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GUIDE

# Grocery and Kirana Store Operations Guide

Why the same sack of rice can be taxed or exempt depending only on how you pack and sell it, what changed on the grocery shelf in September 2025, and how to run stock, expiry and billing through the festive season without losing margin you never see going.

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**25 kg**
**The Line That Decides Tax**
At or below is taxable, above is not

**Sold loose**
**No GST on That Sale**
Even from a pack you paid GST on

**Nil**
**All Indian Breads**
Plus UHT milk and packaged paneer

**18 Jul 2022**
**When Branding Stopped Mattering**
Replaced by pre-packaged and labelled

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Tax treatment through to festive stock

# 01 Pre-packaged and Labelled: The Rule Behind Everything

The same rice, taxed three different ways, decided entirely by the pack.

Until July 2022 the test was whether goods carried a registered brand name. It is not any more. Since then the test is whether goods are pre-packaged and labelled, and that single change decides whether the staple on your shelf carries GST or not.

**25 kg**

The Threshold

*Rule 3(a), Legal Metrology (Packaged Commodities) Rules 2011*

**18 Jul 2022**

When the Test Changed

*Notification 6/2022-Central Tax (Rate), dated 13-Jul-2022*

**Two tests**

Both Must Be Met

*Pre-packaged AND required to bear declarations*

## What the expression actually means

The Ministry of Finance defines it plainly. For GST, 'pre-packaged and labelled' means a pre-packaged commodity as defined in clause (l) of section 2 of the Legal Metrology Act 2009, where the package, or a label securely affixed to it, is required to bear the declarations under that Act and its rules.

Section 2(l) of that Act defines a pre-packaged commodity as one which, without the purchaser being present, is placed in a package of whatever nature, whether sealed or not, so that the product inside has a pre-determined quantity.

So two attributes have to be present together: the goods are pre-packaged, and the package is required to carry Legal Metrology declarations. Miss either one and it is not pre-packaged and labelled for GST.

## The same commodity, four outcomes

| How it is packed and sold | GST | Why |
|---|---|---|
| 25 kg pack of atta for retail sale | Taxable | At or below the 25 kg line, so declarations are required |
| 30 kg pack of the same atta | Exempt | Above 25 kg, so no rule 6 declaration is required |
| One 50 kg package of rice | Exempt | Still above the line, even though wholesale-package declarations apply under rule 24 |
| Ten 10 kg retail packs inside one larger pack | Taxable | The inner packs are meant for retail sale to the end consumer |

*Illustration from the Ministry of Finance FAQ of 18-Jul-2022: a 25 kg pack of atta for retail sale is liable to GST; a 30 kg pack of the same is exempt.*

## Worked example: the same atta, three ways (illustrative figures)

| | |
|---|---|
| **25 kg pack, labelled, for retail sale** | Base ₹1,000 + 5% GST ₹50 = ₹1,050 to the customer |
| **30 kg pack of the same atta** | ₹1,200, no GST, because it is above the 25 kg line |
| **You buy the 25 kg pack from your distributor** | They charge you GST, and you take the input tax credit |
| **You then sell it loose, by the kilo** | No GST charged on those sales, per the Ministry's FAQ |
| **Same commodity, same shop, same day** | Three different treatments, decided entirely by the pack |

### Leaving the label off does not make it exempt

The FAQ answers this directly. A miller selling 20 kg rice packs without making the required declaration is still treated as supplying a pre-packaged and labelled commodity, because rule 6 required a declaration to be made. The test is whether a declaration is required, not whether one was actually printed. Anyone who thinks skipping the label saves the tax has it exactly backwards, and has a labelling problem on top of a tax one.

### Sold loose from a pack you paid GST on

This is the one that matters daily in a kirana. You buy a 25 kg labelled bag and your supplier charges GST. If you then sell it loose by the kilo, the Ministry's FAQ is explicit that such a supply by the retailer is not a supply of a packaged commodity for the purpose of GST levy. You do not charge GST on those sales. Note the consequence: where an outward supply is not taxable, input tax credit attributable to it comes under the restriction in Section 17(2), computed under Rule 42. The FAQ does not deal with that point, so take it to your accountant rather than assuming either way.

## Work through your own shelf

- ✓ **List every staple you sell both pre-packed and loose**
  Rice, atta, dal, sugar, salt, poha. These are the lines where the same commodity carries two different treatments in the same shop on the same day.

