

GST Council retains 28% tax and cess on tobacco, sin goods

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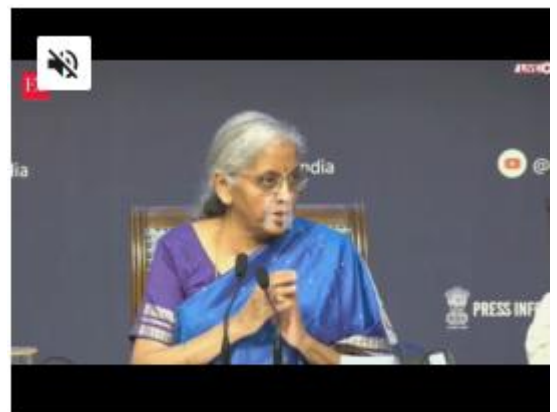
Synopsis

The Union finance minister will decide on the date when the new tax rate for these items will be applicable. Currently, such products attract the highest GST rate of 28% plus compensation cess, central excise duty and national calamity contingent duty, taking the total indirect tax incidence to 53%. Average annual GST collection from tobacco products in the past five years amounted to ₹51,000 crore, along with additional education cess and surcharges from tobacco manufacturers totalling ₹27,660 crore.

The Goods and Services Tax (GST) Council, headed by Union finance minister Nirmala Sitharaman, decided on Wednesday to retain the compensation cess and a 28% indirect tax rate levied on sin goods such as tobacco products for now.

The rates on pan masala, gutkha, cigarettes and chewing tobacco products such as zarda, unmanufactured tobacco and bidi will continue until the loans taken by the Centre to compensate states against their projected revenue shortfall for adopting the GST regime eight years ago are fully repaid.

Once that's done, the GST rate on these tobacco products will be raised to the highest bracket of 40% but the additional levy of the compensation cess will be scrapped, Sitharaman told reporters after the council's meeting.



GST rejig: Small cars, bikes under 350cc get tax cut to 18%; SUVs, big bikes, yachts hit with 40% slab

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The compensation cess on some other products, such as luxury cars, aerated drinks and coal, will be scrapped from September 22. However, the GST rates on luxury cars and aerated drinks will be raised to 40% from the current 28%, and on coal it will be hiked to 18% from 5%. The council has also decided to grant ad hoc integrated GST and compensation cess exemption on new armoured sedan car imported for the president of India.

Compensation cess was introduced under the GST through a special law to persuade states to adopt the new indirect tax regime from July 2017 by promising them compensation for at least five years if their revenue mop-up on this count trails a 14% annual expansion. The cess was levied on the host of luxury or harmful goods, on top of the usual GST rates on them, to build the corpus for compensation.

Source: <https://economictimes.indiatimes.com/industry/cons-products/tobacco/gst-council-retains-28-tax-and-cess-on-tobacco-sin-goods/articleshow/123689256.cms?from=mdr>