

# 56th Meeting of the GST Council: Key Decisions and Recommendations

The 56th meeting of the GST Council was held on 3rd September, 2025 at Sushma Swaraj Bhavan, New Delhi under the chairpersonship of the 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.

Developed by Team TAXO

# Changes in GST Rates of Goods

The GST Council has recommended numerous changes to tax rates across various categories of goods. These changes aim to rationalize the tax structure and provide relief to consumers and businesses.

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## Rate Reductions

Several items have seen rate reductions from 12% to 5%, 18% to 5%, and some items from 5% to Nil. These include essential food items, healthcare products, and items of daily use.

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## Rate Increases

Certain items like coal, tobacco products, and luxury vehicles have seen rate increases from 5% to 18% or 28% to 40%, reflecting the policy to tax luxury and sin goods at higher rates.

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## Implementation Timeline

Most changes will be implemented from 22nd September 2025, except for tobacco products which will continue at existing rates until compensation cess obligations are discharged.

The Council has decided that GST will be levied on Retail Sale Price (RSP) instead of transaction value on Pan Masala, Gutkha, Cigarettes, Unmanufactured tobacco, and Chewing tobacco like Zarda. Additionally, ad hoc IGST and compensation cess exemption has been granted on new armoured sedan Car imported by the President's Secretariat for the President of India.

# Changes in GST Rates of Services

The GST Council has recommended significant changes to the tax rates applicable to various services, aiming to rationalize the tax structure and provide relief to specific sectors.

## Rate Reductions

- Hotel accommodation (value  $\leq$  ₹7,500 per day): 12% with ITC to 5% without ITC
- Third-party insurance of goods carriage: 12% to 5% with ITC
- Cinema tickets ( $\leq$  ₹100): 12% to 5% with ITC
- Beauty and physical well-being services: 18% with ITC to 5% without ITC

## Rate Increases

- Air transport (other than economy class): 12% to 18% with ITC
- Transport of goods by GTA: 12% to 18% with ITC
- Casinos, race clubs, sporting events like IPL: 28% to 40% with ITC
- Online money gaming, betting, gambling: 28% to 40% with ITC

## New Exemptions

The Council has recommended complete exemption from GST for:

- All individual health insurance, along with reinsurance thereof
- All individual life insurance, along with reinsurance thereof

The Council has also recommended to add Explanations to the definition of 'specified premises' for restaurant services and align valuation rules with the change in tax rate applicable to lottery tickets.

# Implementation Timeline for GST Rate Changes

The GST Council has recommended a phased implementation of the rate changes to ensure smooth transition and to fulfill obligations under the compensation cess account.

## Services and Most Goods

Changes in GST rates on services and most goods (except tobacco products) will be implemented with effect from 22nd September 2025.

## Tobacco Products

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

## Final Decision

The Union Finance Minister and Chairperson of the GST Council will decide the actual date of transition to revised rates for tobacco products based on the status of compensation cess obligations.

Additionally, pending requisite amendments in CGST Act, 2017, the Central Board of Indirect Taxes and Customs (CBIC) shall administratively start implementation of the revised system of grant of 90% provisional refunds arising out of Inverted Duty structure on the basis of data analysis and risk evaluation done by the system, similar to risk-based provisional refunds on account of zero-rated supplies.

# Measures for Facilitation of Trade

The GST Council has recommended various process reforms and measures to facilitate trade and improve ease of doing business under the GST regime.

## Risk-Based Provisional Refund

Amendment in rule 91(2) of CGST Rules, 2017 to provide for sanction of 90% of refund claimed as provisional refund on the basis of risk evaluation by the system. This will be operationalized from 1st November, 2025.

## Refunds for Inverted Duty Structure

Amendment to section 54(6) of CGST Act to provide for 90% provisional refund in cases arising out of inverted duty structure, similar to zero-rated supplies. This will be operationalized from 1st November, 2025.

## 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, benefiting small exporters using courier or postal modes.

## Simplified Registration

Introduction of optional simplified GST registration scheme for low-risk applicants and those with output tax liability not exceeding ₹2.5 lakh per month. This will benefit around 96% of new applicants.

The Council has also approved in-principle a simplified GST registration mechanism for small suppliers making supplies through e-commerce operators across multiple States, and recommended amendments to place of supply provisions for intermediary services under section 13(8) of the IGST Act.

