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Abstract

We estimate GST rate-wise distributional impact of GST across different consumer groups in India for 2021-22. Multiple rate structure and fixation of GST rates based on product specification make it difficult to assign a specific GST rate (or estimation effective GST rate) across items (or group of items) of consumption. In absence of recent consumer expenditure survey of the National Sample Survey Organisation (NSSO), we use CMIE's Consumer Pyramids Household Survey (CPHS) for 2021-22. We distribute all India average monthly per capita consumption expenditure (MPCE) on 123 items (or group of items) across 9 tax categories [viz., exempted, very low (exempt to 5%), low (5%), lower middle (5 to 12%), middle (12 to 18%), upper middle (18%), upper (28%), high (>28%) and 'Out of GST'] by regions (i.e., rural and urban) and estimate the share of each tax category in aggregate average MPCE across fractile classes of MPCE. Given the tax category, as the share of consumption expenditure increases (or decreases) with increasing size of the consumption basket (or as represented by fractile class of MPCE), tax burden will increase (or decrease).

We find that on average 24.5 per cent of average MPCE is exempted from GST. When we add the shares of very low tax and low tax categories with exempt category for all regions, we find that 57.6 per cent of average MPCE (or average size of the consumption basket) is either exempted or face lower tax rate (upto 5%) in the GST regime. On average 14.5 per cent of average MPCE constitutes consumption of 'Out-of-GST' items. Therefore, only 28 per cent of average MPCE of consumers face GST rates above 5 per cent. Out of 28 per cent of average MPCE, on average 14 per cent attracts GST rate 18 per cent and the rest is distributed across lower middle, middle and high GST rate categories.

Consumer groups with higher average MPCE benefits the most from the tax (GST) exemptions – both in rural and urban areas. Very low and low tax rate benefit the consumers with lower average MPCE. Except for fractile class greater than P_{95} in urban areas, consumption of items under lower middle tax category shows proportionate tax burden across all fractile classes of MPCE. It is lower strata of consumer groups (having relatively lower average MPCE) who bear the burden of tax on items falling under middle tax category the most. Both in rural and urban areas, lower strata of consumers (upto fractile class P_{30}) face progressive tax burden on consumption of items falling under middle GST rate. Items falling under high tax rate category are intoxicants (cigarettes, bidi and other tobacco products) and in addition to the highest GST rate these items attract GST compensation cess. Distributional effects of tax burden of intoxicants differ across consumer groups and across regions. Consumption of alcoholic beverages, liquor at restaurants, petrol & CNG (compressed natural gas), diesel, and electricity attract taxes other than GST. There is progressivity of tax burden for this category across fractile classes in all regions.

Key Words: distributional impacts, tax incidence, progressive, regressive, Goods and Services Tax (GST), Value Added Tax (VAT), rate restructuring, India.

JEL Codes: H22, D30, E21, Z18

1. Introduction

Several studies examine the distributional impact of the VAT using household expenditure survey data. Availability of microdata/household-level surveys enables researchers to distinguish between the expenditure categories corresponding to different VAT rates. Household level information (or microdata) also provides the flexibility to measure the distributional effects of the VAT across different consumer groups or households. To assess the distributional effects of the VAT, most of the studies have used cross-sectional household level consumption expenditures to measure average VAT rates in relation to either total expenditure or income of households (Thomas 2020). Therefore, there are two approaches to evaluate regressivity or progressivity of VAT. A stream of studies have measured the burden of VAT as percentage of current income across the income distribution of households (i.e., income-based approach) and find regressive nature of VAT. Following this approach studies conducted in Europe conclude that VAT is a highly regressive tax (e.g., Leahy et al. 2011, O'Donoghue et al. 2004). On the contrary, a stream of studies examine the present VAT burden as a proportion of current expenditure either across the expenditure or income distribution of households (i.e., expenditure-based approach) and find that VAT is relatively proportional or slightly progressive (e.g., Bird and Smart 2016, IFS 2011 and Capersen and Metcalf 1994). Therefore, distributional impact of VAT varies across methodologies and countries (or group of countries) depending on the design and structure of the VAT system.

The income-based approach has a drawback, as it fails to capture the savings behaviour (IFS 2011; Creedy 1998, Caspersen and Metcalf 1994). For instance, it ignores the fact that income that is saved in the current year will incur VAT when it eventually consumed in the future, i.e. VAT burden cannot be measured based on the analysis of a single year. Likewise, current expenditure and the corresponding VAT incurred on it, might have been funded from the income earned in previous years. Since savings rate rises with income, an income-based approach estimate low VAT burdens at higher income levels, thus demonstrating the regressive nature of the VAT. Hence, measuring VAT burdens relative to current expenditure is more likely to give a meaningful estimate of the distributional impact of the VAT system. Thomas (2020) examines the distributional effects of the VAT based on household expenditure data of 27 OECD countries (refer to Figure 1 and 2). Figure 1 shows that average VAT is progressive across expenditure deciles both as percentage of expenditure as well as percentage of income. Thomas (2020) mapped the detailed expenditures of each household corresponding to their VAT rates and calculated the amount of VAT incurred by each household by applying VAT rates corresponding to the expenditure amount. With the help of a microsimulation model, the study calculates VAT burdens for each household and weighted up to the population level using household survey weights. Overall, the results show that VAT is either roughly proportional or slightly progressive where the progressivity is driven by the presence of reduced VAT rates and VAT exemptions (Figure 1). Figure 2 shows

that expenditure-to-income ratio increases with rising size of consumption basket. It shows that for higher expenditure deciles expenditure-to-income ratio is higher than 1 and it implies that current expenditure is higher than current income for those expenditure deciles. It further confirms that income-based approach may not be suitable if a substantial part of current consumption is based on past savings or otherwise from sources other than from current income.

Countries with progressive tax systems adopt several measures to make the VAT system progressive. For example, the US Department of Treasury (1984) enlists four measures, viz., adjustment of government transfer payments, zero rating of food and other necessities, provision of a refundable credit, and personal exemption on value added tax. Countries can also mitigate the regressivity of the VAT system by altering the tax base, changing the tax rates including exempting foods and social necessities, taxing luxuries at high rates and necessities at low rates, etc. Many developed countries shift the tax burden from labour to consumption as a way to make the tax system more incentive-compatible (Lent et al. 1973). Tamaoka (1994) finds that VAT system in Japan is regressive with respect to income, disposable income, and consumption, even though it exempts necessities and has multi-rate structure. The study finds fall in the tax burden across all income levels when necessities are exempted, however it does not reduce regressivity of the VAT system. The tax burdens are found to be milder in case of multiple rate structure of VAT than those in the exemption case in Japan (Tamaoka 1994). In Canada, Federal GST rate is 5 per cent and it applies to most of the goods and services with a few exemptions. Bird and Smart (2016) conclude that GST and its companion taxes appear to be mildly progressive. In the context of Canadian VAT, Smart and Bird (20090 conclude that moving to more explicit statutory burdens on consumers by introducing a VAT would not result in large distributional effects.

Caspersen and Metcalf (1994) assess the possible distributional impact of a hypothetical VAT system in the United States by using annual income, current consumption and life-time income measures using data from the Consumer Expenditure Survey (CEX) and the Panel Study of Income Dynamics (PSID). The study concludes that if viewed from a lifetime perspective, a VAT in the US would be substantially less regressive as compared to a traditional an annual–income-based framework. In the contrast, VAT was found to be proportional when current consumption was used as a proxy for lifetime income and even mildly progressive if current consumption is used to measure economic welfare. Overall, the study concludes that VAT would be moderately regressive over the life cycle. Perhaps adjustments like zero rating (e.g., food, housing and medical expenditures) could be effective in reducing the regressivity of VAT and enhance political acceptability of VAT in the US.

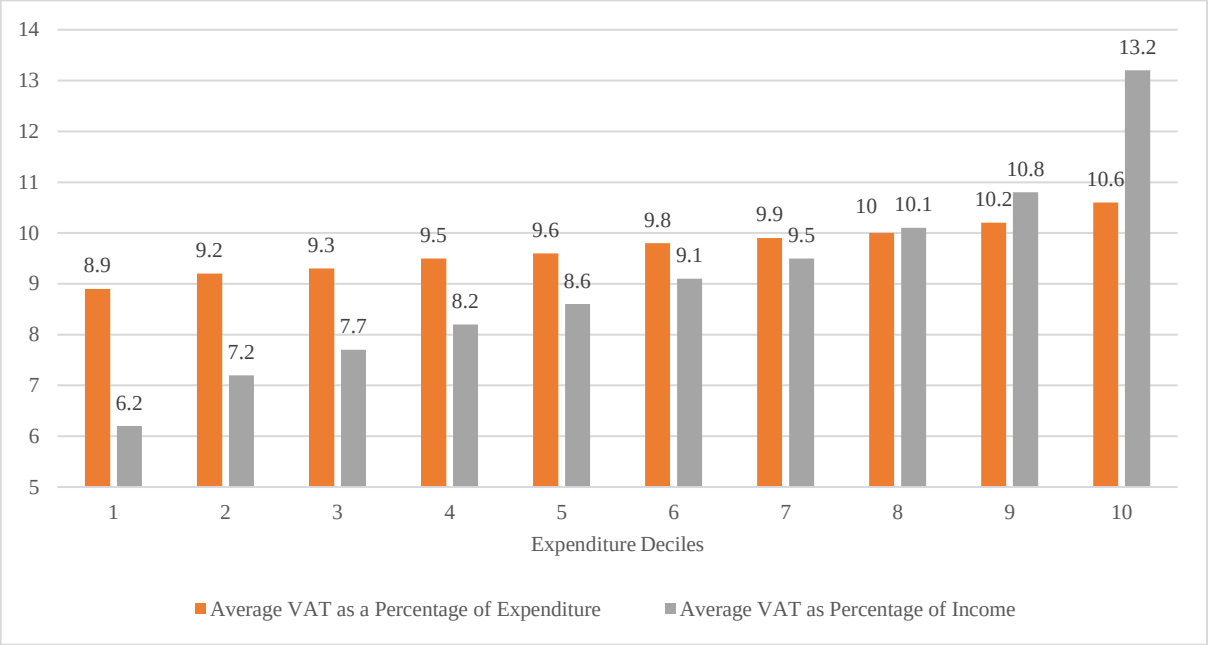
We found that most studies are specific to developed countries. There are some studies in the context of developing countries, especially in the Asian region (Refaqat and Mohsin 2005, Sarker and Faridy 2011). Refaqat and Mohsin (2005) examine the incidence of VAT and the progressive/regressive nature of VAT in

Pakistan with the help of household-level expenditures survey data. The study derives tax liability for each household based on their expenditure pattern by identifying each taxable item and aggregating and then multiplying aggregated taxable expenditures to the prescribed GST/VAT rate. GST incidence was not found to be clearly regressive but slightly welfare reducing in Pakistan during the period of 1990-2001. Poor households were revealed to be facing similar levels of GST tax incidence as compared to the richer households, despite differences in consumption predominantly due to not bringing more services like real estate, consultancy, lawyers, financial services, and recreational activities within the ambit of GST (Refaqat and Mohsin, 2005). Likewise, Sarker and Faridy (2011) evaluate the progressivity of VAT in Bangladesh by computing the effective VAT rate using data from the Household Income Expenditure Survey (HIES) of 2005. Relative tax burden for VAT was found to vary with the changes in household income and per capita consumption. Relative tax burden for VAT was higher for lower-income groups than for higher-income groups. Results of the progressivity of VAT based on Suits' Index of Progressivity at the national as well as in the regional (i.e., urban and rural) level. The study shows that VAT is regressive in Bangladesh at the national level. However, VAT is found to be less regressive in the rural areas as compared to the urban areas, both with and without exemptions.

