

56th GST Council Meeting: Key Highlights

The 56th meeting of the GST Council was held on 3rd September 2025 at Sushma Swaraj Bhavan, New Delhi under the chairpersonship of Union Finance & Corporate Affairs Minister Smt. Nirmala Sitharaman. The Council made significant recommendations relating to changes in GST tax rates, providing relief to individuals, common man, aspirational middle class and measures for facilitation of trade in GST.



Implementation Timeline

The Council decided that the changes in GST rates would be implemented in a phased manner:

22nd September 2025

Changes in GST rates on services and most goods (except tobacco products) will be implemented from this date.

Later Date

Pan Masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi will continue at existing rates until compensation cess obligations are discharged.

To Be Decided

Union Finance Minister will decide the actual date of transition to revised rates for tobacco products based on compensation cess account obligations.

The Council also recommended starting administrative implementation of the revised system of 90% provisional refunds arising out of Inverted Duty structure, pending requisite amendments in CGST Act, 2017.



Major Rate Reductions for Common Man

Food Items

UHT milk, chena/paneer, pizza bread, khakhra, chapathi, roti, paratha, and other Indian breads now **GST-free (Nil rate)**.

Personal Care

Talcum powder, face powder, hair oil, shampoo, dental floss, toothpaste, toothbrushes and toilet soaps reduced from **18% to 5%**.

Education

Erasers, pencil sharpeners, pencils, maps and educational notebooks now **GST-free (Nil rate)**.

Healthcare Sector Relief

Complete GST Exemption

- 33 life-saving drugs including Onasemnogene abeparvovec, Daratumumab, Risdiplam and others now GST-free
- Agalsidase Beta, Imiglucerase, and Eptacog alfa also exempted

Rate Reduction (12% to 5%)

- All drugs and medicines including Fluticasone Furoate, Brentuximab Vedotin
- Medical instruments, appliances and equipment
- Surgical gloves and medical examination rubber gloves

Insurance Relief

All individual health insurance and life insurance, along with reinsurance thereof, now **completely exempt from GST** (reduced from 18%).



Agricultural Sector Benefits

Farm Machinery

GST reduced from 12% to 5% on agricultural machinery for soil preparation, harvesting equipment, grass/hay mowers, and other farming equipment.

Irrigation Equipment

Nozzles for drip irrigation, sprinklers, and mechanical sprayers now at 5% GST (reduced from 12%).

Tractor Parts

Various tractor parts including rear wheel rim, housing transmission, support front axle, brakes assembly, gear boxes, and more reduced from 18% to 5%.

Diesel Engines

Fixed Speed Diesel Engines of power not exceeding 15HP and Agricultural Diesel Engines for tractors now at 5% GST.

Textile and Footwear Sector Changes

Textile Rate Reductions

- Sewing thread, synthetic/artificial filament yarns, and manmade staple fibres reduced to 5% GST
- Carpets, textile floor coverings, and various textile fabrics now at 5% GST
- Handmade/hand embroidered shawls reduced to 5% GST

These reductions will help make textile products more affordable and boost the textile industry.

Footwear Changes

Footwear of sale value not exceeding Rs. 2,500 per pair reduced from 12% to 5% GST.

Footwear exceeding Rs. 2,500 per pair will continue to attract 18% GST.



Transportation Sector Reforms



Passenger Vehicles

GST on small petrol/LPG/CNG cars (engine $\leq 1200\text{cc}$, length $\leq 4000\text{mm}$) and small diesel cars (engine $\leq 1500\text{cc}$, length $\leq 4000\text{mm}$) reduced from 28% to 18%.



Commercial Vehicles

GST on goods transport vehicles, chassis, bodies, and parts reduced from 28% to 18%.



Two-Wheelers

GST on motorcycles with engine capacity $\leq 350\text{cc}$ reduced to 18%, while those $> 350\text{cc}$ increased to 40%.

However, larger and luxury vehicles will now attract a higher GST rate of 40% (increased from 28%), including motor cars exceeding the small vehicle criteria and motorcycles with engine capacity exceeding 350cc.





