

**GOVERNMENT OF INDIA  
MINISTRY OF COAL  
RAJYA SABHA**

**UNSTARRED QUESTION NO. 58  
TO BE ANSWERED ON 01.12.2025**

**Estimated impact of GST reforms in the coal sector**

**58 #Shri Baburam Nishad:**

**Smt. Kiran Choudhry:**

**Dr. Dinesh Sharma:**

**Shri Subhash Barala:**

**Shri Deepak Prakash:**

**Shri Narhari Amin:**

**Shri Chunnilal Garasiya:**

Will the Minister of **Coal** be pleased to state:

- (a) the reforms implemented in the 56th GST Council meeting with respect to the coal sector;
- (b) the manner in which these reforms have brought about rationalization of the tax burden across coal grades and a reduction in the overall cost of electricity generation;
- (c) the estimated impact of these reforms on domestic coal producers and import substitution under Aatmanirbhar Bharat initiative;
- (d) whether this change has released blocked liquidity for coal companies and corrected the earlier inverted duty structure; and
- (e) if so, the details thereof

**ANSWER**

**MINISTER OF COAL AND MINES  
(SHRI G. KISHAN REDDY)**

a) The reforms introduced in the 56th GST Council Meeting with respect to Coal Sector are as under:

- i. GST Compensation Cess of ₹ 400 per tonne on coal has been abolished.
- ii. GST rate on coal has been increased from 5% to 18%..

b) The revision in GST has rationalized the tax burden across various coal grades, as the previous GST regime led to higher effective tax incidence on low grade coal and low priced coal. With the changes in the GST, tax incidence has been rationalized with uniform tax incidence across coal grades. The average reduction in coal prices for the grades of coal supplied to power sector is approximately in the range of Rs.260/ton, which is likely to reduce the cost of generation by 17 to 18 paise/kWh.

c) These GST reforms have rationalized the taxes on coal and enhanced the operational and financial viability of domestic coal producers. Removal of GST Compensation Cess of Rs. 400/ton, has made domestic coal more competitive vis-a-vis imported coal, which is likely to incentivise import coal based plants and other consumers to source cheaper domestic coal, thereby contributing towards Aatmanirbhar Bharat and the import substitution initiative.

d) & e) Earlier, coal companies paid 5% to 28% GST on their input services or inputs, while the output GST rate on coal was only 5%, resulting in accumulation of unutilized Input Tax Credit (ITC). By increasing the output GST rate on coal to 18%, the inverted duty structure has been corrected, aligning the output and input tax rates and releasing huge amount of blocked liquidity in unutilized input tax credit.

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