



GST REFORMS 2025

RELIEF FOR COMMON MAN, BOOST FOR BUSINESSES



SIMPLIFICATION • AFFORDABILITY • GROWTH

GST REFORMS 2025

WHAT'S CHANGING?

Simplified Tax Structure

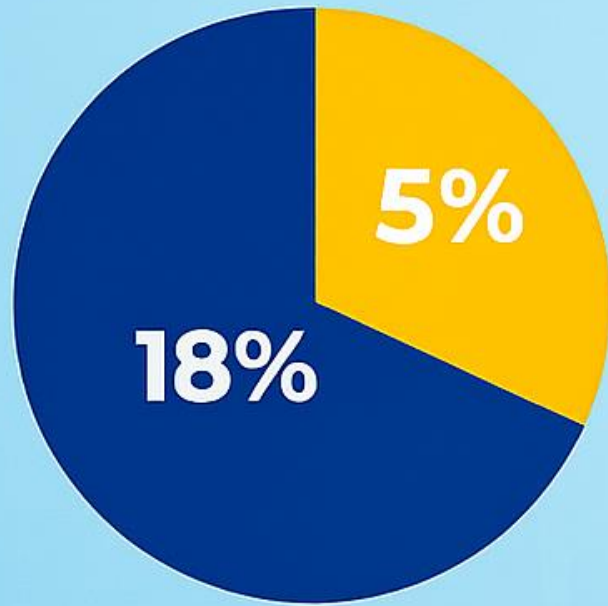
- Two slabs: 5% and 18%
Elimination of 12% and 28% slabs
for most goods and services

Relief for the Common Man

- Reduced taxes on essentials, food,
housing, healthcare, and education

Support for Businesses

- Lower rates for MSMEs,
manufacturers and service providers



SIMPLIFIED TAX STRUCTURE



EFFECTIVE DATE
22nd SEPTEMBER

Historic Diwali Gift for the Nation

NEXT-GEN GST REFORM

for Ease of Living & to build *Aatmanirbhar Bharat*

From farmers to enterprises, from households to businesses,
the Next-Gen GST brings happiness for all!

Save Big on Daily Essentials

Items	From	To
Hair Oil, Shampoo, Toothpaste, Toilet Soap Bar, Tooth Brushes, Shaving Cream	18%	5%
Butter, Ghee, Cheese & Dairy Spreads	12%	5%
Pre-packaged Namkeens, Bhujia & Mixtures	12%	5%
Utensils	12%	5%
Feeding Bottles, Napkins for Babies & Clinical Diapers	12%	5%
Sewing Machines & Parts	12%	5%

Uplifting Farmers & Agriculture

Items	From	To
Tractor Tyres & Parts	18%	5%
Tractors	12%	5%
Specified Bio-Pesticides, Micro-Nutrients	12%	5%
Drip Irrigation System & Sprinklers	12%	5%
Agricultural, Horticultural or Forestry Machines for Soil Preparation, Cultivation, Harvesting & Threshing	12%	5%

Relief in Healthcare Sector

Items	From	To
Individual Health & Life Insurance	18%	Nil
Thermometer	18%	5%
Medical Grade Oxygen	12%	5%
All Diagnostic Kits & Reagents	12%	5%
Glucometer & Test Strips	12%	5%
Corrective Spectacles	12%	5%

Automobiles made affordable

Items	From	To
Petrol & Petrol Hybrid, LPG, CNG Cars (not exceeding - 1200 cc & 4000mm)	28%	18%
Diesel & Diesel Hybrid Cars (not exceeding - 1500 cc & 4000mm)	28%	18%
3 Wheeled Vehicles	28%	18%
Motor Cycles (350 cc & below)	28%	18%
Motor Vehicles for transport of goods	28%	18%

Historic Diwali Gift for the Nation

NEXT-GEN GST REFORM

for Ease of Living & to build *Aatmanirbhar Bharat*

From farmers to enterprises, from households to businesses,
the Next-Gen GST brings happiness for all!

Affordable Education

Items	From	To
Maps, Charts & Globes	12%	Nil
Pencils, Sharpeners, Crayons & Pastels	12%	Nil
Exercise Books & Notebooks	12%	Nil
Eraser	5%	Nil

Save on Electronic Appliances

Items	From	To
Air Conditioners	28%	18%
Television (above 32") (including LED & LCD TVs)	28%	18%
Monitors & Projectors	28%	18%
Dish Washing Machines	28%	18%

PROCESS REFORMS

Registration

- Automatic registration within 3 working days for applicants:
 - Identified by the system based on data analysis
 - Who determines that he would not pass Input Tax Credit exceeding ₹2.5 Lakh per month and opts for the Scheme

Refund

- Sanction of Provisional Refunds by proper officer, through system based risk evaluation for:
 - Zero Rated Supplies
 - Supplies with Inverted Duty Structure



“

The next generation of GST reforms are a gift for every Indian this Diwali. Taxes for the general public will be reduced substantially. Our MSMEs & small entrepreneurs will get huge benefit. Everyday items will become cheaper and this will also give a new boost to the economy.

