

**GOVERNMENT OF INDIA
MINISTRY OF COAL
LOK SABHA**

**UNSTARRED QUESTION NO. 495
TO BE ANSWERED ON 03.12.2025**

Reforms in Coal Sector

**†495. Shri Narayan Tatu Rane:
Shri Bhartruhari Mahtab:
Smt. Himadri Singh:
Shri Balabhadra Majhi:
Shri Manoj Tiwari:
Dr. Vinod Kumar Bind:
Shri Shivmangal Singh Tomar:
Dr. Bhola Singh:
Shri Buntty Vivek Sahu:
Shri Shankar Lalwani:
Shri Mukeshkumar Chandrakaant Dalal:
Shri Dhaval Laxmanbhai Patel:**

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

- (a) the details of the reforms introduced for the coal sector during the 56th GST Council meeting;
- (b) the impact of the said reforms on the ongoing/proposed coal related activities (mining, transportation and coal-based industries) in Chhindwara district of Madhya Pradesh;
- (c) the manner in which the said reforms have rationalised the tax burden on coal grades and reduced the overall production costs of power in thermal based power plants, cement industries and local industrial consumers particularly in Chhindwara district;
- (d) the expected impact of the said reforms on domestic coal producers and import substitution particularly the consumers and industries sourcing coal from Chhindwara district under Atmanirbhar Bharat vision;
- (e) whether the said reforms have unlocked the liquidity of coal companies and resolved the previously existing inverted tariff structure and if so, the details thereof; and
- (f) the estimated benefits for power-distribution utilities supplying electricity to Bulandshahr district in Uttar Pradesh?

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) & c) The GST reforms on coal are uniformly applicable in the country and no district specific changes have been made. 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/tonne, which is likely to reduce the cost of generation by 17 to 18 paise/kWh. The impact of GST reforms on cement and other local industries is dependent upon the grade of coal consumed by them.

d) 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 to imported coal which is likely to attract imported coal based plants and other consumers to source cheaper domestic coal, thereby contributing towards Aatmanirbhar Bharat and the import substitution initiative.

e) & f) 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. There will be reduced procurement cost of electricity for the power distribution utilities, owing to reduced cost of coal based electricity generation.
