



GST Reforms in Agriculture

A Farmer-Friendly, Pro-Rural, and Pro-Sustainability Step

8 September, 2025

Key Takeaways

- **Lower GST on tractors and farm equipment** will make mechanisation more affordable for farmers.
- **GST on tractors (below 1800 cc)** has been reduced from **12% to 5%**.
- The GST rate on Kendu leaves has been cut **from 18% to 5%**.
- GST on commercial goods vehicles (like trucks and delivery vans) has been reduced from **28% to 18%**.
- GST on prepared and preserved vegetables, fruits, and nuts has been reduced from **12% to 5%**.

Introduction

The government's GST changes in agriculture show its focus on farmers' welfare and rural growth. The reform cuts costs for farmers and helps cooperatives and FPOs (Farmer Producer Organisations). Cheaper fertilisers and farm machines will raise productivity. Support for cold storage and food processing will reduce wastage and give farmers better returns. Dairy, honey and other allied activities will also become more profitable. These steps will make Indian farming stronger and more self-reliant, in line with the vision of Atmanirbhar Bharat.

"The thrust of the government has been to help industries that are agriculture-related, agro-based, affecting the common man, and also labour-intensive. Why so? Because the common man should not be burdened with the high cost of goods due to taxation..." - Financial Analyst and Economist Rajeev Sahu


Farm Mechanisation

GST on Tractors (<1800 cc) to come down to 5%.

- Lower GST will bring down the purchase price of tractors, making them more affordable for small and medium farmers who form the majority of tractor buyers in India.
- Lower prices will encourage mechanisation in agriculture, helping farmers save time, reduce manual labour costs, and improve crop productivity.
- With cheaper tractors, even marginal farmers can access modern machinery through ownership or shared use in cooperatives and FPOs.
- **Tractor components (18% to 5%):** Tractor tyres and tubes, Hydraulic pumps for tractors, and many other tractor components will also become cheaper.
- These cuts will reduce the cost of modern farm equipment, making mechanisation affordable for small & marginal farmers.

- Generates demand for tractor finance and equipment leasing/rental models, benefitting rural NBFCs and cooperatives.

"India is basically a consumption driven country and still 60% of the people are engaged into agriculture. So, in this GST there are good news - tractors, tractor tires, fertilizers, all the rates have been brought down." - Economist Prabir Kumar Sarkar





GST Reductions

on Tractors and Farm Equipment

GST on tractors
(<1800 cc) reduced to

5% from **12%**





GST on tractor parts
like tyres, tubes, and
hydraulic pumps has
been reduced

5% from **18%**

Source: Ministry of Agriculture

Sprinklers, Drip Irrigation, Harvesting Machinery

- 12% to 5%:** Fixed Speed Diesel Engines of power not exceeding 15HP, harvesting or threshing machinery, composting machines, etc.
- These cuts will reduce the cost of farm equipment generally used by small and marginal farmers, making them more affordable.
- Encourages adoption of **water-saving irrigation (drip, sprinklers)**, supporting sustainable agriculture.
- Boosts productivity and efficiency** in sowing, irrigation, and harvesting.
- Boost farm mechanisation

Fertiliser Inputs

Ammonia, Sulphuric Acid, Nitric Acid (18% to 5% GST)

- Major raw materials for fertiliser production; rate cut corrects **inverted duty structure (IDS)**.
- Ensures timely availability of affordable fertilisers, directly aiding farmers during sowing seasons.
- Reduced production costs help companies avoid passing price hikes onto farmers, keeping fertilisers affordable and demand steady.

GST Reforms

In Agriculture and Allied Sectors



Sector/Products	Old GST Rate	New GST Rate
Farm Mechanisation		
Tractors (<1800 cc)	12%	5%
Tractor components (tyres, tubes, hydraulic pumps etc.)	18%	5%
Sprinklers, Drip Irrigation, Harvesting Machinery, Tractor	12%	5%
Diesel Engines (<15HP), Harvesting/ Threshing, Compressor	12%	5%
Fertiliser Inputs		
Ammonia, Sulphuric Acid, Nitric Acid(fertiliser raw materials)	18%	5%
Bio-Pesticides & Micronutrients		
12 Bio-Pesticides	12%	5%
Micronutrients Under Serial 1(g), Schedule 1, Part (A) of Fertilizer Control order 1985	12%	5%
Food Processing & Perishables		
Prepared/Preserved Vegetables, Fruits, Nuts	12%	5%
Dairy Sector		
Butter, Ghee, etc.	12%	5%
Milk Cans (iron/steel/aluminium)	12%	5%
Aquaculture		
Prepared/Preserved Fish	12%	5%
Renewable Energy		
Solar power-based devices	12%	5%
Forest Produce		
Kendu Leaves	18%	5%
Logistics & Transport		
Commercial Goods Vehicles (trucks, vans, etc.)	28%	18%
Third-party insurance of goods carriage	12%	5%

Source: Ministry of Agriculture

Bio-Pesticides & Micronutrients

12 Bio-Pesticides & several Micronutrients (12% to 5%)

- Promotes **eco-friendly and sustainable farming practices** by making bio-based inputs more affordable.
- Encourages farmers to shift from chemical pesticides to bio-pesticides, improving soil health and crop quality.
- Direct benefit to small organic farmers and FPOs, aligning with Govt's **Natural Farming Mission**.
- Micronutrients under serial 1(g), Schedule 1, Part (A) of Fertilizer Control order 1985 will be **brought to 5% GST from 12%**.

