

BCAS

56th GST Council Meeting outcomes

16 September 2025

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Structure of Discussion

1

Overview

Key announcements, structural reforms, trade facilitation measures

2

Sector updates and impact areas

3

Way Forward

Government Advocacy, Transitioning and Readiness

Overview of key announcements

- The 56th GST Council Meeting, which was scheduled for 3rd and 4th September, got concluded on 3rd September, focusing primarily on rate rationalization, along with certain structural reforms and trade facilitation measures.
- Key recommendations made by the GST Council are as follows:

01 Rate rationalisation reforms

- **Rationalization** of the current four-tiered tax rate structure into a two rate structure with a standard rate of 18% and a merit rate of 5%.
- A **special de-merit rate** of 40% is proposed for a select few goods and services.
- The changes in GST rates on goods (except pan masala and tobacco products) and services will be implemented **w.e.f 22 September 2025**.
- Current tax structure (i.e., levy of GST and Compensation Cess) to continue on pan masala and tobacco products.

02 Structural reforms

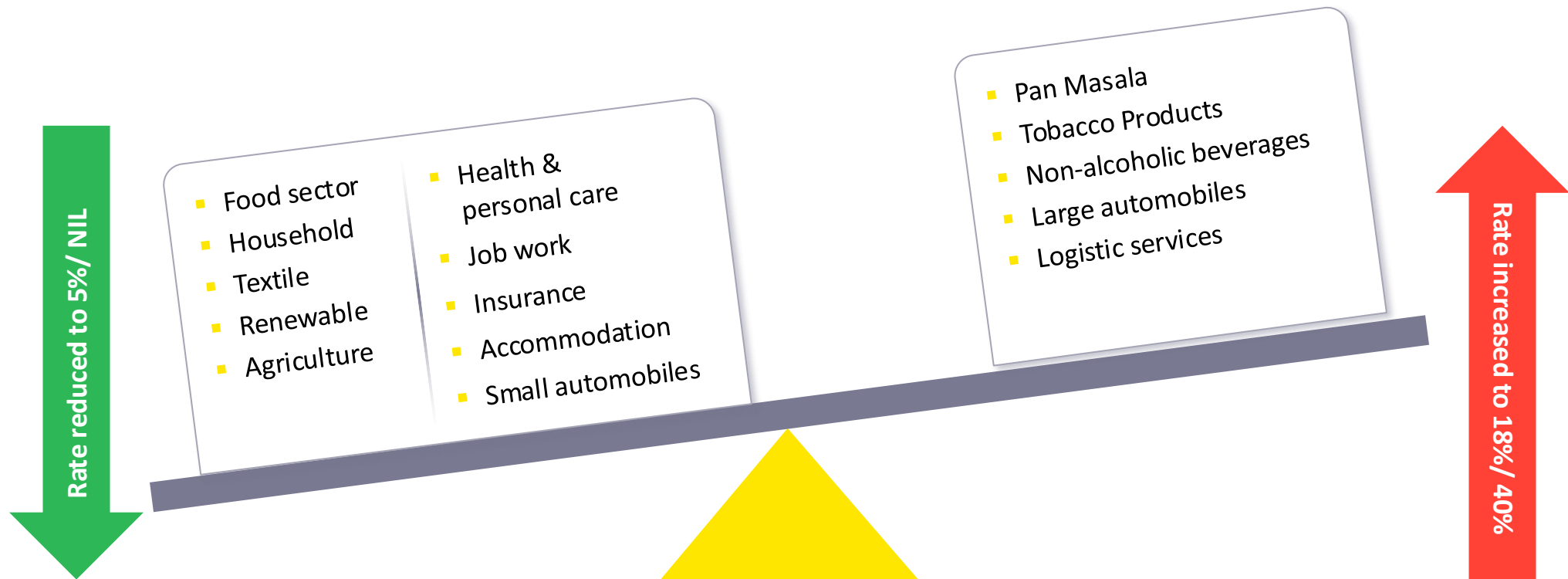
- **GST Appellate Tribunal (GSTAT)** will be operationalized for accepting appeals before the end of September 2025 and to commence hearing before the end of December 2025.
- The place of supply of **intermediary** services will be changed from location of the supplier to the location of the recipient.
- The requirement of establishing **post-sale 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 be omitted.

03 Trade facilitation measures

- Sanction of **risk-based provisional refund** to facilitate refund claims on account of zero-rated supply of goods or services.
- Similarly, provisional refund provisions will be inserted introduced for refund on account of inverted tax structure.
- Grant of **automated registration** within 3 days of application under simplified registration scheme for low risk applicants.

Overview of key announcements : Sectoral rate reforms

- Rate rationalisation has been implemented across the majority of sectors, directly impacting the daily expenditure of the common man and thereby enhancing affordability. However, certain sectors remain where tax rates have been increased
- A sector-wise overview of the rate rationalisation is provided below for ease of reference



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Structural reforms



Structural reforms

- **Place of supply in relation to 'intermediary services'**
 - At present, Section 13(8)(b) of the IGST Act, 2017 specifies 'location of supplier' as the place of supply for intermediary services
 - The GST Council has recommended to omit the said clause. Thereby, place of supply shall now 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'
 - Treating intermediary services as exports of services is likely to improve the competitiveness of Indian service providers and mitigate litigation around export status
- **Operationalisation of GST Appellate Tribunal (GSTAT)**
 - The GSTAT will be made operational for accepting appeals before end of September and will commence hearing before end of December 2025
 - The Council has also recommended the date of 30 June 2026 as the time limit for filing of backlog appeals
 - The Principal Bench of the GSTAT will also serve as the National Appellate Authority for Advance Ruling
 - The operationalization of GST Appellate Tribunals should help address litigation timelines and resolution of pending disputes

