



# RELAX THE TAX

Facilitating Waste Circularity  
Ecosystem through GST  
Rationalization



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# Why this Study? **Circular Economy Challenges**

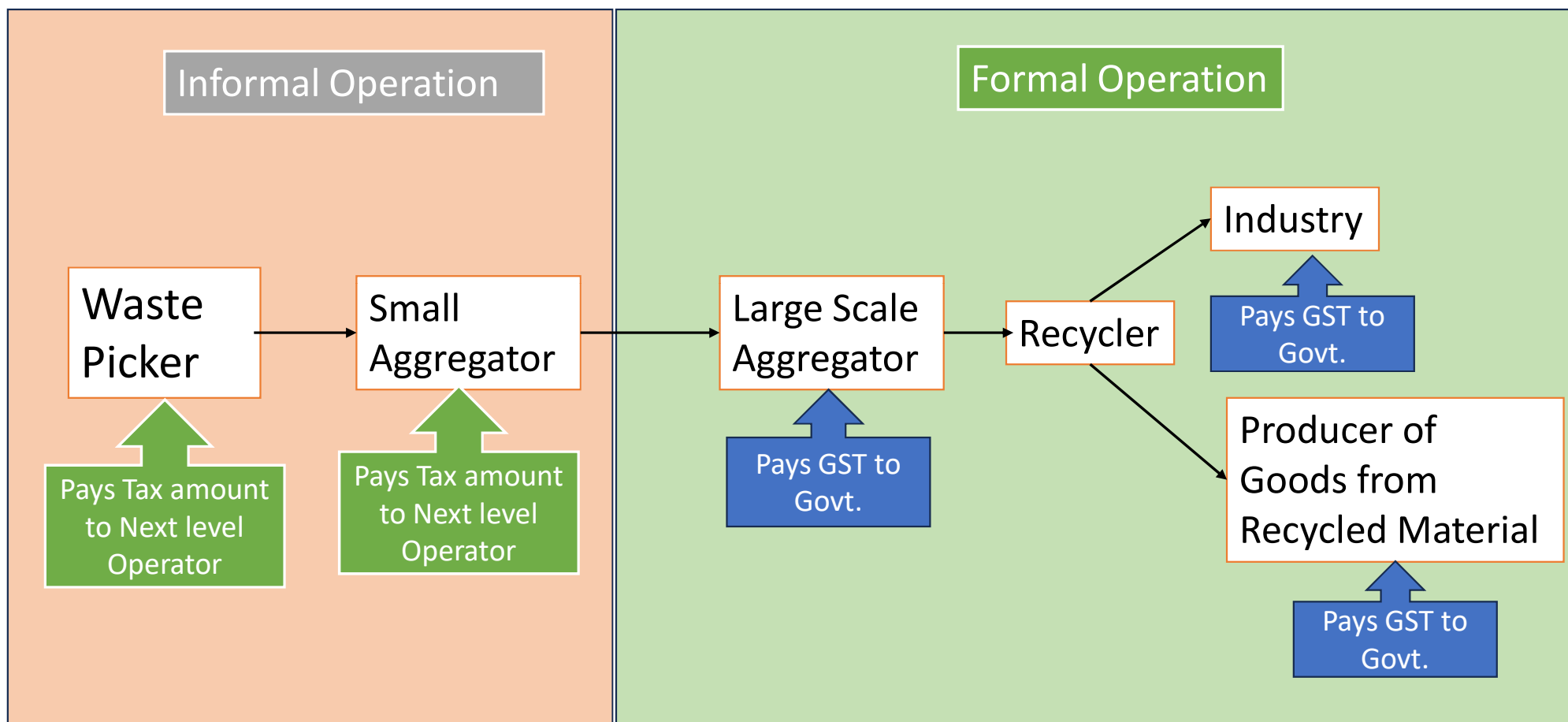
## **India's Resource Crisis**

- **251% higher extraction intensity** than global average (1,580 vs 450 tonnes/acre)
- **Resource demand will triple by 2030** - matching entire OECD consumption.
- **750 MT waste potential** for circular use by 2030 across industries.

## **The GST Problem**

- Current tax system designed for **"take-make-dispose"** linear model.
- Unlike traditional business models (B2C, B2B, or D2C), circularity operates on a C2B (Consumer-to-Business) model.
- **No differentiation** between virgin and recycled materials.
- Creates artificial price barriers for sustainable alternatives.
- **Crores of annual revenue loss** from tax evasion.

# Current Framework: GST in Different Level



# Methodology

- First, we analyzed the quantity of different types of waste generated, including 10 identified waste streams where NITI Aayog operates.
- However, the data was highly fragmented, so we referred to market analysis reports from research agencies.
- Calculated total tax potential based on tax slabs, and determined the shares of the formal and informal Sector. Through interaction with Various industry associations and experts.
- Coordinated with industry associations as well as recyclers and small-scale aggregators, to validate the data based on market experience.
- Explored future scenarios where the government could improve tax collection and stakeholders could benefit from a better ecosystem for practicing a circular economy.

