



GST Reforms for a New Generation

Lighter on the Pocket, Brighter for the Future

September 20, 2025

Key Takeaways

- GST on **leather, footwear, textiles, handicrafts, and toys** reduced to **5%** to boost youth-led MSMEs and exports.
- **Essential learning materials** like pencils, erasers, and exercise books made **GST-free** to ease education costs.
- GST on **gyms/fitness centres** slashed from **18% to 5%**, making fitness more affordable and accessible.
- GST on **two-wheelers (≤350cc)** and **small cars** cut from **28% to 18%**, enhancing youth mobility.
- GST on **cement** reduced from **28% to 18%**, lowering housing and infrastructure costs.
- **Healthcare** made affordable with GST on medicines cut to **5%/Nil**, while **health insurance is made exempted from GST**.
- Uniform **5% GST** on **drones** introduced, supporting startups and the Make in India initiative.
- **Daily food items** like UHT milk, roti, paratha, paneer, and packaged snacks brought under **5% or Nil GST**, easing household expenses.
- Reforms **promote affordability, healthier lifestyles, and improved ease of living** for youth and households.

Introduction

The **Goods and Services Tax (GST) reforms** introduced in **September 2025** represent a landmark step in **reshaping India's taxation system to better serve the aspirations of its youth**. By simplifying tax structures, reducing rates across key industries, and addressing long-standing anomalies, these reforms are designed to create an **enabling environment for entrepreneurship, job creation, and affordable living**. Sectors with high youth participation—such as **education, automobiles, technology, handicrafts, footwear, healthcare, food processing, and textiles**—have been prioritized to lower costs, boost competitiveness, and encourage innovation. Beyond reducing the financial burden on households and businesses, the reforms strengthen India's vision of inclusive growth, sustainability, and empowerment of the next generation.

GST Reforms for Promoting Jobs, Businesses and Startups

The government has introduced a **simplified GST structure** with **significant rate reductions** across key sectors of trade and commerce. Essential industries such as **leather, footwear, paper, textiles, handicrafts, toys, packaging, and logistics** have been covered under this reform. The aim is to boost the present businesses and startups and incentivise the youth to enter into businesses and initiate startups.

By lowering GST slabs to **5%** on several goods and **rationalising rates** in transport and allied sectors, the reforms aim to **reduce costs for consumers, ease compliance for traders, and enhance competitiveness for Indian businesses**.

GST Reforms

for Commerce and Trade Industry



Sector/Products	Old GST Rate	New GST Rate
Cartons, Boxes and Cases of Corrugated/ Non-Corrugated Paper or Paper Boards	12%	5%
Paper pulp moulded trays	12%	5%
Chamois leather and composition leather with a basis of leather or leather fibre	12%	5%
Leather after tanning/crusting	12%	5%
Footwear (\leq ₹2,500 per pair)	12%	5%
Supply of job work in relation to hides, skins and leather falling under Chapter 41	12%	5%
Rice husk/glassfibre reinforced gypsum/ cement bonded particle/jute particle/ bagasse/sisal fibre boards	12%	5%
Sheets for veneering, bamboo flooring, casks, barrels, vats, tubs of wood.	12%	5%
Idols (wood, stone, metals)	12%	5%
Paintings, drawings and original engravings	12%	5%
Handcrafted candles, carved wood products, handbags including pouches and purses	12%	5%
Stone art ware, stone inlay work, tableware and kitchenware of clay and terracotta	12%	5%
Glass statutes, artware of iron, aluminium, brass/copper	12%	5%
Commercial goods vehicles (trucks, delivery vans)	28%	18%
Prepared/preserved vegetables, fruits, nuts	12%	5%
Man-made fibres (MMF)	18%	5%
Man-made yarns	12%	5%
Toys and sports goods	12%	5%

Source: Ministry of Commerce and Industry

GST Rationalisation for Leather and Footwear Industry

The leather and footwear sector is a key employer, directly benefitting the youth, in India, with a strong export base. GST rationalisation here reduces the burden on young manufacturers and makes products more accessible to the consumers.