Narendra Modi
Prime Minister

Next-Gen GST - Better & Simpler !

Please visit CBIC website 'www.cbic.gov.in' for detailed information

Benefits of Rate change

1. Consumer Relief

- *Objective:* Enhance affordability and purchasing power
- *Impact:* Lower taxes on essentials and select aspirational goods increase disposable income and support inclusive growth

2. Simplified Compliance

- *Objective:* Reduce complexity and litigation
- *Impact:* Fewer tax slabs and clearer classification norms ease compliance, especially for MSMEs and small traders

3. Economic Stimulus

- *Objective:* Spur domestic demand and production
- *Impact:* Lower tax incidence boosts consumption and incentivizes manufacturing in key sectors like textiles, agriculture, and healthcare

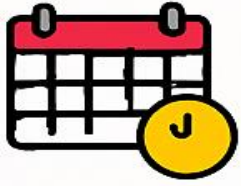
Benefits of Rate change

4. Revenue Growth & Tax Base Expansion

- *Objective:* Strengthen fiscal capacity
- *Impact:* Post-2017 GST rollout has seen consistent revenue growth and a rise in registered taxpayers, indicating improved formalization

5. Global Alignment

- *Objective:* Harmonize with international tax norms
- *Impact:* A two-rate structure mirrors global best practices, enhancing investor confidence and cross-border trade compatibility



EFFECTIVE DATE OF GST RATE CHANGES



SERVICES

- Revised GST rates on services will be applicable from 22nd September 2025.



GOODS (GENERAL)

- Revised GST rates on all goods, except the specified tobacco and pan products listed below, will also be applicable from 22nd September



EXCLUDED GOODS

- Pan masala • Gutkha • Cigarettes • Chewing tobacco products (e.g, zarda) • Unmanufactured tobacco
- These rates will remain unchanged until all loan and interest repayment obligations under the Compensation Cess account are fully discharged.

Sectors impacted due to rate change

- Food, Tobacco, Agriculture, Fertilizer
- Consumer goods and Daily use goods
- Electronic Items
- Transportation, Automobile and its components
- Healthcare, Pharmaceutical
- Education and Lifestyle
- Handicraft and Footwear
- Construction Industry
- Defence and Specialized Sectors

Other Structural reforms



SIMPLIFIED GST Registration Scheme for Small and Low-Risk Businesses



Simplification of Registration process

Automatic grant of registration within three working days for an applicant:

- Identified as low risk based on risk parameters and data analysis.
- Or who determines that output tax liability does not exceed ₹2.5 Lakh per month and opts for the Scheme.
- Withdrawal from the option: A procedure similar to existing registration procedure will be provided, based on risk parameters (giving due weightage to him as a registered person).

Around 96% of new applicants will benefit

GST Appellant Tribunal (GSTAT)

- GSTAT will become operational before end of September 2025
- GSTAT will commence hearing before end of December 2025
- GST Council recommended the date of 30.06.2026 as the date for limitation for filing of pending / backlog appeals.
- The Principal bench of GSTAT will also serve as the National Authority for Advance Ruling

**GST
Appellant
Tribunal
(GSTAT)**

NOTIFICATION

New Delhi, the 17th September, 2025

S.O. 4220(E).—In exercise of the powers conferred by sub-section (1) of section 112 of the Central Goods and Services Tax Act, 2017 (12 of 2017), the Government, on the recommendations of the Council, hereby notifies the 30th day of June, 2026, as the date upto which appeal may be filed before the Appellate Tribunal under this Act in respect of all cases where the order sought to be appealed against is communicated to the person preferring the appeal before the 1st day of April, 2026 and all appeals in respect of order communicated on or after 1st April, 2026 may be filed before the Appellate Tribunal within three months from the date on which such order is communicated to the person preferring the appeal.

[F. No. A-50/7/2025-GSTAT-DoR]

BALASUBRAMANIAN KRISHNAMURTHY, Jt. Secy.

Sanction of risk-based provisional refund

- To facilitate refund claims on account of zero-rated supply of goods or services or both (i.e. export of goods or services or both or supply to a Special Economic Zone developer/unit for authorised operations.**
- The Council recommended amendment in rule 91(2) of CGST Rules, 2017 to provide for sanction of 90% of refund claimed as provisional refund by the proper officer on the basis of identification and evaluation of risk by the system.
- However, in exceptional cases, the proper officer may for reasons to be recorded in writing, instead of granting refund on provisional basis proceed with the detailed scrutiny of the refund claim.
- The Council recommended issuance of a notification to notify certain category of registered persons who may not be granted refund on provisional basis. This provision shall be operationalized from 1st November, 2025.

