

## AN ANALYTICAL STUDY OF GOODS AND SERVICES TAX AND ITS IMPACT ON AGRICULTURAL INDUSTRY

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### ABSTRACT:

Goods and Services A single, all-encompassing tax is imposed on the goods and services that are used inside an economy. The agricultural sector, which accounts for about 17.4% of GDP, has been the backbone of the Indian economy. Studying the effects of GST on the agriculture sector is crucial because it is the principal source of income for about 52% of rural residents. Agriculture will be impacted by GST in both positive and bad ways. As prices and inflation decline, GST is anticipated to foster a business-friendly climate. Because it creates a single national market for products and services, the good and service tax has a single tax structure. It is anticipated that uniformity between states and the federal government will result from the implementation of GST, making the tax support program for a certain item more effective. It was anticipated that the products and Services Tax (GST) would have a straightforward, harmonized tax structure that would be easy to administer, creating a single, nationwide market for products and services without having a detrimental effect on state revenue.

The purpose of this study is to shed light on how the GST has affected the agricultural sector. Currently, the agricultural sector is the main source of income for almost 58% of rural households. Therefore, farming, horticulture, and animal breeding are not the only aspects of the agricultural industry. The agriculture sector encompasses all that is related to agriculture, including forestry and fisheries.

**Keywords:** GST, GST Rates, Agriculture Sector, Agriculture Products, Indian Economy, GDP etc.

### INTRODUCTION:

The agricultural sector in India has seen major transformation as a result of the Goods and Services Tax (GST). The GST system has made it easier to tax agricultural products and services, which has increased market integration, efficiency, and transparency throughout India. Agriculture has traditionally been one of the main drivers of India's GDP (gross domestic product). The average GDP of the agricultural sector has consistently remained constant.

India has averaged 4532.49 INR billion since 2011. In the fourth quarter of 2022, the average hit a record high of 7004.72 INR billion in 2023. India is a country whose economy is primarily based on agriculture. Over 58% of rural households are estimated to depend on

agriculture as their main source of income. Therefore, farming, horticulture, and animal breeding are not the only aspects of the agricultural industry. The agriculture sector encompasses all that is related to agriculture, including forestry and fisheries.

These days, the Goods and Services Tax, or GST, is crucial to the agricultural sector since it has made the tax system extremely straightforward. GST has made it easier for farmers, traders, and agribusinesses to comprehend and abide by tax laws by replacing multiple levies with a single tax. Businesses can benefit from tax breaks for inputs like fertilizers, seeds, machinery, and transportation services because it helps to reduce the overall production cost. GST has made it easier for agricultural products to move across states by removing tax barriers, which saves time, lowers transportation costs, reduces crop waste, and stops agricultural loss. The expansion of food processing facilities, cold storage facilities, and other agricultural-based sectors has been aided by the clarity of GST tax rates, creating more job prospects in rural areas. The most basic agricultural items are free from GST, which helps farmers and keeps food prices reasonable for consumers. Generally speaking, GST is essential to the agricultural sector's current modernization and support.

The government's agricultural GST reforms demonstrate its commitment to rural development and farmer welfare. The change benefits cooperatives and FPOs (Farmer Producer Organizations) while lowering expenses for farmers. Productivity will increase with less expensive farm equipment and fertilizers. Farmers will receive higher returns and less waste if cold storage and food processing are supported. Additionally, dairy, honey, and related industries will increase in profitability. In keeping with the Atmanirbhar Bharat vision, these actions will strengthen and increase the independence of Indian farmers.

India's historic indirect tax reform, the Goods and Services Tax (GST) [One Nation, One Tax], was implemented to streamline and harmonize the nation's intricate tax structure. The supply of products and services is subject to this extensive, multi-stage, destination-based tax. Numerous indirect taxes, including excise duty, services tax, sales tax, VAT, and luxury tax, were superseded by GST, resulting in a unified, transparent tax system that is applicable across the nation. Every step of the production and distribution process is subject to the tax, although companies can avoid the cascading effect of taxes by claiming input tax credits.