- **GST has been reduced from 12% to 5%** on chamois leather, composition leather with a basis of leather or leather fibre, and leather prepared after tanning or crusting.
- **Footwear priced up to ₹2500 per pair** now attracts just **5% GST**, directly benefiting young consumers.
- **GST on supply of job work in relation to hides, skins, and leather** (falling under chapter 41) also cut from **12% to 5%**, reducing MSME production costs, encouraging young entrepreneurs.

GST Reductions

for Leather and Footwear Industry



5% from **12%**

- ✓ Chamois Leather
- ✓ Composition Leather
- ✓ Leather prepared after Tanning
- ✓ Supply of job work in relation to Hides, Skins, & Leather



Footwear priced up to ₹2500 per pair: 5% GST

Source: Ministry of Commerce and Industry

GST Rationalisation for Wood Industry

Agro-based and eco-friendly wood substitutes see lower taxation, encouraging sustainable manufacturing and MSME competitiveness.

- GST reduced from **12% to 5%** on **rice husk board, glassfibre reinforced gypsum board, cement bonded particle board, jute particle board, bagasse board, sisal fibre board, etc.**
- **Sheets for veneering, bamboo flooring, casks, barrels, vats, tubs of wood** are also included.
- The aim is to support MSMEs in wood manufacturing and promote eco-friendly alternatives.

GST Rationalisation for Handicrafts Industry

The handicrafts sector, vital for young artisans and exporters, benefits from tax rationalization, making traditional goods more affordable and globally competitive.

- GST cut from **12% to 5%** on **idols made of wood, stone, and metals.**
- GST reduction also applies to **paintings, drawings, original engravings, handcrafted candles, carved wood products, handbags including pouches and purses, stone art ware, stone inlay work, tableware and kitchenware of clay & terracotta.**
- It further covers **glass statutes, artware of iron, aluminium, brass/copper, etc.**
- These reforms strengthen India's cultural economy and young artisanal livelihoods.

GST Rationalisation for Textile Industry

The GST rationalisation in textiles **removes structural anomalies, reduces costs, boosts demand, supports exports, and sustains jobs.**

- GST on **man-made fibres (MMF)** reduced from **18% to 5%.**
- GST on **man-made yarns** cut from **12% to 5%.**
- **GST on ready-made apparel up to ₹2,500 per piece** (earlier limit was ₹1,000) is set at **5%.**

The rate cut will make Indian MMF-based garments more price-competitive in global markets, supporting India's ambition to become a **global textile hub**. It will support the budding and young exporters.

GST on carpets and other floor covering has also been reduced from 12% to 5%.

GST Reductions for Textile Industry



Man-made fibres (MMF) GST reduced

5% from **18%**





Man-made yarns GST reduced

5% from **12%**

Source: Ministry of Commerce and Industry

GST Rationalisation for Reducing Packaging Costs

The GST on Packing paper, cases, cartons, boxes (of corrugated paper or non-corrugated paper or paper boards) and paper pulp moulded trays has been reduced to 5%. This rationalisation will:

- Reduce the overall logistics and packaging costs, serving the dual purpose of making products cheaper for the customers and production cheaper for businesses.
- Provide relief to youth businesses and small manufacturers that are dependent on cost-effective packaging solutions.

GST Reforms in Packing Paper, Packing Cases, and Crates



GST 5%
Reduced to



Impact:

- Reduces overall logistics and packaging costs.
- Provides relief to manufacturers dependent on cost-effective packaging solutions.

Source: Ministry of Food Processing Industries

GST Rationalisation for Reducing Transportation and Logistics Cost

GST on Commercial Goods Vehicles (Trucks, Delivery Vans, etc.) has been reduced from 28% to 18%. Trucks form the backbone of India's supply chain, carrying nearly **65%–70% of goods traffic**. Lower GST will reduce the capital cost of trucks, which will directly decrease freight rates per tonne-km, especially benefitting India's young entrepreneurs.