Proposal for Risk-Based Provisional Sanction of refunds arising out of IDS

- The Council recommended amending section 54(6) of the CGST Act, 2017, to provide for sanction of 90% of refund claimed on provisional basis, in cases arising out of inverted duty structure, on similar lines as is presently available for refund in respect of zero-rated supply.
- It has been decided by the Central Government that, pending requisite amendments in CGST Act, 2017, instructions shall be issued by the Central Board of Indirect Taxes and Customs (CBIC) to direct Central Tax field formations for grant of provisional refund equivalent to 90% of amount claimed as refund, arising out of Inverted Duty Structure on the basis of identification and evaluation of risk by the system, as in the case of provisional refunds on account of zero-rated supplies.
- This shall be operationalized from 1st November, 2025.

Amendment in CGST Act to provide for GST Refunds in respect of low value export consignments

- The Council recommended amendment to section 54(14) of the CGST Act, 2017 so as to remove the threshold limit for refunds arising out of exports made with payment of tax.
- This will particularly help small exporters making exports through courier, postal mode etc.



GST Refunds for Low-Value Export Consignments

No minimum limit of rupees one thousand applicable on refund claims on account of goods exported out of India with payment of tax.

This will significantly ease working capital constraints faced by exporters making frequent, low-value shipments (especially via courier or postal mode).

This will enable sanctioning of refund claim below one thousand rupees in respect of low-value export consignments through the Customs system.

This will promote low-value exports from India and also support micro, small, and medium enterprises engaged in international trade.

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Introduction of Simplified Registration Scheme for small suppliers supplying through electronic commerce operators

- The Council approved in-principle, the concept of a simplified GST registration mechanism for small suppliers making supplies through e-commerce operators (ECOs) across multiple States facing challenges in maintaining principal place of business in each State as currently required under the GST framework.
- The detailed modalities for operationalizing the said scheme will be placed before GST Council.
- It will ease compliance for such suppliers and facilitate their participation in e-commerce across States.

Amendment in place of supply provisions for intermediary services under section 13(8) of the IGST Act

- The Council recommended omission of clause (b) of section 13(8) of IGST Act 2017.
- ✓ *What is Section 13(8)(b)? – It provides that Place of Supply in case of intermediary services shall be the location of the supplier of services*
- ✓ *Section 2(13) – “intermediary” means a broker, an agent or any other person, by whatever name called, who arranges or facilitates the supply of goods or services or both, or securities, between two or more persons, but does not include a person who supplies such goods or services or both or securities on his own account*
- Accordingly, after the said law amendment, the place of supply for “intermediary services” will be determined as per the default provision under section 13(2) of the IGST Act, 2017 **i.e. location of the recipient of such services.**
- Since in most cases, location of recipient of service is outside India, place of supply will be outside India and will be treated as export.
- This will help Indian exporters of such services to claim export benefits.

Recommendation for amendment of section 15 and section 34 in respect of Post Sale Discount

- To omit section 15(3)(b)(i) of CGST Act, 2017 thereby omitting the requirement of establishing the discount in terms of an agreement entered into before or at the time of such supply and specifically linking of the same with relevant invoices,
- To amend section 15(3)(b) of CGST Act, 2017 to provide that discount should be granted through a credit note issued under section 34 of the CGST Act and to correspondingly amend section 34 to include a reference to section 15(3)(b), so as to provide for reversal of Input tax credit by the recipient in case where a post-sale discount is given and value of supply is reduced through GST Credit note.
- To rescind circular No.212/6/2024-GST dated 26th June 2024 which provided a mechanism ensuring compliance of conditions of Section 15(3)(b)(ii) of the CGST Act, 2017 by the suppliers.

Issuance of circular on certain issues pertaining to Post Sale Discount

In order to remove ambiguity and legal disputes, the Council recommended to provide clarification on certain issues pertaining to Post Sale Discount namely, -

- non-reversal of Input Tax Credit on account of post-sale discount through financial/commercial credit note;
- treatment of the post-sale discount provided by manufacturer to the dealer as additional consideration, in the transaction between dealer and end-customer;
- treatment of post-sale discount as consideration in lieu of promotional activities etc. performed by the dealer.

Clarification on Post-Sale discounts - Circular No.251/08/2025 dt. 12th September 2025

Issues	Facts	Solution
Whether ITC can be claimed if discount given by supplier through Financial/ Commercial Credit Note?	Supplier is not eligible to reduce his original tax liability. Credit Note is for value of supply and will not include tax amount	Recipient is not required to reverse ITC though payment is made net of discount; as there is no reduction in transaction value
Post Sale Discount offered by Manufacturer (M) to Dealer / Distributor (D)	If no agreement of Manufacturer with End customer (E) – There are two supplies (M-D) & (D-E) – Principal to Principal	Discounts are given for competitive pricing to push sales & not linked to specific activity of Manufacturer. It is reduction in Sale price with no impact on tax
	If Agreement of M with E – M issues credit note to D as that discount can be passed on to E	Discount is for inducement towards supply & should be included in overall consideration. Tax liability can be reduced
Post Sale Discount given by M to D for various activities performed by D to promote Sale of goods	Dealer performs promotional activities like advertisement, exhibition, customer support, co-branding etc.	Discount given is nothing but consideration given for services by D to M. GST will be chargeable

