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Transport GST Rate 2026: A Review

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Abstract: This review article intended to analyze new GST rates for transportation in India generally apply a **5% rate** for most passenger and goods transport services, including cab aggregators and standard Goods Transport Agency (GTA) services. Premium services are at 18%, while select services offer a 12% option with ITC. The key concepts with which this review delt are single taxation, input tax credit, increased compliance as well as reduced cost .

Key words: New GST rates, Goods Transport, HSN codes.

Introduction

Transportation is key to India's economy, linking markets and boosting trade. GST on transport services has reshaped the tax structure, affecting costs and operations. GST rates differ by service type and are categorized under HSN codes, simplifying compliance for businesses. Let's explore how these changes impact the transport sector.

GST on Road Transport Services for Goods (GTA, non-GTA)

A Goods Transport Agency (GTA) refers to any entity providing services related to the transport of goods by road and issuing a consignment note.

The GST on transportation charges of goods by a GTA (Goods Transport Agency) are:

1. 5% GST if Input Tax Credit (ITC) is not availed.
2. 12% GST if ITC is availed.

GST rates for GTAs vary based on the type of goods transported and the value of the consignment.

GST Rates for GTA Services:

1. 0% GST on Transport services: Applicable for goods such as agricultural produce, milk, salt, food grains, organic manure, newspapers, relief materials, and defense

equipment.

2. 0% GST on Transport services: If the transportation charge for a single carriage is less than
   ₹1,500 or if the total charge for a single consignee is under ₹750.
3. 5% GST (without ITC) or 12% GST (with ITC) on Transport services: Applies to other goods not covered by exemptions. The transporter can choose the rate based on whether they wish to claim an input tax credit (ITC).

Special Cases:

1. 0% GST on Transport: When transporting used household goods for personal use or hiring vehicles to a GTA.
2. Transport of goods by unregistered persons or casual taxable persons: Initially exempt, these transactions are now taxable, but the final list is yet to be notified.

Forward vs. Reverse Charge:

1. GTAs can opt for the forward charge mechanism, where they collect and pay GST (5% without ITC or 12% with ITC) after submitting an annual declaration.
2. Under the reverse charge mechanism (RCM), the service recipient is responsible for paying GST, particularly when the GTA opts for 5% without ITC.

GST on Transport Charges: Non-GTA Road Transport

For road transport services provided by entities that do not qualify as GTAs (i.e., they do not issue a consignment note), the transportation of goods is exempt from GST. This provides relief to businesses using non-GTA services as they don't have to bear any tax burden for such services.

GST on Passenger Transport Services (Public Transport, Taxis, Cabs)

Passenger transportation services in India include public transport, taxis, and cabs, each subject to distinct GST rates depending on the type of service provided.

GST on Public Passenger Transport Servies

Public transport systems, such as buses, metro, and trains, are typically exempt from GST, ensuring that essential and affordable transport options remain accessible to the public passengers.

GST on Passenger Taxis and Cabs

For privately operated passenger services such as taxis, cabs, and radio taxis, a 5% GST on transport is generally applicable. However, operators have the option to pay GST at a 12% rate if they wish to claim the benefit of a full input tax credit (ITC), allowing them to offset tax liabilities against other business expenses.

This differentiation in GST rates ensures a balance between affordability in public transport and flexibility for private service providers.

GST on Transport: Rail Services in 2026

In 2026, GST applies to rail transport services based on the class of travel. For passenger tickets booked in First Class or air-conditioned classes (1st AC, 2nd AC, 3rd AC, AC Chair Car), a **5% GST** is charged. However, tickets booked in other classes, such as Sleeper, Second Class, or General, are exempt from GST.This differentiation ensures that basic travel options remain accessible, while premium travel services are subject to tax.

GST on Rail Transportation Services for Freight

GST on rail freight varies depending on the type of goods being transported. Essential goods, such as agricultural produce, milk, and salt, are exempt from GST. In contrast, general cargo and industrial products are subject to a **5% GST on Transport**. Here's how it works for different categories of suppliers:

1. **Registered Taxable Persons**: Businesses that are registered for GST and transport goods via rail must pay a 5% GST rate. They can claim an input tax credit (ITC) on this tax, which is validated through invoice matching.
2. **B2C Supplies (Unregistered Persons)**: For businesses transporting goods to customers or unregistered entities, the same 5% GST rate applies. However, this tax is not eligible for ITC and is directly deposited into the government treasury.

GST on Transport: Air Services in 2026

GST on air transport services is categorized based on the type of air travel service, with varying rates applied to different ticket classes:

GST on Economy Class Air Tickets

Economy class air tickets are subject to a 5% GST on Transport, designed to make essential travel more affordable.

GST on Business Class Air Tickets

Business class air tickets incur a higher GST rate of 12%, reflecting the premium nature of the service provided.

GST on Chartered Flights for Pilgrimage

Chartered flights for pilgrimage purposes are also subject to a 5% GST rate, promoting accessibility for religious travel.