# Operationalization of GST Appellate Tribunal

The GST Council has announced significant steps towards strengthening the dispute resolution mechanism under the GST regime through the operationalization of the Goods and Services Tax Appellate Tribunal (GSTAT).

## Timeline for Operationalization

The GSTAT will be made operational for accepting appeals before the end of September 2025 and will commence hearing cases before the end of December 2025.

## Limitation Period

The Council has recommended 30th June, 2026 as the date for limitation of filing of backlog appeals, providing sufficient time for taxpayers to approach the tribunal.

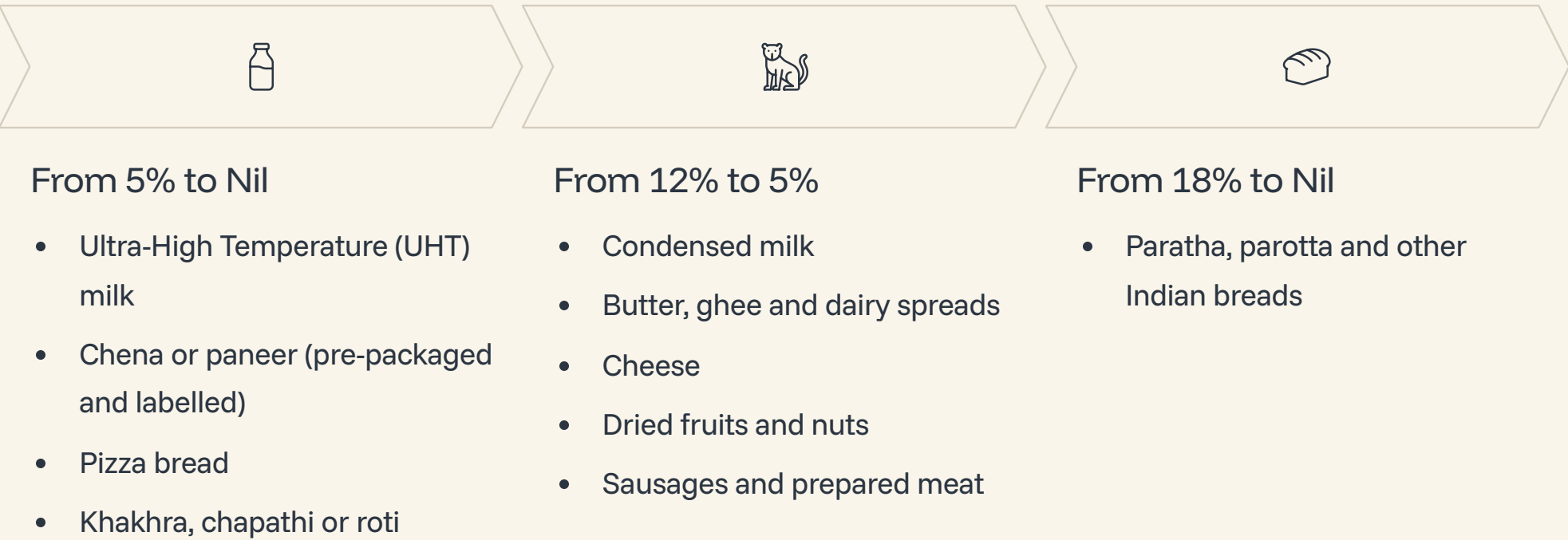
## National Appellate Authority

The Principal Bench of the GSTAT will also serve as the National Appellate Authority for Advance Ruling, ensuring consistency in advance rulings across the country.

