GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
STARRED QUESTION NO. *250
TO BE ANSWERED ON 11.08.2026/ *20 Shravana, 1948 (Saka)*

Impact of inflation and indirect tax on purchasing power

*250. Dr. Menaka Guruswamy:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has conducted any assessment of the impact of rising inflation and indirect taxes on the purchasing power of middle-class and low-income households;

(b) if so, the details and findings thereof;

(c) whether Government proposes to reduce the Excise Duty on Petrol and Diesel to provide relief to consumers; and

(d) if not, the reasons therefor?

ANSWER

THE FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE RAJYA SABHA STARRED QUESTION NO.250 RAISED BY DR. MENAKA GURUSWAMY FOR 11th AUGUST, 2026 ON "IMPACT OF INFLATION AND INDIRECT TAX ON PURCHASING POWER"

(a) and (b): The average retail inflation, measured by the Consumer Price Index (CPI), has declined steadily from 5.4 per cent in 2023-24 to 4.6 per cent in 2024-25 and further to 2.1 per cent in 2025-26. Owing to the commodity price shock and elevated global energy prices stemming from the West Asia Crisis, a seasonal pickup in vegetable prices, and the expected unfavourable El Niño conditions, retail inflation rose to 3.9 per cent in Q1 of 2026-27. However, it is still below the Reserve Bank of India's inflation target of 4 per cent. The 56th meeting of the Goods and Services Tax (GST) Council has brought in a two-rate structure with a Standard Rate of 18 per cent, a Merit Rate of 5 per cent and a special de-merit rate of 40 per cent for a select few goods and services (but inclusive of earlier compensation cess rate, and hence with no increase in overall tax burden). This resulted in rationalisation of rates on many goods and services from 28 per cent to 18 per cent, 18 per cent to 12 or 5 per cent, and from 12 per cent to 5 per cent/Nil. In addition, with a view to reducing input costs, boosting domestic manufacturing, promoting export competitiveness and supporting strategic sectors, the Government announced in Union Budget 2026-27, rationalisation of Basic Customs Duty (BCD) on a host of goods with effect from 2nd February 2026. Additional measures to contain price pressures in essential commodities include a reduction in BCD on crude palm oil, crude soybean oil, and crude sunflower oil; a reduction in the Agriculture Infrastructure and Development Cess on Masur; and a reduction in Central excise duty on petrol and diesel by ₹10 per litre in March 2026. In addition to the reforms in indirect taxes, the Government has increased individuals' disposable income by exempting annual incomes up to ₹12 lakh (₹12.75 lakh for salaried individuals, after the standard deduction) from income tax. These measures have supported household consumption, as evidenced by the share of private final consumption expenditure in GDP remaining broadly stable at 56.5–56.7 per cent (base year 2022-23). Moreover, as per the latest GDP estimates released by the Ministry of Statistics and Programme Implementation, per capita Private Final Consumption Expenditure (PFCE) recorded a robust growth of 6.8 per cent in 2025-26, up from 4.8 per cent in 2023-24. Nevertheless, the Government continuously monitors the price situation in the country and undertakes fiscal, administrative and supply-side measures, as warranted by evolving economic conditions, to protect the purchasing power of households, particularly low- and middle-income households.

(c) and (d): The Government had already reduced the Central excise duty on petrol and diesel by ₹10 per litre in March 2026 to protect consumers from the impact of elevated international crude oil prices, which partly offset the under-recoveries being absorbed by Public Sector Oil Marketing Companies (OMCs) and enabled them to continue supplying fuel without disruption. Despite Brent crude oil prices peaking at USD 138.2 per barrel in April 2026 amid the West Asia conflict, retail prices of petrol and diesel have been increased only marginally by the OMCs, and the impact on consumer prices has remained relatively contained, with average CPI inflation at 3.9 per cent during April–June 2026, below the Reserve Bank of India's inflation target of 4±2 per cent.

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