We have not find any India-specific study evaluating distributional impact of the Indian VAT or GST system. It is common perception that consumption taxes are regressive. However, Murty (2019) contends this perception by using findings from the theory of optimal commodity taxation. She concludes that through adjustments in the commodity taxes, there is a significant opportunity to increase the progressiveness of the tax structure in India. Particularly, a system of differentiated commodity taxes, in contrast to a uniform rate of VAT that is popular in developed countries, is the only way to promote redistributive and revenue-generating objectives in a country like India.

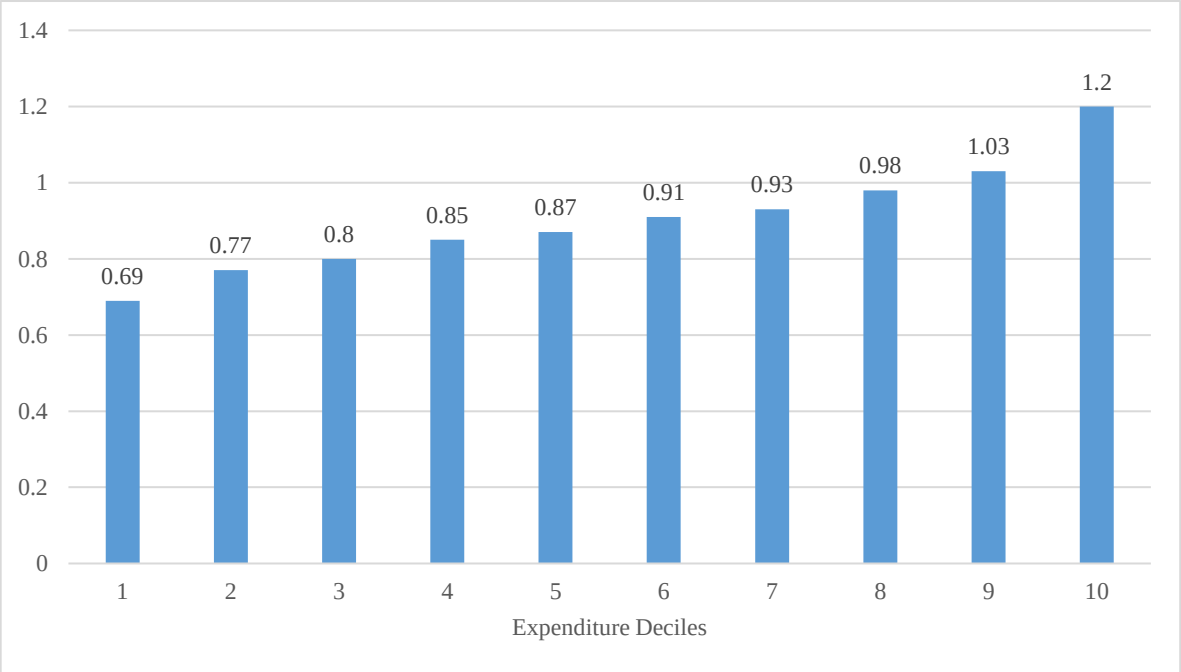
Multiple rate structure prevails in Indian GST - 1 lower rate (5%), 2 Standard Rates (12% & 18%), one high rate (28%), 2 Special Rates (3% on Gold & Silver, 0.25% on precious / semi-precious stones), Nil rates for fresh fruits, vegetables and foods (other than pre-packaged and labelled), exports are 'zero' rated and 0.1 per cent GST rate is applicable for supply of goods to merchant exporters. In addition to GST rates, some items of consumption attract GST compensation cess (e.g., aerated waters, caffeinated/ carbonated beverages, intoxicants like pan masala, tobacco and tobacco products, coal/peat/lignite, some motor vehicles). The rationale for such rate structure is to make the GST system progressive.

Figure 1: Average VAT as a Percentage of Expenditure & Income across Expenditure Deciles for 27 OECD Countries (2008-2012)



Data Source: Thomas (2020)

Figure 2: Expenditure-to-Income Ratio across Expenditure Deciles for 27 OECD Countries (2008-2012)



Data Source: Thomas (2020)

Empirical assessment of distributional impact of GST is missing in the Indian public finance literature and the present chapter attempts to fill the gap. In the next section, we describe the methodology and it is followed by discussion on sources of data and their limitations in section three. We present results and discussions in section four and five. We conclude in section six.

2. Methodology

We have compiled item-wise average Monthly Per Capita Consumption Expenditure (MPCE) (in Rs./Month/Person) on goods and services of all India population (separately for rural and urban areas) based on CMIE's Consumer Pyramids Household Survey (CPHS) for the Financial Year 2021-22.[1] We have categorised different consumer groups according to fractile classes of average MPCE (separately for rural and urban areas) (Table 1). Please note that average MPCE is in market prices (i.e., includes all indirect taxes).[2]

Table 1: Fractile Classes of Average MPCE for 2021-22 (in Rs.)

Fractile Class of MPCE	Rural			Urban		
	Lower Limit	Upper Limit	Average MPCE	Lower Limit	Upper Limit	Average MPCE
P_5 (0-5%)	≤1,141		934	≤1,350		1,124
P_{10} (5-10%)	1,141	1,361	1,256	1,350	1,610	1,491
P_{20} (10-20%)	1,361	1,693	1,535	1,610	1,974	1,803
P_{30} (20-30%)	1,693	1,976	1,839	1,974	2,268	2,123
P_{40} (30-40%)	1,976	2,241	2,108	2,268	2,545	2,406
P_{50} (40-50%)	2,241	2,496	2,370	2,545	2,838	2,691
P_{60} (50-60%)	2,496	2,776	2,632	2,838	3,163	2,996
P_{70} (60-70%)	2,776	3,091	2,929	3,163	3,561	3,355
P_{80} (70-80%)	3,091	3,517	3,292	3,561	4,130	3,826
P_{90} (80-90%)	3,517	4,181	3,812	4,130	5,189	4,589
P_{95} (90-95%)	4,181	4,799	4,456	5,189	6,486	5,741
P_{100} (95-100%)		>4,799	5,945		>6,486	8,882
All Classes			**2,681**			**3,241**

Source: Computed by the author based on CMIE's Consumer Pyramids Household Survey (CPHS) Data

Given the multiple rate structure assigning specific tax rates across 123 items of consumption is challenge.

[1] Since the purpose of this exercise is to assess the distribution impacts of GST, we have considered monthly consumption expenditure from March 2021 (as corresponding GST is realized in April 2021) to February 2022 (as corresponding GST is realized in March 2022).

[2] Value of Sales in Market Prices = Market Price (P_m) x Quantity (Q) = Value of Sales in Producer's Price (1+ Tax Rate) , where Value of Sales in Producer's Price = Producer's Price (P_p) x Quantity (Q), and Tax Liability on Sales = P_p*Q*Tax Rate (say, t)

In the next step, we have assigned GST rates across 123 items (or group of items) of consumption for which we have data of average MPCE. In assigning a specific GST rate for items where multiple GST rates prevail (see Table A.1 to A.3 in Appendix), we have used a range in the GST rate instead of a specific rate (e.g., 5 to 12%), as the consumption expenditure survey does not capture specific information pertaining to the consumption of items (e.g., pre-packaged and lebelled, price of the item) (see Table A.1 to A.3 in Appendix). We distribute average monthly per capita expenditure on 123 items of consumption across 9 GST rates or group of rates (Table 2). It is to be highlighted that coverage of items falling under 28 per cent GST (e.g., durables like motor vehicles, air-conditioning machines, hobbies like purchasing lottery tickets, betting, gambling, or horse racing in race club) are missing in the CMIE's CPHS database.

Table 2: Distribution of Consumption Items across GST Rates

Tax Rate Category	No. of Items
Exempt	28
Very Low (Exempt to 5%)	5
Low (5%)	16
Lower Middle (5 to 12%)	13
Middle (12 to 18%)	9
Upper Middle (18%)	44
Upper (28%)	0
High (>28%)*	3
Out of GST**	5
Total	**123**

Note: *-this include mostly tobacco and tobacco products, **-includes consumption of petrol, diesel, CNG, electricity and alcoholic beverages.
Source: Computed by the author based on CMIE's CPHS Data

In the third step, we distribute item-wise average MPCE across GST rate categories and estimate the share of each group of tax rate in aggregate average MPCE by regions (Table 3).

Table 3: Tax Category-wise Share in Average MPCE and Average MPCE by Regions in 2021-22

Tax Rate Category	Rural	Urban	Total
Exempt	24.7	24.4	24.5
Very Low (Exempt to 5%)	7.1	6.4	6.6
Low (5%)	28.0	25.8	26.5
Lower Middle (5 to 12%)	9.0	9.7	9.5
Middle (12 to 18%)	2.1	2.0	2.0
Upper Middle (18%)	13.2	14.4	14.1
Upper (28%)	0.0	0.0	0.0
High (>28%)	2.8	2.1	2.3
Out of GST	13.1	15.1	14.5
All	100.0	100.0	100.0
Average MPCE (Rs./Person/Month)	2681.50	3240.98	3053.73

Source: Computed by the author based on CMIE's CPHS Data

Table 3 shows that on average 24.5 per cent of average MPCE is exempted from GST. If we add the shares of very low tax (exempt to 5%) and low tax (5%) categories with exempt category for all regions, 57.6 per cent of average MPCE (or average size of the consumption basket of consumers across all regions) is either exempted or face lower tax rate (upto 5% GST). On average 14.5 per cent of average MPCE constitutes consumption of 'Out-of-GST' items. Therefore, only 28 per cent of average MPCE of consumers face GST rates above 5 per cent. Out of 28 per cent of average MPCE, on average 14 per cent attract GST rate 18 per cent and the rest of 14 per cent is distributed among 5 to 12 per cent (9.5%), 12 to 18 per cent (2%) and high tax rate (>28%) categories.