Construction Sector Changes

Rate Reductions

- Portland cement, aluminous cement, slag cement reduced from 28% to 18%
- Marble and travertine blocks reduced from 12% to 5%
- Granite blocks reduced from 12% to 5%
- Sand lime bricks or Stone inlay work reduced from 12% to 5%

Rate Increases

- Works contract involving predominantly earth work (>75% of value) provided to Government increased from 12% to 18%
- Sub-contractor services for such works increased from 12% to 18%
- Offshore works contract relating to oil and gas exploration increased from 12% to 18%

Luxury and Sin Goods: Higher GST Rates From 28% to 40%

Tobacco Products

Pan masala, cigarettes, gutkha, chewing tobacco products, unmanufactured tobacco, and products for inhalation without combustion.

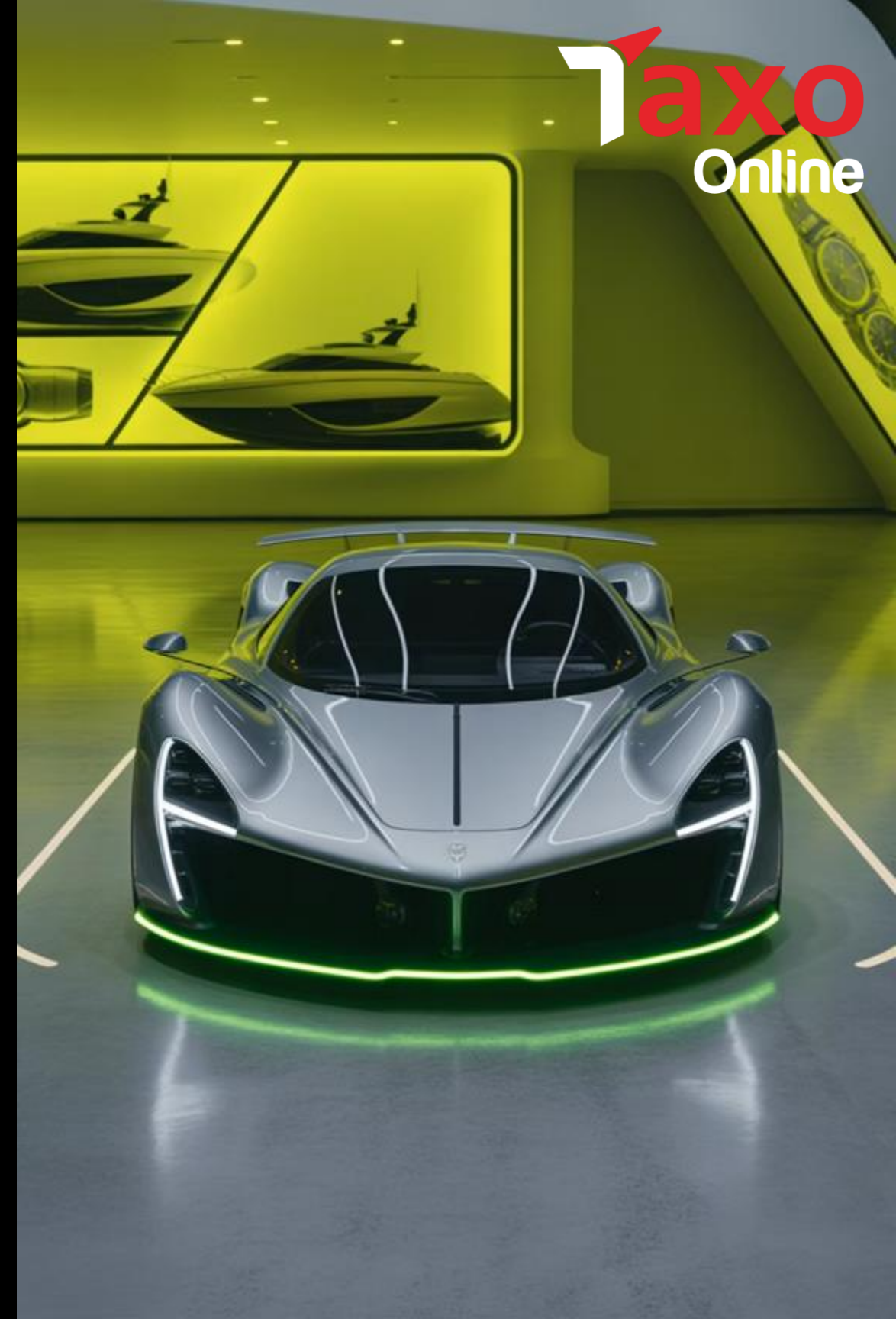
Luxury Vehicles

Larger motor cars, luxury vehicles, motorcycles >350cc, aircraft for personal use, and yachts.

Gaming & Entertainment

Casinos, race clubs, betting, gambling, horse racing, lottery, and online money gaming.

These increases are aimed at discouraging consumption of harmful products and luxury items while generating additional revenue.



Handicrafts Sector Relief

Rate Reductions (12% to 5%)

- Wooden handicrafts including carved products, frames, and ornaments
- Stone art ware and inlay work
- Ceramic and pottery items
- Metal art ware (brass, copper, iron, aluminum)
- Handcrafted lamps and furniture
- Handmade paper and paper board

Other Handicraft Items

- Idols of wood, stone, and metals (except precious metals)
- Hand paintings, drawings, and original sculptures
- Worked ivory, bone, shell, and other animal carving material
- Antiques exceeding one hundred years
- Handmade/hand embroidered shawls



Food and Beverage Sector Changes

Rate Reductions

Numerous food items reduced from 12% to 5% including cheese, butter, dried fruits and nuts, pasta, fruit juices, and prepared foods.

Complete Exemptions

GST-free (Nil rate) for milk, chenna/paneer, pizza, bread, khakhra, chapathi, roti, paratha, and other Indian breads now GST-free (Nil rate).

Rate Increases

Carbonated beverages, caffeinated drinks, and aerated waters with added sugar increased from 28% to 40% GST.

The Council also recommended retail sale price-based valuation under GST for Pan Masala, Cigarettes, Gutkha, Chewing Tobacco, Zarda, Scented tobacco and Unmanufactured Tobacco.