GST Reductions for Commercial Goods Vehicles



18% from **28%**

Commercial Goods
Vehicles



5% from **12%**
with ITC

Third-Party Insurance
of Goods Carriages



Source: Ministry of Food Processing Industries

Additionally, the **reduction of GST on third-party insurance of goods carriages (from 12% to 5% with ITC)** further complements these efforts.

GST Reforms for Promoting Healthcare

While **healthcare services by doctors, hospitals, and diagnostic centres remain exempt from GST**, the **reduction in taxes on essential medicines and medical devices** has brought down treatment costs for patients. At the same time, higher taxes on harmful goods like tobacco and related goods underline the government's focus on preventive healthcare and tackling lifestyle diseases such as cancer. This balanced approach ensures that the tax system itself becomes a tool for protecting youth health and strengthening families' well-being.

GST Rate Cuts



To Make Healthcare and Nutrition Affordable

Sector / Product	Old GST Rate	New GST Rate
Drugs & Medicines	12%	5% / Nil GST
Bio-medical waste treatment services	12%	5%
Pharma Job Work (formulations, APIs, packaging, etc.)	12%	5%
Medical Devices & Equipment (anaesthetics, oxygen, diagnostic kits, bandages, thermometers, etc.)	12%	5%
Tobacco & related products	28%	40%
Spectacles, Contact Lenses, Spectacle Lenses	12%	5%
UHT Milk	5%	Nil (Exempted)
Paneer (branded/unbranded)	5%	Nil (Exempted)
Dry Fruits (almonds, hazelnuts, dates, figs, etc.)	12%	5%
Diabetic Foods	12%	5%
Prepared/Preserved Fish	12%	5%
Fruit pulp / fruit juice based drinks	12%	5%
Milk-based Beverages	12%	5%
Gyms / Fitness Centres	18%	5%

Source: Ministry of Finance

GST Rationalisation for Drugs and Medicines

GST on drugs and medicines has been reduced from 12% to 5%/Nil. It will cut the costs of various essential medicines, easing the financial burden on patients. This move will:

- Boost the affordability of long-term treatments for chronic illnesses.
- Strengthen India's role as the **"Pharmacy of the World"**, especially for generics, while ensuring domestic affordability.

Further, GST on **supply of job work in relation to manufacture of pharmaceutical products** will also be reduced from **12% to 5%.**

GST Rationalisation for Vision Correction Products

GST on Vision Correction Products has been reduced from 12% to 5%. Spectacles are not a luxury but a health necessity. The GST rate cut will help in increasing affordability and adoption of spectacles. Lower GST makes vision correction affordable for many people, **especially students**, the elderly, and low-income households. It will also **improve productivity among the youth.**

GST Rationalisation for Child Care Products

GST on **napkins and napkin liners** for babies, and **feeding bottles** has been reduced from **12% to 5%.** GST on **thermometers** have been reduced from **18% to 5%.** GST on **UHT Milk** has been reduced from **5% to Nil.**

The GST reforms also reduce the tax burden on **other essential childcare products**, including **baby diapers, nipples,** and related items.

The lower cost of these products eases the economic pressure on young families, improves affordability of infant essentials, and supports early childhood health by promoting better hygiene and infection prevention.



GST Exemption on Individual Health Insurance

This will make **premiums cheaper for youth** and middle-class families and **encourage wider adoption of health insurance**, reducing out-of-pocket medical expenses.

GST Increase on Tobacco and Related Products

GST on **tobacco and related products** has been increased from **28% to 40%.** These include:

- Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes.
- Other manufactured tobacco and manufactured tobacco substitutes;
- "Homogenized" or "reconstituted" tobacco; tobacco extracts and essences.
- Products containing tobacco or reconstituted tobacco and intended for inhalation without combustion.
- Products containing tobacco or nicotine substitutes and intended for inhalation without combustion.

