

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

RAJYA SABHA
UNSTARRED QUESTION NO. 407
ANSWERED ON 03/02/2026

Loss due to GST rate rationalisation

407 DR. ASHOK KUMAR MITTAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether Government has projected a net revenue loss of around ₹47,000 crore due to GST rate rationalisation, if so, the details thereof, if not, the reasons therefor;
- (b) whether Government has assessed the impact of such significant revenue shortfall on State finances, development schemes and fiscal stability, if so, the details thereof and if not, the reasons therefor; and
- (c) whether measures beyond symbolic rate adjustments are being taken to improve compliance and revenue mobilisation, if so, the details thereof, if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): Based on the data of consumption patterns and entire value chain for the period 2023-24, the items that moved from the 28% to the 40% tax bracket are projected to account for additional revenue of approximately Rs. 45,570 Crore. The broader rate rationalization initiative is expected to lead to a revenue implication of around Rs. 93,300 crore of net negative.

Taken together, these two figures are likely to result in about Rs. 47,700 crore of net negative. However, these figures should not be viewed as definitive since tax collection is not static and there is buoyancy. Moreover, lower rates are likely to lead to improved compliance and fewer disputes.

(b): No formal study has been conducted on the impact of the GST rate reductions on the different sectors of the State finances. Recent GST rate rationalization and Government's continued emphasis on ease of doing business are part of the Government's multi-pronged strategy to boost consumption growth in the economy. The strengthening of consumption demand is expected to have a positive impact on GST revenue. The new GST rates became effective only from 22nd September, 2025 and the Gross GST collections excluding Compensation Cess from October to December, 2025 registered a 4.8% Y-o-Y Growth.

(c): Various measures taken are as detailed below:

- i. The taxpayers cannot file GSTR-1(the outward statement of supply) for the subsequent month unless the return in GSTR-3B has not been filed for the preceding month, thereby reducing the chances of fraudulent ITC being passed without supply of goods and services.
- ii. In order to curb misuse of Input Tax Credit (ITC) by recipient availment of ITC has been restricted to invoices which are reported by supplier in his GSTR-1 and which are reflected in the GSTR-2B of the recipient. In case of upward revision of tax liability system generated intimations are sent to the taxpayers. Provisions have also been made for blocking of fraudulently availed ITC.
- iii. Biometric-based Aadhaar authentication of GST registration applications has been extended on pan-India basis. Besides, it has been provided through amendment in rule 8(4A) of CGST Rules that an applicant who has not opted for Aadhaar authentication, will also be required to visit GST Suvidha Kendra for taking of photograph and for document verification. Amendment has been made in Rule 9 of CGST Rules, 2017 to provide for physical verification in high-risk cases, even when Aadhaar has been authenticated.
- iv. Usage of data analytic tools, third party data from other sources and artificial intelligence is being used to identify tax evaders to take targeted enforcement action to enhance GST collection.