Important amendments were made at the 56th GST Council meeting, with modifications taking effect on September 22, 2025: • The GST on agricultural equipment, such as tractors with engines smaller than 1800cc, hand pumps, nozzles, sprinklers, and fixed-speed diesel engines, has been lowered from 12% to 5%. • The GST was lowered from 12% to 5% for harvesting equipment, self-loading trailers, composting machines, and hand-propelled or animal-drawn vehicles.

GST in India largely exempts fresh, unprocessed agricultural produce and services such as sowing and harvesting, while it applies to processed foods, branded products, and certain machinery, including tractors (now taxed at 5%). Key changes involve lowering GST to 5% on tractors, bio-pesticides, and processed fruits and vegetables, improving affordability of farming inputs and value-added products for farmers, while core agricultural activities remain exempt. GST is normally not applied to fresh agricultural produce, which includes fruits, vegetables, cereals, pulses, raw milk, meat, eggs, honey, flowers, and raw cotton. Agricultural services including plowing, planting, harvesting, and renting land are exempt from GST.

#### **TAXABLE ITEMS AND APPLICABLE RATES:**

Branded or packaged goods (such as cereals and flours), jaggery, natural honey, specific bio-

pesticides, micronutrients, sprinklers and drip irrigation systems, and tractors with engines smaller than 1800cc are all subject to a 5% GST. The 12% GST rate applies to goods including processed meat, cheese, sugar, animal feed, and favored agricultural equipment. Agro-processing services, cold storage, soil testing, and certain machinery are all covered by the 18% GST rate.

### **GOODS AND SERVICES TAX ON AGRICULTURAL SERVICES:**

services that are closely related to harvesting, storing, and preparing agricultural land. GST will apply to services including cold storage, processing facilities, water testing, and soil testing. The GST council reduced the GST to 5% on tractors, agricultural equipment, biopesticides, and processed foods in order to alleviate farmers' financial burden.

**Eligible GST Payers:** GST enrollment is not required for framers who sell unprocessed agricultural products directly. Organizations that process, package, or sell branded agricultural products or provide taxable services must register under GST law and pay taxes. For purchases made from unlisted farmers, such as raw cotton or comparable goods, listed buyers must pay GST under the Reverse Charge Mechanism (RCM).

### **IMPACT OF GST ON AGRICULTURAL SECTOR IN INDIA:**

1. Many interstate barriers have been removed as a result of the GST's establishment, creating a single market. This facilitates the free movement of products and services between states. The GST system has greatly facilitated interstate commerce and encouraged the growth of an efficient distribution network.
2. Farmers are now able to choose crops and cultivate them in the most efficient manner based on market demand thanks to the adoption of the goods and services tax. People who operate in the agriculture sector can now choose the products they want to deal with without having to worry about paying taxes.
3. By enabling a seamless movement of agricultural products from the fields to the marketplace, the application of GST would guarantee an improvement in transparency, uniformity, efficient purchasing and selling, and a reduction in the supply chain timeline. For the agriculture market, the Goods and Services Tax will result in shorter, more effective, and more productive supply chains. GST results in reduced costs, a quicker and more efficient movement of goods, and less paperwork.
4. In the past, products and services were subject to numerous levies. The taxpayer used to be burdened by this. By eliminating all of these taxes and applying a single rate to all goods and services, the GST system will simplify things and lessen the financial burden on farmers.
5. Many perishable items can now be prevented from being wasted by shortening the transit times. The goal of implementing GST is to improve interstate trade in products and services. As a result, the flow of agricultural products across the nation and between states would be accelerated. Consequently, the industries as a whole and their employees in particular would be earning more money overall. In the past, farmers or those in charge of manufacturing all agricultural products have been at the end of the supply chain. Poverty has almost always been linked to it because it has always been the weakest link in the network. Implementing the GST would accelerate the supply chain, which would unavoidably lead to less agricultural waste.