GST Reforms for Promoting Education

Education, nutrition, care, and play form the foundation of every child's development. The recent GST rationalisation measures are a path-breaking step towards making learning, mobility, and childcare more affordable for families across India.

GST Exemption on Formal Education

School and university education continues to remain fully exempted from GST. Extension of benefits now covers **essential learning materials** and **childcare products**, making education and upbringing more affordable for Indian households and raising well the future youth of our country.

GST Rationalisation on Learning Materials

GST on **pencils, sharpeners, crayons, exercise books, graph books, maps, and charts** has been reduced from **12% to Nil**. GST on **erasers** has been reduced from **5% to Nil**. This reduction will make basic learning tools cheaper, especially for government schools, children and youth in rural areas. It reduces out-of-pocket education expenses for families, encourages higher school enrolment, and supports better learning outcomes. At the same time, it boosts demand for domestic stationery manufacturing, particularly among MSMEs.



GST Rationalisation for Toys and Sports Products

The toy industry, important for child development and MSME manufacturing, benefits from reduced GST.

- GST on toys and sports goods cut from **12% to 5%**.
- This makes toys more affordable, encouraging **early childhood learning through play**.
- This will also **"Vocal for Local"** initiative by supporting domestic and youth MSME toy makers.

GST Reduction on Bicycles – Affordable Mobility for Students

GST on bicycles reduced from 12% to 5%. This will make bicycles more affordable and will help children in rural and semi-urban areas access schools more easily. It further encourages mobility and reduces dropouts, particularly among girls. Additionally, it promotes fitness, outdoor activity, and healthier lifestyles among children.

GST Reforms for Promoting Ease of Living

By lowering GST rates on daily food items, construction materials, gyms/fitness centres, and automobiles, the Government has not only reduced the financial burden on households but also advanced its long-term vision of promoting healthier lifestyles, affordable housing and transportation, and improved ease of living among the youth.

GST Rationalisation for Everyday Food Items

The government has aimed to enhance food affordability by bringing **most food items under the 5% or NIL tax slab**, as seen in the **exemption of staple Indian breads like Paratha, Parotta, and Roti from GST**, reflecting their status as essential household foods.

Item Category	Previous GST	New GST
Ultra-High Temperature (UHT) milk	5%	Nil
Pre-packaged & labelled chena/paneer	5%	Nil
Pizza bread, khakhra, chapati/roti	5%	Nil
Paratha, parotta	18%	Nil
Tender coconut water, pre-packaged and labelled	12%	5%
Drinking Water (20 litre bottles)	12%	5%
Sauces and condiments like curry paste, mayonnaise, mixed condiments	12%	5%
All goods, including refined sugar containing added flavouring or colouring matter, sugar cubes; Sugar boiled confectionery	12%	5%
Brazil nuts (dried)	12%	5%
Other nuts (dried) such as almonds, hazelnuts or filberts, chestnuts, pistachios, macadamia nuts, kola nuts, pine nuts	12%	5%
Dates, figs, pineapples, avocados, guavas, mangoes (other than mangoes sliced, dried)	12%	5%
Roasted chicory and other roasted coffee substitutes (extracts/essences/concentrates)	12%	5%
Fats of bovine animals, sheep or goats; pigs; fish or marine mammals; Animal or microbial fats	12%	5%
Butter, ghee & other dairy fats	12%	5%
Preserved & processed meat/fish, like sausages, prepared/preserved meat, fish, crustaceans	12%	5%
Condensed milk, cheese	12%	5%
Jams, jellies, marmalades, purees, nut pastes	12%	5%
Preserved vegetables and pickles	12%	5%
Fruit & vegetable juices/drinks like fruit pulp juices, nut juices, vegetable juice	12%	5%
Beverages containing milk, soya milk	12%	5%
Ice cream and edible ice	18%	5%
Plant-based milk drinks	18%	5%
Soups and broths and preparations therefor	18%	5%
Tea and Coffee (extracts/essences/concentrates)	18%	5%
Chocolates & cocoa products (butter, powder)	18%	5%
Vegetable saps and extracts	18%	5%
Sugar confectionery; Pastry, cakes, biscuits and other bakers' wares	18%	5%

