

# GST 2.0

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## 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



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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%

years

years



## 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%

years

years

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