

04 September 2025

## GST reduction on FMCG products to ease consumer burden and boost business

GST rates have been reduced on various food, textile, consumer durables and other FMCG products



**Sanket Desai**

*Tax Partner, EY India*

GST rates have been reduced to 5% for various food products, textile products and other FMCG products. Furthermore, GST rates are pegged at 18% for ACs, TVs and dishwashers. Sin goods such as aerated waters containing sugar, carbonated fruit juices, caffeinated beverages, tobacco products to attract 40% rate.

**Industry positives:** Simplified tax slabs, reduced classification disputes, enhanced ease of doing business and potential opportunities to boost sales.

**Challenges:** Input Tax Credit (ITC) accumulation on account of the inverted duty structure, old stock repricing, system upgrades and reduction in government incentives linked to net GST cash outflow.

**Consumer impact:** Expected price cuts on FMCG products and consumer durables. Luxury or sin goods may become costlier.

**Way forward for industry:** Update billing systems for new GST rates, restructure MRP, explore advocacy with the government, seek clarity on the applicability of anti-profiteering provisions and plan for transition issues.



## Impact analysis

### Industry impact

- Simplified GST slabs (5%, 18%, 40%) have reduced complexity and classification disputes.
- There is a potential opportunity to boost sales on account of MRP reduction.
- Input Tax Credit (ITC) accumulation on account of inverted duty structure.
- Opening stocks may need repricing and re-stickering.
- Updates in the billing system and staff training are required.
- Luxury and sin goods in the 40% slab may see lower demand or margins.
- Reduction in government incentives linked to net GST cash outflow.

### Consumer impact

- Consumer prices for FMCG products may drop on account of GST rate cuts.
- Lower prices may make ACs, TVs, dishwashers, apparel and footwear (up to INR2500) more affordable for consumers.
- Higher GST rates (40% on sin or luxury goods, 18% on apparel or footwear above INR2500) may raise consumer costs.

## Highlights

Ultra-High Temperature (UHT) milk, paneer, pizza, bread, chapati, roti, khakhra, etc.

5%



0%

Before

Now

Butter, ghee, cheese, nuts, jams, sauces, sugar boiled confectioneries, packaged water, footwear and apparel (up to INR2500), etc.

12%



5%

Before

Now

Sugar confectionery, chocolates, cakes, biscuits, talcum powder, hair oils, shampoo, toothpaste, toothbrushes, shaving cream, toilet soap, etc.

18%



5%

Before

Now



## Impact analysis

### Way forward for the industry

- The industry needs to update billing systems for the new GST rates.
- Reassess MRPs, margins and product classifications.
- Realign pricing policies with trade partners.
- Advocate to the government on issues related to inverted duty refunds, cess credit, anti-profiteering clarity and MRP re-sticking relaxations.
- Plan for transitional stocks.
- Update or relabel packaging to meet regulatory compliance.

## Highlights

ACs, TVs > 32 inches,  
dishwashers, etc.

28%  18%

Before

Now

Aerated waters  
containing sugar,  
carbonated fruit  
juices, caffeinated  
beverages, tobacco  
products, etc.

28%  40%

Before

Now

Other non-  
alcoholic  
beverages

18%  40%

Before

Now

# Our Offices

## Ahmedabad

22nd Floor, B Wing,  
Privilon  
Ambli BRT Road, Behind  
Iskcon Temple  
Off SG Highway,  
Ahmedabad - 380 059  
Tel:+ 91 79 6608 3800

8th Floor, Building No. 14A  
Block 14, Zone 1  
Brigade International  
Financial Centre  
GIFT City SEZ  
Gandhinagar - 382 355,  
Gujarat  
Tel + 91 79 6608 3800

## Bengaluru

12th & 13th Floor  
"UB City", Canberra Block  
No.24 Vittal Malliya Road  
Bengaluru - 560 001  
Tel:+ 91 80 6727 5000

Ground & 1st Floor  
# 11, 'A' wing  
Divyasree Chambers  
Langford Town  
Bengaluru - 560 025  
Tel:+ 91 80 6727 5000

3rd & 4th Floor  
MARKSQUARE  
#61, St. Mark's Road  
Shantala Nagar  
Bengaluru - 560 001  
Tel:+ 91 80 6727 5000

