

GST Rationalisation for a Competitive Economy, Thriving MSMEs, and Consumer Welfare

GST Refunds Made Easier for Low-Value E- Commerce Exports

GST cuts lower input costs, ease working capital pressures, and boost MSME and manufacturing competitiveness

Rationalisation addresses inverted duty structures, strengthens key sectors, and promotes India as a global hub in textiles, food processing, and handicrafts

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The Government of India has unveiled a set of GST rate rationalisation measures aimed at lowering costs, addressing duty-related distortions, and boosting competitiveness across diverse sectors such as paper, leather, wood, handicrafts, commercial vehicles, tractors, food processing, textiles, toys, and packaging materials.

In what comes as a relief to e-commerce exporters, the GST Council has approved DGFT's proposal (OM dated 8 May 2025) to eliminate the value threshold for GST refunds on low-value consignments. Following Annexure-V, Para 3 of the Press Note from the 56th GST Council meeting, Section 54(14) of the CGST Act, 2017 will be amended to allow refunds for exports made with payment of tax, regardless of value. This long-awaited reform addresses the concerns of small exporters, particularly those shipping through courier or postal services, and is expected to greatly simplify procedures and facilitate low-value e-commerce exports.

The removal of the value threshold for GST refunds will significantly benefit small and e-commerce exporters by making even low-value shipments eligible for refunds. This will improve cash flow, reduce working capital constraints, simplify compliance, and streamline refund procedures, particularly for consignments shipped via courier or postal services. As a result, MSMEs and small sellers can participate more effectively in international trade, boosting the growth of low-value e-commerce exports.

Industry bodies have welcomed the reforms, emphasising that measures such as faster export refunds, provisional relief under the inverted duty structure, and rationalisation of rates across key sectors will ease liquidity pressures, reduce working capital blockages, and strengthen supply chains. These steps are expected to boost manufacturing, support MSMEs, enhance export competitiveness, and ensure cost benefits are passed on to consumer

Key Takeaways from GST Rationalisation for Exporters

- 1. Lower Costs & Global Competitiveness:** GST cuts—e.g., paper packaging, textiles, leather, and wood from 12–18% to 5%—lower production costs, enabling exporters to offer more competitive prices.
- 2. Boost to MSMEs & Export-Oriented Sectors:** Faster refunds and rate rationalisation across textiles, handicrafts, leather, food processing, and toys support MSMEs and high-demand export sectors.
- 3. Efficient Supply Chains & Logistics:** GST on trucks and delivery vans reduced from 28% to 18%, and lower GST on packaging materials, reduces freight and logistics costs, enhancing competitiveness.
- 4. Support for Innovation & New Products:** GST on toys and sports goods cut from 12% to 5%, incentivising domestic production, countering cheap imports, and tapping rising global demand.
- 5. Sustainable & Structured Growth:** Correction of inverted duty structures in textiles and food processing, along with reduced GST on eco-friendly products (bamboo, bagasse, jute boards), ensures smoother refunds, better cash flows, and alignment with global sustainability standards.

The rationalisation of GST is expected to lower input costs for MSMEs and exporters, reduce inflationary pressures on consumers, and correct structural anomalies such as inverted duty structures. By easing liquidity constraints and streamlining refund processes, the reforms will unlock working capital, strengthen supply chains, and enhance the overall competitiveness of Indian industry. These measures will also promote ‘Vocal for Local’, bolster domestic manufacturing, and support India’s ambition to emerge as a global hub in sectors such as textiles, tractors, food processing, auto components, and handicrafts, while ensuring that the cost benefits are ultimately passed on to consumers.

The Commerce Secretary welcomed the rationalisation of GST rates, describing it as a decisive step in strengthening India’s manufacturing base, empowering MSMEs, and enhancing the competitiveness of Indian goods in domestic and international markets. He noted that the reform reinforces the vision of building an Atmanirbhar Bharat while delivering concrete benefits to producers, traders, and exporters across the country.

Abhishek Dayal/ Abhijith Narayana/ Shabbir Azad

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