Structural reforms

- **Relaxation of conditions in relation to post sales discount**

- 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 be omitted
- Section 15(3)(b) of CGST Act to be amended to provide that discount should be granted through a credit note issued u/s 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 ITC by the recipient
- Circular No. 212/6/2024-GST dated 26 June 2024 which provided a mechanism ensuring compliance of conditions of Section 15(3)(b)(ii) of the CGST Act, 2017 by the suppliers to be rescinded
- Clarification issued vide Circular No. 251/08/2025-GST dated 12 September 2025 for certain issues relating to post sale discount:
 - Non-reversal of ITC 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

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Trade facilitation measures



Trade facilitation measures

- **Grant of provisional refunds on risk-based evaluation**
 - **Amendment in Rule 91(2) of the CGST Rules, 2017** – Officers to sanction 90% of refund claim as provisional refund on the basis of risk identification and evaluation. No provisional refund shall be granted only in exceptional circumstances. In such cases the officer may proceed with detailed scrutiny
 - **Amendment in Section 54(6) of the CGST Act, 2017** – Currently, refund on provisional basis is allowed only w.r.t zero-rated supplies. Post amendment, the same will also be allowed in cases arising out of inverted duty structure (IDS).
 - Post above amendments, instructions shall be issued by the CBIC to direct field formations to grant provisional refund, arising out of IDS on the basis of risk identification and evaluation
 - These changes w.r.t. provisional refund shall be operationalised from 1 November 2025
 - Further, at present, Section 54(14) of the CGST Act provides that no refund shall be paid if the amount is less than INR 1000. The said provision to be amended to remove the threshold limit for refunds arising out of exports made with payment of tax
- **Simplified registration scheme**
 - Optional simplified scheme will be introduced **to grant automated registration within 3 days** of application submission
 - **Eligibility** - Low risk applicants and applicants who based on their own assessment, determine that their total output tax liability on supplies to registered persons will not exceed INR 2.5 lakh per month.
 - Similarly, a simplified mechanism will be introduced for **small suppliers making supplies through ECOs across multiple States** who are presently facing challenges in maintaining principal place of business in each state as currently required under the GST framework

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Impact – Supply
chain perspective



Impact on Manufacturers



- The proposed GST 2.0 rate rationalisation will have a significant impact on manufacturers. Here's a breakdown of the positive impacts and challenges -



Positive Impacts:

- Simplified tax slabs (5%, 18%, 40%) reduce complexity & classification disputes
- Lower GST on many goods drives higher consumer demand, boosting production volumes
- Simplified compliance reduces tax filing burden, especially for MSMEs



Challenges:

- Potential input tax credit accumulation on account of Inverted rate Structure (inputs taxed higher than outputs)
- Inventory purchased under old rates may require repricing or discounting, impacting margins
- Billing systems need updates; Staff training required for smooth transition
- Input tax credit of compensation cess in case where the finished goods are unsold may become a cost as there is no mechanism to claim refund of compensation cess.
- Luxury & sin goods face higher 40% tax slab, potentially lowering demand and margins



Impact on Dealers/Distributors



- The proposed GST 2.0 rate rationalisation will have a significant impact on **dealers and distributors**. Here's a breakdown of the **positive impacts** and **challenges** they are likely to face:



Positive Impacts:

- **Price clarity and simplified invoicing** due to fewer GST slabs, reducing errors
- **Boost in sales volumes** as lower GST rates lead to reduced MRPs, encouraging consumer demand — especially in FMCG, auto, and electronics.
- **Reduced slabs leads to fewer discrepancies and simplified Input Tax Credit matching**



Challenges:

- **Losses on inventory purchased at old (higher) GST rates**, especially if rates are reduced and may require discounts, credit notes, or stock revaluation.
- Input tax credit of compensation cess in case where the finished goods are unsold may become a cost as there is no mechanism to claim refund of compensation cess.
- Competitive pricing pressure may force dealers to pass **the full GST benefit** to consumers without receiving proportionate compensation from manufacturers.



Key Impacts on Manufacturers, Dealers and Distributors

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Below is the summary of key impact areas on Manufacturers, Dealers and Distributors:

| | Key Impact Area + | Potential Impact + | Action Required + |
|----|---------------------------------------|--|---|
| 01 | Pricing Strategy | Impacts MRP setting and margin planning | Need to reassess pricing and classification of products across revised rate slabs |
| 02 | Supply Chain & Distribution Structure | Simplified GST slabs reduce complexity but require new pricing alignment | Restructure pricing policies; align with distributors and trade partners |
| 03 | Inventory & Packaging Management | Stock with old GST rates may lead to blocked ITC or margin pressure | Identify old stock; plan credit notes, discounts to clear inventory |
| 04 | Packaging & Labelling | Printed MRPs may no longer match GST-inclusive prices | Update/reprint packaging or use stickers; ensure compliance with anti-profiteering laws |
| 05 | Compliance & ERP Systems | Increased compliance complexity during transition | Update ERP/tax systems to handle new GST rates |

Impact on Manufacturers, Dealers and Distributors

Below is the summary of key impact areas on Manufacturers, Dealers and Distributors:

| | Key Impact Area | Potential Impact | Action Required |
|----|---------------------------|---|--|
| 06 | Trade Schemes | Existing schemes may not align with new tax structure | Realign discounts, schemes, and promotions to maintain profitability and compliance |
| 07 | E-commerce & Modern Trade | Price mismatches can cause consumer confusion and order cancellations | Align pricing and invoicing on digital platforms with updated GST slabs; ensure seamless transition. |
| 08 | Contract Management | Locked-in distributor contracts may create pricing conflicts | Renegotiate contracts with distributors to reflect new GST rates and pricing adjustments. |