"GST on bio-pesticides and micronutrients has been reduced, which will benefit farmers. At the same time, farmers' inclination towards bio-fertilizers from chemical fertilizers will certainly increase." – **Union Minister Shivraj Singh Chauhan**

Fruits, Vegetables & Food Processing

Prepared/Preserved Vegetables, Fruits, Nuts (12% to 5% GST)

- Encourages investment in **cold storage, food processing, and value addition**.
- Reduces wastage of perishables, helping farmers realise better prices for produce.
- Boosts exports of processed food items, enhancing India's position as an **agri-export hub**.
- Strengthens Farmer Producer Organisations (FPOs) and small processors by reducing tax burden.

Dairy Sector

No GST on Milk & Paneer

- **Butter, Ghee, etc. (12% to 5% GST)**
- Direct boost to **dairy farmers** by making their products more competitive.
- Many farmers keep cattle to supplement their incomes, therefore, GST reduction will help in raising farmer incomes.
- Supports women-led rural enterprises, as dairy and dairy processing are key sources of income for women in self-help groups.
- Promotes nutrition security by making essential protein and fat sources more affordable for households.
- **GST on Milk cans down to 5% from 12%** (cans made of iron, steel or aluminium).

"This is great news for producers and consumers alike, as lower taxes will boost consumption and provide our producers access to a larger, continuous market.." **Gujarat Cooperative Milk Marketing Federation, Jayen Mehta**

Aquaculture

The reduction in the rate of tax on **'Prepared or preserved fish' (12% to 5%)** is expected to boost aquaculture and especially pisciculture across the country.


GST on honey

- GST on Natural honey to come down. It directly benefits **beekeepers, tribal communities, and rural SHGs**, who are major producers of natural honey.

- GST on **artificial honey, whether or not mixed with natural honey** down from **18% to 5%**.


GST Reductions

on Agricultural Inputs and Allied Sectors




Fruits, Vegetables & Food Processing
GST on prepared/preserved vegetables, fruits, and nuts reduced to

5% from **12%**




Dairy Sector
GST on butter, ghee, etc. reduced from GST on milk cans (iron, steel, aluminium) reduced to

5% from **12%**



Aquaculture
GST on prepared/preserved fish reduced to

5% from **12%**



Source: Ministry of Agriculture

GST on Solar power based devices to come down to 5% from 12%

Cheaper solar **power based devices** will reduce irrigation costs and support farmers.

Kendu leaves (18% to 5%)

- Kendu leaves are minor forest produce which act as a major source of income for farmers and tribals of Orissa, Madhya Pradesh and Chhattisgarh. The livelihood of these states depends partially on the prices of these leaves. The reduction in the rate of GST will help the tribals and farmers of these areas.

"The tax reduction from 18 per cent to 5 per cent on kendu leaf will benefit the tribal communities. This will result in increase in volume of sales of kendu leaves through government procurement agencies and help the leaf collection workers in getting higher price from vendors in the de-regulated areas." – **Odisha Chief Minister Mohan Charan Majhi**

Commercial Goods Vehicles

- Trucks, delivery-vans, etc GST down from **28% to 18%**
- Trucks are the **backbone of India's supply chain** (carry 65%-70% of goods traffic).
- Reducing GST reduces upfront capital cost of trucks, which lowers **freight rates per tonne-km**.
- This has a cascading effect. It will lead to **cheaper movement of agricultural goods**.
- Cheaper trucks directly help reduce **logistics cost**, improving **export competitiveness**.
- Reduction of GST from **12% to 5%** with **ITC on third-party insurance of goods carriage** also compliments these efforts.


"The Modi government has fulfilled the promise that our Prime Minister himself made on August 15. But more importantly, as you mentioned, I think this is a matter of great relief for the common man and also for our farmers. Above all, it truly brings significant relief to the common people." - **ASSOCHAM, Secretary General Manish Singhal**

GST Reductions

on Commercial Goods Vehicles

GST on trucks and delivery vans reduced


18% from **28%**



GST on third-party insurance of goods carriage reduced

5% from **12%**

(with ITC)



Source: Ministry of Finance

Conclusion

The GST rationalisation in agriculture is a transformative, farmer-centric reform. By lowering costs across fertilisers, machinery, dairy, aquaculture, and logistics, it not only raises farm incomes but also strengthens cooperatives, boosts rural enterprises, and promotes sustainable practices. This holistic reform enhances productivity, reduces wastage, improves competitiveness against imports, and takes India closer to Atmanirbharata in food security.

References

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Expert Quotes

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