Operationalization of GST Appellate Tribunal

Key Timelines

- Accepting appeals: Before end of September 2025
- Commencement of hearings: Before end of December 2025
- Limitation for filing backlog appeals: 30.06.2026

The Principal Bench of the GSTAT will also serve as the National Appellate Authority for Advance Ruling.

Expected Benefits

These measures will significantly strengthen the institutional framework of GST by providing:

- A robust mechanism for dispute resolution
- Consistency in advance rulings
- Greater certainty to taxpayers
- Enhanced trust, transparency, and ease of doing business

Trade Facilitation Measures

1 Risk-Based Provisional Refund

Sanction of 90% of refund claimed as provisional refund for zero-rated supplies and inverted duty structure based on system risk evaluation. To be operationalized from 1st November, 2025.

2 Low Value Export Refunds

Amendment to section 54(14) of CGST Act to remove threshold limit for refunds arising out of exports made with payment of tax, helping small exporters using courier or postal mode.

3 Simplified Registration

Optional simplified GST registration scheme with automated approval within three working days for low-risk applicants and those with monthly output tax liability \leq Rs. 2.5 lakh. To be operationalized from 1st November, 2025.

4 E-commerce Facilitation

Simplified GST registration mechanism for small suppliers making supplies through e-commerce operators across multiple States, removing the need for principal place of business in each State.

Post-Sale Discount Clarifications

Key Amendments

- Omission of section 15(3)(b)(i) of CGST Act, removing requirement of establishing discount in terms of pre-supply agreement
- Amendment to section 15(3)(b) to provide that discount should be granted through credit note issued under section 34
- Corresponding amendment to section 34 to include reference to section 15(3)(b)
- Rescinding of circular No.212/6/2024-GST dated 26th June 2024

Clarifications on:

- Non-reversal of Input Tax Credit on account of post-sale discount through financial/commercial credit note
- Treatment of post-sale discount provided by manufacturer to dealer as additional consideration in dealer-customer transaction
- Treatment of post-sale discount as consideration for promotional activities performed by dealer

These changes aim to remove ambiguity and prevent legal disputes regarding post-sale discounts.