3. Data and Limitations

Latest available official statistics of consumer expenditure survey corresponds to the National Sample Survey Office (NSSO)'s 68th Round Survey conducted during July 2011 to June 2012 (NSSO 2013, 2014). In absence of any other broad-based survey of consumer expenditure, we have used CMIE's Consumer Pyramids Household Survey (CPHS) for this paper. We present a comparable indicators of two sources in Table 4. The CMIE's CPHS provides month-wise consumption expenditures of households.[3]

Table 4: Average MPCE across Fractile Classes of MPCE by Regions (Rs.)

Fractile Class of MPCE	Rural India				Urban India			
	NSS 68th Round Survey: 2011-12		CMIE's CPHS: 2021-22		NSS 68th Round Survey: 2011-12		CMIE's CPHS: 2021-22	
	$MPCE_{MMRP}$ Class	Average $MPCE_{MMRP}$	MPCE Class	Average MPCE	$MPCE_{MMRP}$ Class	Average $MPCE_{MMRP}$	MPCE Class	Average MPCE
P_5 (0-5%)	≤525	521.44	≤1,141	934	≤725	700.50	≤1,350	1,124
P_{10} (5-10%)	525-600	665.84	1,141-1,361	1,256	725-860	908.92	1,350-1,610	1,491
P_{20} (10-20%)	600-720	783.24	1,361-1,693	1,535	860-1,090	1,118.09	1,610-1,974	1,803
P_{30} (20-30%)	720-825	904.57	1,693-1,976	1,839	1,090-1,295	1,362.69	1,974-2,268	2,123
P_{40} (30-40%)	825-925	1,017.80	1,976-2,241	2,108	1,295-1,510	1,624.86	2,268-2,545	2,406
P_{50} (40-50%)	925-1,035	1,135.97	2,241-2,496	2,370	1,510-1,760	1,887.65	2,545-2,838	2,691
P_{60} (50-60%)	1,035-1,165	1,266.08	2,496-2,776	2,632	1,760-2,070	2,180.52	2,838-3,163	2,996
P_{70} (60-70%)	1,165-1,335	1,426.76	2,776-3,091	2,929	2,070-2,460	2,547.94	3,163-3,561	3,355
P_{80} (70-80%)	1,335-1,585	1,645.36	3,091-3,517	3,292	2,460-3,070	3,062.85	3,561-4,130	3,826
P_{90} (80-90%)	1,585-2,055	2,007.46	3,517-4,181	3,812	3,070-4,280	3,892.60	4,130-5,189	4,589
P_{95} (90-95%)	2,055-2,625	2,556.33	4,181-4,799	4,456	4,280-6,015	5,350.06	5,189-6,486	5,741
P_{100} (95-100%)	>2,625	4,481.18	>4,799	5,945	>6,015	**10,281.84**	>6,486	**8,882**
all		**1,429.96**		**2,681**		**2,629.65**		**3,241**
No. of Sample Households	59,683		54,620		41,968		1,08,584	

Source: Computed by the author based on respective Survey Data / Reports.

[3] Details methodology could be shared upon personal request to the author.

Table 4 shows that average MPCE of rural India has increased by 1.9 time and in urban India it has increased by 1.2 time in between 2011-12 to 2021-22. As compared to NSSO's coverage of sample households, coverage of households in urban areas is 2.6 times higher in the CMIE's CHPS whereas coverage of rural households in the NSSO's survey is 1.1 times higher than the same of the CMIE's CPHS. In urban areas, for the upper most fractile class of MPCE (i.e., 95 to 100%), average MPCE is higher for NSSO's 68th Round Survey (pertaining to July 2011 – June 2012) as compared to the CMIE's CPHS database for 2021-22. One reason could be the coverage of durable goods is limited in the CMIE's CPHS survey (Table 5). Table 5 shows that the share of all expenses on durables in the CMIE's CPHS is 1.24 per cent and 1.51 per cent of average MPCE for rural and urban area respectively. The share of average MPCE on durables in the NSSO's 68th round survey is much higher for both rural and urban areas (Table 5). For example, according to the NSSO's 68th round survey, average MPCE on durables for the upper most fractile class of MPCE in urban areas is Rs. 1,287.30, which is 12.52 per cent of average MPCE (i.e., Rs. 10,281.84) of the class.

Table 5: Comparative Average MPCE on Durables (Rs./Person/Month)

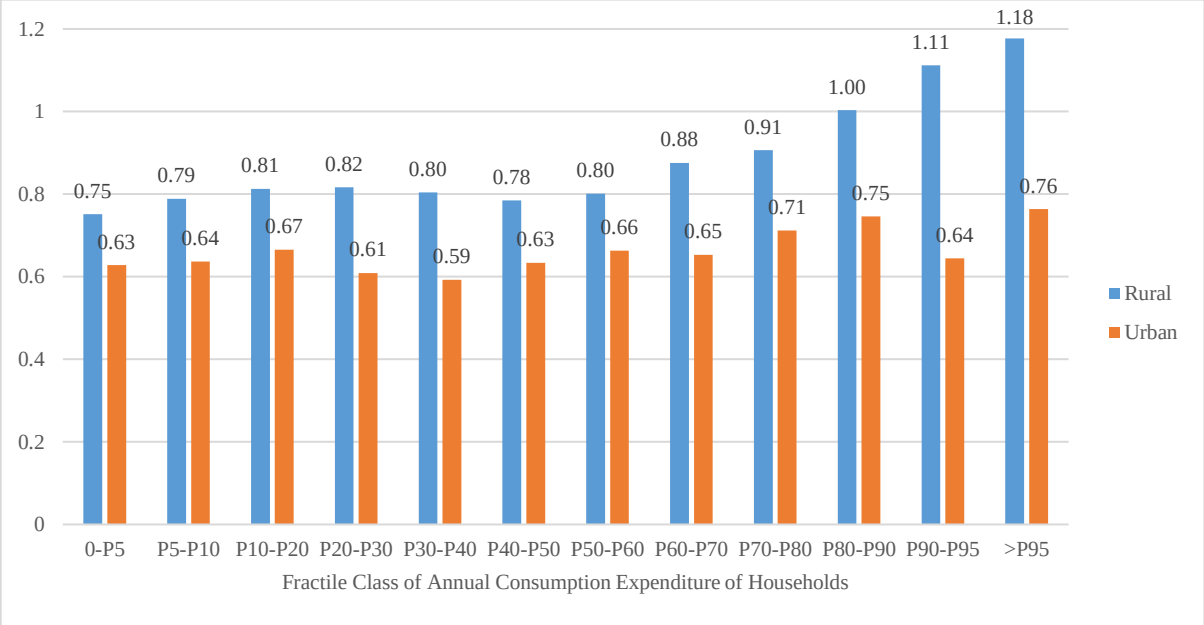
	CMIE's CPHS: 2021-22		NSS 68th Round: 2011-12	
Head (Sub-heads) of Expenses on Durables	**Rural**	**Urban**	**Rural**	**Urban**
I. Monthly expense on clothing accessories (i+ii+iii)	**12.91**	**18.73**		
i) Monthly expense on artificial jewellery	*7.93*	*9.15*		
ii) Monthly expense on bags wallets watches glasses	*2.03*	*2.66*		
iii) Monthly expense on gems and jewellery	*2.95*	*6.93*		
II. Monthly expense on appliances (i+ii+iii)	**8.32**	**12.86**		
i) Monthly expense on kitchen appliances	*3.23*	*4.95*		
ii) Monthly expense on household appliances	*1.60*	*2.95*		
iii) Monthly expense on mobiles and accessories	*3.49*	*4.97*		
III. Monthly expense on recreation				
i) Monthly expense on electronic storage devices	0.51	0.78		
IV. Monthly expense on spectacles contact lenses and other medical aids	**0.01**	**0.06**		
V. Monthly expense on miscellaneous				
i) Monthly expense on lighting	*4.36*	*5.01*		
ii) Monthly expense on furniture and furnishings	*1.53*	*3.57*		
ii) Monthly expense on painting and renovation	*3.34*	*5.27*		
iii) Monthly expense on utensils	*2.38*	*2.75*		
Average MPCE on Durables [I+II+III(i)+IV+V(i to iii)]	**33.36**	**49.03**	**64.64**	**139.36**
Average MPCE	**2,681.50**	**3,240.98**	**1,429.96**	**2,629.65**
% Share of Durables in Average MPCE	1.24	1.51	4.52	5.30

Source: Computed by author based on respective Survey Data / Reports.

There are 1,63,204 households covered in the CMIE's CPHS for 2021-22. The CMIE's Income Pyramids Household Survey (IPHS) provides household income and other details for the same set of households which are covered under the

CMIE's CPHS database. We have estimated annual consumption expenditure to annual income ratio of households across fractile classes of annual consumption expenditure separately by regions. It is to be noted that upper bounds of fractile classes change between rural and urban areas.[4] Figure 3 shows that expenditure-to-income ratio increases with increasing size of the fractile classes in rural areas (except for fractile classes in between P_{30} to P_{60}). In urban areas, expenditure-to-income ratio across fractile classes does not show any specific trend and it ranges from 0.59 to 0.76 with a coefficient of variation of 0.08. Across all fractile classes of annual consumption expenditures, expenditure-to-income ratio is higher in rural areas than urban areas. It shows that a larger proportion of income spent on expenditure in rural areas than urban areas. Under-reporting of income is an issue of any survey and the CMIE's IPHS may not be different from other surveys.

Figure 3: Annual Consumption Expenditure to Annual Income Ratio for Households in 2021-22



Source: Computed by the author based on the CMIE's CPHS and Income Pyramids Surveys for 2021-22

It is to be noted that for Indian GST with multiple rate structure, it cannot be ascertained that with increasing expenditure-to-income ratio tax burden will increase. The composition of consumption basket along with the size of consumption will determine the possible tax burden of consumers.

[4] Upper bounds of fractile classes of annual consumption expenditure (in Rs.) for rural areas are P_5:21,950, P_{10}:32,581, P_{20}:49,904, P_{30}:65,110, P_{40}:79,150, P_{50}:92,083, P_{60}:105,771, P_{70}:121,247, P_{80}:141,253, P_{90}:169,455, and P_{95}:193,882. The same for urban areas are P_5:40,127, P_{10}:54,460, P_{20}:74,340, P_{30}:88,631, P_{40}:101,348, P_{50}:115,120, P_{60}:129,725, P_{70}:147,566, P_{80}:168,763, P_{90}:206,367, and P_{95}:258,762.

