

GST2.0

56th GST Council Meeting



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56th GST Council Meeting

Introduction

The Hon'ble Prime Minister announced impending NEXT GEN GST reforms from the ramparts of red fort on the Independence Day.

Accordingly, the GST Council met on 3 September 2025 and approved a slew of reforms as follows -

- Rate rationalization with a focus on Common-man, Labour-intensive Industries, Farmers and Agriculture, Health, Key Drivers of the economy.
- Exemption of GST on all individual life and health insurance policies
- Rationalization of the current 4-tiered tax rate structure into a citizen-friendly 'SimpleTax' - a 2-rate structure with a Standard Rate of 18% and a Merit Rate of 5%; a special de-merit rate of 40% for sin goods and services
- Remedial measures for certain non-tariff issues resulting in losses to Indian companies – Intermediary services and Post sale discounts
- Impetus given to ease of doing business with simplified GST registration and refund mechanisms

New slabs – At a glance

GST Slab	Goods & Services (Post-Reform)	Old Rate
0% (Nil)	Individual life & health insurance; UHT milk; paneer; chapati/roti; pizza bread	18% (insurance), 5% (milk/paneer/breads)
5%	Fruit/veg juices; tender coconut water; cereals/bakery; sauces; pasta; instant noodles; chocolates; coffee; personal care (hair oil, soap, shampoo, toothpaste); bicycles; kitchenware; renewable energy devices	12% or 18%
18%	ACs, dishwashers, TVs/monitors (all sizes), batteries (uniform); small cars & 2/3-wheelers; buses/trucks/ambulances; auto parts; coal; apparel/footwear >₹2,500	28% (select durables/vehicles); 12% (some items)
40% (Sin)	Tobacco & pan masala products; aerated sugary drinks; betting, casinos, gambling, horse racing, online gaming	28% + cess (varied)

AVA Comments:

- Ahead of the festive season, major reduction in consumables such as appliances, electronics, small cars and two wheelers etc. should result in market buoyancy.
- Among major slabs, we have moved to four slabs instead of earlier five slabs as 12% and 28% make way for a new slab – 40%.
- Goods in 40% slab are limited and defined in essence by luxury or sin goods.
- Certain services have reduced GST rate but without the benefit of ITC, impact for such services would have to be assessed.

Sector wise GST rates – Goods

Sector	HSN	Goods / Examples	Old GST Rate	New GST Rate
Dairy & Bakery	04	UHT milk; paneer/chhena (pre-packaged); condensed milk; butter/ghee; cheese; Indian breads (roti/chapati, paratha, parotta)	5% (milk/paneer), 12% (condensed milk/butter/cheese)	Nil (milk/paneer, Indian breads); 5% (condensed milk/butter/cheese)
Packaged Foods & Beverages	19, 20, 21	Namkeens/bhujia; sauces & ketchup; pasta; instant noodles; chocolates; coffee; cornflakes; soups; ice cream	12% or 18%	5%
Personal Care & Hygiene	33, 34	Hair oil; shampoos; toilet soaps; toothpaste; toothbrushes; shaving products	18%	5%
Medicines & Devices	30, 90	33 lifesaving drugs 12%→Nil; 3 lifesaving drugs 5%→Nil; other drugs 12%→5%; medical apparatus 18%→5%; gauze/bandages/diagnostic kits 12%→5%	5%, 12%, 18% (varied)	Nil / 5% (as specified)
Agriculture Machinery	84	Tractors; soil-prep/cultivation machinery; harvesting/threshing; balers; mowers; composting machines	12%	5%
Labour-Intensive Goods	68, 71, 42 etc.	Handicrafts; marble & travertine blocks; granite blocks; intermediate leather goods	12%	5%
Vehicles & Mobility	87	Small cars; motorcycles ≤350cc; 3-wheelers; buses; trucks; ambulances; auto parts (uniform rate)	28% (vehicles), varied (parts)	18% (vehicles & parts)

Sector wise GST rates - Goods

Sector	HSN	Goods / Examples	Old GST	New GST
Electronics & Appliances	84, 85, 85.07	Air conditioners; dishwashers; TVs (all sizes); computer monitors (all sizes); batteries (uniform)	28% (AC/dishwasher /large TVs); 18% (small TVs/monitors/Li-ion) / 28% (other batts.)	18% (uniform for these items)
Textiles (Inverted Fix)	54, 55	MMF 18%→5%; MMF yarn 12%→5%	12% / 18%	5%
Fertiliser Inputs	28	Sulphuric acid; Nitric acid; Ammonia	18%	5%
Renewable Energy	84, 85	Renewable energy devices & parts for manufacture (e.g., solar equipment)	12%	5%
Building Materials	25, 68	Cement; marble/granite blocks	28% (cement); 12% (blocks)	18% (cement); 5% (blocks)
Food & Agro (Other)	08, 11, 13, 14, 15	Dried fruits & nuts; dates/citrus; malt; starches; veg. saps/extracts; tendu leaves; Indian katha; animal fats/oils	12% / 18% (varied)	5%