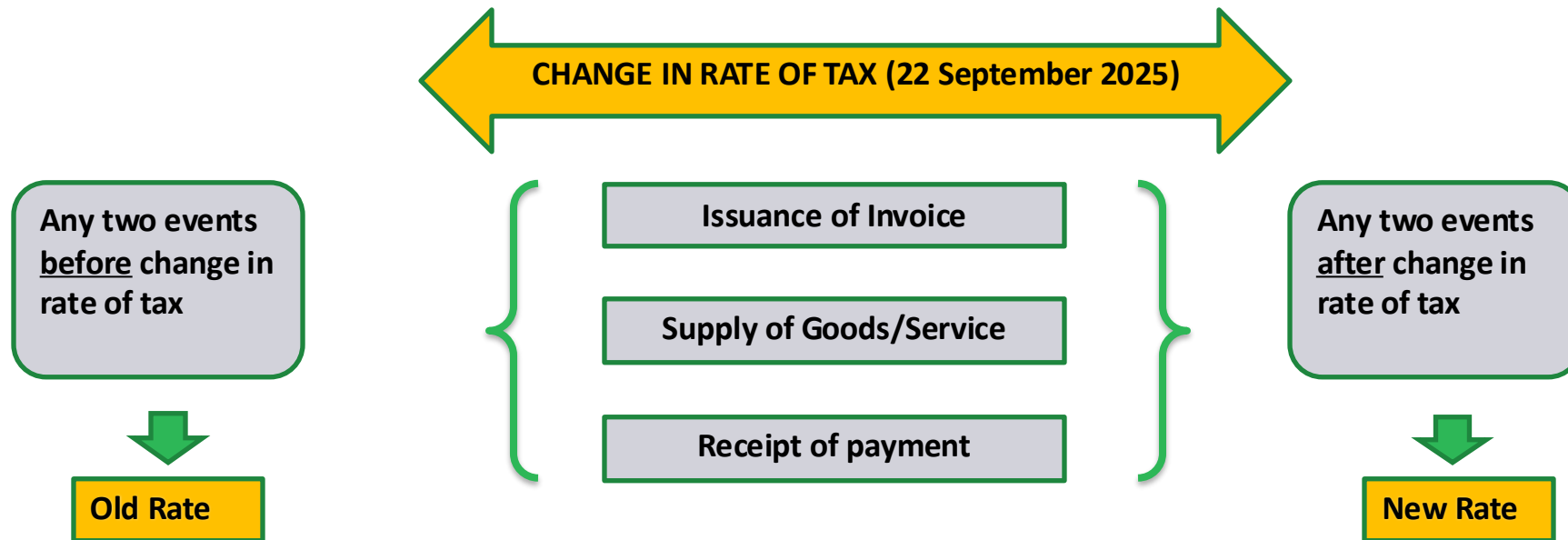
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Transition



Applicability of GST rates basis time of supply

- Where there is a change in rate of tax, the time of supply of Goods or Service or both, shall be determined in following manner (Section 14 of CGST Act, 2017):
- Timing of any two out of above three events shall determines the time of supply



- However, in case of supply of goods, time of supply is determined basis issuance of invoice according to Notification No. 66/2017. Accordingly, issuance of invoice as per Section 12(2)(a) r. w. 14 of the CGST Act, 2017 to determine the time of supply in case of rate change.

Transitioning and other impact considerations

- **Impact on account of debit/ credit notes:**
 - Supplies made prior to rate change (say 12%); Rate reduced to 5%; Credit note/ debit note raised post rate change; Tax rate on such credit/ debit note – Technically should apply basis rate as on the date of original supply i.e. 12%
 - Same principle should apply in case of sales return
- **Job work transactions: Impact on goods sent prior to rate change**
 - Inputs/ capital goods sent to job worker not returned within 1 year/ 3 year respectively – deemed as supply on the date when the said goods were sent out
 - Invoice to be raised by principal on expiry of said period – rate applicable 12@ (i.e., on the date of removal even if the rate at the time of raising invoice is 5%)
 - Invoice to be raised by job worker on return of such goods – rate applicable on the date of removal from job worker's premises (i.e., 5%)
- **Other considerations:**
 - Impact of reduced rate on incentive schemes linked to GST payment
 - Impact of reduced rate on rate inclusive contracts



Refund



Overview of refunds under GST

Concept

- Refund in case of export of goods / services can be:
 - With payment of tax ; *OR*
 - Without payment of tax
- In case of export of goods:
 - With payment of tax – no separate refund application is required
 - Without payment of tax – separate refund application to be made
- In case of export of services – separate refund application to be made irrespective of with / without payment of tax

Procedure – key points

- Grant of provisional refund in case of low risk exporters (not prosecuted for any offence exceeding INR 2.5 crores – Rule 91)
- Refund claim to be filed within a period of 2 years from the relevant date
- Bunching of more than one financial year in a refund claim is allowed
- Generally, applicant entitled to 6% interest if refund not sanctioned within 60 days from date of application
- Applicant entitled to 9% interest if refund (arising on account of order passed by adjudicating authority or Appellate Authority or Appellate Tribunal or court) is not sanctioned within 60 days from date of application filed consequent to such order

Inverted tax refund – Concept and Formula

- Section 54 of the CGST Act, 2017 permits a taxpayer to claim refund of accumulated ITC on account of rate of tax on **inputs** being higher than the rate of tax on output supplies (other than nil rated or fully exempt supplies).
- The refund is granted as per prescribed formula given under:

Maximum Refund Amount = {(Turnover of inverted rated supply of goods and services) x Net ITC ÷ Adjusted Total Turnover} - {tax payable on such inverted rated supply of goods and services x (Net ITC ÷ ITC availed on inputs and input services)}

- In view of the above formula,
 - refund is permissible only on inputs and **not** on input services and capital goods.
 - only a proportionate refund of ITC on inverted turnover is available after deducting tax payable on such inverted turnover in proportion to ITC on inputs