The Goods and Services Tax (GST) is significant because it makes India's indirect taxation system more straightforward and efficient. GST removes the cascading impact of "tax on tax" and simplifies compliance for businesses by replacing other taxes such as excise duty, VAT, service tax, and luxury tax. By guaranteeing that goods and services can travel freely between states without being subject to several state-level taxes, it fosters a single national market.

Through digital invoicing and input tax credits, GST also promotes accountability and transparency in commercial operations.

It also enhances revenue collection and tax compliance for the federal and state governments. GST helps stimulate economic growth, draw in investment, and create a more business-friendly climate by improving the efficiency, fairness, and predictability of the tax system. This benefits consumers, companies, and the economy as a whole.

### **RELATED LITERATURE REVIEWS:**

**Kanwal et al., (2017)**, found that the tax on goods and services will affect agriculture in both positive and bad ways. Agricultural commodities will become less expensive because they were previously priced differently inside each state, between states, and across the entire nation. Effective resource allocation would result from GST. When contrasted to the manufacturing sector, terms of trade shift in favor of agriculture. Certain goods, like milk and tea, will become more expensive as a result.

**Dr.Sangappa V.Mamanshetty, et al., (2018)**, found that the GST will affect agriculture in both positive and negative ways. As prices and inflation decline, GST is anticipated to foster a business-friendly climate. Because it creates a single national market for products and services, the good and service tax has a single tax structure. It is anticipated that uniformity between states and the federal government will result from the implementation of GST, making the tax support program for a certain item more effective. It was anticipated that the products and Services Tax (GST) would have a straightforward, harmonized tax structure that would be easy to administer, creating a single, nationwide market for products and services without having a detrimental effect on state revenue.

**Banu, et al., (2018)**, analyzed that As the GST is being introduced with the unbiased objective of having a unified tax structure for goods and services, this is likely to facilitate and strengthen the Scheme on National Agricultural Market (NAM) aimed at an integrated system of market of agriculture produce at the national level, allowing free flow of agricultural commodities across states.

**Kumar, M., & Kumar, K. (2021)**, recommended that in order to support commercial farming in India, the taxes on liquid and micronutrient fertilizers be lowered. Tax rates on significant agricultural equipment should be reevaluated in order to encourage the mechanization of small and marginal farms. To break the knowledge asymmetry, educate producers on the tax rates on various agricultural inputs.

**Kumar et al., (2022)**, investigated that pre –GST regime enumerated negative list of agriculture service. Rearing of all life –form of animal is part of agriculture but doesn't included rearing of horses, for food , fiber , fuel and raw material or other similar products. Under ending regime services like storage of agriculture products, services related to food grain, loading and unloading of rice inspection of seed etc were exempted.

**Ishita Rana et al., (2024)**, outlined recommendations for enhancing GST regulations to better assist farmers, stressing the importance of targeted tax relief on necessary agricultural inputs as well as simplicity and transparency. The study looked at how the GST affected

farmers' export procedures, transportation, warehousing, and input costs. Both positive and negative results were emphasized, including lower costs for some inputs and better market access, as well as higher compliance requirements and price increases for essential agricultural inputs like machinery and pesticides.

**Jadhav et al., (2024)**, outlined the positive and negative effects on the agricultural sector, but the industry still faces a number of difficulties and problems, including shifting tax rates, price changes, inflation, raw costs, import and export regulations, transportation of agricultural goods and services, and high taxes on machinery and equipment. Over the past five years, the agricultural and agro-related sectors have experienced a noteworthy annual average increase of 4%. Over the past ten years, the percentage of agriculture has decreased despite the implementation of numerous programs, schemes, reforms, and regulations. Knowing how the Goods and Services Tax affects India's agricultural sector is fascinating.

**Research Methodology:** The researcher used a descriptive research methodology for this study. This research article makes heavy use of secondary data. In order to determine how the GST has affected India's agricultural sector, theoretical data has been examined and assessed in this study. The secondary data used in this study comes from Indian agriculture. The Government of India, journals, newspapers, RBI, GRDI, and other publications are the sources of the information. GST is thought to have a significant economic influence on the Indian economy. In the rising Indian economy, it is anticipated that the agriculture sector would encounter numerous obstacles and opportunities.