Reduction of GST on food items to **5% or NIL** benefits not only consumers but also the youth involved in the food processing value chain — from **farmers and cooperatives to MSMEs, retailers, and exporters**.

- GST rationalisation will provide a **boost to India's food processing industries, milk cooperatives, and private dairies**, by **reducing input costs** and **boosting production volumes**. This will further encourage the youth to initiate business ventures in this industry.

- This move will also encourage demand in semi-urban and rural areas, **supporting MSMEs and regional brands** being operated by or employing the youth.

GST Rationalisation for Gyms/Fitness Centres

GST on gyms/fitness centres has been reduced from 18% to 5%. The reduction of GST on fitness centres marks a decisive step towards building a healthier and more active India. Fitness, which was earlier considered a luxury by many, is now being made accessible to wider sections of society. This aligns with the broader public health agenda of preventive care and wellness promotion, especially among the youth.

Key Benefits:

- The reduced GST makes **gyms and fitness memberships more affordable**, encouraging more people, especially youth and middle-class families, to access structured health and wellness services.
- This measure **complements national preventive health initiatives** such as the **Fit India Movement**, which encourages citizens to prioritise regular exercise and lifestyle changes to prevent chronic illnesses.
- **Urban employees and students** who rely on gyms for regular exercise will benefit from lower costs, enabling them to **balance fitness with busy lifestyles**.
- By making fitness centres more accessible, the government is **encouraging a societal shift from curative healthcare to preventive health**, ultimately reducing long-term health expenditure for families.



GST Rationalisation for Two Wheelers (Bikes up to and including 350cc)

GST on two-wheelers (Bikes up to and including 350cc) has been reduced from 28% to 18%. Two-wheelers are more than just vehicles, they are a **lifeline of mobility** for millions of Indians, especially the youth in rural and semi-urban areas. The reduction in GST brings **meaningful relief to lower-middle-class households, young professionals, and gig workers** who depend on affordable transport for their livelihood and daily needs.

Key Benefits:

- With lower GST, the overall price of two-wheelers decreases, making them **more affordable for the youth, students, and first-time buyers**, especially belonging to the lower-middle-class households.
- In small towns and villages, bikes are often the primary mode of transport. Cheaper bikes will **enhance accessibility and improve daily commuting options**.
- Delivery agents, ride-hailing service providers, and other gig workers rely heavily on two-wheelers. Lower GST **reduces their purchase costs, EMIs, and**



maintenance burden, increasing their monthly savings.

- By reducing commuting costs, this reform helps **workers save more, improves mobility** for job opportunities, and **strengthens the overall workforce efficiency**.
- Affordable transport **empowers youth to seek education, employment, and entrepreneurship opportunities** without being held back by mobility challenges.

GST Rationalisation for Small Cars

GST on small cars has been reduced from 28% to 18%. Small cars form the backbone of India's automobile market, especially in **tier-2 and tier-3 cities**. By lowering GST on this segment, the government is directly addressing the aspirations of the youth and the middle-class families, while also giving a significant boost to the automobile industry.

Key Benefits:

- The reduction in GST makes small cars more affordable, **encouraging youth and first-time buyers** to invest in personal mobility solutions.
- Compact cars are most popular in semi-urban and rural markets. Lower GST will **accelerate sales in these regions, strengthening the auto industry's rural footprint**.
- Higher car sales will benefit not just manufacturers but also dealerships, service centres, drivers, and auto-finance companies, creating a **positive ripple effect across the economy**.
- Affordable small cars **expand mobility options for young professionals, working parents, and students**, making daily commuting easier and more reliable.



