EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2025): 8.57 ISSN: 2348 – 814X
Volume: 12 | Issue:6 |June 2025

IMPACT OF GST AND OTHER TAXES ON THE DAIRY BUSINESS IN INDIA

Ms. Arpita Rajput[1], Dr. Seema Kumari[2]
[1]*Assistant Professor, Dr. C.V. Raman University Khandwa, Bhopal*
[2]*Assistant Professor, Rabindranath Tagore University*

INTRODUCTION

The dairy industry in India plays a vital role in the agrarian economy, supporting more than 80 million rural households. India is the world's largest producer and consumer of milk. However, with the implementation of the Goods and Services Tax (GST) in July 2017, the taxation structure for dairy products and allied businesses has undergone significant changes. The introduction of GST aimed to bring uniformity in indirect taxes, but it also brought new challenges and opportunities for the dairy sector.

This research paper aims to explore how GST and other indirect taxes have affected the dairy business in India, particularly in areas such as pricing, profitability, compliance costs, supply chain, and consumer behaviour.
The introduction of the Goods and Services Tax (GST) in July 2017 marked a historic shift in India's indirect tax framework. Replacing a complex web of VAT, excise duty, service tax, and other state levies, GST aimed to unify the market, simplify compliance, and enhance transparency. While the tax reform brought clarity and input tax credit (ITC) mechanisms for organized dairy businesses, it also introduced new financial burdens, higher compliance expectations, and pricing challenges, especially for small-scale producers.

Moreover, some dairy items are exempt from GST (like unbranded milk), while others attract rates of 5%, 12%, or even 18%, creating an uneven tax burden across different segments of the industry. This has directly influenced product pricing, supply chain behaviours, and consumer choices.

The objective of this study is to analyse how the dairy business in India has been influenced by GST and other tax policies, focusing on aspects such as cost structure, tax compliance, consumer demand, supply logistics, and profitability. It also explores the impact on rural dairy entrepreneurs, cooperative societies, and large-scale processors, providing a comprehensive view of how taxation is shaping the future of dairy in India.

OBJECTIVES OF THE STUDY

1. To study the GST structure applicable to dairy products and services.
2. To analyse the impact of GST on the pricing and cost structure of dairy businesses.
3. To assess how GST affects small-scale vs. large-scale dairy businesses.
4. To examine the compliance burden under the GST regime.
5. To evaluate the overall impact of taxation policies on the growth of the dairy sector.

RESEARCH METHODOLOGY

- Type of Research: Descriptive and Analytical
- Data Sources:
    - Secondary data from Government of India reports, GST Council, National Dairy Development Board (NDDB), FAO, and FSSAI.
    - Trade journals, research papers, and budget documents.
- Tools Used: Comparative tables, GST rate structure, SWOT analysis
- Time Frame: Analysis covers the period post-GST (2017–2024)

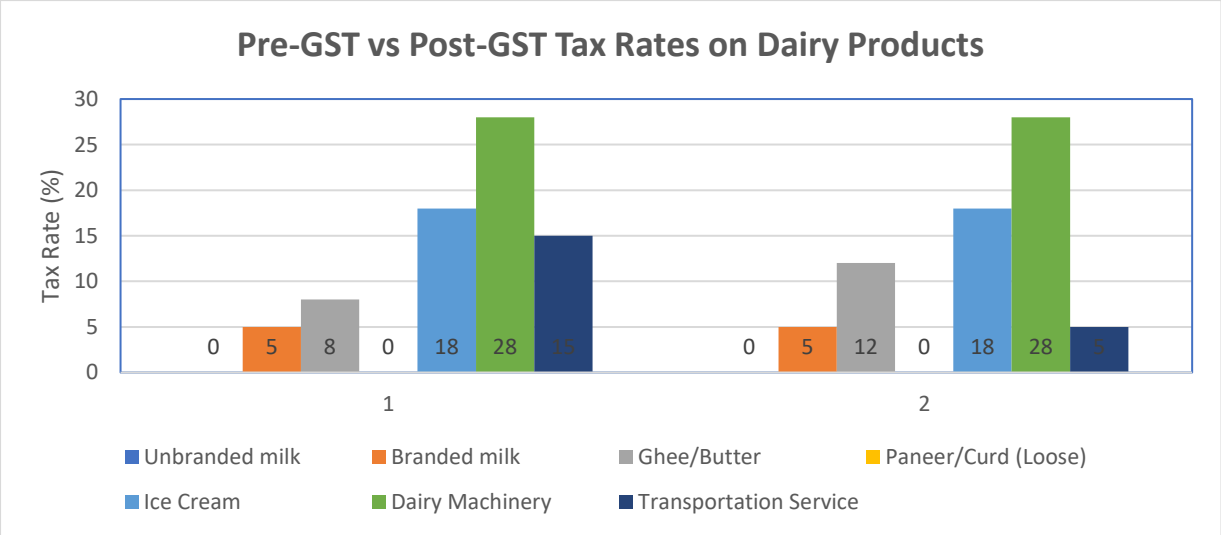
EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2025): 8.57 ISSN: 2348 – 814X
Volume: 12 | Issue:6 |June 2025

OVERVIEW OF GST ON DAIRY SECTOR

Product/Service	Pre-GST Tax Rate	Post-GST (GST Rate)	Category
Unbranded milk	Exempt	Exempt	Essential good
Branded milk	~2-5% VAT	5%	Packaged food
Ghee/Butter	~6-8% (VAT Excise)	12%	Processed dairy
Paneer/Curd (Loose)	Exempt	Exempt	Essential good
Ice Cream	18%+ Service Tax	18%	Luxury good
Dairy Machinery	12-28%	18-28%	Capital goods
Transportation	Service Tax (~15%)	5% under GST	Input Service

GST Rate Structure on Dairy Products

The chart below shows the GST rates applicable to various dairy products post-GST implementation.