#### **OBJECTIVES:**

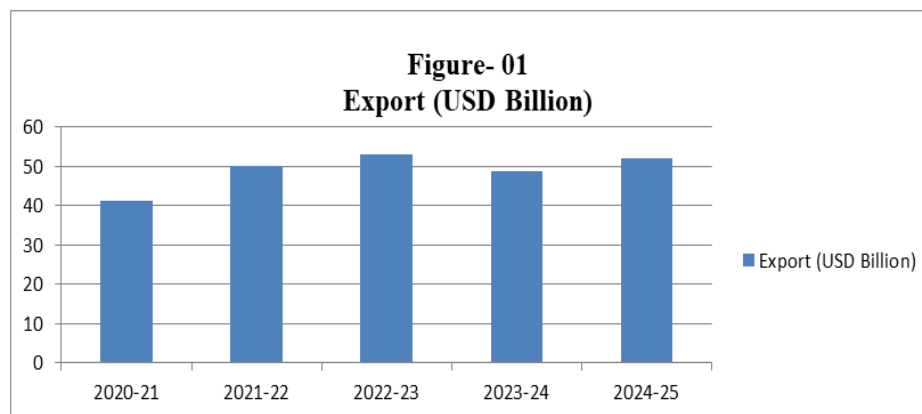
- To comprehend how the GST affects the agricultural sector of the Indian economy.
- To Study the positive and negative impact of the GST on Agricultural Sector.
- To examine how the Goods and Services Tax (GST) has affected India's economy in relation to agriculture and related industries.

**Limitations:** This research study is based on secondary data relating to the Indian agriculture sector that can be found on the government website and published sources. It only discusses how the GST has affected India's agricultural sector and the opportunities and difficulties it presents for agribusiness and related businesses.

**Data Collection & Analysis:** India's agricultural exports were approximately \$51.9 billion in 2024–2025, sustaining a substantial trade surplus of \$13.4 billion despite an increase in imports, mostly of fresh fruits, vegetable oil, and pulses. Important imports included oil, pulses, and tree nuts, with a greater reliance on imports for cotton and rubber as a result of declines in domestic output. Important exports included rice, marine products, spices, and buffalo meat. The export performance over the last five years is as follows:

**Table-01**  
**Export Performance of Agricultural Commodity Trade**

Year	Export (USD Billion)
2020-21	41.3
2021-22	50
2022-23	53.1
2023-24	48.8
2024-25	51.9



The type of the product (raw vs. processed) and the particular category of input/machinery determine the GST rates for agricultural products in India. Recent revisions, which went into effect on September 22, 2025, drastically lowered taxes on several items to 5%. The following are some significant GST rates on agricultural goods:

**Table-02**  
**Some GST rates on agricultural products**

GST	Goods or Services
0%	Fresh fruits and vegetables
0%	Eggs
0%	Honey
5%	Harvesting and threshing machinery
5%	agricultural implements
12%	Milking machines and dairy machinery

According to the Income Tax Act of 1961, agricultural income in India is subject to state taxation and is often exempt from direct income tax. The majority of basic produce is still exempt from the items and Services tax, which replaced the former VAT and indirect tax system. It mainly affects agricultural inputs, machinery, and processed items.

