
GST COUNCIL MEET MAY CLEAR THE AIR

Uniform 5% rate on drones for business use on agenda

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The Goods and Services Tax (GST) Council, in its next meeting, is likely to fix a uniform 5 per cent GST rate on all commercial-use drones, according to sources. This move aims to eliminate confusion in the classification of unmanned aircraft systems (UAS), also known as drones, and provide much-needed clarity to the industry.

This could be a major relief to India's burgeoning drone industry, which consists of around 488 drone companies that have collectively secured \$518 million in funding so far, according to market intelligence platform Tracxn.

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GST SLABS



■ Industry representatives argue that higher tax rate discourages innovation, slows down the adoption of drones

- Business-use drones, categorised as aircraft under HSN code 8806, are taxed at 5%
- Drones with integrated cameras fall under HSN 8525 and are taxed at 18%
- Personal-use drones, although under HSN 8806, attract 28% GST rate

GST on drones: Fitment panel suggestion may reduce litigation

Currently, drones attract different GST rates depending on their classification under various HSN (Harmonized System Nomenclature) codes. Drones for business use, categorised as aircraft under HSN code 8806, attract 5 per cent GST, while those with integrated cameras are taxed at 18 per cent under HSN 8525, as they are classified as digital cameras. Drones meant for personal use fall under HSN 8806 but are taxed at a much higher rate of 28 per cent.

The government has taken some initiatives in the recent past to promote the use of drones in diverse sectors, such as agriculture, logistics, public safety, and construction. For instance, drones were allowed to be operated in green zones (airspace up to a vertical distance of 400 ft that has not been designated as a red or a yellow zone) without seeking permission.

The Ministry of Civil

Aviation, through the Drone (Amendment) Rules, 2023, has also relaxed the yellow zone definition, besides opening up the micro drones and nano drones segments considerably for non-commercial use. The government has also launched 'Namoo Drone Didi' to empower women-led self-help groups for agriculture services.

"The fitment committee, in its last meeting, recommended a 5 per cent rate for all types of drones after the industry made a representation before the Council to remove the confusion. The proposed uniform rate is expected to streamline taxation and encourage the widespread adoption of drones across various sectors," a source privy to the matter said.

The confusion began

when the government amended notifications in December 2021, leading to multiple GST slabs for different types of drones. A key point of contention has been the classification of drones with detachable cameras. In some instances, tax authorities have levied an 18 per cent GST rate on such drones by treating them as camera

equipment rather than as aircraft.

Industry experts argue that drones should be classified based on their primary function — airborne mobility — rather than on the basis of additional accessories.

Drone manufacturers and industry representatives have urged the GST Council to issue a clear directive ensuring that all drones without a permanently integrated digital camera fall under HSN

8806 and attract a uniform GST rate of 5 per cent. They argue that a higher tax rate discourages innovation and slows down the adoption of drones, especially in crucial sectors like agriculture, infrastructure monitoring, and security.

Some of the key players in India's drone sector include Zen Technologies, Paras Defence and Space Technologies, Hindustan Aeronautics, and Bharat Electronics.

Out of 488 drone companies in India, 48 currently manufacture DGCA-certified UAS models. The country is emerging as a major hub for drone manufacturing, ranking among the top globally. The United States leads with 1,380 drone firms, followed by China with 310 and the United Kingdom with 298, according to Tracxn data.

(With inputs from Ajinkya Rahane in Mumbai)