4. Results and Discussions

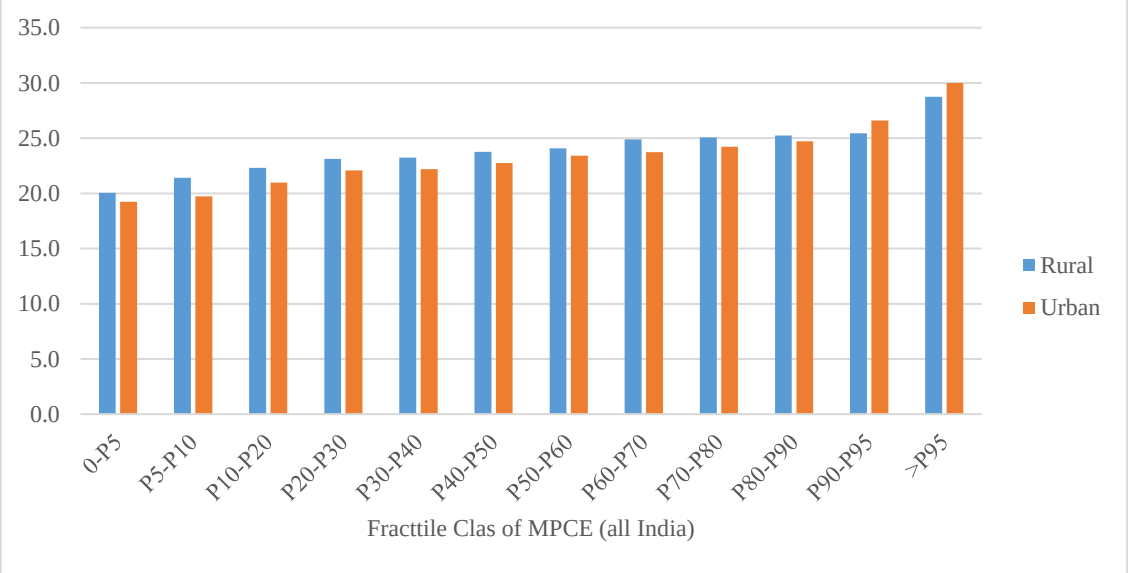
Like any other consumption expenditure survey, the CMIE's CPHS database captures monthly consumption expenditures of households and the value of consumption in market prices. The rationale behind our exercise is that for any tax category, as the share of average MPCE of the tax category in overall average MPCE of the fractile class increases with the rising size of the consumption basket across consumer groups, tax burden will increase. Therefore, by tax burden in this paper we mean that prospective tax liability arising due to consumption of goods and services. It is worthy to mention three crucial assumptions behind this analysis – a) we assume that tax payers (dealers or service providers) pass through (shift) the entire tax burden (or tax liability) to consumers[5], b) there is no embedded or cascading of taxes in the system and c) all goods and services are purchased from registered tax payers. Estimation of cascading of taxes in the GST regime is beyond the scope of the present exercise.[6] In absence of any estimate of cascading impact of taxes, the present paper captures only direct impact of GST. However, methodology developed by Mukherjee and Rao (2015) could be useful to estimate total (direct & cascading) impacts (incidence) of GST if the appropriate data is available. The process of tax shifting will vary market to market (and commodity to commodity) depending on price elasticity of supply and demand. Therefore, any estimation of tax shifting requires market as well as commodity specific information which is beyond the scope of the present exercise. The CMIE's CPHS does not capture information on what percentage of consumption basket sourced from GST registered taxpayers vis-à-vis those are sourced from other sources. If consumption is sourced from not GST registered entities, possibility of cascading of unadjusted input taxes in terms of higher prices of goods and services cannot wished away.

Figure 4 shows that the share of consumption on exempted goods and services constitutes on average 19 to 30 per cent of average MPCE across fractile classes of MPCE and consumer groups with higher average MPCE benefits the most from the tax (GST) exemptions – both in rural and urban areas – as their share of expenditure in average MPCE on items falling this tax category (i.e., exempted) is increasing with increasing size of the consumption basket. This finding is against the common believe that tax exemptions benefit the lower strata of consumers more than upper strata. This shows that any attempt to extend the tax base of GST by bringing exempted goods and services under the GST may not be necessarily regressive.

[5] If passing on the tax liability to consumers is partial (i.e., tax payers or sellers absorb a part of tax liability), tax incidence to consumers will reduce. In case of partial pass through of tax liability, tax liability of consumers will be lower than P_p*Q*t as in footnote 2.

[6] Cascading of taxes in the GST regime arises due to keeping major energy inputs (petrol, diesel ATF, natural gas, crude petroleum and electricity) out of the present GST system, exemption of a selected list goods and services from the GST, and annual turnover based thresholds for GST registration. In case of cascading of taxes producer's price with cascading will be greater than producer's price without cascading (see footnote 2). Therefore, given 'Q' and 't', tax liability will be higher for consumers under tax cascading than without cascading.

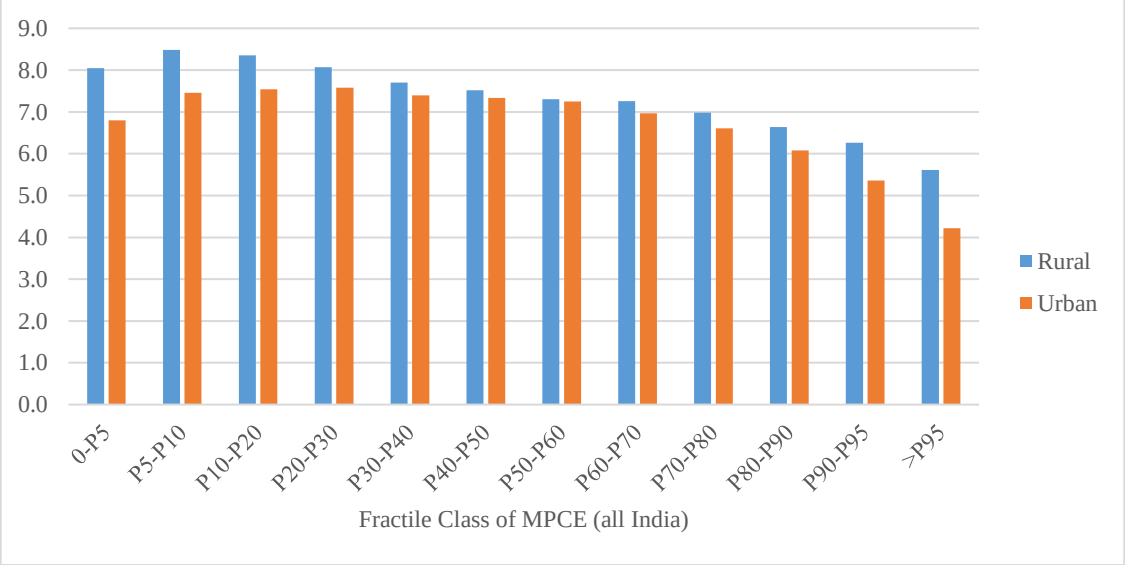
Figure 4: Fractile Class-wise Share of Consumption of Goods and Services under Exempt Category in Average MPCE (%) of 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

Figure 5 shows that the share of consumption on items (or group of items) falling under very low tax (exempt to 5%) category contributes on average 4.2 to 8.5 per cent in average MPCE across fractile classes. Both in rural and urban areas, very low tax rate benefits the lower strata of consumers the most.

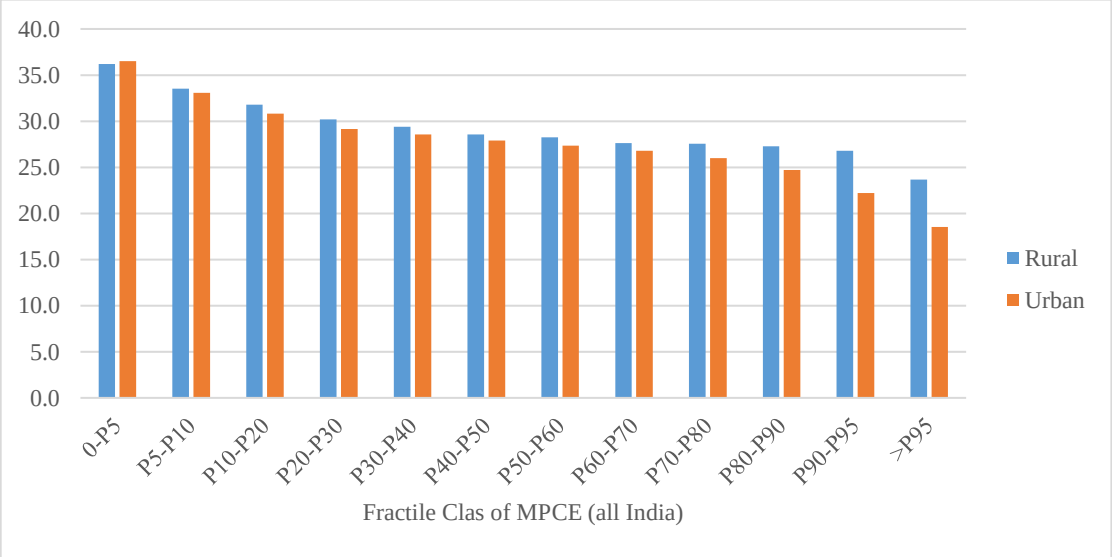
Figure 5: Fractile Class-wise Share of Consumption of Goods and Services under Very Low Tax (Exempt to 5%) Category in Average MPCE (%) of 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

The share of consumption on items (or group of items) falling under low tax (5%) category contributes on average 18.5 to 36.5 per cent of average MPCE across fractile classes (Figure 6). It is the lower strata of consumer groups who benefits the most from this low tax rate across all regions. So, we conclude that low tax rate helps the lower strata of consumers more than higher strata of consumers. Therefore, any attempt to increase tax rate of items attracting low tax rate (i.e., 5%) at present, may lead to increasing tax burden on lower strata of consumers more than upper strata of consumers. This inference is based on the assumption that with the change in the tax rate on items falling under low tax category (i.e., 5%), consumer preferences may not change. Rationale behind this assumption is that majority of items falling under this tax category are essential commodities (e.g., processed cereals, processed milk and milk products) where availability of substitutes may be limited. However, there is a scope for restructuring GST rates on cereals where pre-packaged and labelled cereals attract 5 per cent GST whereas those are not pre-packaged and labelled are exempted (Figure 7 and Appendix Table A.1).

