens; duplicating stylos; pen holders, pencil holders and similar holders; parts (including caps and clips) of the foregoing articles, other than those of heading 9609	12%	18%
Plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, being originals drawn by hand; hand-written texts; photographic reproductions on sensitised paper and carbon copies of the foregoing	12%	18%
Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognised face value; stamp-impressed paper; banknotes; cheque forms; stock, share or bond certificates and similar documents of title (other than Duty Credit Scrips)	12%	18%
Transfers (decalcomanias)	12%	18%
Printed or illustrated postcards; printed cards bearing personal greetings, messages or announcements, whether or not illustrated, with or without envelopes or trimmings	12%	18%
Calendars of any kind, printed, including calendar blocks	12%	18%
Other printed matter, including printed pictures and photographs; such as Trade advertising material, Commercial catalogues and the like, printed Posters, Commercial catalogues, Printed inlay cards, Pictures, designs and photographs, Plan and drawings for architectural engineering, industrial, commercial, topographical or similar purposes reproduced with the aid of computer or any other devices	12%	18%
Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice	- ⁴⁶	28%

(Continued)

⁴⁶ This change clarified the confusion over what rate would apply for carbonated fruit juices since fruit juices are levied with 12% GST and carbonated/aerated drinks are levied with 28% GST.

continued

Goods	Old Rate	New Rate
Waste, Parings and Scrap, of Plastics	5%	18%
Iron ores and concentrates, including roasted iron pyrites.	5%	18%
Manganese ores and concentrates, including ferruginous manganese ores and concentrates with a manganese content of 20% or more, calculated on the dry weight	5%	18%
Copper ores and concentrates	5%	18%
Nickel ores and concentrates	5%	18%
Cobalt ores and concentrates	5%	18%
Aluminum ores and concentrates	5%	18%
Lead ores and concentrates	5%	18%
Zinc ores and concentrates	5%	18%
Tin ores and concentrates	5%	18%
Chromium ores and concentrates	5%	18%
Tamarind seeds meant for any use other than sowing	-	5%
Pembrolizumab (KEYTRUDA)	12%	5%
Retro fitment kits for vehicles used by the disabled	Appl. rate	5%
Bio-diesel supplied to Oil Marketing Companies for blending with High Speed Diesel	12%	5%

45th GST Council Meeting (September 17, 2021)⁴⁷

Goods	Old Rate	New Rate
Fortified Rice Kernels for schemes like ICDS etc.	18%	5%

45th GST Council Meeting (September 17, 2021)⁴⁸

Goods	Concessional Rate/Exemptions
Tocilizumab	Nil
Amphotericin B	Nil
Remdesivir	5%
Heparin (anti-coagulant)	5%
Itolizumab	5%
Posaconazole	5%

*(Continued)*⁴⁷ Notification on September 30, 2021 [Notification No. 11/2021 – Central Tax (Rate)].⁴⁸ Notification on September 30, 2021 [Notification No. 12/2021 – Central Tax (Rate)]. Rate reductions for COVID-19 relief measures in effect till December 21, 2021

continued

Goods	Concessional Rate/Exemptions
Infliximab	5%
Bamlanivimab & Etesevimab	5%
Casirivimab & Imdevimab	5%
2-Deoxy-D-Glucose	5%
Favipiravir	5%

47th GST Council Meeting (June 28 and 29, 2022)⁴⁹

Services	Old Rate	New Rate
Transport of passengers, with or without accompanied belongings, by ropeways ⁵⁷	18%	5%
Transport of goods by Ropeways	18%	5%
Hotel accommodation below INR 1,000/- per day.	Nil	12%
Composite supply of works contract by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of roads, bridges, railways, metro, effluent treatment plant, crematorium etc.	12%	18%
Composite supply of works contract supplied to central government, local authorities by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of historical monuments, canals, dams, pipelines, plants for water supply, educational institutions, hospitals etc. & Sub-contractor thereof.	12%	18%
Renting of goods carriage where the cost of fuel is included in the consideration charged from the service recipient. ⁶³	18%	12%
Supporting services in transport (This entry does not include goods transport service involving Goods Transport Agency (GTA) service, which falls under Heading 9965)	5% / 12%	18%
Services provided by a foreman of a chit fund in relation to chit	12%	18%
Services by job work in relation to -(e) Processing of hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975). (ea) manufacture of leather goods or foot wear falling under Chapter 42 or 64 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) respectively; (h) manufacture	5%	12%