Anti-Profiteering due to change in GST rate

- Anti-profiteering authority was formed as per provisions of Section 171 of CGST Act.
- Notification No.19/2024 dt. 30.09.2024 notified the date of 01.04.2025 as the date from which this Authority shall not accept any request for examination as to whether ITC availed or reduction in tax rate have actually resulted in reduction in the price of goods or services or both supplied by that registered person.
- So, as on date no new cases can be taken up under this provision

Anti-Profiteering due to change in GST rate

Department of Revenue
(Tax Research Unit)

New Delhi, dated: 09th September, 2025

To

All the Principal Chief Commissioners / Chief Commissioners of Central tax, CGST Zones,

Madam/ Sir,

Subject: Monthly report of price change data of commodities pre and post GST rate rationalization w.e.f. 22nd September, 2025 – reg.

I am directed to state that the GST Council, in its recent meeting, recommended rationalization of GST rates on various commodities which will be effective from 22nd September, 2025.

2. In this connection, you are requested to kindly compile commodity-wise price data from the field formations and trade associations under your jurisdiction, prior to the rate change and after its implementation (i.e. **pre and post 22nd September, 2025**) for the next six months. The data may please be furnished in respect of goods listed as **Annexure** in the format below:

S. No	Commodity	Brand	Maximum Retail Price (MRP)	
			Before 22.9.2025	After 22.9.2025

Note: Price comparison data may be provided for comparable quantity eg gm, ml etc

3. The first report may be furnished to the Board **by 30th September, 2025 positively** and emailed at **budget-cbec@nic.in**. Thereafter the monthly report may please be sent **by the 20th of each month** till March 2026.

This exercise may kindly be treated on **PRIORITY**.

This is issued with the approval of Chairman CBIC.

Yours faithfully,


Amreeta Titus

Change of MRP of unsold stock – Legal Metrology

Permission for MRP Revision

- Manufacturers, packers, or importers can declare revised MRP on unsold stock until December 31, 2025.
- This applies to stock manufactured, packed, or imported before GST revision.
- Revised MRP must reflect applicable tax changes without overwriting the original price.

Conditions for MRP Change

- Original MRP must remain displayed; revised price cannot exceed tax increase.
- In case of tax reduction, revised price must not exceed the post-reduction price.
- At least two advertisements must be made to inform about the price change.

Use of Packaging Material

- Packaging materials not exhausted before GST revision can be used until December 31, 2025.
- Corrections to MRP must be made via stamping, stickers, or online printing.

Simplification of GST Rate Structure



Previous GST Rate Tiers

- 5% Merit Goods
- 12% Standard Goods
- 18% Standard Goods
- 28% Luxury/Sin Goods

Why It Matters:

The new GST structure reduces complexity, improves compliance, and aligns with global best practices.



New GST Rate Tiers

- **5% Merit Rate** (Essentials, Food, Agriculture)
- **18% Standard Rate** (Most Goods & Services)
- **40% De-merit Rate** (Tobacco, Pan Masala, Luxury Vehicles)

5% 

18% 

40% 

New simplified structure replaces previous 4-tier system

Notifications issued on 17.09.2025 w.e.f.22.09.2025

New Notification	Old Notification	Changes made
09/2025 – Central Tax (Rate)	Supersedes 01/2017 – CT(R) dt.28.06.2017	Rate Schedule I to VII for goods i.e.2.5,9,20,1.5,0.125,0.75 & 14
10/2025 – Central Tax (Rate)	Supersedes 02/2017 – CT(R) dt.28.06.2017	Exemption notification for goods
11/2025 – Central Tax (Rate)	Amends 03/2017 – CT(R) dt.28.06.2017	Goods relating to petroleum operations etc. – Rate changed from 2.5% to 9%
12/2025 – Central Tax (Rate)	Amends 08/2018 – CT(R) dt.25.01.2018	Motor Vehicles earlier under 14% now under 9% / 20%
13/2025 – Central Tax (Rate)	Amends 21/2018 – CT(R) dt.26.07.2018	Handicraft goods earlier under 5%/12% now under 3%/5%
14/2025 – Central Tax (Rate)	Seeks to notify GST rate for bricks	Fly Ash bricks/blocks, Building bricks, Earthen or roofing tiles etc. under 12%
15/2025 – Central Tax (Rate)	Amends 11/2017 – CT(R) dt.28.06.2017	Changes in various Rate of Services namely transportation, beauty and well being etc.
16/2025 – Central Tax (Rate)	Amends 12/2017 – CT(R) dt.28.06.2017	Life/Medical Insurance & Re-insurance to Individuals – Exempt
17/2025 – Central Tax (Rate)	Amends 03/2017 – CT(R) dt.28.06.2017	E-commerce operator to pay tax on local delivery services u/s 9(5) in case not liable for Regn under Sec.22(1)

Notification (Compensation Cess) issued on 17.09.2025 w.e.f. 22.09.2025





New Notification	Old Notification	Changes made
02/2025 – Compensation Cess (Rate) dt. 17.09.2025	Amends 01/2017 – Compensation Cess (Rate) dt.28.06.2017	Compensation cess of all goods is NIL; except - Pan Masala, Unmanufactured tobacco, All types of Cigarettes, Hookah, Chewing Tobacco etc.

