



The Institute of Chartered Accountants of India

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

GST & INDIRECT TAXES COMMITTEE

Webinar on

Key Recommendations made in the 56th GST Council Meeting

CA. Umesh Sharma

Vice Chairman

GST & Indirect Taxes Committee

CA. Rajendra Kumar P

Chairman

GST & Indirect Taxes Committee



Recommendations

2

Highlights of 56th GST Council Meeting

- Reaffirmed Prime Minister's Independence Day vision for simplifying tax compliance
- Reiterated commitment to rationalizing GST rates and reducing compliance burden
Endorsed measures to ease burden on small businesses and consumers
- Set the stage for next-generation reforms aligned with national priorities
- Strengthened Centre-State collaboration to drive inclusive and sustainable tax governance
- Minimal revenue impact expected, with consumption shifts and compliance improvements offsetting rate reductions.



Recommendations

3

Rate Rationalisation in GST 2.0

- a Standard Rate of 18%
- a Merit Rate of 5%
- a special de-merit rate of 40% for a select few goods and service



Rate Rationalisation

4

Existing Rate Structure

- 0%
- 5%
- 12%
- 18%
- 28%

Proposed Rate Structure

- 0%
- 5% (Merit Rate)
- 18% (Standard Rate)
- 40% (Special de-merit rate for sin & luxury goods & services)



Global Practice on Rates

5

GST/VAT rates vary widely, with Hungary topping the chart at 27% VAT—the highest globally.

India uses a multi-tier GST system with rates of 5%, 12%, 18%, and 28%, depending on the category of goods/services.

Australia applies a flat 10% GST across most goods and services, keeping it simple and broad-based.

The UK levies 20% VAT, with reduced rates (5% or 0%) for essentials like food, books, and children's clothing.

UAE introduced VAT at 5% in 2018, marking a shift in tax policy across Gulf nations.



Significant Implications

6

Taxes cut on household essentials (soaps, toothpaste, Indian breads) to **5% or Nil** boosting affordability

Life-saving drugs, medicines reduced from **12% to Nil or 5%** making healthcare affordable

Two-wheelers, small cars, TVs, ACs, cement cut from **28% to 18%** bringing relief to middle-class.

Farm machinery, irrigation equipment cut from **12% to 5%**, reducing farming costs

Tobacco, pan masala, aerated drinks and luxury goods to be taxed at **40%**.

Exemptions for healthcare, education and insurance



Food and Household Sector

7

Products like Ultra-High Temperature (UHT) **milk**, Pre-packaged and labelled chena or paneer, all the **Indian Breads** will see **NIL** rates

Household goods like soaps, shampoos, toothbrushes, toothpaste, tableware, bicycles now at **5%**.

Food items such as packaged namkeens, Bhujia, Sauces, Pasta, Chocolates, Coffee, Preserved Meat etc. reduced from **12% OR 18% to 5%**.

Consumer durables: TVs (LCD/LED) (> 32'), ACs, dishwashers: **28% → 18%**.



Q. UHT (Ultra High Temperature) milk has been exempted. Does exemption to UHT milk also cover plant-based milk?

A. All dairy milk, other than UHT milk, were already exempt from GST. Hence UHT milk has been exempted to provide same tax treatment to similar goods. The GST rate on plant-based milk drinks and soya milk drinks have now been reduced to 5%.