(Continued)

⁴⁹ Notification on July 13, 2022 [Notification Nos. 03/2022 – Central Tax (Rate)].

continued

Services	Old Rate	New Rate
of clay bricks falling under tariff item 69010010 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975);		
Services by way of treatment or disposal of bio-medical waste or the processes incidental thereto by a common bio-medical waste treatment facility to a clinical establishment ⁷⁰	NIL	6%
Services of Goods Transport Agency ('GTA') supplied in relation to transportation of goods (including used household goods for personal use)	–	5% (Payable on RCM)
Services of GTA supplied in relation to transportation of goods including used household goods for personal use)	–	5% or 12%

47th GST Council Meeting (June 28 and 29, 2022)⁵⁰

Goods	Old Rate	New Rate
Curd, Lassi, Butter Milk, pre-packaged and labelled.	Nil	5%
Jaggery of all types including Cane Jaggery (gur), Palmyra Jaggery, pre-packaged and labelled; Khandsari Sugar, pre-packaged and labelled.	Nil	5%
Puffed rice, commonly known as Muri, flattened or beaten rice, commonly known as Chira, parched rice, commonly known as khoi, parched paddy or rice coated with sugar or gur, commonly known as Murki, pre-packaged and labelled.	Nil	5%
Ostomy appliances including pouch or flange, stoma adhesive paste, barrier cream, irrigator kit, sleeves, belt, micro-pore tapes.	–	5%
Orthopaedic appliances, such as crutches, surgical belts, and trusses; Splints and other fracture appliances; artificial parts of the body; other appliances which are worn or carried, or implanted in the body, to compensate for a defect or disability; intraocular lens [other than hearing aids]	–	5%
Dates (soft or hard), figs, pineapples, avocados, guavas [Mangoes (other than Mangoes sliced, dried)] ⁸³	12%	12%
Pharmaceutical goods specified in Note 4 to this Chapter [i.e. Sterile surgical catgut, similar sterile suture materials (including sterile absorbable surgical or dental yarns) and sterile tissue adhesives for surgical wound closure; sterile	12%	12%

(Continued)

⁵⁰ Notifications on July 13, 2022 [Notification Nos. 06/2022, 07/2022, 08/2022 – Central Tax (Rate)].

continued

Goods	Old Rate	New Rate
laminaria and sterile laminaria tents; sterile absorbable surgical or dental haemostatics; sterile surgical or dental adhesion barriers, whether or not absorbable; Waste pharmaceuticals] [other than contraceptives] [and Ostomy appliances]85		
Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 4114	5%	12%
Leather further prepared after tanning or crusting, including parchment-dressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 4114	5%	12%
Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 4114	5%	12%
Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather	5%	12%
Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour	5%	12%
Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed	Nil	12%
Fly ash bricks, Fly ash aggregates, Fly ash blocks9	12%	12%
Articles of stone or of other mineral substances (including carbon fibres, articles of carbon fibres and articles of peat), not elsewhere specified or included [other than fly ash bricks, fly ash blocks, fly ash aggregate]	18%	18%
Solar water heater and system	5%	12%
Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; [parts thereof]	12%	12%
Tar distilled from coal, from lignite or from peat and other mineral tars, whether or not dehydrated or partially distilled, including reconstituted tars	18%	18%
All Goods, including printing ink, writing or drawing ink and other inks, whether or not concentrated or solid, fountain pen ink, ball pen ink	12%	18%
Unused postage, revenue or similar stamps of current or new issue in the country in which they have, or will have, a recognized face value; stamp-impressed paper; banknotes; cheque forms; stock, share or bond certificates and similar documents of title (other than Duty Credit Scrips) [Cheques, loose or in book form]	Nil	18%