1.The changes in GST rates of all goods except pan masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi, will be implemented **with effect from 22nd September 2025.**

2.Pan Masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi will continue at the existing rates of GST and compensation cess where applicable, till loan and interest payment obligations under the compensation cess account are completely discharged.

3.Based on 2 above, Union Finance Minister and Chairperson of the GST Council may decide the actual date of transition to the revised rates of GST approved by the Council for the above-mentioned goods.





GST Rate Applicability for Goods During Rate Change (Sec.14)

 Time of Supply	 Invoice Issued	 Payment Received	 Applicable GST Rate
Before rate change	After rate change	After rate change	New Rate <input checked="" type="checkbox"/>
Before rate change	Prior to rate change	After rate change	Old Rate <input type="checkbox"/>
Before rate change	After rate change	Prior to rate change	Old Rate <input type="checkbox"/>
After rate change	Prior to rate change	After rate change	New Rate <input checked="" type="checkbox"/>
After rate change	Prior to rate change	Prior to rate change	Old Rate <input type="checkbox"/>
After rate change	After rate change	Prior to rate change	New Rate <input checked="" type="checkbox"/>

Note: As per NN 66/2017 CT dated 15th Nov 2017, for **Goods**, “Receipt of Payment” is no longer relevant. **Invoice date** is relevant for deciding the time of supply as provided in Section 12(2)(a)

Sec.12(2)(a) – The time of supply of goods shall be the earlier of the following dates, namely – the date of issue of invoice by the supplier or the last date on which he is required, under Sec.31, to issue the invoice in respect to the supply

GST Rate Applicability for Services During Rate Change (Sec.14)

 Time of Supply	 Invoice Issued	 Payment Received	 Applicable GST Rate
Before rate change	After rate change	After rate change	New Rate <input checked="" type="checkbox"/>
Before rate change	Prior to rate change	After rate change	Old Rate <input type="checkbox"/>
Before rate change	After rate change	Prior to rate change	Old Rate <input type="checkbox"/>
After rate change	Prior to rate change	After rate change	New Rate <input checked="" type="checkbox"/>
After rate change	Prior to rate change	Prior to rate change	Old Rate <input type="checkbox"/>
After rate change	After rate change	Prior to rate change	New Rate <input checked="" type="checkbox"/>

□ Treatment of ITC on Stock Held as on 22-Sep-2025

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Context

The GST Council has restructured the tax slabs to 5%, 18%, and 40% (for luxury/sin goods) effective 22-Sep-2025. This impacts how businesses handle ITC on stock purchased under earlier rates.

✓ ITC on Purchases Made Before 22-Sep-2025

- **Claim Validity:** ITC remains valid if the tax was correctly charged at the time of purchase and all CGST Act conditions are met.
- **No Reduction in ITC:** The rate change does not affect ITC already claimed. You do not get ITC at the new (lower) rate—it's based on the rate at the time of supply

□ Treatment of ITC on Stock Held as on 22-Sep-2025

Using ITC After Rate Reduction

- **Section 49(4):** ITC in your electronic credit ledger can be used to pay output tax, even if the rate on outward supply has dropped.
- **No Reversal Required:** If the supply remains taxable (e.g., rate drops from 18% to 5%), ITC can still be used. No reversal is needed

□ **Treatment of ITC on Stock Held as on 22-Sep-2025**

⊗ **ITC Reversal for Exempt Supplies**

- **Section 18(4):** If your goods/services become exempt from 22-Sep-2025, ITC must be reversed for unsold stock as of 21-Sep-2025.

- **Capital Goods:** Reversal is prorated based on remaining useful life (60 months rule under Rule 44).

□ Treatment of ITC on Stock Held as on 22-Sep-2025

Refund of Accumulated ITC (Inverted Duty)

- **Circular 135/05/2020-GST:** Refund of accumulated ITC is allowed only if input tax rate on goods is more than output tax rate
- **No Refund for Rate Change Alone:** The Circular clarifies that; if the input and output are the same goods, refund is not permitted just because of change in rate of tax.

□ **Treatment of ITC on Stock Held as on 22-Sep-2025**

Stock Held on 22-Sep-2025

- **Rate at Time of Supply:** GST is levied based on the rate applicable on the date of supply—not purchase.
- **Unsold Inventory:** If goods become exempt, ITC reversal is required. If still taxable, ITC remains usable

NEXT-GEN GST REFORM

GST हुआ LIGHT, अब खेती होगी और BRIGHT

Items	From
Tractors	12%
Tractor Tyres & Parts	18%
Drip Irrigation System & Sprinklers	12%
Agricultural, Horticultural or Forestry Machines for Soil Preparation, Cultivation, Harvesting & Threshing	12%