GST on Rental Services of Aircraft (with or without operator) / Chartered Flights

Rental services of aircraft, whether with or without an operator, attract an 18% GST rate, ensuring a consistent tax framework for these services.

GST on Air Transportation Services for Cargos

For air cargo transportation, a uniform **GST rate of 18%** is applied. This standardization ensures consistent taxation across air freight services, facilitating

smoother operations in the logistics sector.

For passengers traveling for business, the GST on air tickets can be claimed as an input tax credit (ITC). Airlines can also claim ITC on input services for economy class passengers, while for business class, they can claim ITC on food items, spare parts, and other inputs, excluding fuel costs. This structure allows for tax efficiency while supporting affordable travel options.

GST on Transport: Water Service in 2026

GST on Water Transport Services for Passengers

Water transport services for passengers are largely exempt from GST, while goods (cargo) transported by water generally attract a 5% GST rate. However, this rate does not allow for input tax credit (ITC), meaning businesses cannot claim back the tax paid on these services. This standard rate aims to simplify tax compliance while maintaining cost-efficiency for users of water transport.

GST on Water Transport Services for Cargos

Transport and rental services for water vessels, including freight vessels (with or without an operator), are subject to an 18% GST when used for non-transport or commercial charter purposes. However, when used directly for goods transport, the applicable GST rate is 5% (without ITC) or 12% (with ITC). This GST rate applies to the leasing or hiring of vessels used for various purposes, including transportation and logistics.

GST on Other Transport Services in 2026

GST on transport services via inland waterways is generally set at 5% for goods movement, while passenger transport on inland waterways remains exempt from GST. This rate applies without the benefit of input tax credit (ITC), meaning businesses cannot claim ITC on these services.

Understanding GST rates across different transport modes is crucial for businesses in the transportation industry to ensure accurate compliance and cost management.

Goods Transport Agency (GTA) in GST

The Goods Transport Agency (GTA) refers to a service provider that transports goods using hired vehicles. GTAs are responsible for managing logistics and must issue consignment notes as proof of goods transfer for GST compliance.

Services Does a GTA Provide

GTAs offer a range of services beyond transportation, including:

1. Loading and Unloading
2. Packing and Unpacking
3. Trans-shipment

4. Temporary Warehousing

These services, when bundled with transportation, fall under the GTA framework. GTAs must adhere to GST regulations, including charging applicable GST rates and providing detailed invoices.

Understanding GST Liability in Goods Transport Agency (GTA) Scenarios

Determining GST liability in GTA transactions varies based on the parties involved. The table 1.0 summarizes different scenarios to clarify who is responsible for paying GST when hiring a GTA

Table 1.0 summarry of different scenarios

Supplier/ Service Provider	Consignor	Receiver of Goods/Consignee	Person Paying Freight	Person Liable to Pay GST
GTA	Registered Manufacturer	Registered Dealer	Registered Manufacturer	Registered Manufacturer
GTA	Partnership Firm(Registered)	Unregistere Dealer	Partnership Firm	Partnership Firm
GTA	Co-operative Society	Registered Dealer	Co-operative Society	Co-operative Society
GTA	URDA (Unregistered Dealer)	Registered Dealer	URD A	Tax must be paid under RCM
GTA	Company XYZ (Registered)	URDB (Unregistered Dealer)	Company XYZ	Tax must be paid under RCM
GTA	Private Individual	Registered Dealer	Private Individual	Exempt as per previous notifications

List of Goods and Services Exempted Under GST Rates on Transport

GST on transport charges are exempt for certain goods and services related to transport, providing relief for essential items and services. The following

categories are exempt:

1. Relief materials for victims of natural or man-made disasters.
2. Military and defense equipment.
3. Essential food items such as pulses, milk, salt, flour, rice, and other grains.
4. Agricultural produce and organic manure.
5. Newspapers and magazines registered with the Registrar of Newspapers.
6. Transport services where the total charge is less than ₹1,500.
7. Household goods transportation.
8. Transport of goods for unregistered persons or non-GTA services.

These exemptions ensure that critical goods remain affordable and accessible.

Conclusion

- **Advantages of GST on Transportation Services**
- **Single Taxation**

GST on transport simplifies the tax structure by consolidating multiple indirect taxes into a single tax, making it easier for businesses to manage and comply with. This reduces the complexity of the tax system and enhances transparency.

- **Input Tax Credit (ITC)**

GST on transport allows businesses to claim input tax credits on the taxes paid for inputs, which helps in reducing the overall tax burden. This benefit improves cash flow and encourages investment in the transportation sector.

- **Increased Compliance**

With GST's standardized rules and electronic filing system, compliance becomes more straightforward and efficient. Businesses benefit from a more organized tax administration and reduced chances of discrepancies.

- **Reduced Costs**

By eliminating the cascading effect of taxes, GST helps in lowering the overall cost of transportation services. This reduction in tax costs can be passed on to consumers, making services more affordable.

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