(Continued)

continued

Goods	Old Rate	New Rate
Paper, paperboard, cellulose wadding and webs of cellulose fibres, coated, impregnated, covered, surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets, of any size, other than goods of the kind described in heading 4803, 4809 or 4810	18%	18%
Knives with cutting blades, serrated or not (including pruning knives), other than knives of heading 8208, and blades therefor	12%	18%
Other articles of cutlery (for example, hair clippers, butchers' or kitchen cleavers, choppers and mincing knives,); manicure or pedicure sets and instruments (including nail files)	18%	18%
Spoons, forks, ladles, skimmers, cake-servers, fish-knives, butter-knives, sugar tongs and similar kitchen or tableware	12%	18%
(a) Concrete pumps [8413 40 00]	(a) 18%	18%
(b) other rotary positive displacement pumps [8413 60];	(b) 18%	
(c) Power driven pumps primarily designed for handling water, namely, centrifugal pumps (horizontal and vertical), deep tube-well turbine pumps, submersible pumps, axial flow and mixed flow vertical pumps	(c) 12%	
Bicycle pumps	12%	18%
Parts of air or vacuum pumps and compressors of bicycle pumps	12%	18%
Machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 8437, parts thereof [8433 90 00]	–	18%
Milking machines and dairy machinery	12%	18%
Machines for cleaning, sorting or grading, seed, grain or dried leguminous vegetables, machinery used in milling industry or for the working of cereals or dried leguminous vegetables other than farm type machinery and parts thereof	5%	18%
E-waste	5%	18%
Electro-mechanical domestic appliances, with self-contained electric motor, other than vacuum cleaners of heading 8508	18%	18%
Electrical Filament or discharge lamps including sealed beam lamp units and ultra-violet or infrared lamps; arc lamps	18%	18%
Parts of goods of heading 8801 (Non powered aircraft)	Nil	18%
Drawing, marking-out or mathematical calculating instruments (for example, drafting machines, pantographs, protractors, drawing sets, slide rules, disc calculators), instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, callipers), not specified or included elsewhere in chapter	18%	18%

(Continued)

continued

Goods	Old Rate	New Rate
Luminaires and lighting fittings including searchlights and spotlights and parts thereof, not elsewhere specified or included; illuminated signs, illuminated nameplates and the like, having a permanently fixed light source, and parts thereof not elsewhere specified or included [other than kerosene pressure lantern and parts thereof including gas mantles; hurricane lanterns, kerosene lamp, petromax, glass chimney, and parts thereof	18%	18%
Rough diamonds or simply sawn diamonds, industrial or non-industrial.	0.25%	0.25%
Synthetic or reconstructed precious or semiprecious stones [other than diamonds], whether or not worked or graded but not strung, mounted or set; ungraded synthetic or reconstructed precious or semiprecious stones [other than diamonds], temporarily strung for convenience of transport; synthetic or reconstructed diamonds, unworked or simply sawn or roughly shaped	0.25%	0.25%
Goods other than those specified against S. No. 1 in Schedule VI	–	1.5%
Goods other than those specified against S. No. 3 in Schedule VI	–	1.5%
Goods required in connection with: (1) Petroleum operations undertaken under petroleum exploration licenses or mining leases, granted by the Government of India or any State Government to the Oil and Natural Gas Corporation or Oil India Limited on nomination basis, or (2) Petroleum operations undertaken under specified contracts, or (3) Petroleum operations undertaken under specified contracts under the New Exploration Licensing Policy, or (4) Petroleum operations undertaken under specified contracts under the Marginal Field Policy (MFP), or (5) Coal bed methane operations undertaken under specified contracts under the Coal Bed Methane Policy, subject to conditions laid down in Notification No.3/2017-Central Tax (Rate	12%	5%