Now
5%





विश्व मंत्रालय
MINISTRY OF
FINANCE



NEXT-GEN GST REFORM

Individual Health & Life Insurance Are now

GST FREE

18%



From

0%



To



Health & life Insurance



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NEXT-GEN GST REFORM



AFFORDABLE APPLIANCES

Smarter Lifestyle



NEXT-GEN GST REFORM

**Stationery
tax-free,
Learning
stress-free**



Items	From	Now
Maps, Charts & Globes	12%	GST Free
Pencils, Sharpners, Crayons & Pastels	12%	
Exercise Books & Notebooks	12%	
Eraser	5%	



NEXT-GEN GST REFORM

Tax kam, health care
MAXIMUM

Medical Grade Oxygen, All Diagnostic Kits & Reagents, Glucometer & Test Strips, Corrective Spectacles





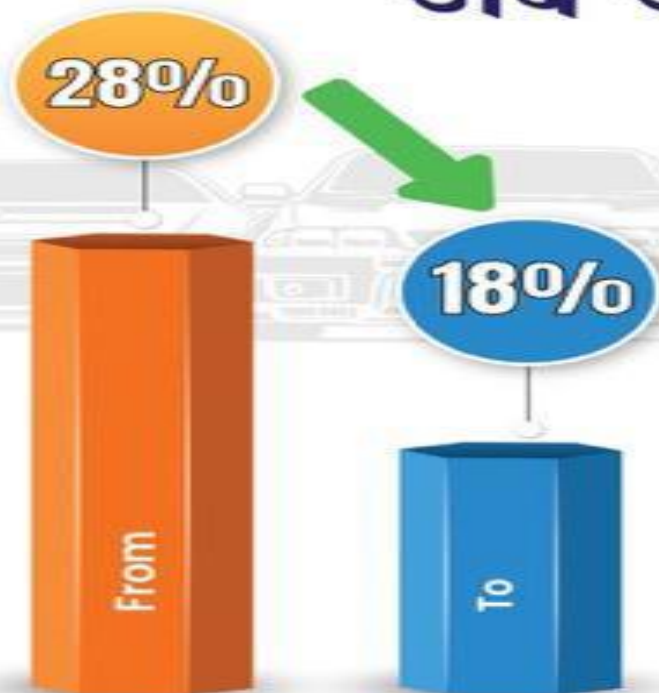
Impact on Construction Industry

- No change in Outward Supply – Residential / Commercial
- Inward Supply
 - Cement – reduced from 28% to 18%
 - Marble, Granite – reduced from 12% to 5%
 - Allied Services – no change 18%
- Impact
 - Assuming Construction Cost Rs.2,000/-
 - Cement is 10 to 15% i.e. Rs.200/- tax reduced from 56 to 36 i.e.approx.1% to 1.5%
 - Flooring is 5 to 10% i.e.Rs.100/- tax reduced from 12 to 5 i.e.approx. 0.35% to 0.50%
 - Total saving around 1.35% to 1.80%

वित्त मंत्रालय
MINISTRY OF
FINANCE

NEXT-GEN GST REFORM

सपनों की सवारी,
अब जेब पर नहीं भारी!



Petrol & Petrol Hybrid, LPG, CNG Cars (not exceeding - 1200cc & 4000mm)

Diesel & Diesel Hybrid Cars (not exceeding - 1500cc & 4000mm)



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INDIA'S TOP 10 SELLING CARS

OLD TAXES VS NEW GST RATES



56TH GST COUNCIL MEET

ITEM	FY25 VOLUMES	TAX BEFORE (GST+CESS)	TAX NOW (GST ONLY)
MARUTI SUZUKI WAGON R	1,98,451	29% (28% + 1%)	18%
TATA PUNCH	1,96,572	29% (28% + 1%)	18%
HYUNDAI CRETA (PETROL)	1,94,871	45% (28% + 17%)	40%
HYUNDAI CRETA (DIESEL)		48% (28% + 20%)	
MARUTI SUZUKI ERTIGA	1,90,974	45% (28% + 17%)	40%
MARUTI SUZUKI BREZZA	1,89,163	45% (28% + 17%)	40%
MARUTI SUZUKI SWIFT	1,79,641	29% (28% + 1%)	18%
MARUTI SUZUKI BALENO	1,67,161	29% (28% + 1%)	18%
MARUTI SUZUKI FRONX	1,66,216	29% (28% + 1%)	18%
MARUTI SUZUKI DZIRE	1,65,021	29% (28% + 1%)	18%
MAHINDRA SCORPIO	1,64,842	50% (28% + 22%)	40%

moneycontrol



Challenges

Challenge	Description	Implications
Revenue Concerns	States fear revenue erosion due to rate cuts; Centre estimates ₹48,000 crore impact	May trigger demands for compensation, affecting Centre-State fiscal dynamics
Implementation Complexity	Businesses must recalibrate pricing, update ERP systems, and manage stakeholder communication	Temporary disruption in operations, especially for MSMEs and retail chains
Input Tax Credit (ITC) Gaps	Exempt items like UHT milk/paneer disallow ITC claims on inputs	Cost absorption or price hikes; supply chain restructuring may be required
Consumer Benefit Transfer	Ensuring tax cut benefits reach end consumers remains uncertain	Risk of inflationary disconnect; possible revival of anti-profiteering provisions

FAQs on GST Council
meeting held on
03.09.2025

FAQs-2 on decisions of 56th GST Council

Q1. Is it required to recall and re-label MRP on medicines already in the supply chain before 22nd September, 2025? How will the re-labelling be implemented?