Inverted tax on Goods due to rate change - Refund eligibility not free form dispute

- Opening stock bearing GST at 12%/ 28% (procured prior to rate change) – sold at reduced rate of 5%/ 18% post rate change: **Likely to result in ITC accumulation**
- Refund under IDS – Circular 135
*“It may be noted that refund of accumulated ITC in terms of clause (ii) of first proviso to sub-section (3) of section 54 of the CGST Act is available where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies. It is noteworthy that, **the input and output being the same in such cases, though attracting different tax rates at different points in time, do not get covered** under the provisions of clause (ii) of the first proviso to sub-section (3) of section 54 of the CGST Act.”*
- The same aspect has been re-iterated vide the FAQs [Q 10] released in pursuance to GST council 56th meeting
- However, in following few of the Court judgements, the aforesaid Circular has been held as repugnant and conflicting to the parent legislation thereby permitting the refund even if input and output goods are same.
 - Baker Hughes – Rajasthan HC (2022-VIL-449-RAJ)
 - Shivaco Associates – Calcutta HC (2022-VIL-209-CAL)
 - BMG Informatics Pvt. Ltd. – Gauhati HC (2021-VIL-650-GAU)
- Accordingly, refund claim is disputed and if not allowed then liquidating ITC may take longer period depending on the taxpayer's margin & and may eventually become a cost

Interplay with anti-profiteering compliance requirement, If any, to be analysed



State Incentives



State incentives - Points to be considered

The following points need to be considered

- Maharashtra offers Gross SGST on most of the investment bracket so the impact may be slightly lower as compared to State offering NET SGST (Haryana, Gujarat, Punjab, Himachal, Telangana)
- In case goods get covered by Inverted Duty structure then States offering Net SGST will have no subsidy availment
- All the North east states are covered by Unnati scheme wherein the benefit is for GST and not only SGST.
- States which were offering options to investors of Capital subsidy or NET SGST should be allowed the option to switch over from NET SGST to other method (Rajasthan and UP) if the same is not found beneficial
- States wherein new policies are coming in (Maharashtra) is there a possibility to look at representation for introducing capital subsidy
- States which offer Capital Subsidy or Turnover Base (Madhya Pradesh, Karnataka) will gain the in bargain

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Impact on pricing



Impact on pricing

Key considerations for businesses

- Anti profiteering provision under GST law not made effective - however, Government's expectation is that the benefit of GST rate reduction should be passed on to the consumer by reducing prices
- Various FMCG companies have already announced the new MRPs effective 22 September 2025
- Manner of implementation – feasible options to be determined:
 - Price reduction, discount schemes, increase in grammage, combo packs
 - Post sale credit notes
 - MRP change, retail level discounts
- Other considerations:
 - Repository of price revision approach including its certification by CA
 - Evidence of communication of price revision to dealers/ distributors/ customers
 - Monitoring implementation of price revision across supply chain

Whether price reduction should fact loss on ITC accumulation?

Whether increase in grammage would be permissible for low price unit packs?

Impact on pricing – next steps

Key considerations for businesses - Likely to trigger immediately on implementation of rate reduction

- Whether price reduction to be calculated at entity level, state/ GSTN level, product category/, product level, transaction level
- MRP relabelling requirements manufacturers, packers and importers of pre packaged products
- Revised MRP Declaration is allowed via stamping, sticker, or online printing
- Revised MRP should be mentioned in addition to the original MRP and must not be overwritten on the old MRP
- Revised MRP to be published in at least 2 news paper advertisements
- Intimations of MRP change to dealers, customers and regulatory authorities
- Time limit for using old packaging - up to 31 December 2025

Practical challenges in MRP relabelling for inventory sold but lying with dealers / retailers



Automobile Sector



Automobile Sector

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|----------------|----------|
| Small cars (Petrol, CNG, LPG, HEV/PHEV, Diesel or semi-Diesel) upto 1500cc and 4Kmm in length | 28 – 31% | 18% |
| Midsize, large and SUV cars (HEV/PHEV, Diesel or semi-Diesel) exceeding 1200cc and 4Kmm in length | 43-50% | 40% |
| Motorcycle (less than 350cc) | 28% | 18% |
| Motorcycles (more than 350 cc) | 31% | 40% |
| Parts and accessories of motor vehicles | 28% | 18% |
| Bicycle (including delivery tricycles) not motorized and parts thereof | 12% | 5% |
| Ambulances, three wheelers | 28% | 18% |
| Auto Components for PV | Multiple rates | 18% |
| Fuel Cell motor vehicles, Tractors | 12% | 5% |
| Road tractors for semi-trailers (more than 1800 cc) | 28% | 18% |
| Motor vehicles for transportation of goods and passengers (10 or more including Driver) | 28% | 18% |
| Electric accumulators, including separators therefor, whether or not rectangular (including square) other than Lithium-ion battery | 28% | 18% |

Automobile Sector

Key Highlights and Impact

Industry Impact

- ▶ Impact on existing inventory lying with dealers having Cess leading to Cess ITC accumulation due to removal of Cess and its transition
- ▶ Boost to the entire sector across passenger vehicles, two wheelers, commercial and agricultural vehicles
- ▶ Reduced Classification and Tax Disputes: Relief from long pending disputes around GST rates on auto components with a single GST rate 18%
- ▶ Relaxed stance on anti - profiteering: Reflects government's trust in Industry and market forces to ensure equitable benefit across the economy
- ▶ Despite recent challenges in the Indian auto sector, a positive turnaround is likely with these GST initiatives.