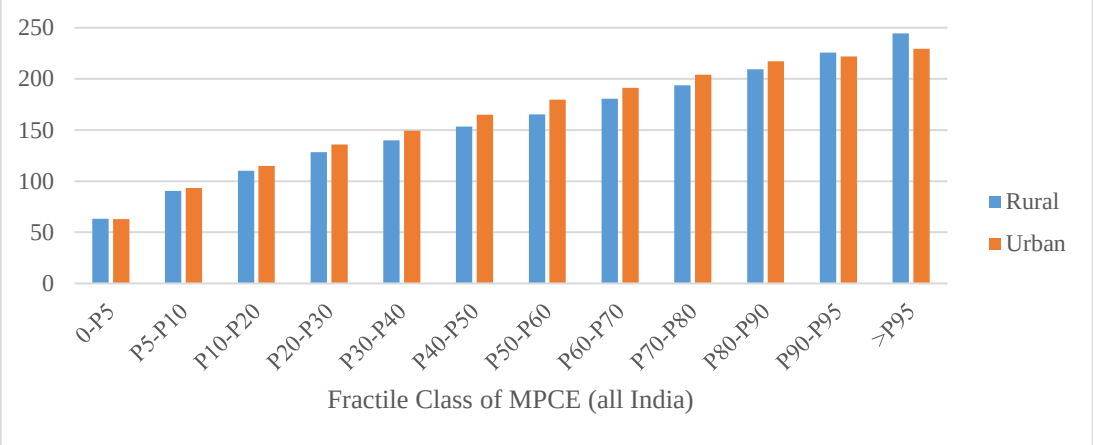
Figure 6: Fractile Class-wise Share of Consumption of Goods and Services under Low Tax (5%) Category in Average MPCE (%) of 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

Figure 7 shows that average MPCE on cereals increases with increasing size of the consumption basket or fractile class of MPCE. Therefore, imposition of 5 per cent GST on all cereals (by removing the specification of "pre-packaging and labelling") may not be regressive from the point of distribution of tax burden across consumer groups. Similar possibilities may be explored for items where taxation is specific to some commodity specification under this category of tax (GST) rate. However, any changes in the GST rate structure requires careful consultations/ deliberations of all stakeholders.

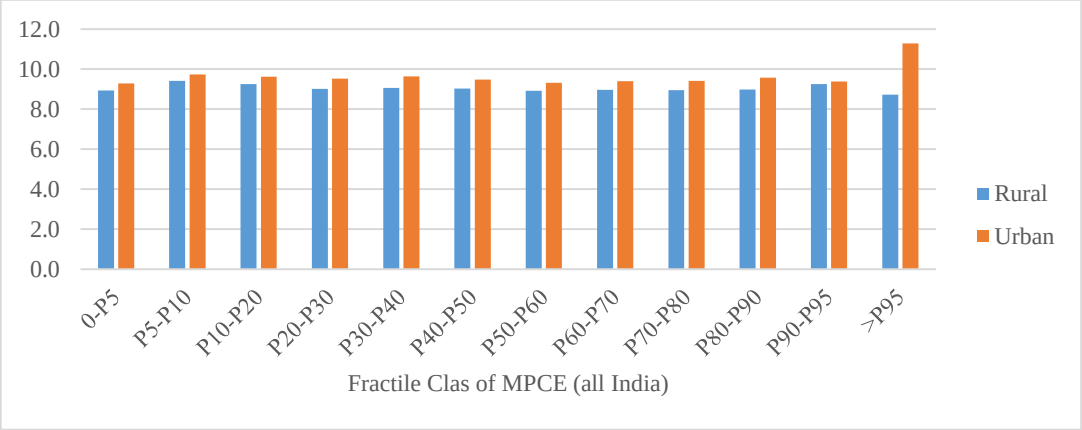
Figure 7: Fractile Class-wise Average MPCE on Cereals (Rs./Person/Month) in 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

The share of consumption on items falling under lower middle tax (5 to 12%) category contributes on average 9 to 11 per cent of average MPCE across fractile classes of consumptions (Figure 8). Except for fractile class greater than P_{95} in urban areas, consumption of items under this category shows proportionate tax burden across all fractile classes and regions. Therefore, restructuring of GST rates for items falling under this category may result in proportionate changes in the GST revenue. Assigning GST rate based on specification of the commodity often makes it difficult to assign a specific GST rate when consumption information available are generic. As for example, we have discussed the case of 'salty snacks' and 'clothing' here.

Figure 8: Fractile Class-wise Share of Consumption of Goods and Services under Lower Middle Tax (5 to 12%) Category in Average MPCE (%) of 2021-22

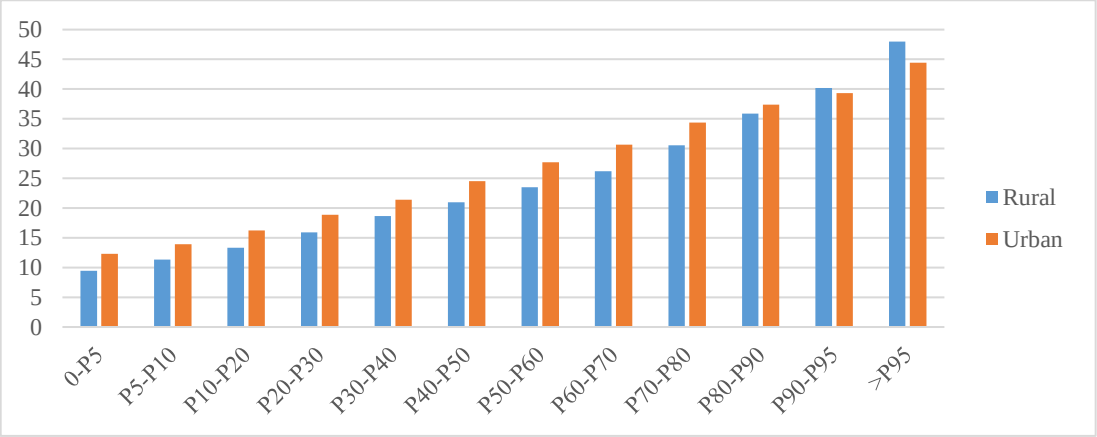


Source: Computed by the author based on the CMIE's CPHS data for 2021-22

Pre-packaging and labelling of salty snacks attract GST rate of 12 per cent whereas those are not pre-packaged or labelled attract GST rate of 5 per cent (Appendix

Table A.2). Figure 9 shows that average MPCE increases with increasing size of the consumption basket. Therefore, removal of differential tax rates based on product specification may have a progressive distribution of tax burden.

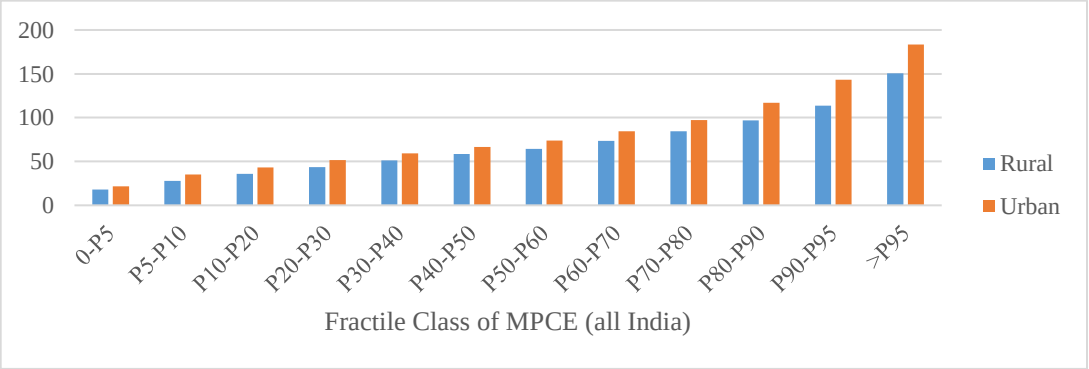
Figure 9: Fractile Class-wise Average MPCE on Salty Snacks (Rs./Person/Month) in 2021-22



Source: Computed by the author based on the CMIE's CPHS database for 2021-22

Apparel and clothing accessories having sale value below Rs. 1000 attract GST rate of 5 per cent and those above sale value Rs. 1000 attract 12 per cent GST rate (Appendix Table A.2). This price specific GST rates are prone to revenue leakages if monitoring is not intensive. Therefore, removal of price specification and imposing a single GST rate across all such items may result in simplification of the GST structure. Figure 10 shows that average MPCE on clothing increases with rising size of the consumption basket. Therefore any attempt of converging two tax rates on clothing into one (say, 8%), may not have any regressive distributional effects of the tax burden.[7]

Figure 10: Fractile Class-wise Average MPCE on Clothing (Rs./Person/Month) in 2021-22

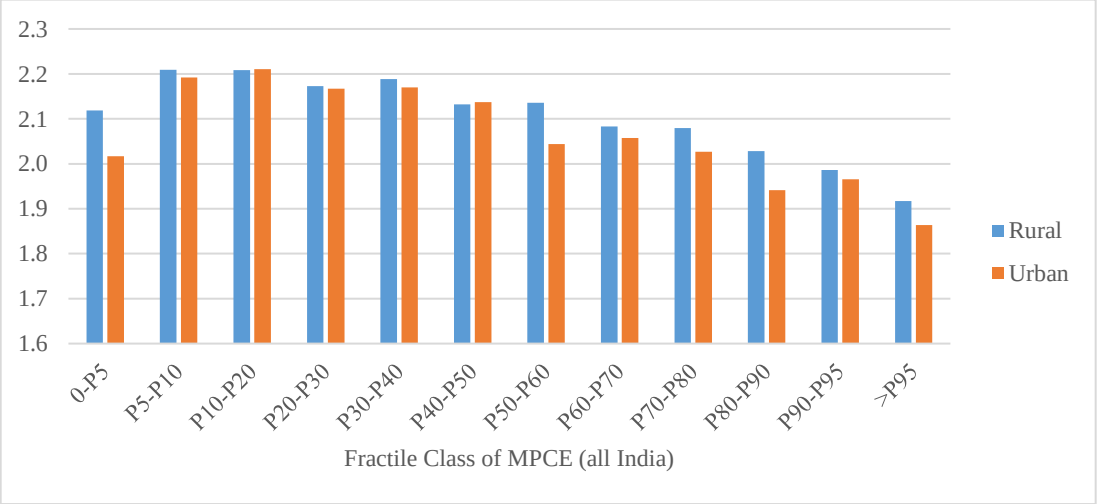


Source: Computed by the author based on the CMIE's CPHS data for 2021-22

[7] Mukherjee (2021) proposes three rate structure of GST 8, 15 and 30 per cent.

The share of consumption on items falling under middle tax (12 to 18%) category contributes on an average 2 per cent of average MPCE across fractile classes of consumption (Figure 11). It is lower strata of consumer groups (above P_5) who bear the tax burden falling under this category the most. With some exemptions, rural consumer groups bear the tax burden under this tax category more than urban consumer groups. It is also to be noted that upto fractile class of P_{20}, tax burden under this tax category is progressive across all regions. Assigning GST rate based on specification of the commodity (e.g., sale value, metal used in the product) make it difficult to assign a specific GST rate for items (or group of items) under this tax category. Therefore, we explore possibilities of removing such structural issues in GST by assessing the distributional effects of tax burden for some commodities under this category.