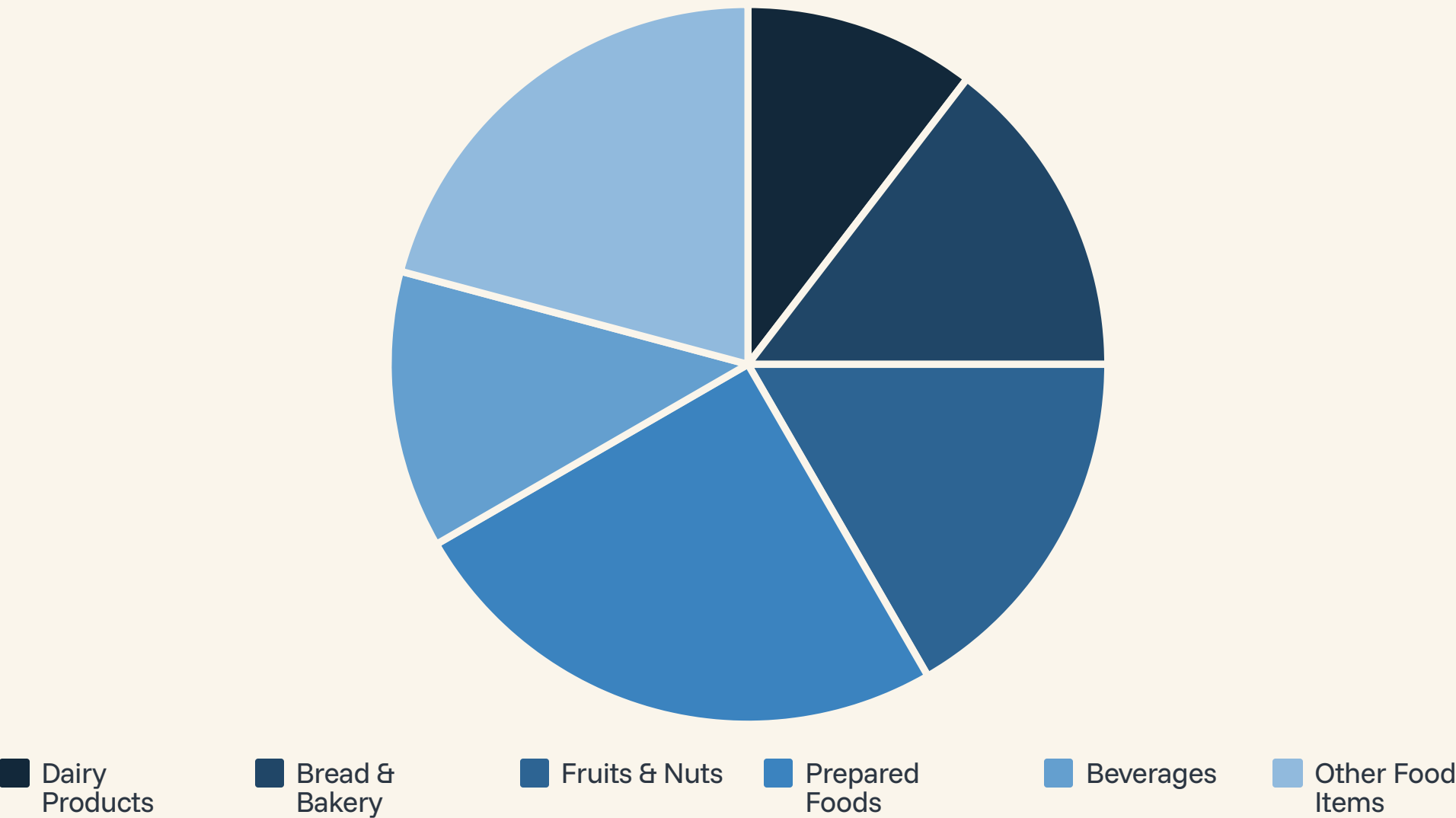
These measures will significantly strengthen the institutional framework of GST by providing a robust mechanism for dispute resolution, ensuring consistency in advance rulings, and offering greater certainty to taxpayers. This will further enhance trust, transparency, and ease of doing business under the GST regime.

# Food Sector GST Rate Changes

The GST Council has recommended significant rate reductions for various food items, providing relief to consumers across different income groups.



Additionally, several other food items have seen rate reductions from 18% to 5%, including malt, vegetable extracts, sugar confectionery, chocolates, pastries, cakes, biscuits, ice cream, and various food preparations. These changes aim to make essential food items more affordable for the common man and reduce the tax burden on daily consumption items.





# Healthcare Sector GST Rate Changes

The GST Council has recommended significant tax relief for the healthcare sector, making medical treatments and pharmaceuticals more affordable for the common man.