Consumer Impact

- ▶ Affordability in budget segment: directly benefitting the middle-class and everyday consumers
- ▶ Reduced GST on passenger transport vehicles is set to expand accessibility
- ▶ Compensation Cess Relief: Slight impact on Larger cars (including SUV and luxury vehicles) 40%, compared with 43-50% currently
- ▶ Narrowed rate differential: While EVs retain a tax edge, the reduced gap makes hybrids also attractive, encouraging the adoption of fuel-efficient vehicles
- ▶ Increased Consumer Spending Power: Lower GST rates effectively increase disposable income, strengthening purchasing capacity and supports broader consumption growth, aligning with the government's vision of boosting middle-class prosperity by 2047

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Furniture and Fittings Sector



Furniture and Fittings

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|----------|----------|
| Handicraft- Furniture / Furniture of bamboo, rattan and cane. | 12% | 5% |
| Tableware and Kitchenware of wood | 12% | 5% |
| Tableware, kitchenware, other household articles and toilet articles; under Ceramic products | 12% | 5% |
| Table, kitchen or other household articles of, iron & steel, copper, aluminium; Utensils | 12% | 5% |
| Other furniture and parts thereof | 18% | 18% |
| Base metal mountings, fittings, etc. suitable for furniture, doors, etc. | 18% | 18% |
| Taps, cocks, valves, etc. for pipes, boiler shells, tanks, vats or the like | 18% | 18% |
| Tubes, pipes and hoses | 18% | 18% |
| Baths, shower baths, sinks, wash basins, and similar sanitary ware of plastics | 18% | 18% |

Industry Impact

- ▶ Tableware and kitchenware of wood, aluminium, iron & steel reduced to 5%.
- ▶ Tableware, kitchenware, other household articles and toilet articles; under Ceramic products category reduced to 5%.
- ▶ Majority of products under furniture and fittings under 18%
- ▶ Neutral impact for the sector

Consumer Impact

- ▶ GST on certain kitchen & toilet articles (wood, some metal, ceramic products) drops from 12% to 5%, enabling significant price cuts at the retail level
- ▶ The GST rate cut may not largely influence the Consumer spendings

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Paper and Packaging Sector



Paper and Packaging

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|---|----------|----------|
| Cartons, boxes and cases of,- (a) Corrugated paper or paper boards; or (b) Non-corrugated paper or paper board | 12% | 5% |
| Paper and paperboard, corrugated (with or without glued flat surface sheets), creped, crinkled, embossed or perforated, in rolls or sheets | 12% | 18% |
| Paper and paperboard, coated on one or both sides with China clay or other inorganic substances, with or without a binder, and with no other coating, | 12% | 18% |
| Pulps of fibres derived from recovered (waste and scrap) paper or paperboard or of other fibrous cellulosic material | 12% | 5% |
| Paper Sack and Bio degradable bags | 18% | 5% |
| Greaseproof papers, Glassine papers | 12% | 18% |

Industry Impact

- ▶ GST rate on cartons & boxes of corrugated and non-corrugated paper or paper boards reduced to 5%. This could assist in increased demand
- ▶ The increase in GST rate on certain paper and paperboard from 12% to 18% could lead to cost pressure on suppliers using this variant, or incentivizing a shift to alternate packaging materials.
- ▶ The significant rate cut for biodegradable bags and related products aligns with government sustainability goals, potentially boosting adoption of eco-friendly packaging solutions and expanding market opportunities.

Consumer Impact

- ▶ Sectors wherein final products are exempted, alternative packaging material may be evaluated where there is an increase in the GST rate on packaging products.

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Pharmaceutical Sector



Pharma Sector

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|----------|----------|
| Essential Medicines and Medicaments under Chapter 30, Other Drugs or Medicines used for personal use | 5%/12% | 0% |
| Medical grade oxygen & hydrogen peroxide, Surgical rubber gloves, Instruments used in medical, or dental or veterinary sciences, Other breathing appliances and gas masks, | 12% | 5% |
| Sterile suture materials, Wadding, Gauze, Bandages, All Diagnostic kits and reagents Blood Glucose Monitoring system, Spectacles corrective | 12% | 5% |
| Thermometers for medical, surgical dental or veterinary use | 18% | 5% |

Industry Impact

- ▶ Lower cost of medical equipment and devices: Cost reduction for hospitals and diagnostic centers, ultimately benefiting patients
- ▶ Higher accumulation of ITC and potential working capital strain for manufacturers
- ▶ Inventory repricing or discounting - affecting margins
- ▶ Impact on incentives: Companies availing state-level incentives may see a reduction in incentive amounts due to lower tax outflows

Consumer Impact

- ▶ Patients are expected to directly benefit from the reduced GST rates on drugs, medicines, medical devices and equipment
- ▶ This shall improve affordability and accessibility of healthcare for patients at large



Construction Sector



Data Centres

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|----------|----------|
| Sand lime bricks or stone inlay work | 12% | 5% |
| Cement bonded particle board, jute particle board, rice husk board, GRG board, etc. | | |
| Bamboo flooring; Bamboo wood building joinery | 12% | 5% |
| Wood marquetry, inlaid wood, statuettes, ornaments | | |
| Portland cement, aluminous cement, slag cement, super sulphate cement, etc | 28% | 18% |
| Composite supply of works contract for offshore oil & gas exploration Works contract involving >75% earthwork value provided to Government Sub-contracted works contract services for above Govt. projects | 12% | 18% |

Industry Impact

- ▶ The reduction in the GST rate on cement from 28% to 18% and on select wood-based products and sandlime bricks from 12% to 5%, may lower procurement costs
- ▶ While the output GST on real estate remains unchanged and the Input Tax Credit (ITC) on residential projects continues to be restricted, there could still be savings on account of reduced GST on key procurements
- ▶ Turnkey contractor models may see limited impact because contractors already offset ITC against the 18% output GST on works contracts
- ▶ Developer-led procurement may deliver measurable cost savings on key procurements and create room for commercial negotiations