Answer: The National Pharmaceutical Pricing Authority (NPPA) vide OM's dated 12.9.2025 and 13.9.2025 have clarified the following:

All manufacturers/ marketing companies selling drugs/ formulations shall revise the Maximum Retail Price (MRP) of drugs/formulations (including medical devices).

The manufacturers/ marketing companies shall issue revised price list or supplementary price list, in Form V/VI, to dealers and retailers for display to consumers, and to State Drug Controllers and the Government, reflecting the revised GST rates and revised MRP.

Recalling, re-labelling, or re-stickering on the label of container or pack of stocks released in the market prior to 22nd September, 2025 is not mandatory, if manufacturer/ marketing companies are able to ensure price compliance at the retailer level.

FAQs-2 on decisions of 56th GST Council

Q2. Unmanned aircrafts (Drones) attracted 5%,18% and 28% GST rate. 56th GST Council had recommended 5% GST rate on drones. Whether this 5% GST rate will apply to all types of drones?

Answer: Earlier unmanned aircrafts for personal use attracted 28% GST, unmanned aircrafts with digital camera/video camera recorders attracted 18% GST rate and all other unmanned aircrafts apart from aforementioned categories attracted 5% GST.

The GST council in its 56th meeting held on 03.09.2025 has recommended uniform GST rate of 5% on all the drones.

FAQs-2 on decisions of 56th GST Council

Q3. What is the current GST rate on bricks?

Answer: A Special Composition Scheme on supply of the bricks (other than sand lime bricks) was implemented w.e.f 1st April, 2022 based on the Report of the Group of Ministers on Capacity Based Taxation and Special Composition Scheme which was accepted by GST Council in its 45th meeting held on 17th Sep 2021.

Under the scheme, bricks attract GST of 6% without ITC and 12% with ITC with threshold limit for bricks at Rs. 20 lakhs instead of Rs. 40 lakhs as is applicable to goods.

The GST council in its 56th meeting held on 3rd September, 2025 did not recommend any change on the special composition scheme rates except on sand lime bricks on which GST rate has been recommended to be reduced from 12% to 5%.

Hence, all kinds of bricks except sand lime bricks continue to attract GST of 6% without ITC and 12% with ITC with a threshold limit of Rs. 20 lakhs.

FAQs-2 on decisions of 56th GST Council

Q4. What are the insurance services covered within the ambit of the exemption granted to individual life and health insurance?

Answer: Services of individual health and life insurance business provided by insurers to the insured, where the insured is not a group, are included within the ambit of the exemption. When these services are provided to an individual, or to an individual with his/her family, the same will be exempted.

Q5. In addition to exempting services of individual health and life insurance supplied by insurers, will any input services of insurers be also exempted?

Answer: At present, insurers are availing ITC on many inputs and input services such as commissions, brokerage and reinsurance, etc. Out of these input services, reinsurance services will be exempted. Input Tax Credit of other inputs or input services is to be reversed because the output services will be exempted.

FAQs-2 on decisions of 56th GST Council

Q6. Do hotels which supply units of accommodation having value less than or equal to Rs 7500/- per unit day have the option of supplying such units at 18% with ITC?

Answer: Suppliers of hotel accommodation service where the value of a unit of accommodation is less than or equal to Rs 7500/- per unit per day, shall have to charge GST at 5% without ITC on such units. It is a mandatory rate prescribed for such services, and the option to pay GST at the rate of 18% with ITC is not available for such units.

Q7. Will hotels supplying units of accommodation having value less than or equal to Rs 7500/- per unit per day be able to avail ITC in relation to such units?

Answer: The hotels supplying units of accommodation which have value less than or equal to Rs 7500/- per unit per day, shall not be able to avail ITC on such units, as the GST rate prescribed for such supplies is 5% without ITC.

FAQs-2 on decisions of 56th GST Council

Q8. Is the 5% without ITC rate on beauty and physical well-being services mandatory? Can service providers charge 18% with ITC?

Answer: The 5% without ITC rate on beauty and physical well-being services is mandatory. Service providers do not have the option to charge 18% with ITC on these services.

Q9. How should a service provider deal with input tax credit (ITC) in cases where GST is payable at a rate of 5% without ITC?

Answer: In such cases,

(a) Credit of input tax charged on goods or services used exclusively in supplying such services shall not be taken by the service provider; and

(b) Credit of input tax charged on goods or services used partly for supplying such services and partly for supplying other taxable supplies shall be reversed by the service provider as if the supply leviable to 5% without ITC is an exempt supply. Consequently, proportionate ITC shall be required to be reversed by the service provider as per Section 17(2) of the CGST Act, 2017 and the rules made thereunder.