APPENDIX II - CESS RATES ON VARIOUS GOODS

Name of Goods or Service	GST Cess
1. Pan Masala	60%
Aerated waters, containing added sugar or other sweetening matter or flavoured	
2. Aerated waters	12%
3. Lemonade	12%
4. Others	12%
Tobacco and Tobacco Products	
5. Unmanufactured tobacco bearing a brand name	65%
6. Tobacco refuse, bearing a brand name	61%
7. Chewing tobacco (without lime tube)	160%
8. Chewing tobacco (with lime tube)	142%
9. Filter khaini	160%
10. Jarda scented tobacco	160%
11. Pan masala containing tobacco 'Gutkha'	204%
Cigarettes	
Non-filter	
12. Not exceeding 65 mm	5% + Rs.1591 per thousand
13. Exceeding 65 mm but not 70 mm	5% + Rs.2876 per thousand
Filter	
14. Not exceeding 65 mm	5% + Rs.1591 per thousand
15. Exceeding 65 mm but not 70 mm	5% + Rs.2126 per thousand
16. Exceeding 70 mm but not 75 mm	5% + Rs.2876 per thousand
17. Others	5% + Rs.4170 per thousand
18. Cigar and cheroots	21% or Rs. 4170 per thousand, whichever is higher
19. Cigarillos	21% or Rs. 4170 per thousand, whichever is higher
20. Cigarettes of tobacco substitutes	Rs.4006 per thousand
21. Cigarillos of tobacco substitutes	12.5% or Rs. 4,006 per thousand whichever is higher
22. Other	12.5% or Rs. 4,006 per thousand whichever is higher
23. 'Hookah' or 'gudaku' tobacco bearing a brand name	72%

(Continued)

continued

Name of Goods or Service	GST Cess
24. Tobacco used for smoking 'hookah' or 'chilam' commonly known as 'hookah' tobacco or 'gudaku'	17%
25. Other smoking tobacco not bearing a brand name.	11%
26. Smoking mixtures for pipes and cigarettes	290%
27. Other smoking tobacco bearing a brand name	49%
28. Other smoking tobacco not bearing a brand name	57%
29. "Homogenised" or "reconstituted" tobacco bearing a brand name	72%
30. Preparations containing chewing tobacco	72%
31. Snuff	72%
32. Preparations containing snuff	72%
33. Tobacco extracts and essence bearing a brand name	72%
34. Tobacco extracts and essence not bearing a brand name	65%
35. Cut tobacco	20%
36. All goods, other than pan masala containing tobacco 'gutkha', bearing a brand name	96%
37. All goods, other than pan masala containing tobacco 'gutkha', not bearing a brand name	89%
Other Products	
38. Coal; briquettes, ovoids and similar solid fuels manufactured from coal.	Rs.400 per tonne
39. Lignite, whether or not agglomerated, excluding jet	Rs.400 per tonne
40. Peat (including agglomerated)	Rs.400 per tonne
Motor Vehicles	
41. Motor vehicles (10<persons <13)	15%
42. Small Cars (length < 4 m; Petrol<1200 cc)	1%
43. Small Cars (length < 4 m; Diesel < 1500 cc)	3%
44. Mid Segment Cars (engine < 1500 cc)	15%
45. Large Cars (engine > 1500 cc)	15%
46. Sports Utility Vehicles (length > 4 m; engine > 1500 cc; ground clearance > 170 mm)	15%
47. Mid Segment Hybrid Cars (engine < 1500 cc)	15%
48. Hybrid motor vehicles > 1500 cc	15%
49. Hydrogen vehicles based on fuel cell tech > 4 m	15%

(Continued)

continued

Name of Goods or Service	GST Cess
50. Motorcycles (engine > 350 cc)	3%
51. Aircraft for personal use.	3%
52. Yacht and other vessels for pleasure or sports	3%