Consumer Impact

- ▶ Standalone homebuilders: They stand to gain immediate relief where cement and related inputs constitute a significant share of construction costs
- ▶ Apartment buyers and commercial occupiers: Benefits are likely to be contingent on the developer's ability to pass on the savings on account of the reduced tax rates



FMCG Sector



FMCG Sector

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|----------|-----------|
| Products wholly made of quilted textile material not exceeding Rs. 2500 per piece | 12% | 5% |
| Articles of apparel and clothing accessories, knitted / not knitted or crocheted, of sale value not exceeding Rs. 2500 per piece | 5% | No change |
| Articles of apparel and clothing accessories, knitted / not knitted, or crocheted, of sale value exceeding Rs. 2500 per piece | 12% | 18% |
| Waste of manmade fibres | 18% | 5% |
| Sewing thread, yarn of manmade staple fibres | 12% | 5% |

Industry Impact

- ▶ Simplified GST slabs to reduce complexity and classification disputes
- ▶ Potential opportunity to boost sales on account of MRP/Price reduction
- ▶ Input Tax Credit (ITC) accumulation on account of inverted duty structure.
- ▶ Opening stocks may need repricing and re-stickering.
- ▶ Luxury and sin goods in the 40% slab may see lower demand or margins
- ▶ Impact on incentives linked to net GST cash outflow.

Consumer Impact

- ▶ Consumer prices for FMCG products may drop on account of GST rate cuts
- ▶ Lower prices may make ACs, TVs, dishwashers, apparel and footwear (up to INR2500) more affordable for consumers
- ▶ Higher GST rates (40% on sin or luxury goods, 18% on apparel or footwear above INR2500) may raise consumer costs.

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Finance and IT Sectors



Finance and IT

Key Highlights and Impact

| Entity / Sector | Key Activity Areas | Likely GST change impact | Anticipated Impact Summary |
|---|-------------------------|---|--|
| Avanse, Fusion, Home First Finance, IDFC First Bank, Truhome Finance, Vistaar | Consumer finance, loans | Finance services remain outside GST scope | <p>Primary impact is via overall economic uplift from lower GST on consumer goods.</p> <p><u>Impact on vehicle leasing companies:</u> Change in the rate of automobiles will directly impact vehicle leasing companies, leading to a potential delay in utilisation of tax credits as well as transition challenges, especially regarding the cost of cess accumulation on existing vehicle inventory.</p> |
| Perfios Software Solutions, Whatfix | IT services | Unaffected directly; broader reforms help compliance overhead | Indirect efficiency gains. |

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Insurance Sector



Insurance Sector (IndiaFirst Life Insurance, SBI General)

Key Highlights, Impact and Way forward

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|----------|----------|
| All individual life insurance services, along with reinsurance thereof | 18% | Exempt |
| All individual health insurance services, along with reinsurance thereof | 18% | Exempt |

Industry Impact

- ▶ **Insurance:** The exemption applies to all individual health and life insurance services, along with reinsurance services without the claim of Input Tax Credit (ITC). The ITC pertaining to such exempt supplies may need to be evaluated and reversed in light of the clarifications stated in the FAQs
- ▶ **Change in place of supply for intermediary services:** This change allows exporters to compete in the international markets and reduces future tax litigations. Imports for which the place of supply was outside India need to be evaluated for taxability under the reverse charge mechanism.
- ▶ The removal of the requirement to pay GST under RCM for individual commission agents, with the rate to be rationalized to 5% instead of 18% on all other commission payments.

Consumer Impact

- ▶ The health insurance services proposed to be covered include family floater policies, senior citizen policies and reinsurance. There is a need to evaluate whether critical illness, personal accident coverage and health insurance add-on policies purchased by individuals can be considered included in the exemption.
- ▶ The exemption for life insurance services includes term life, ULIP and endowment policies.
- ▶ Third-party insurance for 'goods carriage' to be liable to GST at 5% with ITC.
- ▶ The reduction in GST costs for consumers may increase the affordability of insurance services for individuals and make medical facilities more accessible.

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Logistics Sector



Logistics Sector

Key Highlights and Impact

Key Rate Rationalisations

| Particulars | Current Rate | Proposed rate |
|---|--|---|
| Passenger transport/ renting of 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 |
| Transport of goods by GTA | 5% without ITC (RCM/FCM) | 5% without ITC (RCM/FCM) |
| | 12% with ITC | 18% with ITC |
| Supply of transport of goods in containers by rail by any person other than Indian Railways | 12% with ITC | 5% without ITC |
| | | 18% with ITC |
| 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 |
| Local Delivery Services through ECOs | - | <p>GST at 18% shall apply in the hands of ECO under 9(5) – <i>where supplies effected by unregistered delivery partner</i></p> <p>Local delivery services provided by and through ECO should be excluded from ambit of GTA services</p> |

Logistics Sector (Allied Entities)

Key Highlights and Impact

Key Rate Rationalisations

| Particulars | Current Rate | Proposed rate |
|--|--|--|
| 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 |
| Supply of Renting of any motor vehicle (with operator) of any motor vehicle 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 |
| 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 |

Industry Impact

- ▶ The immediate cash flow impact on account of the increased rate of tax or the blockage of credit under the reduced 5% rate is to be expected
- ▶ Overall, the tax cost on procurements is expected to be beneficial with the rationalization of rates on motor vehicles, third-party goods carriage insurance, etc.