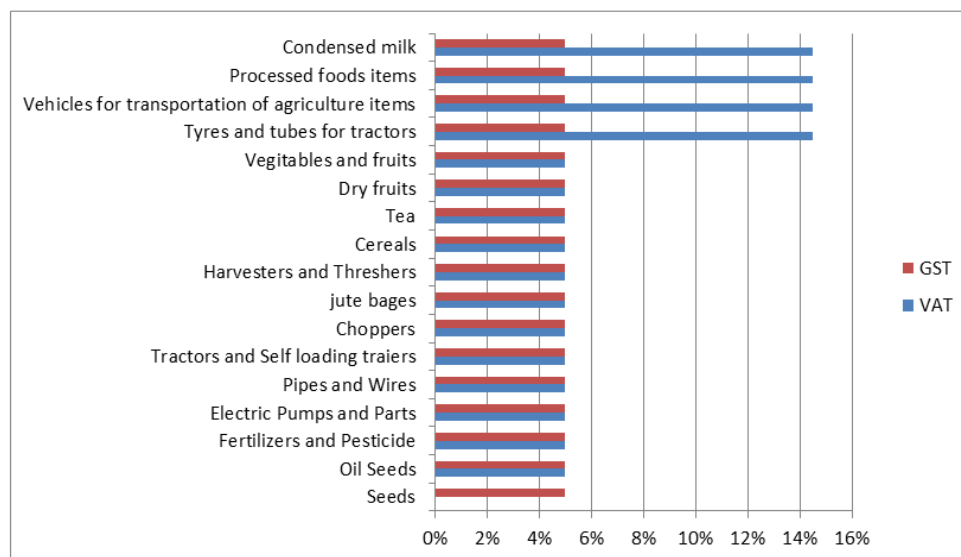
**Table 03**  
**Tax Rates for Agriculture Commodities under VAT and GST Regime**

Commodities	VAT	GST
Seeds	0%	0% & 5%
Oil Seeds	5%	0% & 5%
Fertilizers and Pesticide	5%	5%
Electric Pumps and Parts	5%	5%
Pipes and Wires	5%	5%
Tractors and Self loading trailers	5%	5%



Choppers	5%	5%
jute bages	5%	5%
Harvesters and Threshers	5%	5%
Cereals	5%	0% & 5%
Tea	5%	0% & 5%
Dry fruits	5%	0% & 5%
Vegitables and fruits	5%	0%
Tyres and tubes for tractors	14.50%	5%
Vehicles for transportation of agriculture items	14.50%	5%
Processed foods items	14.50%	0% & 5%
Condensed milk	14.50%	5%

**Figure -02**



**Table -04**

**Market Distributions Before Implementation of GST**

Sl. No.	Name of the States	Sales Tax	After Implementation GST
1	Andhra Pradesh	Andhra Pradesh All Commodities (except Maise, Jowar, Ragi, Bajra, Coarse grains) 4%	There will be uniform tax rate across India
2	Karnataka	Foodgrains -0%, Pulses - 2%, Oilseeds - 4%	
3	Goa	Betelnut - 2%, Cashewnut - 2%, Coconut, Cattle & Milk - 0%	
4	Maharashtra	All agricultural commodities are exempted form sales tax	
5	Rajasthan	Fruits and Vegitables -0%, Foods grains -4%, Pulses and Oilseeds -2%, Coarse grains- 0%	

**Findings of the Study:** The study's previously indicated analysis demonstrates that the agriculture sector is primarily exempt from GST. Fresh seafood, dairy, fruit, and vegetables are among the agricultural products that are essentially free from GST. Therefore, companies in the agriculture industry that do not process will not be affected by GST. Furthermore, companies that just offer products or services are not subject to the GST and are free to decide whether or not to register. Therefore, farmers who sell their products in their freshest state are not subject to the GST. Additionally, farmers' lives are made easier by the exemption of seeds from GST.

## CONCLUSION:

According to the study's findings, GST is expected to have both positive and negative effects on the agricultural sector. GST would improve tax system transparency because the country has a single tax system. A single rate of goods and services tax would help both farmers and traders by enabling them to sell their products anywhere in the country, yet agricultural items were taxed at different rates.

The agricultural GST rationalization is a revolutionary, farmer-focused change. In addition to increasing farm revenues, it also strengthens cooperatives, supports rural businesses, and encourages sustainable practices by reducing expenses associated with fertilizers, machinery, dairy, aquaculture, and logistics. This comprehensive reform brings India closer to Atmanirbharata in terms of food security, increases production, decreases waste, and boosts competitiveness against imports.

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