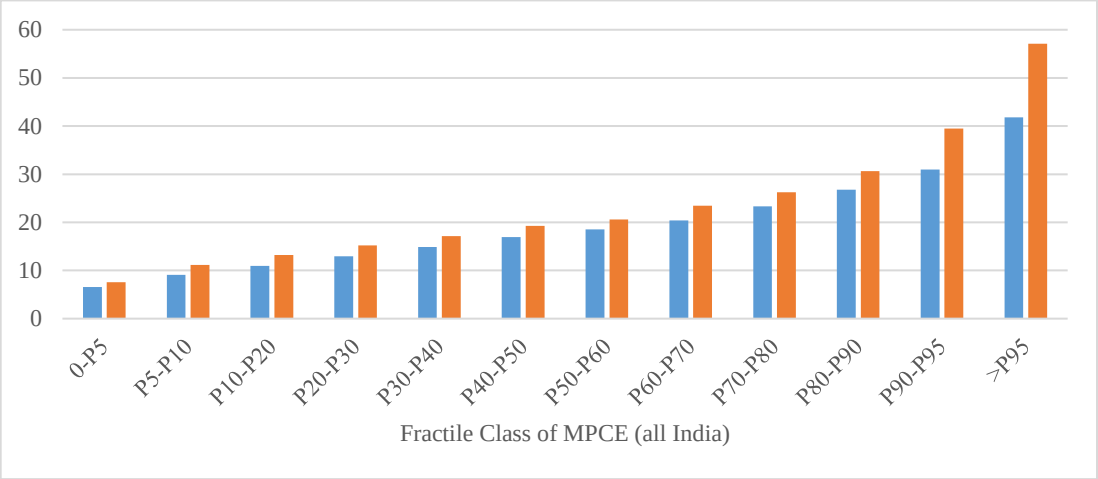
Figure 11: Fractile Class-wise Share of Consumption of Goods and Services under Middle (12 to 18%) Tax Category in Average MPCE (%) of 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

In the present GST structure footwear of having sale value upto Rs. 1000 attracts GST rate of 12 per cent and other footwear attracts GST rate of 18 per cent (Appendix Table A.3). Figure 12 shows that average MPCE on footwear increases with increasing size of the consumption basket. Therefore any attempt of merging two tax rates on footwear (12 and 18%) into one (say, 15%) may not have any regressive distributional effect on tax burden.

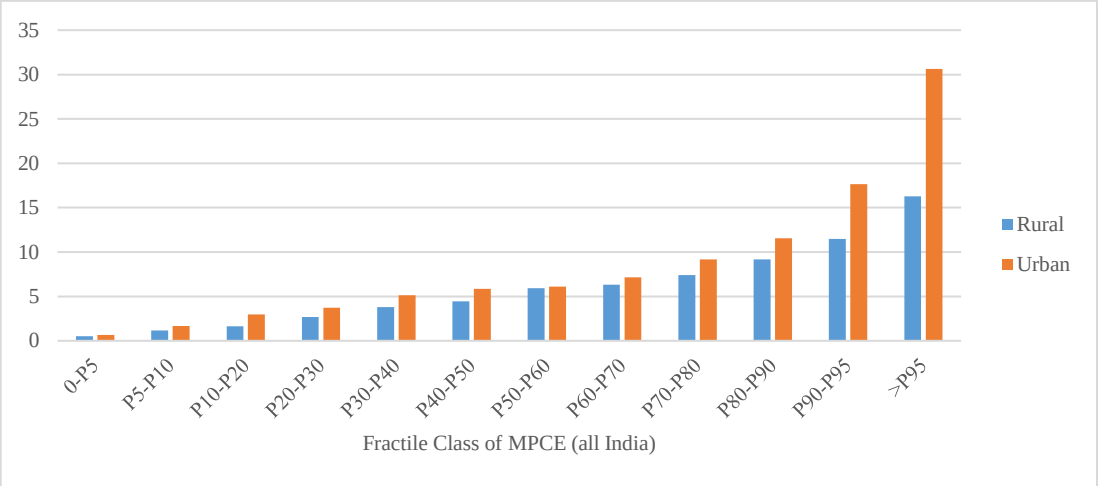
Figure 12: Fractile Class-wise Average MPCE on Footwear (Rs./Person/Month) in 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

Kitchen appliances and utensils made of iron & steel, aluminum and copper attract GST rate of 12 per cent and all other metal based kitchen appliances and utensils attract GST rate of 18 per cent (Appendix Table A.3). This differential tax structure may result in revenue leakages and classification disputes. Therefore, a single GST rate across all kitchen appliances and utensils could simplify the GST structure and may also reduce revenue leakages (if any). Figure 13 shows that a single rate GST may not have adverse distributional effects across fractile classes, as average MPCE on kitchen appliances and utensils increases with increasing size of the consumption basket. Similar exercise for items under this tax category (facing multiple GST rates due to product specification) may help to simplify the GST structure and reduce potential classification disputes.

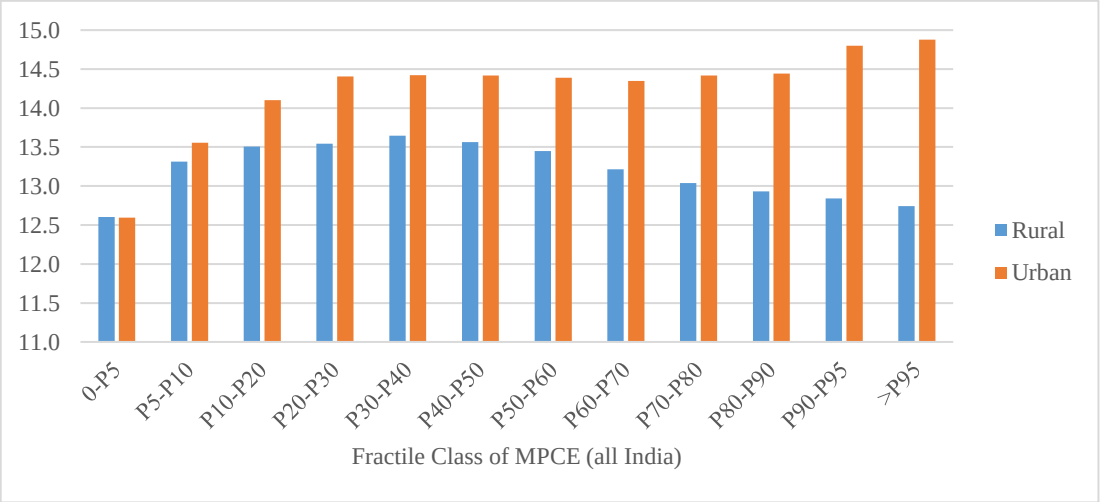
Figure 13: Fractile Class-wise Average MPCE on Kitchen Appliances & Utensils (Rs./Person/Month) in 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

The share of consumption on items falling under upper middle (18%) tax category contributes on an average 12.5 to 15 per cent of average MPCE across fractile classes of consumption (Figure 14). For urban consumers, we observe a rising tax burden with increasing fractile class of MPCE upto fractile class P_{30}. It is followed by a proportionate tax burden till fractile class P_{90}, and thereafter it becomes progressive. For rural areas there is progressivity in the tax burden upto fractile class P_{40} and thereafter tax burden falls with rising size of the consumption basket. Both in rural and urban areas, lower strata of consumers (upto fractile class P_{30}) face progressive tax burden on consumption of items (of group of items) falling under 18 per cent GST rate.

Figure 14: Fractile Class-wise Share of Consumption of Goods and Services under Upper Middle Tax (18%) Category in Average MPCE (%) of 2021-22

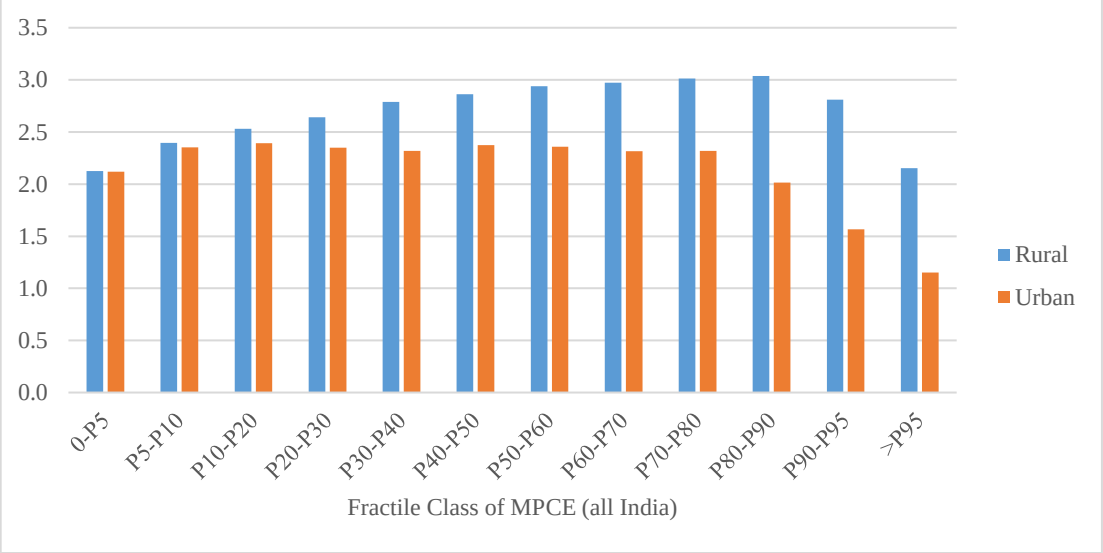


Source: Computed by the author based on the CMIE's CPHS data for 2021-22

Coverage of consumption expenditure on durables is limited in the CMIE's CPHS, so we do not get any item which attracts 28 per cent GST rate across 123 items (of group of items) for which we have average MPCE information from CMIE's Consumer Pyramids Household Survey.

Items falling under high tax (>28%) rate category are intoxicants (cigarettes, bidi and other tobacco products) and in addition to the highest GST rate of 28 per cent these items attract GST compensation cess. The share of consumption on these category of items contributes on average 1 to 3 per cent of average MPCE across fractile classes (Figure 15). The share of consumption of these items in rural areas is higher than in urban areas across all fractile classes. In rural areas, tax burden increases with increasing fractile class of MPCE, except for fractile class of $>P_{90}$. In urban areas, lower strata of consumers spend (or bear the burden of tax) more on intoxicants than upper strata of consumers. Upto fractile class P_{20}, there is progressivity in the tax burden for urban areas and thereafter it becomes proportionate till P_{80}. It is regressive for fractile class $>P_{80}$ in urban areas. Therefore, distributional effects of tax burden of intoxicants differ across consumer groups and across regions.

