

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE

LOK SABHA
UNSTARRED QUESTION NO. 1524

ANSWERED ON MONDAY, THE 9th FEBRUARY, 2026/ 20 MAGHA, 1947 (SAKA)

Fiscal Impact of GST Restructuring

1524 Shri K E Prakash:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken note of the statement made by the Finance Minister of Tamil Nadu wherein he stated that changes in the GST regime have imposed an additional financial burden of Rs.10,000 crore on the State Government, if so, the details thereof;

(b) whether the Government has assessed the fiscal impact of recent GST restructuring measures, if so, the details thereof, State-wise;

(c) whether any pilot study, phased implementation or impact assessment exercise was conducted prior to the introduction of such GST changes and, if so, the details thereof and the findings thereof;

(d) whether the Government proposes any compensation mechanism to offset revenue losses arising from such GST changes and if so, the details thereof; and

(e) the steps proposed to be taken by the Government to address the concerns raised and to ensure the fiscal stability of States?

ANSWER

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

(a), (b) & (c): GoM on rate rationalization was constituted under the chairmanship of state of Bihar along with 5 other member states (Uttar Pradesh, Rajasthan, West Bengal, Karnataka and Kerala). GoM submitted its recommendations to GST Council. GST Council in its 56th meeting held on 03.09.2025, recommended rationalization of the GST rates on many goods and services with a focus on common-man, labour-intensive industries, farmers and agriculture, health and key drivers of the economy. Rationalization of the current 4-tiered tax rate structure into a citizen-friendly 'Simple Tax' - a 2-rate structure with a Standard Rate of 18% and a Merit Rate of 5%; a special de-merit rate of 40% for a select few goods and services was recommended. At the moment, no formal study has been conducted on the impact of the GST rate reduction on the different sectors of the economy in the country.

(d): No such proposal is under consideration of the government.

(e): All states have enacted their Fiscal Responsibility and Budget Management (FRBM) Act. Compliance to the State FRBM Act is monitored by the respective State Legislatures. Central government usually considers the fiscal limits as per the accepted recommendations of the Finance Commission while exercising powers to approve borrowings by States under Article 293(3) of the Constitution of India.
