

From Tourism to Tea: How GST Reforms Will Transform Sikkim's Economy

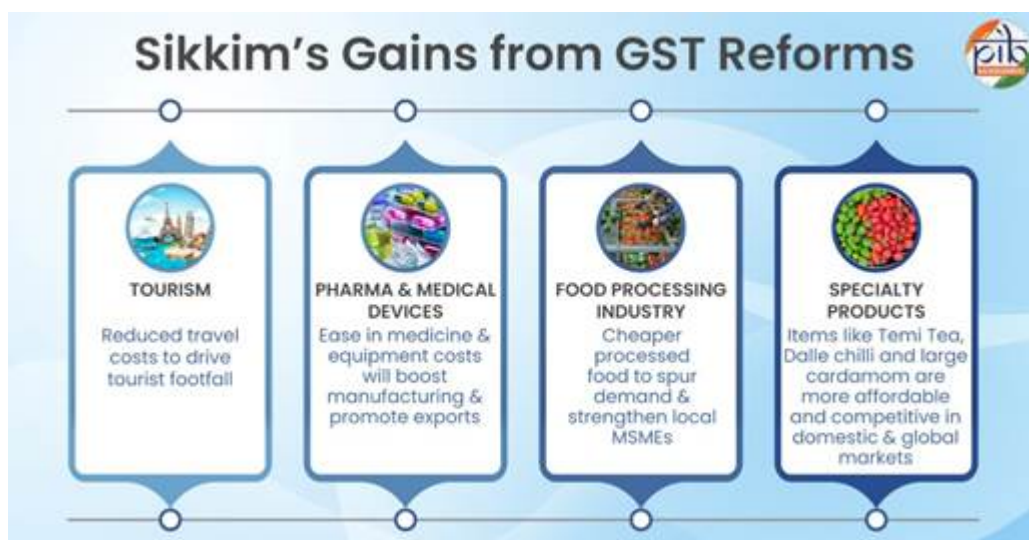
Posted On: 24 SEP 2025 4:55PM by PIB Delhi

Key Takeaways

Introduction

The new GST reforms mark a major step toward lowering the tax burden on essential goods and services. These new rates will stimulate demand, boost competitiveness, and create new opportunities for growth and employment in the country. For Sikkim, a small Himalayan state with stakes in pharmaceuticals, tourism, and organic food products, the new GST reforms could not have come at a better time. The tax cuts align with Sikkim's broader development goals, from industrial diversification to tourism promotion and uplifting rural livelihoods.

Lower GST rates will make Sikkim's key sectors more cost-competitive, encouraging higher demand and wider market reach. These reforms will strengthen local livelihoods, expand exports, and support Sikkim's economic growth.



Tourism & Hospitality Sector

Tourism industry is essential for Sikkim's economy with various hotels, homestays, travel agencies, taxi operators, guides, and eateries supporting local income and jobs. **An estimated 7.8 lakh people derive their livelihoods from this sector.** Key destinations like Kanchenjunga National Park, Lachen, Lachung, and Yumthang Valley continue to attract increasing numbers of visitors. **Gangtok has even been recognized by the Government of India as the "Safest Tourist Destination".**

With the reformed GST rates, **hotel accommodation up to ₹7,500 per night now carries only 5% GST.** A reduced tax rate essentially puts money back in tourists' pockets, **encouraging higher occupancy and longer stays.** Higher hotel occupancy **also translates to more jobs** in this sector.

Another game-changing **tax cut is the reduction of GST on "beauty and wellness" services from 18% to 5%.** This might, on the surface, seem less directly relevant to tourism, but in Sikkim it is highly synergistic. The state is known for its wellness tourism sector and is home to numerous traditional and herbal medicinal centres. **With only 5% GST now, wellness tourism packages have become significantly cheaper.**



Encouraging tourism via tax relief will help Sikkim diversify its economy further and uplift rural areas. A rise in tourist arrivals will not only increase state GST collections through higher volume but also boost related sectors like transport (vehicle rentals), agriculture (demand for local organic produce), and handicrafts (souvenir sales).

Pharma & Medicine Sector

Sikkim has emerged as a pharmaceutical manufacturing hub with over 50 pharmaceutical companies, including industry giants like Sun Pharma, Cipla, Zydus Cadila, and others, clustered mainly in East Sikkim. **Pharmaceuticals sector has thus, become a significant employer in the State.**

The GST reforms abolish or sharply reduce taxes on medicines and medical devices, lowering costs across the pharmaceutical supply chain. In particular, **30 cancer drugs are fully GST-free** (down from 12%) and **GST on all other drugs and medicines is cut from 12% to 5%.** Likewise, **most medical and surgical devices along with thermometers and medical apparatus, etc. now attract only 5% GST.** This translates to a **7-13% lower tax load.** This magnitude of cost savings **will improve healthcare affordability with medicines now being notably cheaper.**

A big gain for Sikkim's pharma producers will be in export competitiveness and market expansion. Drug formulations, biologicals and medical & scientific instruments account for roughly **63% of the state's total exports**, reaching markets in Europe, the Middle East, Nepal and Japan. Now, with only a 5% to Nil GST on these items, exporters from Sikkim will have a lighter tax burden to manage. **The cost of production would effectively drop, allowing these items to be priced more competitively in international markets.**



Premium Tea

Sikkim's Temi estate's tea is widely sought after in international markets such as USA, Germany, UK and Japan. The estate is modest in size with around **450 workers and small producers**, but its **impact is significant in terms of brand value and rural livelihood in Namchi district**.

Under the previous tax regime, packaged and instant teas were taxed at 18% GST. **The GST reform has now reduced this to just 5%. This effectively brings a 13-percentage point cut in tax, translating to around 11% drop in final consumer prices.**

For Temi Tea, which has been expanding its domestic retail presence, the 5% GST means it **can penetrate more markets with better pricing**. The **export potential** of Sikkim's tea could also see strong benefits with the fall in prices. For the workers and small growers, the GST cut offers **better earnings**.

Food Processing Sector

Sikkim is home to a diverse food processing ecosystem. Bakery, snacks, and confectionery items are produced in Pakyong, whereas, Soreng is known for its meat-based products. Mangan is renowned for large cardamom, while Gangtok produces the famous Dalley Khorsani chilli, a GI-tagged product.

The recent GST reforms significantly improve cost competitiveness by reducing the tax rate on key items. Pickles, fruit and vegetable juices now attract just 5% GST instead of 12%, while products such as pastries, cakes, soups, and broths have seen reductions from 18% to 5%. **These reforms directly lower shelf prices by 6-13%**, stimulating **higher consumer demand**. This will further **encourage higher fruit-to-factory procurement** during peak seasons.



This sector is **driven by 1300+ enterprises supported under the Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) Scheme**. These units are involved in the processing of flour, tea, fruits, bakery goods, and other food products, including products like pickles and paste from Dalley Khorsani, bamboo shoot pickle etc. **With increase in demand, production will increase which will lead to higher employment.**

Conclusion

By easing the tax burden on Sikkim's key economic sectors, the new GST reforms will act as a catalyst for holistic development of the state's economy.

As these reforms take hold, their effects can be witnessed through a pharma plant dispatching an extra batch of medicines, a line of happy tourists extending their stay in a Gangtok hotel, workers at Temi Tea Estate celebrating increased orders, or women at a village cooperative doubling their pickle production to meet new demand.

Together, the new GST reforms are set to drive more affordable products, stronger exports, and greater job opportunities in Sikkim.

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(Release ID: 2170699)