

Government of India
Ministry of Finance
Department of Revenue

LOK SABHA
STARRED QUESTION NO. *216
TO BE ANSWERED ON MONDAY, DECEMBER 15, 2025/AGRAHAYANA
24, 1947 (SAKA)

REVENUE LOSSES TO STATES DUE TO GST RATIONALISATION

*216. SHRI V K SREEKANDAN:
SHRI S VENKATESAN:

Will the Minister of **Finance** be pleased to state:

- (a) whether it is a fact that Goods and Services Tax Council is likely to constitute a new Group of Ministers to address the issues of initial revenue losses incurred by the States due to the rate rationalization under the GST reforms, if so, the details thereof;
- (b) whether it is a fact that the State of Kerala has expressed concerns about severe revenue losses due to the rate rationalization implemented in September 2025, if so, the details thereof;
- (c) whether it is a fact that Kerala could face an annual revenue loss of Rs.8,000 – 10,000 crore due to the GST reforms;
- (d) whether it is a fact that as per the Government's estimate the gross revenue loss is likely to be Rs.93,000 crore, which will be partially compensated by additional revenue of Rs.45,000 crore due to shift in goods from 28 percent slab to 40 percent; and
- (e) if so, the details thereof?

ANSWER

THE MINISTER OF FINANCE
(SMT. NIRMALA SITHARAMAN)

(a) to (e): A statement is placed on the Table of the House.

Statement referred to in reply to the LOK SABHA Starred Question No. 216 raised by Shri V K Sreekandan & Shri S Venkatesan for 15th December, 2025 on “Revenue losses to States due to GST Rationalization”

(a) At present no such proposal is under consideration

(b&c) During the 56th meeting of GST Council, the Hon’ble Finance Minister of Kerala observed that the consumption pattern in Kerala is such that majority of the items consumed attract a higher rate of tax. Therefore, the revenue loss to the state on account of the rate rationalization is likely to be relatively higher.

It was further stated that the State of Kerala had undertaken its own estimates of the potential revenue loss arising on account of GST rate rationalisation by focusing on four sectors - automobiles, insurance, cement and electronics. As per their estimates, from these sectors, the State expected to lose around Rs. 2,500 Crore annually and the total annual revenue loss is likely to be more than Rs. 8,000 Crores for Kerala.

(d & e) Based on the data of consumption patterns and entire value chain for the period 2023-24, the items that moved from the 28% to the 40% tax bracket are projected to account for additional revenue of approximately Rs. 45,570 Crore. The broader rate rationalization initiative is expected to lead to a revenue implication of around Rs. 93,300 Crore of net negative.

Taken together, these two figures are likely to result in about Rs. 47,700 Crore of net negative. However these figures should not be viewed as definitive since tax collection is not static and there is buoyancy. Moreover, lower rates are likely to lead to improved compliance and fewer disputes.
