



56th GST Council Meeting

The 56th GST Council Meeting held on 3rd September 2025 has introduced major changes in the GST rate structure with an emphasis on rate rationalisation and consumer relief. The Council has moved towards a simplified two-rate framework – 5% merit rate and 18% standard rate – with a 40% demerit rate applicable to select goods. These changes will impact a wide range of sectors including FMCG, Food, Textiles, Automobiles, Aviation, Cement, Healthcare, Insurance, Agriculture, Renewable Energy, Hospitality, and more.

While the intent is to make essential goods and services more affordable and to reduce classification disputes, certain challenges remain:

- Exemptions and low-rate supplies without ITC may increase costs across supply chains.
- Businesses holding inventory of goods proposed to be exempted or moved to reduced rates without ITC, as of 21st September 2025 may suffer cash losses due to ITC reversals.
- The proposed effective date of 22nd September 2025 with respect to rate change allows limited time for businesses to reconfigure ERP systems, update pricing, and revise MRPs.
- No clarity on cess credit refunds continues to cause financial strain.
- Anti-profiteering compliance – Businesses must ensure that the benefit of rate reductions is passed on to consumers; otherwise, scrutiny and penalties may follow.

The consumers may anticipate price reductions, in practice, the benefit may not fully flow through due to loss of input tax credits, cash losses on inventories, and the added burden of anti-profiteering compliance within a short span of time.

Only a select list of key goods and services are highlighted in this Newsflash. For complete sectoral details and legal applicability, stakeholders are advised to refer to the forthcoming official notifications/ published press release of the Ministry of Finance.

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Aviation

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	9964	Supply of Air transport of passengers in other than economy class	12% with ITC	18% with ITC
2.	8802	Aircraft for personal use.	28%	40%
3.	8806	Unmanned aircrafts	28%/ 18%	5%

Automobiles

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	8702	Motor vehicles for the transport of ten or more persons, including the driver	28%	18%
2.	8703	<ul style="list-style-type: none"> Petrol, Liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm. Diesel driven motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm. Three wheeled vehicles 	28%	18%
3.	8702 or 8703	Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	28%	18%
4.	8703 40, 8703 60	Motor vehicles with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm	28%	18%
5.	8703 50, 870370	Motor vehicles with both compression-ignition internal combustion piston engine [diesel-or semi diesel] and electric motor as motors for propulsion, of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm	28%	18%
6.	8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars, other than those mentioned at Sr. No.2 to 5 of above table	28%	40%
7.	870340, 870360	Motor vehicles with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, of engine capacity exceeding 1200cc or of length exceeding 4000 mm	28%	40%

Sr. No.	HSN	Description	Present Rate	Proposed Rate
8.	870350, 870370	Motor vehicles with both compression-ignition internal combustion piston engine[diesel-or semi diesel] and electric motor as motors for propulsion, of engine capacity exceeding 1500cc or of length exceeding 4000 mm	28%	40%
9.	8707	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	28%	18%
10.	8708	Parts and accessories of the motor vehicles of headings 8701 to 8705 (other than specified parts of tractors)	28%	18%

Agriculture & Farm Equipment

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	8432	Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers; Parts [8432 90]	12%	5%
2.	8433	Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; parts thereof	12%	5%
3.	8701	Tractors (except road tractors for semi-trailers of engine capacity more than 1800 cc)	12%	5%

Construction

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	68	Sand lime bricks or Stone inlay work	12%	5%
2.	2515 12 10	Marble and travertine blocks	12%	5%
3.	2516	Granite blocks	12%	5%
4.	2523	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	28%	18%
5.	9954	Composite supply of works contract and associated services, in respect of offshore works contract relating to oil and gas exploration and production in offshore area	12% with ITC	18% with ITC
6.	9954	Composite supply of works contract involving predominantly earth work (that is, constituting more than 75% of the value of the works contract) provided to Government	12% with ITC	18% with ITC

Sr. No.	HSN	Description	Present Rate	Proposed Rate
7.	9954	Composite supply of works contract provided by a sub-contractor to the main contractor providing services at Sr. No. 5 above to Government	12% with ITC	18% with ITC

Education

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	4016	Erasers	5%	Nil
2.	4905	Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed	12%	Nil
3.	8214	Pencil sharpeners	12%	Nil
4.	9608, 9609	Pencils (including propelling or sliding pencils), crayons, pastels, drawing charcoals and tailor's chalk	12%	Nil
5.	4820	Exercise book, graph book, & laboratory note book and notebooks	12%	Nil
6.	7310 or 7326	Mathematical boxes, geometry boxes and colour boxes	12%	5%