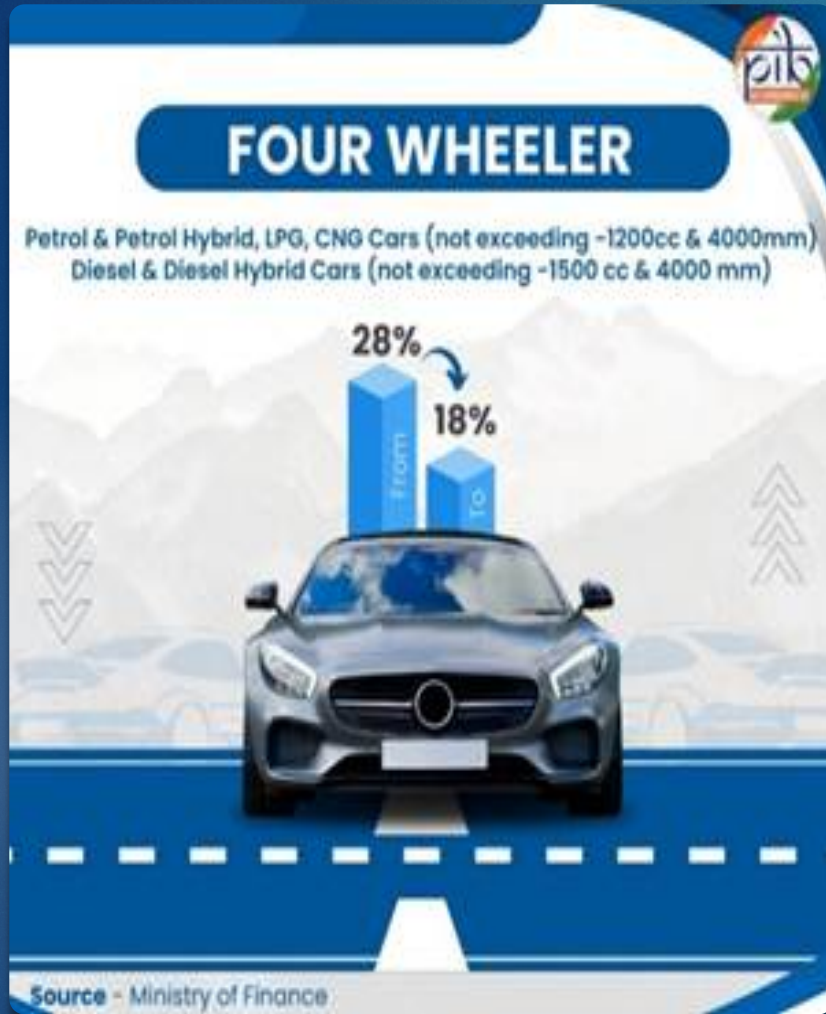
Home Building & Materials

9

Cement: **28% → 18%.**

Marble/travertine blocks, Granite blocks, Sand-lime bricks: **12% → 5%**

Bamboo flooring / joinery, Packing cases & pallets (wood): **12% → 5%**



Automobile Sector

Small cars, two-wheelers $\leq 350\text{cc}$: **28% \rightarrow 18%.**

Buses, trucks, three-wheelers, all auto parts: **28% \rightarrow 18%.**

Motor vehicles of engine capacity exceeding 1200cc or of length exceeding 4000 mm – **28% to 40% (without any cess).**

*



Agriculture Sector

Tractors: 12% → 5%;
Tires and parts: 18% → 5%.
Harvesters, threshers, sprinklers, drip irrigation, poultry & bee-keeping machines: 12% → 5%.
Bio-pesticides and natural menthol: 12% → 5%.

Medical Sector

33 life-saving drugs, diagnostic kits: 12% → 0%.

Other medicines including Ayurveda, Unani, Homoeopathy: 12% → 5%.

Spectacles and corrective goggles: 28% → 5%.

Medical oxygen, thermometers, surgical instruments: 12–18% → 5%.
Medical, dental, and veterinary devices cut from 18% to 5%.



Insurance Sector

GST on all individual life insurance policies whether term life, ULIP or endowment policies and reinsurance thereof have been exempted.

GST on all individual health insurance policies (including family floater policies and policies for senior citizens) and reinsurance thereof has been exempted.