- ✓ **Check pack sizes against the 25 kg line**
  Anything at or below 25 kg and required to bear declarations is taxable. Above it, not. If you sell 30 kg and 25 kg packs of the same atta, they are not the same supply for GST.
  *Rule 3(a), Legal Metrology (Packaged Commodities) Rules 2011*

- ✓ **Confirm supplies to institutional buyers are handled separately**
  Packaged commodities supplied for consumption by industrial or institutional consumers are excluded from the Legal Metrology Act by rule 3(c), so they are not pre-packaged and labelled for GST either. If you supply canteens, hostels or offices, this affects you.
  *Rule 3(c), Legal Metrology (Packaged Commodities) Rules 2011*

- ✓ **Remember GST applies at every stage, with credit**
  Manufacturer to distributor, distributor to retailer, retailer to consumer. Your input tax credit flows normally on the taxable legs.

# 02 What Changed on the Grocery Shelf in 2025

A lot of everyday lines moved down, and some went to nil.

The rate structure was simplified in September 2025 and the 12% and 28% slabs were abolished. For a grocery shop the changes landed on lines you sell every single day.

## Where common lines moved

| Line | Now | Note |
|---|---|---|
| All Indian breads | Nil | Named specifically in the reform |
| UHT milk | Nil | |
| Pre-packaged and labelled chena or paneer | Nil | Note it is the packaged form that is named |
| Packaged namkeen, bhujia, sauces, pasta, chocolates, coffee, preserved meat | 5% | Down from 12% or 18% |
| Soaps, shampoos, toothbrushes, toothpaste, tableware | 5% | Household lines, down from higher slabs |

*All of the above are named in the Press Information Bureau's GST Reforms 2025 document, dated 04-Sep-2025. Rates in force from 22 September 2025. Anything not named there is outside this list, so confirm your own HSN codes.*

### The practical shape of the problem

A single kirana basket now routinely mixes nil-rated staples, 5% packaged goods and 18% household lines. Nobody at a counter can hold that in their head at 7pm. The rate has to live on the item, not in the person billing.

## What to check in your item master

- ✓ **Every line carries its own rate, and nil-rated lines are set as nil rather than left blank**
  A blank rate and a nil rate behave differently in most systems and in your returns. Nil-rated and exempt supplies still have to be reported.
- ✓ **The same commodity in loose and packed form is two items, not one**
  If loose rice and 10 kg packed rice share a single item code, one of them will be billed wrong. Give them separate codes.
- ✓ **The September 2025 change was date-versioned, not overwritten**
  Reprint an invoice from before 22 September 2025 and one from after. If both show the same rate, your system overwrote history and your reporting will not reconcile.
- ✓ **HSN codes are correct before they matter**
  They drive your rate logic and the HSN summary in your returns. Fixing them mid-festival does not happen.

# 03 Stock, Expiry and Batches

Groceries expire. That is the difference between this and every other retail category.

Apparel goes out of fashion and electronics goes out of date, but grocery stock physically spoils. Expiry is not a compliance checkbox, it is the main way money leaves a kirana without anyone noticing.

## The disciplines that pay for themselves

- ✓ **First expiry, first out, applied at the shelf and not just in the system**
  Stock rotation fails at the point where someone restocks a shelf by putting new packs in front of old ones. It is a physical habit before it is a software feature.
- ✓ **Batch and expiry captured at goods inward, not at sale**
  If you record it when the stock arrives you can act on it. If you find out at the counter that a pack expired last week, you have already lost both the margin and the customer's trust.
- ✓ **A weekly near-expiry list, and a decision on each line**
  Discount it, bundle it, or write it off. The worst outcome is the one where nobody decides and it expires at full cost.
- ✓ **Damages and spoilage recorded as they happen**
  A leaking oil tin or a torn atta bag that is quietly binned never appears anywhere. Recorded, it tells you which supplier or which handling step is costing you.
- ✓ **Physical counts on fast movers more often than once a year**
  A full annual count tells you the total gap. A weekly count on twenty fast-moving lines tells you where it is coming from, while you can still do something.

### The number worth knowing about your own shop

Take one month. Add up what you wrote off for expiry, damage and spoilage, and divide it by that month's sales. Most kirana owners have never calculated it and are surprised by the answer. It is your own number, it needs no benchmark to be useful, and it is the one figure that tells you whether the disciplines above are worth the effort.

04

# Billing at Speed

A grocery counter is a queue, and every second of hesitation is a customer thinking about the shop down the road.