Healthcare & Pharma

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	30	Agalsidase Beta, Imiglucerase, Eptacog alfa activated recombinant coagulation factor VIIa	5%	Nil
2.	30	Onasemnogene abeparvovec, Asciminib, Mepolizumab, Pegylated Liposomal Irinotecan, Daratumumab, Daratumumab subcutaneous, Teclistamab, Amivantamab, Alectinib, Risdiplam, Obinutuzumab, Polatuzumab vedotin, Entrectinib, Atezolizumab, Spesolimab, Velaglucerase Alpha, Agalsidase Alfa, Rurioctocog Alpha Pegol, Idursulphatase, Alglucosidase Alfa, Laronidase, Olipudase Alfa, Tepotinib, Avelumab, Emicizumab, Belumosudil, Miglustat, Velmanase Alfa, Alirocumab, Evolocumab, Cystamine Bitartrate, CI-Inhibitor injection, Inclisiran	12%	Nil
3.	30	All Drugs and medicines	12%	5%
4.	3822	All diagnostic kits and reagents	12%	5%
5.	9004	Spectacles, corrective [including goggles for correcting vision]	12%	5%

Sr. No.	HSN	Description	Present Rate	Proposed Rate
6.	9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments	12%	5%
7.	9019	Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus	12%	5%
8.	9020	Other breathing appliances and gas masks, excluding protective masks having neither mechanical parts nor replaceable filters	12%	5%
9.	9022	Apparatus based on the use of X-rays or of alpha, beta or gamma radiations, for medical, surgical, dental or veterinary uses, including radiography or radiotherapy apparatus, X-ray tubes and other X-ray generators, high tension generators, control panels and desks, screens, examinations or treatment tables, chairs and the light	12%	5%
10.	9025	Thermometers for medical, surgical, dental or veterinary usage	18%	5%
11.	9027	Instruments and apparatus for medical, surgical, dental or veterinary uses for physical or chemical analysis	18%	5%
12.	9804	All drugs and medicines imported and intended for personal use	12%	5%

Insurance

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	9971	All individual health insurance, along with reinsurance thereof	18% with ITC	Exempt
2.	9971	All individual life insurance, along with reinsurance thereof	18% with ITC	Exempt
3.	9971	Supply of Service of third-party insurance of “goods carriage”	12% with ITC	5% with ITC

Paper

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	4802	Uncoated paper and paperboard used for exercise book, graph book, laboratory notebook and notebooks	12%	Nil
2.	4802	Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non-perforated punch-	12%	18%

Sr. No.	HSN	Description	Present Rate	Proposed Rate
		cards and punch tape paper, in rolls or rectangular (including square) sheets, of any size, other than paper of heading 4801 or 4803; [other than Uncoated paper and paperboard for exercise book, graph book, laboratory notebook and notebooks]		
3.	4802	Hand-made paper and paperboard	12%	5%
4.	4804	Uncoated kraft paper and paperboard, in rolls or sheets, other than that of heading 4802 or 4803	12%	18%
5.	4805	Other uncoated paper and paperboard, in rolls or sheets, not further worked or processed than as specified in Note 3 to the Chapter	12%	18%
6.	4806 20 00	Greaseproof papers	12%	18%
7.	4806 40 10	Glassine papers	12%	18%
8.	4807	Composite paper and paperboard (made by sticking flat layers of paper or paperboard together with an adhesive), not surface-coated or impregnated, whether or not internally reinforced, in rolls or sheets	12%	18%
9.	4808	Paper and paperboard, corrugated (with or without glued flat surface sheets), creped, crinkled, embossed or perforated, in rolls or sheets, other than paper of the kind described in heading 4803	12%	18%
10.	4810	Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size	12%	18%
11.	4817 30	Boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment of paper stationery	12%	5%
12.	4819 10, 4819 20	Cartons, boxes and cases of,- <ul style="list-style-type: none"> Corrugated paper or paper boards; or Non-corrugated paper or paper board 	12%	5%

Power and Renewable Energy

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	2701	Coal; briquettes, ovoids & similar solid fuels manufactured from coal	5%	12%
2.	84, 85 or 94	Following renewable energy devices and parts for their manufacture:- <ul style="list-style-type: none"> • Bio-gas plant; • Solar power-based devices; • Solar power generator; • Wind mills, Wind Operated Electricity Generator; • Waste to energy plants / devices; • Solar lantern / solar lamp; • Ocean waves/tidal waves energy devices/plants; • Photo voltaic cells, whether or not assembled in modules or made up into panels 	12%	5%
3.	8401	Fuel elements (cartridges), non-irradiated, for nuclear reactors	12%	5%
4.	8419 12	Solar water heater and system	12%	5%
5.	9994	<ul style="list-style-type: none"> • Services by way of treatment of effluents by a Common Effluent Treatment Plant; • Services by way of treatment or disposal of biomedical waste or the processes incidental thereto by a common bio-medical waste treatment facility to a clinical establishment. 	12% with ITC	5% with ITC

