

GST Alert 03/2026-27

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Clarification on certain aspects for Toy Industry

Classification issues relating to interpretation of entry 497 of Schedule I of Notification 9/2025 CTR were being faced by many toy suppliers, whereby department in few matters was taking a view that the 5% tax rate was applicable only to following non electronic toys:

- a. tricycles,
- b. scooters, and
- c. pedal cars

Toys like puzzles, dolls, dolls carriages etc. which even though being non electronic were being classified under entry 616 of Schedule II of notification 9/2025-CTR and therefore being taxed at 18% instead of 5%.

The controversy erupted because in entry 497 of Schedule I of Notification 9/2025 CTR, HSN 9503 is mentioned, however in text only following is mentioned:

Toys like tricycles, scooters, pedal cars etc. (including parts and accessories thereof) [other than electronic toys]

Whereas under HSN 9503 – Customs Tarriff following text is mentioned

Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; reduced-size ("scale") models and similar recreational models, working or not; puzzles of all kinds



It can be seen that text of Customs Tarriff is much wider than the text of GST Notification, department took a view that rate of 5% vide entry 497 discussed above would be applicable only to 3 kinds of toys and not to other similar wheeled toys, puzzles etc.

Based on representations from the industry, vide circular 265/11/2026-GST dated 28.10.2026, Board has clarified that all toys under HSN 9503 (customs tariff) would be taxed at 5% and not just the 3 mentioned (tricycles, scooters, and pedal cars)

In other words, all similar wheeled toys, dolls' carriages, dolls, other toys, reduced size ("scale") models and similar recreational models, puzzles of all kinds would also be classified in entry 497 Schedule I of Notification 09/2025 CTR and taxed at 5%

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