

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
RAJYA SABHA
UNSTARRED QUESTION NO-1841
ANSWERED ON – 02.08.2022

IMPACT OF GST CHANGES ON DAIRY PRODUCTS

1841. SHRI A. A. RAHIM:

Will the Minister of **FINANCE** be pleased to state:-

- (a) whether the Ministry has studied the possible impact of imposition of GST on dairy products like pre-packed, pre-labelled curd, lassi and butter milk, if so, the details thereof; and
- (b) whether the Ministry has studied the impact of increasing the GST on dairy machinery and milking machines from 12 per cent to 18 per cent on the petty producers with 75 per cent of the rural households owning 2-4 cows?

ANSWER

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

(a): GST rates are prescribed on the recommendation of the GST Council, which is a constitutional body comprising of representatives from the States/UTs and Centre. The Council takes into account all the relevant factors while making its recommendation(s). The GST Council in its 47th Meeting, held on 28th June, 2022, recommended a shift in approach from imposition of GST on the branded goods to pre-packaged and labelled goods on specified items. This was done on the basis of the recommendation made by the Group of Ministers (GoM) on Rate rationalization. The GoM has also recommended imposition of GST on pre-packaged and labelled curd, lassi and buttermilk at a nominal rate of 5%. When sold in loose form (not in pre-packaged and labelled form), these products continue to remain exempt from GST and its consumers are not impacted. In case of pre-packaged and labelled form of such commodities, considering that the taxpayer would get input tax credit on the inputs and input services, the net impact of GST would be marginal for consumers. In addition, the supplier of such pre-packaged and labelled commodities eligible for availing threshold exemption or composition scheme would be entitled to exemption or composition rate, as the case may be.

(b): The GST Council in the said meeting, on the basis of the recommendation made by the Group of Ministers (GoM) on Rate rationalization, as a measure for correction of inverted duty structure, made a recommendation for calibration of GST on certain items including on milking machines and dairy machinery. The move would help to remove distortions in the supply chain and remove blockage of working capital of concerned suppliers on account of inverted duty structure. This will also help in enhancing the domestic production of such goods. Correction of inverted GST rate would help in the growth of the sector. With correction of inverted rate and seamless input tax credit chain, it may have only marginal impact on the prices
