



# Empowering Food Processing and Logistics through GST Reforms

*Making food affordable, industries competitive & logistics efficient*

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## Key Takeaways

- Food items like **UHT milk**, **paneer/chena**, **breads like paratha/parotta**, **khakhra**, **chapati/roti**, **pizza bread** exempted from GST.
- GST on **packaged food/snacks**, **chocolates**, **sauces**, **juices**, **coffee**, etc. **reduced to 5%**, boosting demand and industry growth.
- **Packaging materials** like crates and paper **now taxed at 5%**, lowering logistics and production costs.
- GST on **trucks and goods vehicles** cut from **28% to 18%**, reducing freight rates and strengthening supply chains.

## Introduction

In the **56<sup>th</sup> Meeting of the Goods and Services Tax (GST) Council** on **September 3, 2025**, the government has aimed to simplify taxation in the food processing industry by bringing **most food items under the 5% or NIL tax slab**. This framework promotes **uniformity**, **transparency**, and **ease of compliance** for businesses, while reducing the scope for disputes as certain confusion arose due to classification issues, where products with similar ingredients were placed under different tax slabs. This often led to disputes, litigation, and uncertainty for both industry and consumers. At the same time, it also provides **price relief to consumers**, as seen in the **exemption of staple Indian breads like Paratha, Parotta, and Roti from GST**, reflecting their status as essential household foods.

## Government Initiatives for Ensuring Food Accessibility and Affordability in India

The Government of India ensures food security primarily through the **National Food Security Act (NFSA)**, which entitles up to **75%** of the **rural** population and **50%** of the **urban** population to receive **highly subsidized food grains** via the **Targeted Public Distribution System**. The **Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY)** continues to strengthen this coverage by providing **free food grains** to **over 81.35 crore beneficiaries (as of June 27, 2025)**, with the scheme extended for **five years** from **January 2024**. Additionally, the government uses initiatives like the **Price Stabilization Fund** and **subsidized sale of staples** such as **Bharat Dal** and **Bharat Rice** to control price volatility and make essential food items **affordable**.

## Major Food Items with GST Reduction

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
Packaged food items & snacks like namkeens, bhujia, mixture, batters, instant noodles, pasta, macaroni, spaghetti, lasagna, ravioli, gnocchi etc.	12%	5%
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%
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 every stakeholder in the food processing value chain — from **farmers and cooperatives to MSMEs, retailers, and exporters**:

- **Lowers household expenditure** on dairy and snack products.
- Provides a **boost to India's food processing industries, milk cooperatives, and private dairies**.
- Encourages demand in semi-urban and rural areas, **supporting MSMEs and regional brands**.
- Supports large confectionery plants as well as **small-scale producers**.
- **Reduces input costs** and **boosts production volumes**.

## Reduction in Packaging Costs

### 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

#### Packing Paper, Packing Cases, and Crates: GST Reduced to 5%.

- Reduces overall logistics and packaging costs, directly lowering consumer prices.
- Provides relief to food processing units and small manufacturers dependent on cost-effective packaging solutions.

## Support to Transportation and Logistics Sector

### 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

#### Commercial Goods Vehicles (Trucks, Delivery Vans, etc.) – GST 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.
- This has a cascading effect, bringing down the cost of transporting agricultural goods, cement, steel, FMCG products, and e-commerce deliveries.
- This will further help in controlling inflationary pressures by reducing logistics expenses across sectors.
- A large share of India's transport sector comprises MSME truck owners who will also benefit directly from reduced costs.
- Lower logistics costs will strengthen India's position in global supply chains.
- The reforms support the objectives of **PM Gati Shakti** and the **National Logistics Policy**.

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

## Conclusion

The recent GST reforms in the food processing and logistics sectors ensure affordability for consumers, predictability for industry players, and competitiveness for India's economy. By reducing rates on essential food items, packaging materials, and transport vehicles, the Government has not only simplified taxation but also laid a strong foundation for sustainable growth in food processing, logistics, and allied industries.

## References

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