Grocery billing is unlike apparel or electronics: many lines, low value each, and a queue behind. The system has to be fast and it has to be right, because there is no time to be careful.

## What separates a fast counter from a slow one

- ✓ **Barcodes on everything that has one, and a short code for everything that does not**
  Loose and repacked items need a code your staff can key in three characters, not a search through a list.
- ✓ **Weighing scale connected to the billing system**
  Loose grains, dals and produce are where manual keying introduces both delay and error, in whichever direction the person is guessing.
- ✓ **The rate never gets decided at the counter**
  With nil, 5% and 18% lines in one basket, a human deciding is a human getting it wrong under pressure.
- ✓ **A daily reconciliation of cash, UPI and card against the day's billing**
  Grocery is high transaction count and low value, so a gap hides easily. Found the same evening it is traceable, found monthly it is not.
- ✓ **Credit customers tracked in the system, not in a diary**
  Credit given from a diary is among the hardest money in a shop to recover, because nobody can see the total or the age of it. If it is not in the system, it is difficult to treat as an asset.

# 05 The Festive Season

Diwali is 8 November 2026, and gifting stock gets bought well before it.

Diwali falls on 8 November 2026. Gifting lines, dry fruits, sweets ingredients and hampers get bought ahead of the festival rather than on the day, which pulls the buying decision earlier than the festival date suggests. Check your own last-year sales week by week rather than taking that on trust; the shape differs by catchment.

## How the season runs

1. **September: decide the gifting range and order early**
   Dry fruits, hamper components and premium packs have long lead times and sell out upstream. Deciding in October means taking what is left at the price it is offered.
2. **Early October: staples volume starts climbing**
   Households buy ahead for cooking through the festival period. Watch your fast-moving staples for the first sign and top up while suppliers can still deliver.
3. **Dussehra to Diwali: the peak, and the queue**
   This is where billing speed decides whether you capture the demand or lose it to the queue. Nothing gets fixed in this window.
4. **After Diwali: the drop, and the leftovers**
   Gifting stock has no second season. Whatever is unsold on 12 November is either discounted quickly or written off slowly.

> **The gifting-stock trap**
>
> Hampers and premium packs carry the best margin in the season and the worst carry-forward risk. A dry fruit box that does not sell before Diwali is not simply carried to next year: it has an expiry date, it is seasonal packaging, and its value falls the day after the festival. Decide the markdown trigger before you order, not after it fails to sell.

# 06 Suppliers, Credit and Returns

Where the margin is actually negotiated.

Grocery runs on small margins repeated many times, so what you can return, what you get credited for and when you pay can matter as much as the price you negotiated. Work out which it is for your own top ten lines.

## Settle these in writing before the season

- ✓ **What can be returned, and by when**
  Near-expiry return rights differ by supplier and by line. A supplier who takes back unsold festive stock is worth more than one offering a slightly better price.

- ✓ **Whether a discount comes as a GST credit note or a financial one**
  A GST credit note under Section 34 reduces your taxable value and requires you to reverse the attributable input tax credit. A financial or commercial credit note does neither. Ask which one they will issue.
  *Section 34 and Section 15(3)(b), CGST Act*

- ✓ **Purchases reconciled against GSTR-2B every month**
  Grocery runs high invoice volume from many suppliers. Reconciling monthly is an hour; reconciling a year at once is a week and you will not chase the gaps.
  *Section 16(2)(aa), CGST Act*

- ✓ **Payment terms recorded against each supplier, not remembered**
  Credit terms are the cheapest working capital a kirana has, and the easiest to lose track of across thirty suppliers.

# 07 Four Numbers Worth Knowing

All computed from your own records. None of them need a benchmark.

Grocery is a business of small margins repeated many times, so the useful numbers are ratios rather than totals. Work them out once a quarter.

## Compute these from your own data

| | |
|---|---|
| **Wastage rate** | Expiry plus damage plus spoilage, divided by sales, for the same month |
| **Stock turn** | Cost of goods sold ÷ average stock value. How many times your money goes round in a year |
| **Credit outstanding** | Udhaar owed to you, and how much of it is more than 60 days old |
| **Basket size** | Sales ÷ number of bills. The cheapest thing to move, and the one most shops never measure |

**Start with one**

If you track nothing today, track wastage for a single month. It is the easiest to measure, it is money you have already spent, and it usually turns out larger than the owner expected. Once that number is visible, the stock disciplines in Chapter 3 stop feeling like paperwork.

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# One basket, three tax rates, *one correct bill*

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