INDIVIDUAL INSURANCE NOW GST FREE

OLD GST RATE **NEW GST RATE**

✓ INDIVIDUAL HEALTH INSURANCE	18% → NIL
✓ INDIVIDUAL LIFE INSURANCE	18% → NIL

INSURE THE PROCESS

- ✓ ZERO GST = BIG SAVINGS ON PREMIUMS.
- ✓ MORE AFFORDABLE FAMILY PROTECTION
- ✓ MONEY SAVED > HIGHER COVER, BETTER BENEFITS

SOURCE: MINISTRY OF FINANCE



Service Sector

14

Hotel stays up to ₹7,500/day from **12% to 5%.**

Gyms, salons, barbers, yoga GST cut from **18% to 5%.**



Recommendations

15

Changes in GST rate of Goods

Existing rate	Proposed rate	No. of items
5%	Nil	6
5%	18%	3
12%	Nil	6
12%	5%	249
12%	18%	19
18%	Nil	21



Recommendations

16

Changes in GST rate of Goods

Existing rate	Proposed rate	No. of items
18%	5%	59
18%	40%	1
18%/28%	5%	1
28%	18%	29
28%	40%	17



Recommendations

17

Changes in GST rate of Services

Sector	Existing rate	Proposed rate	No. of items	Description
Transportation	12% with ITC	18% with ITC	8	Some have been given option to pay tax at the rate of 5% without ITC
Job Work	12% with ITC	5% with ITC	5	
Job Work	12% with ITC	18% with ITC	1	
Construction Sector	12% with ITC	18% with ITC	3	



Recommendations

18

Changes in GST rate of Services

Sector	Entry	From	To
Local Delivery	Supply of local delivery services through Electronic Commerce Operator (ECO)	Not currently notified under section 9(5) of the CGST Act	<ul style="list-style-type: none">• Rate of GST at 18%.• Local delivery services, to be notified under section 9(5) of the CGST Act in cases where the person supplying such services through electronic commerce operator is not liable for registration under GST• The applicable rate on such services to be 18%.• Local delivery services provided by and through ECO to be excluded from the scope of GTA services.



Recommendations

19

Changes in GST rate of Services

Sector	Existing rate	Existing rate	Proposed Rate
Other Services	Supply of Service of third-party insurance of “goods carriage”	12% with ITC	5% with ITC
	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
	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
	Beauty and physical well-being services falling under group 99972	18% with ITC	5% without ITC



Recommendations

20

Changes in GST rate of Services

Description	Existing Rate	Proposed Rate
Admission to casinos, race clubs, any place having casinos or race clubs, or sporting events like the IPL.	28% with ITC	40% with ITC
Services by a race club for licensing of bookmakers in such club.		
Leasing or rental services, without operator, of goods which will attract (28%) 40% GST		
Specified Actionable Claims (betting, casinos, gambling, horse racing, lottery, online money gaming) defined as goods		



Other changes related to Services

21

- Explanations to be added to the definition of ‘**specified premises**’ in the context of taxability of restaurant services in order to clarify the position that a stand-alone restaurant cannot declare itself as a ‘specified premises’ and consequently cannot avail the option of paying GST at the rate of 18% with ITC.
- The Council has recommended to align the valuation rules with the change in the tax rate applicable to lottery tickets, certain amendments in the GST Valuation rules are being carried out



Date of Implementation

22

Effective 22.09.2025:

- Revised GST rates for goods (excluding tobacco-related items)
- Revised GST rates for services

Tobacco-related GST changes (Pan Masala, Gutkha, Cigarettes, etc.) to be notified post full discharge of compensation cess liabilities

CBIC to administratively initiate 90% provisional refunds under Inverted Duty Structure

- Based on data analytics & risk evaluation
- Pending formal amendments to CGST Act, 2017



Q. What shall be the applicable rate of tax, if a person had supplied goods/services or both before the changes in GST rates come into force but the invoices were issued later?

A. Applicable GST rate shall depend on the time of supply as per Section 14(a)(i)- Goods/services supplied *before* rate change, but invoice issued after:

- **Time of Supply Rules:**
- **Payment received *after* rate change:**
→ Time of supply = *Earlier of* invoice date or payment date
- **Payment received *before* rate change:**
→ Time of supply = *Date of payment*



Q. What will happen to the ITC for purchases made before changes in GST rates came into effect? Will I get ITC at reduced rate now?

