

Next-Gen GST Overhaul: Staple Foods Tax-Free, Processed Foods at 5% - Big Relief for Consumers and Small Businesses

Posted On: 08 SEP 2025 1:53PM by PIB Delhi

The GST Council in its 56th meeting on 3rd September, 2025 made the recommendations relating to changes in GST tax rates; provide relief to individuals, common man, aspirational middle class and measures for facilitation of trade in GST. The reduced GST rates will be effective from 22nd September, 2025.

The major processed food products on which GST rates have been reduced is placed at Annexure I.

Benefits of the GST rate rationalization:

- **Simplified tax structure**
- **Reduced prices** for almost all food products thus promoting ease of living.
- Lower prices will **boost demand** for food products, **expansion of investment, employment generation.**
- **Support for Manufacturing:** Correcting inverted duty structures boosts domestic value addition and exports.
- **Better revenue generation in the sector** through broader base and better compliance.
- **Resolving Classification Issues** – Similar goods and services will be placed in the same rate slab, reducing disputes and lowering litigations costs.

Analysis:

In a historic move to simplify the Goods and Services Tax(GST), GST Council in its 56th meeting has reduced the GST structure from four slabs (5%, 12%, 18%, 28%) to two main rates—5% (merit rate) and 18% (standard rate) along with a 40% special rate for sin/luxury goods. These changes come into effect from September 22, 2025.

The food-processing sector has been a major beneficiary in this rationalization of tax rates with most products witnessing a decline to 5% GST slab.

This rationalization of GST to lower levels provides a variety of stimulants to the sector and encourage a virtuous cycle of economic growth through following:

Simplified tax structure: The simplified tax structure brings uniformity across food items with reduced number of tax slabs. A stable tax environment will help businesses plan long-term investments, encourage compliance, and drive economic growth.

Reduced prices: The consumers shall witness overall reduced food prices, making staples more affordable. This in turn stimulates consumer demands, FMCG and packaged food businesses are expected to see an uptick in sales. Additionally, the simplification aids businesses by reducing compliance costs and lowering litigation risk.

Inverted duty structure: The new structure helps correct inverted duty cases e.g., when inputs were taxed higher than finished products. This provides immediate relief for strengthening the value chains in the food sector, improving liquidity especially for MSMEs, reduce working capital blockage and promote domestic value addition.

Resolving Classification Issues: The new structure eliminates classification disputes arising from varying tax

rates for similar products. For example, packaged vs. loose paneer or parathas previously had different rates, but now follow a clearer structure and greatly reduces classification disputes.

Other procedural reforms: Besides rate cuts, the Council approved procedural reforms through streamlined registration and return filing, provisional refund mechanisms especially for inverted duty claims and implementation of GSTAT (Goods and Services Tax Appellate Tribunal) to expedite appeal resolution and reduce litigation.

Boost to processed food industry: Overall, the manufacturing sector is set for a boost. The lower GST rates on consumer goods and the resultant lower prices could potentially set off a virtuous cycle of increased demand and growth for the industry. The overall industry have following positives:

- **Consumption:** GST rate cuts will result in lower retail prices, which in turn will increase demand for manufactured products including processed food products.
- **Investment:** With increased demand and positive business, sentiment and reduction in compliance, burden, investments are expected to rise.
- **Employment:** With increased demand, expected rise in investment and formalisation of industry, more employments opportunities are expected to be generated in the sector and economy as whole.
- **Increased income level for farmers and food processors:** The incomes and remunerations of the farmers and food processors are expected to rise by way of increase in consumption and investment in the economy, increasing the food-processing infrastructure, level of processing and value addition and reduction in post-harvest losses.

Annexure I

The major processed food products on which GST rates have been reduced are as follows:

S No	Product Description	GST (%)		
		From	To	
1	Ultra-High Temperature (UHT) milk	5%	Nil	
2	Condensed milk	12%	5%	
3	Almonds	12%	5%	
4	Malt, whether or not roasted	18%	5%	
5	Sugar boiled confectionery	12%	5%	
6	Sugar confectionery	18%	5%	
7	Cocoa butter, fat and oil and Cocoa powder	18%	5%	
8	Chocolates and other food preparations containing cocoa	18%	5%	
9	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous	12%	5%	
10	Pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	18%	5%	
11	Extruded or expanded products, savoury or salted	12%	5%	
12	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar or acetic acid	12%	5%	

13	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes	12%	5%	
14	Fruit or nut juices (including grape must) and vegetable juices	12%	5%	
15	Soups and broths and preparations therefor; homogenised composite food preparations	18%	5%	
16	Ice cream and other edible ice, whether or not containing cocoa	18%	5%	
17	Namkeens, bhujia, mixture, chabena and similar edible preparations	12%	5%	
18	Plant-based milk drinks, ready for direct consumption as beverages	18%	5%	
19	Soya milk drinks	12%	5%	
20	Fruit pulp or fruit juice based drinks (other than Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice)	12%	5%	

STK

(Release ID: 2164586)