Services – New GST rates

Service	Old GST	New GST	AVA comments
Life & health insurance (and reinsurance)	18%	0% (Nil)	As these services are exempt, there could be ITC restrictions to insurance companies, resulting in increase in base costs
Beauty & well-being (salons, gyms, yoga, etc.)	18%	5%	
Hotel accommodation ≤ ₹7,500/day	12% (with ITC)	5% (no ITC)	As the benefit of ITC has been taken away, once may expect increase in base price.
Air passenger transport (other than economy)	12% (with ITC)	18% (with ITC)	
GTA services (standard option)	12% (with ITC)	18% (with ITC)	
GTA services (concessional)	5% (no ITC)	5% (no ITC)	Unchanged
Multimodal transport / Rail container (non-IR)	12% (with ITC)	5% (restricted/no ITC) or 18% (with ITC)	Dual options
Third-party insurance of goods carriage	12%	5%	
Leasing (without operator) of goods in 40% slab	28%	40%	
Job work – umbrella, printing, bricks, pharma, hides/skins/leather	12% (with ITC)	5% (with ITC)	
Job work – residual (not elsewhere specified)	12% (with ITC)	18% (with ITC)	No distinction between manufacturing/non-manufacturing, direct increase in all other type of job work services.

1. Trade Facilitation – Refunds (Risk-based)

- Rule 91(2), CGST Rules – 90% provisional refund for zero-rated supplies based on system risk flags; exceptional cases may be scrutinised. Effective 1 Nov 2025.
- Section 54(6) – Extend 90% provisional refund to inverted duty structure (IDS) cases; CBIC to operationalise from 1 Nov 2025 pending law change.
- Section 54(14) – Remove threshold for refunds on exports with payment of tax (benefits low-value courier/post exports).

3. Place of Supply – Intermediary Services

- Omission of clause (b) of section 13(8), IGST Act – PoS for intermediary services to follow section 13(2) (location of recipient). Enables export of such services (zero-rating).
- Therefore, intermediary services may also qualify for export of services, and the place of supply would be outside India

AVA comments:

- Reduced litigation for companies with back-office functions in India
- May increase incorporation in India instead of overseas setups
- Will bolster GCC setups in India

2. Simplified Registration

- Optional simplified GST registration for low-risk applicants or those with B2B output \leq ₹2.5 lakh/month; automated approval within 3 working days; opt-in/opt-out allowed (from 1 Nov 2025).
- In-principle approval for a simplified registration facility for small suppliers selling via E-commerce Operators (ECOs) in multiple States; modalities to follow.

4. Post-sale Discounts – Value & ITC

- Amend sections 15(3)(b) & 34, CGST Act – Value reduction via GST credit notes with proportionate ITC reversal by recipient.
- Omit section 15(3)(b)(i) – No requirement for pre-existing agreement and invoice linkage for discounts.
- Clarifications to be issued on: (i) no ITC reversal for financial/commercial credit notes; (ii) treatment of discounts as additional consideration between dealer and end-customer; (iii) dealer promo/visibility services.

5. Valuation & Compliance

- Adopt RSP-based valuation for Pan Masala, Cigarettes, Gutkha, Chewing Tobacco, Zarda, scented & unmanufactured tobacco; amend CGST Rules accordingly.
- Align valuation rules with rate change for lottery (corresponding rule changes).

6. ECO & Restaurant Clarifications

- Notify local delivery services (SAC 996813 class) under section 9(5) when supplied through an ECO by unregistered suppliers; GST at 18%. Such ECO-routed local delivery is excluded from GTA.
- Add Explanation in 'specified premises' for restaurant services: stand-alone restaurants cannot mark themselves as 'specified premises'; hence cannot opt to pay 18% with ITC.

7. GSTAT – Dispute Resolution

- Goods & Services Tax Appellate Tribunal (GSTAT):
 - Accept appeals before end-Sep 2025;
 - Commence hearings before end-Dec 2025.

AVA Comments:

We should see expedited disposal of tribunal cases from next month as thousands of cases are pending.

8. Dates & Miscellaneous

- Most GST rate changes effective 22 Sep 2025 (phased for cess-linked items).
- Ad-hoc IGST & Compensation-cess exemption for an armoured sedan imported by the President's Secretariat.



About Us



The Story

AVA network, headquartered in Pune, is a prominent network of firms of Chartered Accountants across 11 cities in India. AVA Network is known for providing high quality professional service to diverse set of clientele ranging from MNCs, Public Listed Companies, MSMEs, Start-ups and HNI Individuals.

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