

GOVERNMENT OF INDIA
MINISTRY OF CHEMICALS AND FERTILIZERS
DEPARTMENT OF FERTILIZERS

RAJYA SABHA

UNSTARRED QUESTION NO. 179 TO BE ANSWERED ON: 02.12.2025

Impact of changes in the GST rates on fertilizer and agricultural inputs

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Will the Minister of **CHEMICALS AND FERTILIZERS** be pleased to state:

- (a) the details of changes made to the Goods and Services Tax (GST) structure applicable on fertilizers and other agricultural inputs and the underlying objectives behind these changes;
- (b) whether the Ministry has assessed the potential impact of these changes on the production cost, availability and price of fertilizers for farmers;
- (c) if so, the details thereof;

- (d) the expected outcomes of these reforms in terms of improving fertilizer affordability and promoting sustainable agricultural practices; and
- (e) the economic and agronomic implications of these reforms?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS
(SMT. ANUPRIYA PATEL)

(a): The Government has rationalized Goods and Services Tax (GST) rates applicable on fertilizers and agricultural inputs with effect from 22.09.2025. The details of changes made are as under:

i. **Fertilizer sector:**

- a. GST on key fertilizers such as Di-Ammonium Phosphate (DAP), Urea, SSP and NPKS has remained unchanged at 5%.
- b. GST on key raw materials such as Sulphuric Acid, Nitric Acid and Ammonia has been reduced from 18% to 5%.
- c. GST on Micronutrients has been reduced from 12% to 5%.

ii. **Seeds:** The seeds meant for sowing/planting are exempted from GST.

iii. **Bio-Pesticides:** GST on bio-pesticides has been reduced from 12% to 5%.

iv. **Agricultural Machinery and Equipments:** GST rate on tractors and other agricultural machinery & equipments has been reduced from 18% / 12% to 5%.

(b) to (e): Lowering GST rates from 18% to 5% on critical raw materials reduces the cost of production for fertiliser manufacturing units, especially those producing P&K fertilisers. This helps correct the long-standing inverted duty structure, where inputs were taxed at a higher rate than final fertiliser products. Reduced tax incidence eases working-capital pressures, lowers the accumulation of Input Tax Credit (ITC) and improves cash flows, which is crucial given the industry's dependence on subsidy reimbursements. The reduction in GST on micronutrient fertilizers from 12% to 5% also provides measurable financial relief to farmers by lowering their per-acre cultivation costs, improves affordability, particularly for small and marginal farmers who are often sensitive to input price fluctuations. Lower input costs make it financially viable for farmers to adopt recommended micronutrient doses. As per Indian Micro-Fertilizers Manufacturers Association, due to reduction of GST from 12% to 5%,

savings would be of Rs. 140 per acre in Paddy, Rs. 199 per acre in Sugarcane, Rs. 446 per acre in Potato and Rs. 146 per acre in Wheat to farmers.

The reduction of GST on bio-pesticides from 12% to 5% is a progressive and environmentally conscious policy intervention to generate a significant positive impact on sustainable agriculture and eco-friendly crop protection practices in India. The reduction in GST would make bio-pesticides more economical and accessible to farmers, thereby encouraging their greater use as a pocket-friendly crop protection solution. Lower input costs would promote wider adoption of Integrated Management Pest (IPM) practices, wherein bio-pesticides play a central role in reducing pest resistance and maintaining ecological balance. Competitive prices would support gradual shift from synthetic chemical pesticides towards safer biological alternatives. The tax relief directly supports the government's initiatives on organic and natural farming aligning with the vision of sustainable and residue-free agriculture. The reduction of GST from 12% to 5% on mechanical sprayers, sprinklers, drip irrigation systems, and nozzles is a welcome step towards promoting precision agriculture. This reform would make plant protection and irrigation equipment more affordable, thereby encouraging farmers to adopt scientific spraying practices and efficient pesticide application technologies. The resulting improvement in spray efficiency is expected to reduce wastage, minimize environmental contamination, and enhance the overall effectiveness of crop protection measures.

The reduction in GST resulted in lowering the purchase cost of tractors, power tillers, harvesters, threshers, and other essential farm machinery and equipments, making them more affordable and accessible to farmers. When combined with the financial support available under farm mechanization schemes, which provides subsidies up to 40–50 percent for purchase of agricultural machines, farmers would enjoy the dual advantage of reduction in taxation and financial assistance. This has not only eased the financial burden on individual farmers but would also encourage farmer groups, cooperatives, and Farmer Producer Organizations (FPOs) to establish more number of Custom Hiring Centres and Farm Machinery Banks at lower project costs. This proactive step would accelerate the pace of mechanization and contribute meaningfully to achieving the goals of inclusive and sustainable agricultural development. This move would also provide a major boost to indigenous agricultural machinery manufacturers, in line with the vision of 'Atmanirbhar Bharat' by improving the competitiveness of domestic manufacturers. The reduction of the GST rate on tractors and other agricultural machinery from 12-18% to 5% will lead to a reduction in the prices of Tractors and farm machinery by 7-13%.