Key Impacts of GST on Dairy Business

Cost Implications

- Input Tax Credit (ITC): GST allows dairy businesses to claim ITC on packaging materials, transport, and storage. This has helped reduce cascading tax effects.
- Higher Tax on Value-Added Products: Ghee, flavored milk, paneer, and cheese fall under higher tax brackets (12–18%), increasing the price burden on consumers and affecting demand elasticity.

Compliance Burden

- Small dairy farmers and cooperatives often find it difficult to comply with e-filing of multiple monthly GST returns (GSTR-1, 3B, etc.).
- Many unregistered rural producers face barriers to entering formal markets due to GST registration thresholds and compliance complexity.

Shift in Consumer Behaviour

- Branded dairy products have become costlier due to GST, resulting in a temporary shift back to unbranded or loose products in rural areas.
- However, urban consumers continue to demand value-added dairy due to convenience and hygiene, supporting the formalization of the sector.

Export & Trade Implications

- GST refunds under inverted duty structure (higher input tax than output tax) are delayed for dairy exporters, particularly in ghee and butter exports.
- However, the input tax credit system supports competitiveness in the long term by reducing embedded taxes in export pricing.

Recent Developments (2022–2024)

- Budget 2023-24: Government proposed 100% exemption of GST on loose and unbranded curd, lassi, and butter milk.

EPRA International Journal of Environmental Economics, Commerce and Educational Management
Journal DOI: 10.36713/epra0414 |ISI I.F Value: 0.815|SJIF Impact Factor (2025): 8.57 ISSN: 2348 – 814X
Volume: 12 | Issue:6 |June 2025

- PM Formalization of Micro Food Processing Enterprises Scheme (PM-FME): Assists in GST registration and compliance.
- Digital Tools in GST Filing: Introduction of apps and API-based e-filing has eased filing burden, but literacy gaps still exist in rural areas.

Government Support and Schemes (Post-GST)

Scheme/Policy	Relevance to GST/Taxation
Rastriya Gokul Mission	Infrastructure upgrades help avail ITC
PM-FME Scheme	Offers financial & training support for GST compliance
Dairy Entrepreneurship Development	Capital investment support can be partially claimed as input
Digital India Program	Supports e-filing & online return assistance
FPO Tax Exemptions	Farmer Producer Organizations enjoy income tax benefits; GST exemptions for small turnover

Case Study: Amul Dairy (Gujarat Cooperative Milk Marketing Federation)
Pre-GST Scenario

- Dealt with multiple state-wise VAT and CST regulations.
- Average tax outgo on packaged products was approx. 6–8%.

Post-GST Scenario

- Uniform tax rate of 5% to 12% based on product.
- Increased efficiency in interstate logistics.
- However, higher compliance and audit costs reported.

SWOT Analysis of GST Impact on Dairy Industry

Strengths	Weaknesses	Opportunities	Threats
Uniform tax regime	Compliance cost for small dairy units	Digital compliance boosting formalization	Tax burden may reduce rural consumption
Input Tax Credit on logistics, packaging	High tax on value-added products	Scope for export refund automation	IT illiteracy among rural dairy entrepreneurs
Reduction in tax cascading	Exclusion of loose/unbranded milk from ITC		

SUGGESTIONS

1. Rationalization of GST Rates: Essential dairy products like ghee and paneer should be moved from 12% to 5% category.
2. Simplified Return Filing for Small Dairy Units: Quarterly or assisted return models can reduce compliance burden.
3. Awareness and Training Camps: Government and dairy federations must conduct GST literacy programs in rural areas.
4. Inverted Duty Refund Reforms: Faster processing of refunds for dairy exporters must be ensured.
5. GST Exemption for Cooperatives: Threshold limit can be raised for farmer-producer organizations.

CONCLUSION

The present study reveals that the implementation of GST in the dairy sector has had a mixed impact. While the GST framework provides clarity and uniformity in taxation for dairy products and services, it also introduces complexity due to varying tax rates—ranging from 0% on essential items like milk to 5%, 12%, and even 18% on processed dairy goods such as ghee, paneer, and ice cream. This has affected pricing and increased operational costs, particularly for businesses involved in packaging, logistics, and value addition. Large-scale dairy enterprises have adapted well to the GST regime by leveraging input tax credits and digital systems, whereas small-scale and rural producers continue to struggle with compliance due to lack of awareness, limited resources, and digital barriers. The mandatory filing of multiple GST returns has added to the administrative burden, especially for unorganized cooperatives and SHGs. Overall, while GST has enhanced transparency and reduced cascading taxes,

it has also widened the gap between formal and informal sectors. To ensure balanced growth of the dairy industry, there is a pressing need for rationalization of GST rates, simplification of return procedures, faster refund mechanisms, and targeted training for rural dairy entrepreneurs.

REFERENCES

1. *GST Council Reports (2017–2024)*
2. *National Dairy Development Board (NDDB) Reports*
3. *Union Budget Documents (2023–2024)*
4. *FAO India Milk Sector Analysis*
5. *Ministry of Finance GST Revenue Reports*
6. *Press Information Bureau, Govt. of India*
7. *Reports from Amul and Mother Dairy Annual Statements*