1st & 8th Floor, Tower A  
Prestige Shantiniketan  
Mahadevapura Post  
Whitefield, Bengaluru -  
560 048  
Tel:+ 91 80 6727 5000

## Bhubaneswar

8th Floor, O-Hub, Tower A  
Chandaka SEZ,  
Bhubaneswar  
Odisha - 751024  
Tel: + 91 674 274 4490

## Chandigarh

Elante offices, Unit No. B-  
613 & 614  
6th Floor, Plot No- 178-  
178A  
Industrial & Business  
Park, Phase-I  
Chandigarh - 160 002  
Tel:+ 91 172 6717800

## Chennai

6th & 7th Floor, A Block,  
Tidel Park, No.4, Rajiv  
Gandhi Salai  
Taramani, Chennai - 600  
113  
Tel:+ 91 44 6654 8100

## Delhi NCR

Aikyam  
Ground Floor  
67, Institutional Area  
Sector 44, Gurugram -  
122 003  
Haryana  
Tel: + 91 124 443 4000

3rd & 6th Floor,  
Worldmark-1  
IGI Airport Hospitality  
District  
Aerocity, New Delhi - 110  
037  
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No  
2B  
Tower 2, Sector 126  
Gautam Budh Nagar, U.P.  
Noida - 201 304  
Tel:+ 91 120 671 7000

## Hyderabad

THE SKYVIEW 10  
18th Floor, "SOUTH  
LOBBY"  
Survey No 83/1,  
Raidurgam  
Hyderabad - 500 032  
Tel:+ 91 40 6736 2000

## Jaipur

9th floor, Jewel of India  
Horizon Tower, JLN Marg  
Opp Jaipur Stock  
Exchange  
Jaipur, Rajasthan -  
302018

## Kochi

9th Floor, ABAD Nucleus  
NH-49, Maradu PO  
Kochi - 682 304  
Tel:+ 91 484 433 4000

## Kolkata

22 Camac Street  
3rd Floor, Block 'C'  
Kolkata - 700 016  
Tel:+ 91 33 6615 3400

6th floor, Sector V,  
Building Omega, Bengal  
Intelligent Park, Salt Lake  
Electronics Complex,  
Bidhan Nagar  
Kolkata - 700 091  
Tel: + 91 33 6615 3400

## Mumbai

14th Floor, The Ruby  
29 Senapati Bapat Marg  
Dadar (W),  
Mumbai - 400 028  
Tel:+ 91 22 6192 0000

5th Floor, Block B-2  
Nirlon Knowledge Park  
Off. Western Express  
Highway  
Goregaon (E)  
Mumbai - 400 063  
Tel:+ 91 22 6192 0000

3rd Floor, Unit No.301  
Building No.1, Mindspace-  
Gigaplex  
IT Park, MIDC, Plot No. IT-5  
Airoli Knowledge Park  
Airoli West,  
Navi Mumbai - 400 708  
Tel: + 91 22 6192 0003

18th Floor, Altimus  
Pandurang Budhkar Marg  
Worli, Mumbai - 400 018  
Tel: + 91 22 6192 0503

## Pune

C-401, 4th Floor  
Panchshil Tech Park,  
Yerwada  
(Near Don Bosco School)  
Pune - 411 006  
Tel: + 91 20 4912 6000

10th Floor, Smartworks  
M-Agile, Pan Card Club Road  
Baner, Pune - 411 045  
Tel: + 91 20 4912 6800

Ernst & Young LLP

**EY | Building a better working world**

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

**All in to shape the future with confidence.**

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EYG member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP is one of the Indian client serving member firms of EYGM Limited. For more information about our organization, please visit [www.ey.com/en\\_in](https://www.ey.com/en_in).

Ernst & Young LLP is a Limited Liability Partnership, registered under the Limited Liability Partnership Act, 2008 in India, having its registered office at Ground Floor, Plot No. 67, Institutional Area, Sector - 44, Gurugram - 122 003, Haryana, India.

© 2025 Ernst & Young LLP. Published in India.  
All Rights Reserved.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

[ey.com/en\\_in](https://ey.com/en_in)