## Complete Exemption (From 5% or 12% to Nil)

The Council has recommended complete exemption from GST for several critical drugs including:

- Agalsidase Beta
- Imiglucerase
- Eptacog alfa activated recombinant coagulation factor VIIa

Additionally, 33 specialized drugs have been exempted from the previous 12% GST rate, including:

- Onasemnogene abeparvovec
- Daratumumab
- Risdiplam
- Atezolizumab
- And 29 other specialized medications

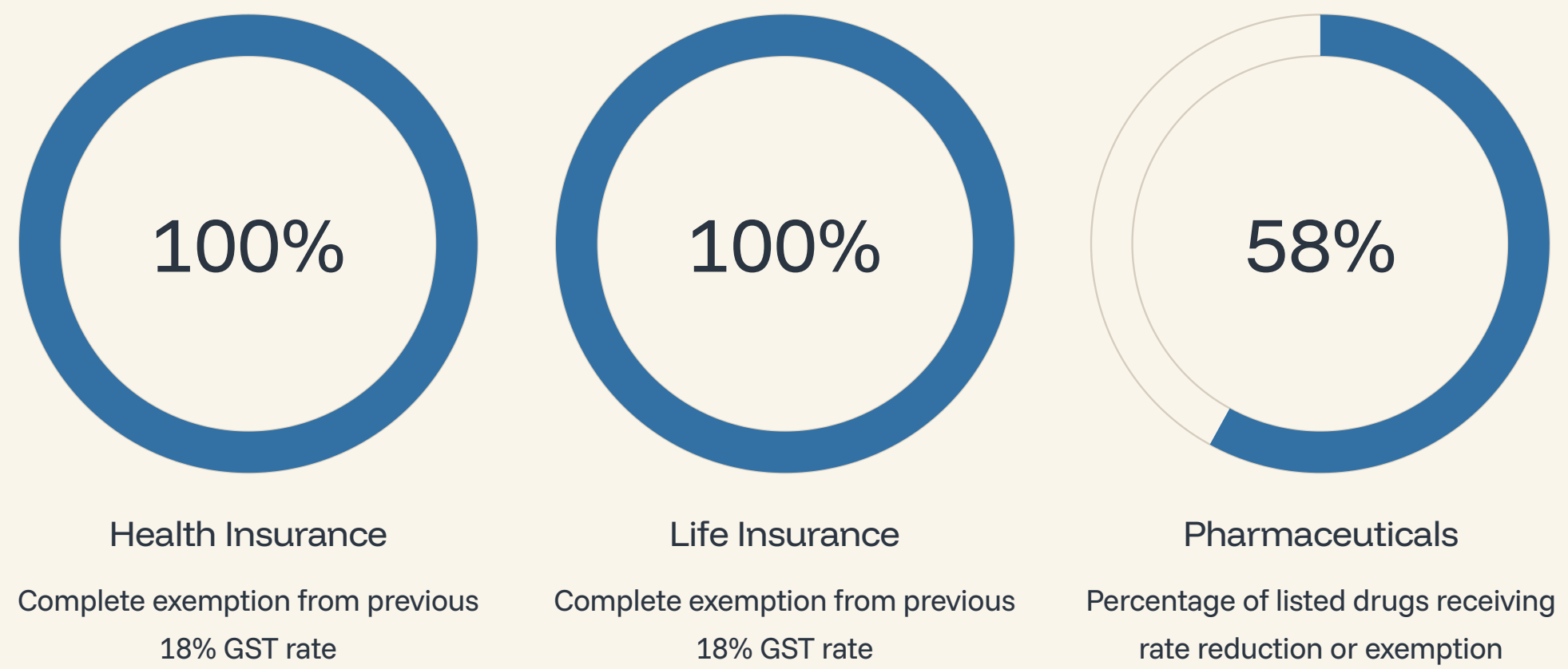


## Rate Reduction (From 12% to 5%)

Numerous medical items have seen rate reduction from 12% to 5%, including:

- All drugs and medicines
- Medical grade oxygen
- Anaesthetics
- Surgical instruments and appliances
- Diagnostic kits and reagents

The Council has also recommended exemption from GST for all individual health insurance and life insurance, along with reinsurance thereof, which were previously taxed at 18% with ITC.





# Textile Sector GST Rate Changes

The GST Council has recommended significant rate reductions for various textile products, providing relief to manufacturers and consumers alike.