Sports & Toys

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	9503	Toys like tricycles, scooters, pedal cars etc. (including parts and accessories thereof) [other than electronic toys]	12%	5%
2.	9503	Handicraft - Dolls or other toys made of wood or metal or textile material [including wooden toys of sawantwadi, Channapatna toys, Thanjavur doll]	12%	5%
3.	9504	Handicraft-Ganjifa card	12%	5%
4.	9504	Playing cards, chess board, carom board and other board games, like ludo, etc. [other than Video game consoles and Machines]	12%	5%
5.	9506	Sports goods other than articles and equipment for general physical exercise	12%	5%

Transportation

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	9964	Supply of Passenger transport by any motor vehicle where fuel cost is included	5% with ITC of input services (in the same line of business)	5% with ITC of input services (in the same line of business)
			12% with ITC	18% with ITC
2.	9965	Supply of Transport of goods by GTA	5% without ITC (RCM/FCM)	5% without ITC (RCM/FCM)
			12% with ITC	18% with ITC
3.	9965	Supply of transport of goods in containers by rail by any person other than Indian Railways	12% with ITC	5% with ITC
				18% with ITC
4.	9965	Supply of transportation of natural gas, petroleum crude, motor spirit, high speed diesel or ATF through pipeline	5% without ITC	5% without ITC
			12% with ITC	18% with ITC
5.	9965	Supply of Multimodal transport of goods within India	12% with ITC	5%, where no leg of transport is through air, with restricted ITC (i.e. 5% of input services of goods transportation).
				18% with ITC
6.	9966	Supply of Renting of any motor vehicle (with operator) designed to carry passengers where the cost of fuel is included in consideration	5% with ITC of input services (in the same line of business)	5% with ITC of input services (in the same line of business)
			12% with ITC	18% with ITC
7.	9966	Supply of Renting of goods carriage (with operator) where fuel cost is included in consideration	12% with ITC	5% with ITC of input services (in the same line of business)
				18% with ITC

Miscellaneous

Sr. No.	HSN	Description	Present Rate	Proposed Rate
1.	8415	Air-conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including	28%	18%

Sr. No.	HSN	Description	Present Rate	Proposed Rate
		those machines in which the humidity cannot be separately regulated		
2.	8528	Television sets (including LCD and LED television); Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receiver or sound or video recording or reproducing apparatus, set top box for television and Television set (including LCD and LED television).	28%	18%
3.	9963	Supply of “hotel accommodation” having value of supply of a unit of accommodation less than or equal to seven thousand five hundred rupees per unit per day or equivalent	12% with ITC	5% without ITC
4.	9996	Services by way of admission to exhibition of cinematograph films where price of admission ticket is one hundred rupees or less.	12% with ITC	5% with ITC
5.	9996	Admission to casinos, race clubs, any place having casinos or race clubs, or sporting events like the IPL.	28% With ITC	40% with ITC
6.	9996	Services by a race club for licensing of bookmakers in such club	28% With ITC	40% with ITC
7.	9996	Specified Actionable Claims (betting, casinos, gambling, horse racing, lottery, online money gaming) defined as goods	28% With ITC	40% with ITC

Measures for facilitation of Trade

The GST Council has approved multiple process reforms aimed at easing compliance, simplifying procedures, and introducing risk-based mechanisms to expedite refund and registration processes. The key decisions and recommendations are summarized as follows:

1. Operationalisation of GST Appellate Tribunal (GSTAT)

- GSTAT to be operational for filing appeals by end of September 2025.
- Hearings to commence by December 2025.
- Cut-off date for backlog appeals: 30th June 2026.
- The Principal Bench will also serve as the National Appellate Authority for Advance Ruling (NAAAR).
- This step is aimed at:
 - ✓ Providing a robust dispute resolution mechanism.
 - ✓ Ensuring consistency in advance rulings.
 - ✓ Bringing greater certainty and trust for taxpayers.

2. Amendment in Place of Supply Provisions for Intermediary Services

- Recommended removal of Clause (b) of Section 13(8) of the IGST Act, so the place of supply for intermediary services will follow the default rule in Section 13(2) i.e. location of the recipient.
- Intended to assist Indian service exporters in claiming export benefits.
- Similarly, any payments to foreign intermediaries will be subject to GST under reverse charge mechanism.