Changes for Intermediary Services

Current Situation

Under section 13(8)(b) of IGST Act, place of supply for intermediary services is the location of the supplier, making exports of such services ineligible for zero-rating benefits.

Recommended Change

Omission of clause (b) of section 13(8) of IGST Act 2017, making the place of supply for intermediary services the location of the recipient as per default provision under section 13(2).

1

Before Amendment

Place of supply: Location of supplier

Result: No export benefits for intermediary services

2

After Amendment

Place of supply: Location of recipient

Result: Export benefits available for intermediary services

This change will significantly help Indian exporters of intermediary services to claim export benefits, enhancing their global competitiveness.



Local Delivery Services through E-Commerce

Current Status

Local delivery services are currently taxed at 18% with ITC under SAC 996813 (Postal and Courier Services). Not currently notified under section 9(5) of the CGST Act for ECO liability.

Recommended Changes

- GST rate to remain at 18%
- Local delivery services to be notified under section 9(5) of CGST Act for ECO liability when supplier is not registered
- Local delivery services provided through ECO to be excluded from GTA services scope

This change will streamline tax collection for the growing gig economy delivery services and ensure proper compliance while maintaining the existing tax rate.



Renewable Energy Sector Benefits



Solar Energy

GST reduced from 12% to 5% on solar water heaters, solar power-based devices, solar power generators, solar lanterns/lamps, and photovoltaic cells.



Wind Energy

GST reduced from 12% to 5% on wind mills and Wind Operated Electricity Generators (WOEG).



Other Green Technologies

GST reduced from 12% to 5% on bio-gas plants, waste to energy plants/devices, and ocean waves/tidal waves energy devices/plants.

Additionally, GST on Fuel Cell Motor Vehicles including hydrogen vehicles based on fuel cell technology has been reduced from 12% to 5%, encouraging adoption of zero-emission vehicles.



Paper and Stationery Sector Changes

Rate Reductions

- Uncoated paper for exercise books, graph books, lab notebooks now GST-free (Nil)
- Mechanical wood pulp, chemical wood pulp, and other pulps reduced to 5%
- Paper boxes, pouches, and paper pulp moulded trays reduced to 5%
- Paper sacks and biodegradable bags reduced from 18% to 5%

Rate Increases

- Chemical wood pulp (dissolving grades) increased from 12% to 18%
- Uncoated paper and paperboard for writing/printing increased to 18%
- Uncoated kraft paper, greaseproof papers, and glassine papers increased to 18%
- Composite paper and paperboard increased to 18%



Coal and Cement Rate Changes

Coal Sector

GST rates increased from 5% to 18% on:

- Coal and briquettes manufactured from coal
- Lignite (excluding jet)
- Peat (including peat litter)

This increase aligns with the government's focus on cleaner energy sources and environmental considerations.

Cement Sector

GST rate on Portland cement, aluminous cement, slag cement, and similar hydraulic cements reduced from 28% to 18%.

This reduction will benefit the construction industry, infrastructure development, and housing sector, potentially reducing construction costs.



Key Takeaways and Next Steps

391

Total Items with Rate Changes
Comprehensive revision of GST rates across goods and services

22nd

September 2025
Implementation date for most rate changes

1st

November 2025
Launch of simplified registration and refund processes

The GST Council's recommendations represent a significant overhaul of the tax structure, providing relief to common citizens while rationalizing rates across sectors. These changes aim to simplify compliance, reduce litigation, and make the GST system more efficient and business-friendly.

The recommendations will be given effect through relevant circulars, notifications, and law amendments which alone shall have the force of law. Stakeholders should monitor official communications for detailed implementation guidelines.

THANK YOU



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