Consumer Impact

- ▶ Customers in exempt sectors (e.g., exempt pharmaceutical products) are likely to demand the adoption of the reduced 5% rate option
- ▶ With the introduction of a new class of 'local delivery services,' the cost of ordering food on online platforms is likely to increase

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Chemical Sector



Chemical Sector

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|---------------------------------|----------|----------|
| Anaesthetics | 12% | 5% |
| Potassium Iodate | 12% | 5% |
| Steam | 12% | 5% |
| Iodine | 12% | 5% |
| Medical grade oxygen | 12% | 5% |
| Sulphuric acid | 18% | 5% |
| Nitric acid | 18% | 5% |
| Ammonia | 18% | 5% |
| Medical grade hydrogen peroxide | 12% | 5% |
| Gibberellic acid | 12% | 5% |
| Natural menthol | 12% | 5% |

| Items | Old rate | New rate |
|--|----------|----------|
| Few goods made from natural menthol | 12% | 5% |
| Few goods made from other than natural menthol | 12% | 18% |
| Silicon wafers | 12% | 5% |
| Biodiesel (other than biodiesel supplied to OMC for blending with HSD) | 12% | 18% |
| Micronutrients, which are covered under serial number 1(g) of Schedule 1, Part (A) of the Fertilizer Control Order, 1985 and are manufactured by the manufacturers which are registered under the Fertilizer Control Order, 1985 | 12% | 5% |
| All diagnostic kits and reagents | 12% | 5% |

Industry Impact

- ▶ Welcome move as the reforms address the critical issue of inverted duty structures that have plagued chemical manufacturers for years.

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Energy Sector



Energy Sector

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|-----------|----------|
| Solar cookers, solar water heater | 12% | 5% |
| Following renewable energy devices and parts for their manufacture:- (a) Bio-gas plant; (b) Solar power-based devices; (c) Solar power generator; (d) Wind mills, Wind Operated Electricity Generator (WOEG); (e) Waste to energy plants / devices; (f) Solar lantern / solar lamp; (g) Ocean waves/tidal waves energy devices/plants; (h) Photo voltaic cells, whether or not assembled in modules or made up into panels | 12% | 5% |
| Fuel Cell Motor Vehicles including hydrogen vehicles based on fuel cell technology | 12% | 5% |
| Electric accumulators, including separators therefor, whether or not rectangular (including square) other than Lithium-ion battery and other Lithium-ion accumulators including Lithium-ion power banks | 28% | 18% |
| Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements | 28% | 18% |
| Coal, lignite, peat | 5% + Cess | 18% |

Industry Impact

- ▶ Effective GST on solar and wind projects (70:30 formula) reduced to 8.9%, hereby **deepening Inverted Duty Structure**
- ▶ GST rate reduction in Amonia to 5% may lead to credit accumulation due to inverted duty structure especially in Green Energy sector
- ▶ Boost to the renewable energy sector, enabling investments in the manufacturing sector, which is currently in the development stage
- ▶ The GST on coal has risen from 5% to 18%, replacing the INR400/ton cess. The net impact of this on thermal power costs is not expected to be significant.
- ▶ The reduction in GST on cement from 28% to 18% may positively impact infrastructure project costs
- ▶ **Capital cost reduction:** The reduction in GST from 12% to 5% on various renewable energy components reduces project capital costs, improving financial viability.
- ▶ **Oil and gas projects:** The specific increase in GST on goods used in petroleum production projects, as well as offshore works contracts and related services for oil and gas exploration, may potentially impact project costs.
- ▶ **Overall industrial development:** Energy is a key driver of industrialization, and the reduction in energy costs is expected to promote overall industrial development.

Energy Sector

Key Highlights and Impact

Consumer Impact

- ▶ **Energy security and sustainability:** Consumers benefit indirectly from more sustainable energy policies that promote a cleaner environment and diversify energy sources.
- ▶ Lower renewable energy costs may accelerate data center growth in India, a sector critical for powering the country's digital economy, cloud services and AI-driven future.
- ▶ Access to cost-effective energy fuels urbanization by supporting infrastructure, industries and services.
- ▶ Affordable energy enables wider adoption of farm machinery, enhancing efficiency and supporting the rural economy



Hospitality Sector



Hospitality Sector

Key Highlights and Impact

Key Rate Rationalisations – F&B

| Items | Old rate | New rate |
|--|------------|--------------------|
| UHT Milk, Paneer (pre-packaged) | 5% / 12% | NIL / 5% |
| Pizza Bread, Khakhra, Chapati, Roti, Parotta & Indian Breads | 5% / 18% | NIL |
| Cheese, Butter, Ghee, Condensed Milk | 12% | 5% |
| Pasta, Noodles, Namkeens, Bhujia, Sauces, Preserved Meat and fish, cocoa powder (unsweetened) | 12% / 18% | 5% |
| Chocolates, Coffee, Jams, Juices | 18% | 5% |
| Ice Cream, Edible Ice | 18% | 18% (No change) |
| Brazil Nuts, Almonds, Hazelnuts, Chestnuts, Pistachios, Macademia Nuts, Kola Nuts, Pine Nuts | 12% | 5% |
| Dried – Dates, figs, pineapples, avocados, guavas, mangoes, mangosteens, oranges, mandarins, grapefruits, pomelos, lemons, limes, wilkings | 12% | 5% |
| Fruit, dried, other than that of headings 0801 to 0806; mixtures of nuts or dried fruits | 12% | 5% |
| of Chapter 8 (other than dried tamarind) | | |
| Pastry, cakes, biscuits, rice paper | 18% | 5% |
| Aerated & Non-alcoholic Beverages | 18% / 28% | 40% |
| Cigars, cigarettes, cigarillos, Products containing tobacco or nicotine substitutes and intended for inhalation without combustion | 28% + Cess | 40% + Cess |

Key Rate Rationalisations – Accommodation, Restaurant

| Items | Old rate | New rate |
|---|------------------------------|------------------------------|
| GST on hotel accommodation (tariff ≤ ₹7,500 per unit per day) | 12% with ITC | 5% without ITC |
| Restaurant services or Outdoor catering Service (Specified premises/Non-Specified premises) | 18% with ITC/ 5% without ITC | 18% with ITC/ 5% without ITC |
| Inflight catering Service | 18% with ITC | 18% with ITC |
| Rent a cab | 12% with ITC/ 5% without ITC | 18% with ITC/ 5% without ITC |

Industry Impact

- ▶ Overall affordability in budget segment will directly the middle-class due to reduction in rate Increase in quantum of ITC reversal due to non-availability of ITC for budget hotels
- ▶ Increased rate on passenger transport would directly impact the customers in case where standalone (not part of package) rent a cab service offered
- ▶ Overall reduction in the cost of a project going forward due to GST rate reduction on construction material such as cement, marble, granite blocks, stone lime bricks, etc.