A. If a registered person receives an inward supply and tax has been duly charged on it, at a rate which is in consonance with the rate prevailing at the time of such supply, the said registered person is entitled to the credit of such tax paid, subject to the other conditions/ restrictions specified under section 16 and manner specified in section 49 of the CGST Act 2017.



Q. Will the e-way bills have to be cancelled and generated afresh on goods in transit when the new rates come into effect?

A. As per rule 138 of CGST Rules, 2017 the e-way bill is to be generated before the start of supply/transport of goods. There is no mandatory requirement for cancellation and fresh generation of e-way bills for goods in transit when the new rates come into effect. E-way bills currently in transit will continue to remain valid as per their original validity period



Measures for Facilitation of Trade/ Policy related Measures



Sanction of risk-based provisional refund on Zero-Rated Supply & Inverted Duty Structure w.e.f 01.11.2025

- Rule 91(2) and section 54(6) to be amended respectively to provide for sanction of 90% of refund claimed as provisional refund.
- Certain notified category of registered persons may **not** be granted refund on provisional basis.
- 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.



GST Refunds in respect of low value export consignments

- Amendment proposed in section 54(14), to remove the threshold limit (i.e. Rs. 1,000/-) for refunds arising out of exports made with payment of tax.
- This will particularly help small exporters making exports through courier, postal mode etc.



Simplified GST Registration Scheme for Small and Low-Risk Businesses

- Optional scheme for low-risk applicants with monthly B2B self-assessed output tax liability \leq ₹2.5 lakh (incl. CGST, SGST/UTGST, IGST)
- Automated registration within 3 working days from application submission.
- Voluntary participation with flexibility to opt in or withdraw
- Scheme effective from 1st November 2025

•



Simplified GST Registration for Small E-Commerce Suppliers

- New registration mechanism for small suppliers selling via E-Commerce Operators (ECOs) across multiple States
- Addresses challenges in maintaining principal place of business in each State under current GST norms
- Enables streamlined compliance and broader market access for small-scale digital sellers
- Supports ease of doing business and promotes inclusive participation in the digital economy

•



Amendment to Place of Supply Rules – Intermediary Services

- GST Council recommends omission of Section 13(8)(b) of the IGST Act, 2017
- Place of supply for intermediary services to be determined by Section 13(2) – i.e., location of recipient
- Aligns with global best practices and ensures clarity in cross-border service taxation
- Enables Indian service providers to claim export benefits, boosting competitiveness
- A significant step towards simplifying GST framework for service exporters



Clarification on issues pertaining to Post Sale Discount

- Section 15(3)(b)(i) from CGST Act, 2017 is proposed to be omitted, 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.
- *Circular 212/6/2024 GST dt. 26.06.2024* which provides for the mechanism ensuring compliance of conditions of section 15(3)(b)(ii) by the supplier is proposed to be rescinded.



Clarification on issues pertaining to Post Sale Discount

- Section 15(3)(b) is proposed to be amended to provide that discount should be granted through credit note issued under section 34 of the CGST Act, 2017.
- Section 34 is proposed to be correspondingly amended 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-discount sale is given and value is reduced through GST credit note.



Clarification to be issued on following –

- 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 lieu of promotional activities etc. performed by the dealer.



Change in valuation method of Pan Masala, Cigarettes, etc

GST Council recommends shift from transaction value to retail sale price (RSP)-based valuation

Applicable to: Pan Masala, Cigarettes, Gutkha, Chewing Tobacco, Zarda, Scented & Unmanufactured Tobacco

To be implemented through amendments to CGST Rules, 2017 and relevant notifications

Aims to ensure uniform tax assessment, curb undervaluation, and enhance revenue transparency



Operationali zation of Goods and Services Tax Appellate Tribunal (GSTAT)

The GSTAT will be made operational for accepting appeals before end of September and will commence hearing before end of December this year.

- The Council also recommended the date of 30.06.2026 for limitation of filing of backlog appeals.
- The Principal Bench of the GSTAT will also serve as the National Appellate Authority for Advance Ruling.



Thank You