GST Rationalisation for Large Cars

GST on large cars has been rationalised to flat 40% (no cess). The simplification of GST for larger cars creates predictability in pricing and encourages aspirational young buyers to invest in new vehicles.

GST Rationalisation for Buses

GST on Buses (with seating capacity 10+ persons) has been reduced from 28% to 18%. Public and shared transport will see significant gains with reduced GST on buses and minibuses.

- Reduces upfront costs for fleet operators, schools, cooperates, tour operators and state transport undertakings. This will spur demand for buses and minibuses.
- **Makes fares more affordable**, especially for the youth in rural and semi-urban routes.
- **Encourages shift to public transport**, easing congestion and pollution.

GST Rationalisation for Cement

GST on cement has been reduced from 28% to 18%. Cement constitutes one of the largest input costs in construction, contributing **15–20% of total building costs** and nearly **11% of overall construction expenses**.

- The reduction in GST will substantially lower overall construction costs, **making housing and infrastructure projects more affordable**.

- Lower cement prices will **directly benefit** construction of houses under the **Pradhan Mantri Awas Yojana (Urban and Grameen)** and other public infrastructure initiatives.
- The cement industry is highly **employment-intensive**, spanning mining, logistics, manufacturing, and distribution. **Increased demand** due to lower prices will **boost job creation for the youth** across cement plants, ancillary industries, and logistics.



GST Rationalisation for Cement

GST reduced

From **28%** to **18%**

Impact:

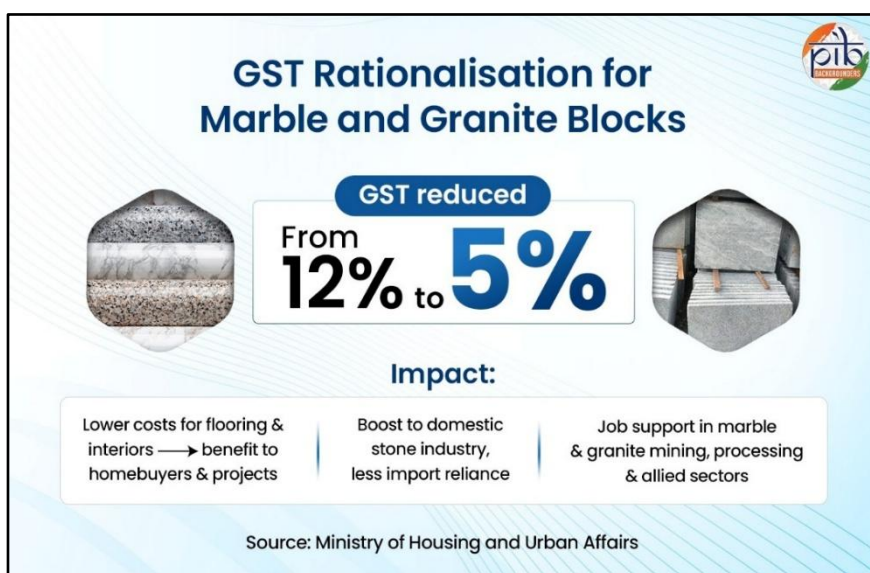
- Lower construction costs → affordable housing & infrastructure
- Boost for PMAY (Urban and Grameen) & other public projects
- Increase in demand will lead to job creation in allied sectors
- More efficient use of public spending

Source: Ministry of Housing and Urban Affairs

GST Rationalisation for Marble and Granite Blocks

GST on marble and granite blocks have been reduced from 12% to 5%. India has a large natural stone sector, with states like Rajasthan, Gujarat, Karnataka, and Andhra Pradesh being major producers.

