

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO. 4991
TO BE ANSWERED ON MONDAY, MARCH 23, 2026/CHAITRA 02, 1948
(SAKA)

GST Rate Rationalisation

4991. Adv K. Francis George:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has undertaken any assessment of revenue and inflationary implications of Goods and Services Tax (GST) rate rationalisation;
- (b) if so, the details of changes made in the GST rate structure and the goods and services affected thereby;
- (c) whether any study has been conducted regarding the fiscal impact, consumption patterns and sectoral growth following rate rationalisation and if so, the details and findings thereof;
- (d) the steps taken by the Government to ensure revenue neutrality and fiscal stability of the States after revisions in GST rates; and
- (e) whether the Government proposes to undertake periodic review of the GST rate structure to balance revenue requirements and consumer welfare and if so, the details thereof?

ANSWER

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

(a) & (b): As per latest data available, gross GST revenue collections have recorded a growth of 8.1% in February 2026 as compared to February 2025. No formal study on the inflationary implications of GST rate rationalisation has been conducted.

(c) While a specific study regarding the fiscal impact, consumption patterns and sectoral growth following rate rationalisation has not been conducted, however, the reduction in GST rates is expected to provide direct and indirect relief to common people and investors by lowering the tax burden on essential goods and services, thereby improving affordability, reducing cost of living, and supporting household consumption.

The rationalisation of rates is also expected to reduce transaction costs, ease compliance, encourage greater formalisation, and widen the tax base. Sector-specific rate reductions are expected to support competitiveness and investment by lowering costs in construction, boosting demand in automobiles, improving access to life-saving drugs and medical devices, and promoting labour intensive MSMEs such as toys, handicrafts and man-made fibres.

Recent trends in high-frequency indicators, including higher e-way bill generation, improved Purchasing Managers' Index (PMI) readings for manufacturing and services, record festive season automobile sales, robust UPI transactions, and increased tractor sales, indicate a strengthening economic momentum during September-December 2025, following the implementation of GST reforms. Furthermore, as per the NABARD Rural Economic Conditions and Sentiments Survey (November 2025), 79.2% of rural households reported increased consumption expenditure in the last one year, the highest among all bi-monthly rounds in FY 2025-26 so far.

(d) & (e) GST rates and exemptions are prescribed based on the recommendations of the GST Council, which is a constitutional body comprising of representatives of the Centre and the States.

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.