## GST Revenue from Formal vs Informal Sector 2025

Waste Type	Market Value (in Cr INR)	Percentage Utilized by Informal Sector (%)	GST Rate	Formal Market Size (in Cr)	Informal Market Size (in Cr)	GST Collected (in Cr)	GST Loss (in Cr)
Plastic Waste	36587	80	18	7317	29270	1317	5269
Metal Scrap Ferrous & Non-Ferrous	110500	65	18	38675	71825	6962	12929
E-waste	28355	90	18	2836	25520	510	4594
Total Agri waste	131084	15	5	111421	19663	5571	983
Sugarcane Bagasse	1972	20	5	1578	394	79	20
Battery Waste	201878	75	18	50470	151409	9085	27254
Tire Recycling	19796	65	18	6929	12868	1247	2316
End of Life Vehicles Waste	69922	55	18	31465	38457	5664	6922
Glass Waste	78410	95	5	3921	74490	196	3724
Fly Ash	4883	20	5	3906	977	195	49
Solar Panel Waste	45	90	18	4	40	1	7
Paper Waste	25500	95	5	1275	24225	64	1211
Total				259797	449138	30891	65278

## GST Revenue from Formal vs Informal Sector 2035

Waste Type	Market Value in 2035 (in Cr INR)	Percentage Utilized by Informal Sector (%)	GST Rate	Formal Market Size (in Cr)	Informal Market Size (in Cr)	GST Collected(in Cr)	GST Loss (in Cr)
Plastic Waste	60857	80	18	12171	48685	2191	8763
Metal Scrap Ferrous & Non-Ferrous	247546	65	18	86641	160905	15595	28963
E-waste	93729	90	18	9373	84356	1687	15184
Total Agri waste	296379	15	5	251922	44457	12596	2223
Sugarcane Bagasse	4887	20	5	3910	977	195	49
Battery Waste	514178	75	18	128544	385633	23138	69414
Tire Recycling	27952	65	18	9783	18169	1761	3270
End of Life Vehicles Waste	353742	55	18	159184	194558	28653	35021
Glass Waste	163723	95	5	8186	155537	409	7777
Fly Ash	8500	20	5	6800	1700	340	85
Solar Panel Waste	224	90	18	22	202	4	36
Paper Waste	55053	95	5	2753	52300	138	2615
Total				679289	1147479	86708	173400

Change in GST collection and Loss in 2035 in different scenario.

Scenarios	GST Collected (in Cr) in 2035	GST Loss (in Cr) in 2035	Net Collected (GST Collected – GST Loss)
<b>Business As Usual Scenario</b>	86,708	1,73,400	-86,692
<b>Scenario 1: Reducing Informal Participation by 50 percent, Tax Rate reduced from 18% to 12%</b>	1,22,297	59,913	62,384
<b>Scenario 2: Reducing Informal Participation by 50 percent, Tax rate Flat 5% for All</b>	62,651	28,682	33,969
<b>Scenario 3:100 Percent Formalization, Tax Rate reduced from 18% to 12%</b>	1,82,214	0	1,82,214
<b>Scenario 4: 100 percent Formalization, Tax rate Flat 5% for All</b>	91,338	0	91,338



# **Why CSE is Advocating for Lower GST.**

There are many paths to achieving circularity, and GST rationalization is one of them. CSE advocating for lower GST rates with three key intention:

## **1. Boost Recycling & Reduce Resource Exploitation**

- Lower GST can encourages circular waste utilization, reducing dependence on natural resources exploitation and benefiting the environment.

## **2. Bring More Workers into the Formal Efficient operation**

- Reduced GST can makes formal operations more accessible, helping workers escape the hazards of informal work- poor working conditions, toxic practices, and health risks.





# Recommendation: Systematic Changes

## 1. Lower Taxes on Waste Recycling

- High GST rates push people to work informally. Reducing taxes will bring more workers into the formal system.

## 2. Integrate Informal Workers into the Formal System through hand holding:

- Give waste pickers legal recognition, fair wages, and access to healthcare, insurance, and loans and a healthy, efficient and better environment to operate.

## 3. Incentivize Companies That Recycle with proper compliance

- Offer tax benefits to businesses that follow recycling rules (EPR) and use approved recyclers.

## 4. Cross-Ministry Coordination

- MoEFCC ( looking into EPR) and MoF (looking into GST) must collaborate and Link GST incentives to EPR target achievement.



# Recommendation: Support Informal Workers

## 4. City-Level Plans with CSOs

- Work with local groups to help small waste businesses transition smoothly.

## 5. Create Shared Recycling Hubs

- Give informal workers proper spaces to sort and recycle waste, along with lower taxes to encourage participation.

## 6. Make Policies Match Recycling Goals

- Ensure tax policy of India support, not block India's recycling targets

*Finally, Beyond financial gains, we must prioritize human welfare- millions of informal workers deserve recognition, safety, and social security while contributing to environmental protection.*

**Thank You**