- Reduced GST will lower the costs of flooring, tiling, and interior finishing, **directly benefiting young homebuyers and infrastructure projects.**
- The GST cut will boost **domestic competitiveness** while reducing reliance on imported natural stones.
- The marble and granite industry provides employment to **lakhs of workers**, especially the youth, and the tax relief will help **sustain jobs in extraction, processing, and related activities.**



GST Rationalisation for Marble and Granite Blocks

GST reduced

From **12%** to **5%**

Impact:

- Lower costs for flooring & interiors → benefit to homebuyers & projects
- Boost to domestic stone industry, less import reliance
- Job support in marble & granite mining, processing & allied sectors

Source: Ministry of Housing and Urban Affairs

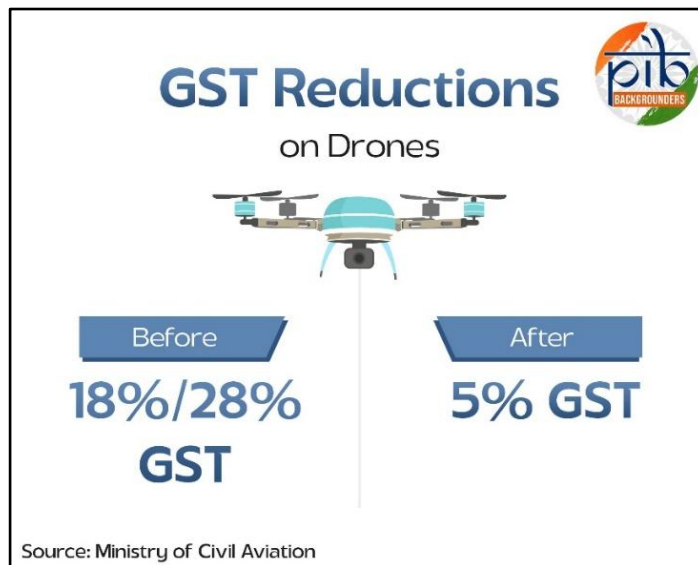
GST Rationalisation for Job Work for Manufacture of Bricks

GST on job work for bricks cut from **12% to 5%**, easing rural housing costs and supporting MSME running brick kilns.

GST Reforms for Promoting Drone Technology

Drones have emerged as transformative tools across sectors like **agriculture, defense, disaster management, and infrastructure development.** Recognizing their potential among the tech-savvy youth, the Indian government is intensifying efforts to **integrate drone technology into national development strategies.** Working along the same lines, the GST on **unmanned aircrafts (drones)** has been significantly reduced from the earlier **18% / 28%** to a **uniform 5%** rate. This rationalization aims to encourage wider adoption of drones across sectors while also boosting domestic manufacturing under the **Make in India** and **Atmanirbhar Bharat** initiatives.

The **uniform 5% GST rate on all drones**, regardless of specifications, ensures parity and removes classification disputes, providing clarity and long-term stability to the industry. This policy aligns with the **Production Linked Incentive (PLI) Scheme** and is expected to unlock wide-ranging sectoral applications in **agriculture, petroleum, mining, infrastructure, logistics, defence, and emergency response**. Beyond sectoral growth, it will also drive economic benefits by generating new employment opportunities for the youth in **manufacturing, software development, field operations, and maintenance**.



Conclusion

The 2025 GST reforms mark a transformative chapter in India's journey toward inclusive economic growth and youth empowerment. By rationalising rates across diverse industries, the government has not only eased the cost of living but also fostered new opportunities for startups, MSMEs, and job seekers. The reduction in taxation for essential goods, services, and emerging technologies underscores a forward-looking approach that combines affordability with competitiveness. These measures will stimulate domestic manufacturing, support traditional industries, and encourage innovation, while also improving public health, education, and mobility. Collectively, the reforms reaffirm India's commitment to making taxation simpler, fairer, and more growth-oriented - ensuring that young citizens are at the heart of the nation's economic future.

References

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