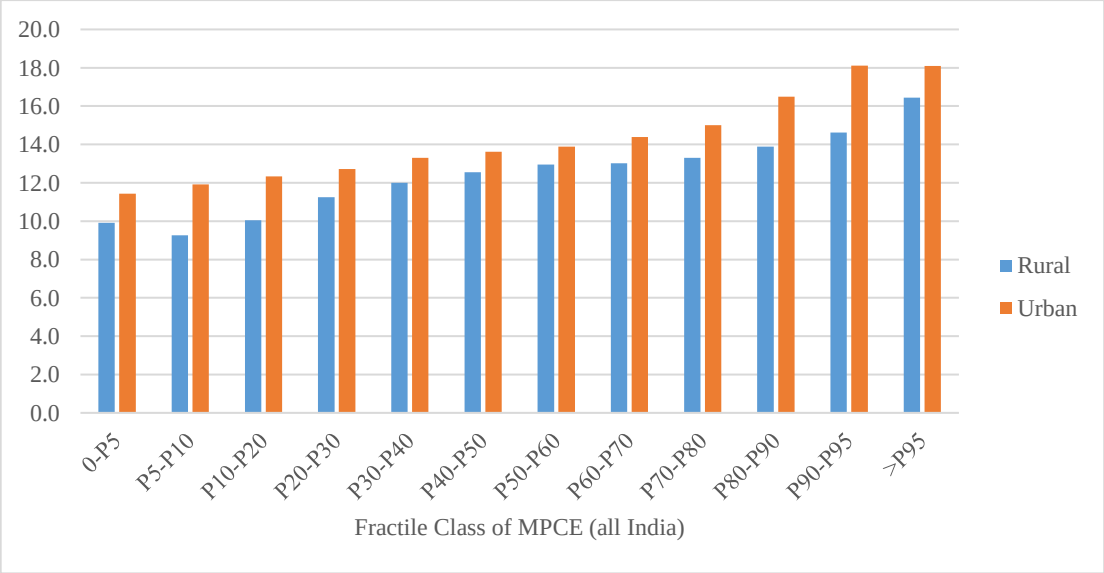
Figure 15: Fractile Class-wise Share of Consumption of Goods and Services under High (>28%) Tax Category in Average MPCE (%) of 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

Consumption of alcoholic beverages, liquor at restaurants, petrol & CNG (compressed natural gas), diesel, and electricity attract taxes other than GST. Therefore, we have classified consumption of these items under 'Out of GST'. Figure 16 shows that on average the share of consumption on these items constitutes 10 to 18 per cent of average MPCE across fractile clsses. There is progressivity of tax burden across fractile clasess in all regions.

Figure 16: Fractile Class-wise Share of Consumption of Goods and Services which are <u>Out of GST Category</u> in Average MPCE (%) of 2021-22



Source: Computed by the author based on the CMIE's CPHS data for 2021-22

5. Distributional Impact of GST

In this section we assess the overall progessivity or regresivity of Indian GST based on two scenarios (Table 6). In scenario I, we assume that items (or group of items) falling under any tax category attract lower bound tax rate of that tax category. In scenario II, we assume that items of consumption falling under any tax category attract upper bound tax rate of that tax category. As discussed earlier assigning specific tax rates across items of consumption is difficult given the complexicities of the present GST rates. For our analysis we exclude items falling 'Out of GST' tax category from our analysis. Also exclude corresponding average MPCE from overall average MPCE of each fractile class of MPCE.

The methodology of estimation of average Tax Liability is presented below.

Market Value of Consumption (P_m*Q) = P_p*(1+t)*Q

Tax Liability = P_p*Q*t = (P_m*Q*t)/(1+t)

Tax Liability as % of Adjusted Average MPCE = Tax Liability / Average MPCE exluding Average MPCE on 'Out of GST' items

Where,

P_m is the market price of goods and services

P_p is the producer's price of goods and services

t is the tax rate

Q is the quanity of consumption

Table 6: GST Rates across Scenarios

Tax category	Scenario I (Tax Rate)	Scenario II (Tax Rate)
Exempt	Exempt	Exempt
Very Low (Exempt to 5%)	Exempt	5%
Low (5%)	5%	5%
Lower Middle (5 to 12%)	5%	12%
Middle (12 to 18%)	12%	18%
Upper Middle (18%)	18%	18%
Upper (28%)	--	--
High*	28.5%	30%

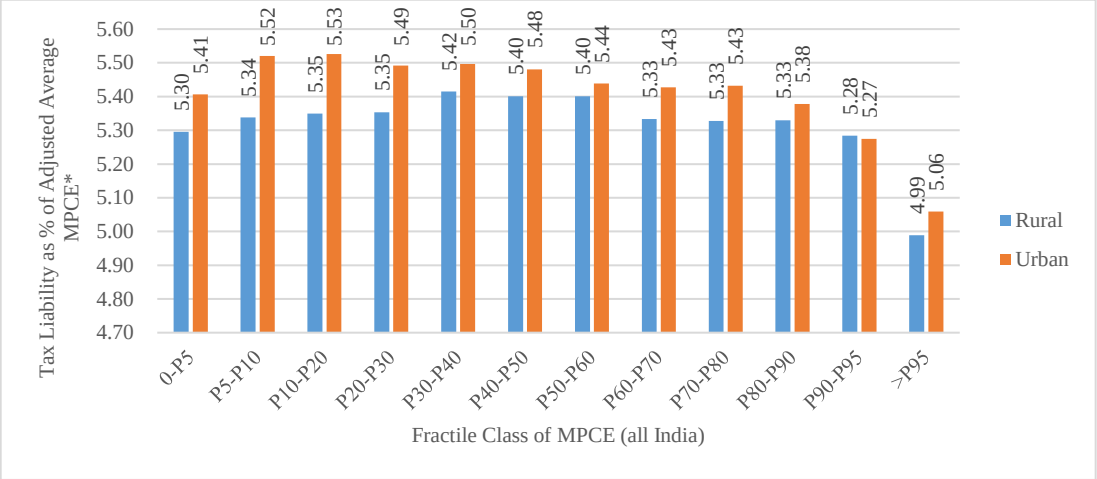
Note: *- A part of GST compensation cess on items falling under this category is specific and therefore difficult estimate *ad valorem* equivalent tax rate.
Source: Computed by Author

We first distribute the average MPCE of each fractile class across tax categories by using the share of consumption expenditure on items falling under each tax category (as presented earlier through figures) and estimate the adjusted average MPCE of each fractile class by excluding average MPCE on 'Out of GST' items. We estimate tax liability of each fractile class by the method as presented above.

Figure 17 shows that tax liability (as % of adjusted average MPCE) associated with the consumption basket is progressive upto P_{40} of fractile class of MPCE in rural

areas, and thereafter it is regressive. In urban areas, tax liability is progressive upto P_{20} and thereafter it is regressive. Tax liability is higher in urban areas as compared to rural areas across all fractile classes of MPCE (exception is P_{90}-P_{95} fractile group). Coefficient of variation in tax liability across fractile classes is lower in rural areas (0.021) as compared to urban areas (0.024).

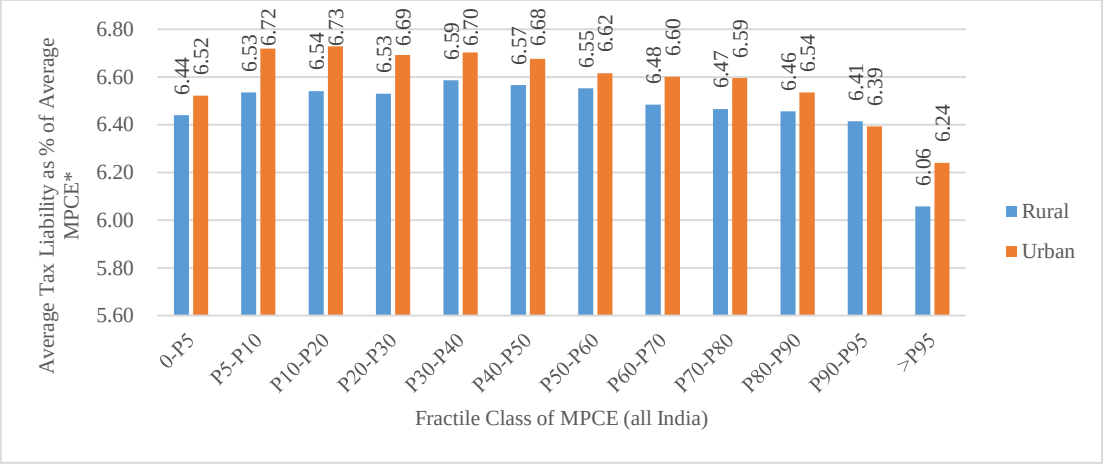
Figure 17: Distribution Impact of Indian GST under Scenario I



Note: *-adjusted average MPCE = Average MPCE – Average MPCE on items falling under 'Out of GST'
Source: Computed by author

Figure 18 shows that tax liability (as % of adjusted average MPCE) is progressive upto P_{20} of fractile class of MPCE accross all regions, and thereafter it is largely regressive (exception is P_{30}-P_{40} fractile group). Tax liability is higher in urban areas as compared to rural areas across all fractile classes of MPCE (exception is P_{90}-P_{95} fractile group). There is no difference in coefficient of variation in tax liability across fractile classes between rural and urban areas.

Figure 18: Distribution Impact of Indian GST under Scenario II



Note: *-adjusted average MPCE = Average MPCE – Average MPCE on items falling under 'Out of GST'
Source: Computed by author

6. Summary and Conclusions

Multiple rate structure and fixation of GST rates across commodities based on commodity-specific features, make it difficult to identify GST rates across commodities comprising the consumption basket. Like any other consumption expenditure survey, the CMIE's Consumer Pyramids Household Survey does not capture specification of a commodity like whether pre-packaged or labelled, made of the product (e.g., utensils) etc.. We have distributed 123 items (or group of items) of consumption across 9 tax categories [viz., exempted, very low (exempt to 5%), low (5%), lower middle (5 to 12%), middle (12 to 18%), upper middle (18%), upper (28%), high (>28%), out of GST]. We find that coverage of durables in the CMIE's CPHS is limited as compared to NSSO's 68th Round of Survey. This could be a reason of not finding a single commodity attracting 28 per cent GST rate in the CMIE's CPHS database. We distribute item-wise average monthly per capita expenditure (MPCE) across 8 tax categories and estimate the share of each tax category in the aggregate average MPCE of rural and urban areas separately. The distribution shows that on average 57.6 per cent of average MPCE is either exempted or face lower tax rate (upto 5%). On average 14.5 per cent of average MPCE constitutes consumption of 'out-of-GST' items. Therefore, only 28 per cent of average MPCE of consumers face GST rates above 5 per cent. Out of 28 per cent of average MPCE, on average 14 per cent attract GST rate 18 per cent and the rest is distributed among 5 to 12 per cent (9.5%), 12 to 18 per cent (2%) and high tax rate (i.e., >28%) categories.