3. Amendments Concerning Post-Sale Discount

- Omission of requirement under Section 15(3)(b)(i) of CGST Act for discounts to be pre-agreed at or before supply.
- Discount to be given by credit note under Section 34 of CGST Act.
- Corresponding amendments to allow reversal of input tax credit by recipient (buyer) when post-sale discounts reduce consideration.
- Rescission of earlier circular (No.212/6/2024-GST dated 26th June, 2024) to align with these changes.
- Clarifications will be provided on tax treatment of post-sale discounts, including:
 - ✓ No input tax credit reversal if discount granted via financial/commercial credit note.
 - ✓ Treatment of manufacturer post-sale discounts to dealers as additional consideration in the transaction between dealer and end-customer.
 - ✓ Treatment of discounts as consideration in lieu of promotional activities performed by dealers.

4. Risk-Based Provisional Refund Mechanism

- Sanction of 90% provisional refund on claims related to zero-rated supplies (exports or supplies to SEZ developers/units) shall be based on system-driven data analysis and risk evaluation.
- Proper officers may, however, proceed with detailed scrutiny in exceptional cases based on recorded reasons.
- Certain categories of registered persons may be excluded from provisional refund eligibility via notification.
- This provision will be operative from 1st November 2025.

5. Provisional Refund for Inverted Duty Structure (IDS)

- Amendment proposal to Section 54(6) of the CGST Act to sanction 90% provisional refunds for cases arising from inverted duty structure similarly to zero-rated supplies.
- Pending legal amendments, CBIC will issue instructions for administrative implementation from 1st November 2025, directing Central Tax formations to grant such provisional refunds based on risk evaluation.

6. Removal of Threshold Limit for Export Refunds

- Amendment to Section 54(14) of CGST Act to eliminate the threshold limit for refunds on exports with tax payment.
- This will notably benefit small exporters using courier, postal, or similar modes by facilitating faster refunds.

7. Optional Simplified GST Registration Scheme for Small and Low-Risk Businesses

- Introduction of an automated, simplified registration scheme granting registration within three working days for low-risk applicants.
- Eligibility criteria include self-assessed output tax liability on supplies to registered persons not exceeding Rs. 2.5 lakh per month (inclusive of CGST, SGST/UTGST, IGST).
- Scheme will be voluntary with provision for opting in and withdrawal.
- Expected to cover approximately 96% of new GST registration applicants.
- Effective from 1st November 2025.

8. Simplified Registration Scheme for Small Suppliers on E-Commerce Platforms

- Concept approval to reduce compliance burdens on small suppliers selling via Electronic Commerce Operators (ECOs) across multiple States.
- The detailed modalities of this registration scheme to be tabled for approval later.
- Targeted at easing operations and enhancing participation in e-commerce businesses.

9. Retail Sale Price Based Valuation for Pan Masala and Tobacco Products

- Recommended retail sale price (RSP) based valuation for GST on Pan Masala, Gutkha, Cigarettes, Chewing Tobacco, Zarda, and related products.
- Amendments to CGST Rules, 2017 and supporting notifications will follow to implement this.

Time of Supply – Change in Rate of Tax

In case of a GST rate change, the applicable tax rate will depend on the time of supply provisions as per Section 14 of the CGST Act. Please refer to the table below for guidance.

Supply	Issue of Invoice within specified time	Date of Payment	Time of Supply for Payment of GST	Applicable Rate
Before rate change	On or after rate change	On or after rate change	Earliest of date of invoice or date of payment	New Rate
Before rate change	Before rate change	On or after rate change	Date of invoice	Old Rate
Before rate change	On or after rate change	Before rate change	Date of payment	Old Rate
On or after rate change	Before rate change	On or after rate change	Date of payment *	New Rate
On or after rate change	Before rate change	Before rate change	Earliest of date of invoice or date of payment	Old Rate
On or after rate change	On or after rate change	Before rate change	Date of invoice	New Rate

* Assuming that GST liability would have been paid at the time of issuance of invoice, the impact of the change in rate shall need to be effected through Debit / Credit Note.

Business Action Points

- Time of Supply & Invoicing – Apply correct GST rate for transactions before/after 22nd September 2025.
- ERP & Billing Systems – Update GST rates in ERP, e-invoicing, e-way bill systems.
- MRP & Pricing – Revise MRPs, catalogues, and labels as per Legal Metrology Act.
- ITC Reversal – Reverse input tax credit on stock of goods that become exempt or attract reduced rates without ITC, if such stock is unsold till 21st September 2025
- Anti-profiteering – Ensure rate benefits are passed on; maintain audit trail to avoid scrutiny.

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