FAQs-2 on decisions of 56th GST Council

Q10. What is the GST rate applicable on job work services in relation to bus body building?

Answer: Job work services in relation to bus body building are taxable at a GST rate of 18% with Input Tax Credit (ITC). Earlier, these services were covered under a specific entry [erstwhile Entry (ic) of Heading 9988] and attracted 18% with ITC. In the recent rate rationalization exercise, all residual job work services or other manufacturing services have been aligned to 18% with ITC, thereby subsuming the specific entry for bus body building.

Q11. What is the GST rate applicable on job work services in relation to bricks?

Answer: Job-work services in relation to those bricks that will attract GST @5% (E.g. sand lime bricks) will be taxable at the rate of 5% with ITC.

FAQs-2 on decisions of 56th GST Council

Q12. What is the GST rate applicable on multimodal transport of goods?

Answer: Multimodal transport of goods (where at least two different modes are used by a multimodal transporter) will be taxable as follows:

(a) 5% with restricted input tax credit — i.e. ITC allowed only on input services of transportation of goods limited to 5% of the value; when no leg of transport of goods is by air.

(b) 18%, with full input tax credit; when at least one leg of the transport is by air.

FAQs-2 on decisions of 56th GST Council

Q13. Can ITC be taken on multimodal transport services, where no leg of transport is by air and the applicable rate is 5%?

Answer. Input services of goods transportation limited to 5% of the value will be allowed even if supplier of such services has charged a higher rate of tax. ITC will not be allowed for other inputs or input services.

Example: 'A' engages 'B' (multimodal transporter) for transport of goods from New Delhi to Gaya for Rs. 1200, without involving any transportation through air. B' hires GTA 'C' for Rs. 600 who charges tax @18% and Container Transport Operator 'D' for Rs. 400 who charges tax @5%.

- GST Rate applicable for the service provided by 'B': 5%
- ITC available to 'B':
 - (a) GTA input: Rs. 30 (5% of Rs. 600), not Rs. 108 (18% of 600)
 - (b) CTO input: Rs. 20 (5% of Rs. 400).

FAQs-2 on decisions of 56th GST Council

Q14. What is the tax treatment if multimodal transportation involves transport of goods through air also?

Answer: If at least one leg of transport is through air, the applicable GST rate will be 18%. In such cases entire ITC of inputs or input services is allowed.

Example: 'A' engages 'B' (multimodal transporter) for transport of goods from New Delhi to Gaya for Rs. 1200, which involves transportation through air. B' engages a service provider 'C' providing services of transport of goods through air for Rs 800 and a GTA 'D' for Rs. 200 who charges tax @18%.

- GST rate applicable on the service provided by B: 18%
- ITC available to 'B':

(a) GTA input: Rs 36 (18% of Rs. 200)

(b) Input on the services of goods transportation by air: Rs 144 (18% of Rs. 800).

FAQs-2 on decisions of 56th GST Council

Q15. Who is liable to pay GST for Local Delivery Services provided through ECO?

Answer: Services by way of local delivery provided through an e-commerce operator (ECO) where the person supplying such services is not liable to register under Section 22(1) will be covered under Section 9(5) of the CGST Act. In such cases, the liability to pay GST will be on the ECO.

Q16. At what rate are local delivery services taxable?

Answer: The services of local delivery are taxable at 18%.

If such services of local delivery are supplied directly by a registered person: GST @ 18% payable by that person.

If such services of local delivery are supplied through ECO by a person who is not liable to be registered: GST @ 18% payable by the ECO under section 9(5).

If such services of local delivery are supplied through ECO by a registered person: GST@18% is payable by the supplier of the local delivery service, i.e., the registered person supplying through ECO.

FAQs-2 on decisions of 56th GST Council

Q17. Whether an ECO providing the local delivery services are covered within the scope of GTA? What will be the effect if the local delivery services are provided through an ECO?

Answer: “Goods Transport Agency” (GTA) will not include:

- (a) *“electronic commerce operator by whom the services of local delivery are provided,”* and
- (b) *“electronic commerce operator through whom the services of local delivery are provided.”*

FAQs-2 on decisions of 56th GST Council

Q18. What is tax treatment for leasing or renting services without operator?

Answer: Majority of leasing or rental services without operator are taxed at the same rate of tax as applicable on supply of like goods. No change is proposed in this regard. The tax rate on such services will continue to be equal to the tax rate applicable on supply of like goods.

For example, if cars or machines are taxed at 18% then the rate of 18% will be applicable for leasing or renting (without operator) of such cars or machines. Similarly, if supply of any motor vehicle is taxed at 40% or 5% then the leasing or renting services (without operator) will also be taxed at 40% or 5% **respectively**.

Q19. What is the applicable tax rate on leasing/renting a car with operator?

Answer: Supplier of services of leasing/renting a car with operator (for example, driver) will now have the option of charging 5% with ITC of input services in same line of business or 18% with full ITC.



Thank You

~CA Unmesh Govind
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