Major findings of the paper are as follows:

- The share of exempted goods and services constitutes on average 20 to 30 per cent of average MPCE and consumer groups with higher average MPCE benefits the most from the tax (GST) exemptions – both in rural and urban areas. This finding goes against the common believe that tax exemptions benefit the lower strata of consumers more than upper strata. Any attempt to expand the tax base of GST by bringing exempted goods and services under the tax (GST) may not necessarily be regressive.
- Consumption of items (or group of items) under very low tax (exempt to 5%) category contributes on average 4 to 8 per cent in the average MPCE. Both in rural and urban areas, very low tax rate benefits the consumers with lower average MPCE.
- Consumption of items (or group of items) under low tax (5%) rate contributes on average 18.5 to 36.5 per cent of average MPCE. It is the lower strata of consumer groups who benefits the most from this low tax rate across all regions. Therefore, any attempt to increase tax rate of items attracting low tax rate (i.e., 5%) at present, may lead to increasing tax burden of lower strata of consumers more than upper strata of consumers. However, there is a scope for restructuring GST rates on cereals where pre-

packaged and labelled cereals attracting 5 per cent GST whereas those are not pre-packaged and labelled are exempted.

  - Average MPCE on cereals increases with increasing size of the consumption basket or fractile class of MPCE. Therefore, imposition of 5 per cent GST on all cereals (by removing the specification of "pre-packaging and labelling") may not be regressive from the point of distribution of tax burden across consumer groups. Similar possibilities may be explored for items where taxation is specific to some commodity specification under this category of tax (GST) rate.

- Consumption of items falling under lower middle tax (5 to 12%) category contributes on average 9 to 11 per cent of average MPCE. Except for fractile class greater than P_{95} in urban areas, consumption of items under this category shows proportionate tax burden across all fractile classes.
  - Pre-packaging and labelling of salty snacks attract GST rate of 12 per cent whereas those are not pre-packaged or labelled attract GST rate of 5 per cent. We find that average MPCE increases with increasing size of the consumption basket. Therefore, removal of differential tax rates based on product specification (packaging and labelling) may have a progressive distribution of tax burden.
  - Apparel and clothing accessories having sale value below Rs. 1000 attract GST rate of 5 per cent and those above sale value Rs. 1000 attract 12 per cent GST rate. This price specific GST rates are prone to revenue leakages if monitoring is not intensive. Therefore, removal of price specification and imposing a single GST rate across all such items may result in revenue augmentation. We find that average MPCE on clothing increases with rising size of the consumption basket. Therefore any attempt of converging two tax rates on clothing into one (say, 8%), may not have any regressive distributional effects on the tax burden.
- Consumption of items falling under middle (12 to 18%) tax category contributes on an average 2 per cent of average MPCE. It is lower strata of consumer groups (having relatively lower average MPCE) who bear the burden of tax on items falling under this category largely. With some exemptions, rural consumer groups bear the tax burden under this tax category more than urban consumer groups. It is also to be noted that upto fractile class of P_{20}, tax burden under this tax category is progressive across all regions. Assigning GST rate based on specification of the commodity (e.g., sale value, metal used in the product) make it difficult to assign a specific GST rate for items (or group of items) under this tax category. Therefore, we explore possibilities of removing such structural issues in GST by assessing the distributional effects of tax burden for some commodities under this category.
  - In the present GST structure footwear of having sale value upto Rs. 1000 attracts GST rate of 12 percent and other footwear attracts GST rate of 18 per cent. We find that average MPCE on footwear

increases with increasing size of the consumption basket. Therefore any attempt of merging two tax rates on footwear (12 and 18%) into one (say, 15%) may not have any regressive distributional effect on tax burden.

- Kitchen appliances and utensils made of iron & steel, aluminum and copper attract GST rate of 12 per cent and all other metal based kitchen appliances and utensils attract GST rate of 18 per cent. This differential tax structure may result in revenue leakages and classification disputes. Therefore, a single GST rate across all kitchen appliances and utensils may not only simplify GST structure but also reduce revenue leakages. A single rate GST may not have adverse distributional effects across fractile classes, as average MPCE on kitchen appliances and utensils increases with increasing size of the consumption basket. Similar exercise for items under this tax category (facing multiple GST rates due to product specification) may help to simplify the GST rate structure and reduce classification disputes.

- Consumption of items falling under upper middle (18%) tax category contributes on an average 12.5 to 15 per cent of average MPCE. For urban consumers, we observe a rising tax burden with increasing fractile class of MPCE upto fractile class P_{30}. It is followed by a proportionate tax burden till fractile class P_{90}, and thereafter it becomes progressive. For rural areas there is progressivity in the tax burden upto fractile class P_{40} and thereafter tax burden falls with rising size of the consumption basket. Both in rural and urban areas, lower strata of consumers (upto fractile class P_{30}) face progressive tax burden on consumption of items (of group of items) falling under 18 per cent GST rate.
- Items falling under high tax (>28%) rate category are intoxicants (cigarettes, bidi and other tobacco products) and in addition to the highest GST rate of 28 per cent these items attract GST compensation cess. Consumption of these category of items contributes on average 1 to 3 per cent of average MPCE. The share of consumption of these items in rural areas is higher than in urban areas across all fractile classes. In rural areas, tax burden increases with increasing fractile class of MPCE, except for fractile class of $>P_{90}$. In urban areas, lower strata of consumers consume (or bear the burden of tax) more on intoxicants than upper strata consumers. Upto fractile class P_{20}, there is progressivity in the tax burden for urban areas and thereafter it becomes proportionate till P_{80}. It is regressive for fractile class P_{80} and above for urban areas. Therefore, distributional effects of tax burden of intoxicants differ across consumer groups and across regions.
- Consumption of alcoholic beverages, liquor at restaurants, petrol & CNG (compressed natural gas), diesel, and electricity attract taxes other than GST. Therefore, we have classified consumption of these items under 'out of GST'. On average consumption of these items constitutes 10 to 18 per

cent of average MPCE. There is progressivity of tax burden across fractile classes in all regions.

- We assess the overall progessivity or regresivity of Indian GST based on two scenarios. In scenario I, we assume that items (or group of items) falling under any tax category attract lower bound tax rate of that tax category. In scenario II, we assume that items of consumption falling under any tax category attract upper bound tax rate of that tax category.
    - In Scenario I, we find tax liability (as % of adjusted average MPCE) associated with the consumption basket is progressive upto P_{40} of fractile class of MPCE in rural areas, and thereafter it is regressive. In urban areas, tax liability is progressive upto P_{20} and thereafter it is regressive. Tax liability is higher in urban areas as compared to rural areas across all fractile classes of MPCE (exception is P_{90}-P_{95} fractile group).
    - In Scenario II, we find that tax liability (as % of adjusted average MPCE) is progressive upto P_{20} of fractile class of MPCE accross all regions, and thereafter it is largely regressive (exception is P_{30}-P_{40} fractile group). Tax liability is higher in urban areas as compared to rural areas across all fractile classes of MPCE (exception is P_{90}-P_{95} fractile group).
- The future research on this topic may consider to assess the total impact (direct and cascading) of GST across commodities and consumer groups.

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Appendix

Table A.1: GST Rates on Cereals

Schedules	S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods	CGST Rate	SGST / UTGST Rate	IGST Rate
I	45	10	**All goods i.e. cereals pre-packaged and labelled.**	2.50%	2.50%	5%
I	55	1102	Cereal flours other than of wheat or meslin i.e., maize (corn) flour, Rye flour, etc. **pre-packaged and labelled.**	2.50%	2.50%	5%
I	57	1104	Cereal grains otherwise worked (for example, rolled, flaked, pearled, sliced or kibbled), except rice of heading 1006; germ of cereals, whole, rolled, flaked or ground [other than hulled cereal grains]	2.50%	2.50%	5%
Nil rate	72	1008	Buckwheat, millet and canary seed; other cereals such as Jawar, Bajra, Ragi] other than pre-packaged and labelled.	0	0	0
Nil rate	74	1102	Cereal flours other than of wheat or meslin, [maize (corn) flour, Rye flour, etc.] other than pre-packaged and labelled.	0	0	0
Nil rate	75	1103	Cereal groats, meal and pellets other than pre-packaged and labelled.	0	0	0

Source https://cbic-gst.gov.in/gst-goods-services-rates.html (last accessed on 11 July 2023).

Table A.2: GST Rates on Salty Snacks and Apparel and Clothing Accessories

Schedules	S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods	CGST Rate	SGST / UTGST Rate	IGST Rate
I	101 A	2106 90	Namkeens, bhujia, mixture, chabena and similar edible preparations in ready for consumption form, **other than those pre-packaged and labelled.**	2.50%	2.50%	5%
II	46	210690	Namkeens, bhujia, mixture, chabena and similar edible preparations in ready for consumption form (other than roasted gram) **pre-packaged and labelled.**	6%	6%	12%
I	222	61 or 6501 or 6505	Article of apparel and clothing accessories or cap/topi, knitted or crocheted, of sale value not exceeding Rs 1000 per piece	2.50%	2.50%	5%
I	223	62	Articles of apparel and clothing accessories, not knitted or crocheted, of sale value not exceeding Rs. 1000 per piece	2.50%	2.50%	5%
II	169	61	Articles of apparel and clothing accessories, knitted or crocheted, of sale value exceeding Rs. 1000 per piece	6%	6%	12%
II	170	62	Articles of apparel and clothing accessories, not knitted or crocheted, of sale value exceeding Rs. 1000 per piece	6%	6%	12%

Source https://cbic-gst.gov.in/gst-goods-services-rates.html (last accessed on 11 July 2023).

Table A.3: GST Rates on Footwear, Table and Kitchen Utensils

Schedules	S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods	CGST Rate	SGST / UTGST Rate	IGST Rate
II	171A1	64	**Footwear** of sale value not exceeding Rs.1000 per pair	6%	6%	12%
III	166	6401	Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes	9%	9%	18%
III	167	6402	**Other footwear** with outer soles and uppers of rubber or plastics	9%	9%	18%
III	168	6403	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather	9%	9%	18%
III	169	6404	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials	9%	9%	18%
III	170	6405	Other footwear	9%	9%	18%
II	184	7323	Table, kitchen or other household articles of **iron & steel**; Utensils	6%	6%	12%
II	185	7418	Table, kitchen or other household articles of **copper**; Utensils	6%	6%	12%
II	186	7615	Table, kitchen or other household articles of **aluminium**; Utensils	6%	6%	12%
III	252A	7418	All goods [other than table, kitchen or other household articles of **copper**; Utensils]	9%	9%	18%
III	275A	7615	All goods [other than table, kitchen or other household articles, of **aluminium**; Utensils]	9%	9%	18%

Source: https://cbic-gst.gov.in/gst-goods-services-rates.html (last accessed on 11 July 2023).

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