Metal and Mining Sector



Metal and Mining Sector

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|---|--------------|--------------|
| Coal; briquettes, ovoids and similar solid fuels manufactured from coal | 5% + Cess | 18% |
| Lignite, whether or not agglomerated, excluding jet | 5% + Cess | 18% |
| Peat (including peat litter), whether or not agglomerated | 5% + Cess | 18% |
| Cement | 28% | 18% |
| Supply of job-work not elsewhere covered (residual entry) | 12% with ITC | 18% with ITC |

Logistics related changes

| Particulars | Current Rate | Proposed rate |
|---|--------------------------|--------------------------|
| Transport of goods by GTA | 5% without ITC (RCM/FCM) | 5% without ITC (RCM/FCM) |
| | 12% with ITC | 18% with ITC |
| Supply of transport of goods in containers by rail by any person other than Indian Railways | 12% with ITC | 5% without ITC |
| | | 18% with ITC |

Industry Impact

- ▶ Steel products continue at existing GST rates (typically 18% for most steel items)
- ▶ Impact on existing coal inventory having Cess leading to Cess ITC accumulation due to removal of Cess and its transition
- ▶ GST rate change on coal and GTA to have an impact of ITC reversals for excess power transferred to GRID
- ▶ Net positive impact on coal, lignite, peat (GST rate increased by 13% but Compensation Cess is removed resulting in overall cost reduction)
- ▶ Reduction in GST rate for cement will reduce construction and maintenance cost
- ▶ 6% higher GST on outsourced job-work, but ITC availability maintains tax neutrality
- ▶ Closely co-ordinate with vendors / review contracts to assess pricing impact based on GST rate changes

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Agricultural goods and Agro Sector



Agricultural goods and Agro Sector

Key Highlights and Impact

Key Rate Rationalisations

| Items | Old rate | New rate |
|--|----------|----------|
| Fixed Speed Diesel Engines of power not exceeding 15HP | 12% | 5% |
| Other hand pumps | 12% | 5% |
| Nozzles for drip irrigation equipment or nozzles for sprinklers | 12% | 5% |
| Sprinklers; drip irrigation system including laterals; mechanical sprayers | 12% | 5% |
| Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers; Parts [8432 90] | 12% | 5% |
| Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; parts thereof | 12% | 5% |
| Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders; parts thereof | 12% | 5% |
| Composting Machines | 12% | 5% |
| Tractors (except road tractors for semi-trailers of engine capacity more than 1800 cc) | 12% | 5% |
| Self-loading or self-unloading trailers for agricultural purposes | 12% | 5% |
| Hand propelled vehicles (e.g. hand carts, rickshaws and the like); animal drawn vehicles | 12% | 5% |

| Items | Old rate | New rate |
|---|----------|----------|
| Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products | 18% | 5% |
| Vegetable waxes (other than triglycerides), Beeswax, other insect waxes and spermaceti, whether or not refined or coloured | 18% | 5% |
| Cocoa butter, fat and oil | 18% | 5% |
| Cocoa powder, not containing added sugar or sweetening matter | 18% | 5% |
| All goods i.e. Corn flakes, bulgar wheat, prepared foods obtained from cereal flakes, Fortified Rice Kernel (FRK) | 18% | 5% |

Industry Impact

- ▶ GST council has reduced the GST rate from 12% to 5% on agricultural goods, such as tractors, agricultural, horticultural or forestry machinery for soil preparation or cultivation, harvesting or threshing machinery, including straw or fodder balers, grass or hay mowers, composting machines etc.
- ▶ GST rates on various agro commodities such as Vegetables, Fruits, Nuts, dates, Citrus fruit etc. has reduced from 12% to 5%
- ▶ GST rates on other agro commodities such as 'Malt, whether or not roasted', 'Chocolates and other food preparations containing cocoa', 'Cocoa butter, fat and oil' etc. from 18% to 5%

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Summary impact & Way Forward



Key impact areas



Way Forward

- **Ensuring system readiness:** Update ERP and tax systems to incorporate revised GST rates from effective date i.e., 22 Sept 2025.
- **Pricing strategy:** Reassess product pricing, MRP setting, and margin planning across revised rate slabs to reflect tax reductions.
- **Trade alignment:** Restructure pricing policies, align with distributors/trade partners, renegotiate contracts, and ensure timely communication on transitional aspects to minimize supply chain disruptions.
- **Government advocacy:** Explore representation of key issues including:
 - Allowing a refund of inverted duty on capital goods and input services.
 - Extending the inverted duty refund to traders facing ITC accumulation due to rate changes.
- **Transitional planning:** Identify old stock, plan credit notes/discounts to clear inventory, and other regulatory requirements, as applicable.
- **Assess the risk of ITC accumulation for imported consignments** in transit or on-hand stock, and consider mitigation measures such as bonded warehouse imports, subject to business and commercial feasibility.
- **Review State Incentives/ Subsidies** and initiate dialogue with State authorities, if revisions or renegotiations are needed

Any queries



Thank You