Yarn and Fibers (12% to 5%)

- Sewing thread of manmade filaments
- Synthetic or artificial filament yarns
- Sewing thread of manmade staple fibres
- Yarn of manmade staple fibres

Textile Materials (12% to 5%)

- Wadding of textile materials
- Felt and nonwovens
- Rubber thread and cord, textile covered
- Metallised yarn and gimped yarn

Carpets and Coverings (12% to 5%)

- Carpets and textile floor coverings, knotted
- Woven carpets and floor coverings
- Tufted carpets and floor coverings
- Other carpets and textile floor coverings

Additionally, the Council has recommended maintaining the 5% GST rate for apparel and clothing accessories with sale value not exceeding ₹2,500 per piece, while increasing the rate to 18% for items exceeding this value.

Category	Sale Value ≤ ₹2,500	Sale Value > ₹2,500
Apparel (knitted/crocheted)	5%	18% (from 12%)
Apparel (not knitted/crocheted)	5%	18% (from 12%)
Other textile articles	5%	18% (from 12%)
Cotton quilts	5%	18% (from 12%)

# Transportation Sector GST Rate Changes

The GST Council has recommended significant changes to tax rates in the transportation sector, affecting vehicles, transport services, and related items.



## Passenger Vehicles

Rate increased from 28% to 40% for:

- Motor cars and vehicles for transport of persons
- Hybrid vehicles with engine capacity exceeding 1200cc or length exceeding 4000mm
- Diesel-hybrid vehicles with engine capacity exceeding 1500cc or length exceeding 4000mm



## Commercial Vehicles

Rate reduced from 28% to 18% for:

- Motor vehicles for transport of goods
- Chassis fitted with engines
- Bodies for motor vehicles
- Parts and accessories of motor vehicles



## Agricultural Vehicles

Rate reduced from 18% to 5% for:

- Tractors (except road tractors with engine capacity >1800cc)
- Tractor parts and accessories
- Tractor tyres and tubes

## Transport Services Rate Changes

### Rate Increases (12% to 18% with ITC):

- Air transport of passengers in other than economy class
- Transport of goods by GTA
- Transport of goods in containers by rail (non-Indian Railways)
- Transportation of petroleum products through pipeline

### Rate Reductions:

- Third-party insurance of goods carriage: 12% to 5% with ITC
- Multimodal transport of goods (no air leg): 12% to 5% with restricted ITC
- Renting of goods carriage with operator: 12% to 5% with restricted ITC

# Common Man Items GST Rate Changes

The GST Council has recommended significant rate reductions for various items of daily use, providing relief to the common man and making essential products more affordable.

## Personal Care Products (18% to 5%)

- Talcum powder, Face powder
- Hair oil, Shampoo
- Dental floss, Toothpaste
- Shaving cream, Shaving lotion, Aftershave lotion
- Toilet Soap (other than industrial soap)
- Tooth brushes



## Kitchen & Household Items

Rate reduced from 12% to 5% for tableware and kitchenware of wood, porcelain, china, clay, terracotta, iron & steel, copper, and aluminum utensils.



## Stationery Items

Rate reduced to Nil for erasers, pencil sharpeners, and pencils (including propelling or sliding pencils), crayons, pastels, drawing charcoals, and tailor's chalk.



## Transportation Items

Rate reduced from 12% to 5% for bicycles and other cycles (not motorized), parts and accessories of bicycles, and umbrellas and sun umbrellas.

Additionally, the Council has recommended rate reduction from 12% to 5% for various other common use items such as:

- Feeding bottles and nipples
- Hand bags and shopping bags of cotton and jute
- Sewing machines and needles
- Hurricane lanterns, Kerosene lamps
- Combs, hair-slides and similar items
- Napkins and napkin liners for babies, clinical diapers

# Agriculture Sector GST Rate Changes

The GST Council has recommended significant rate reductions for agricultural machinery, equipment, and inputs, providing relief to farmers and boosting the agricultural sector.

Agriculture Sector GST Rate Changes		
<div><div>Agricultural Machinery</div><div>Rate reduced from 12% to 5% for:</div><ul style="list-style-type: none"><li>Fixed Speed Diesel Engines of power not exceeding 15HP</li><li>Agricultural machinery for soil preparation or cultivation</li><li>Harvesting or threshing machinery</li><li>Other agricultural, horticultural, forestry machinery</li><li>Composting Machines</li></ul></div>	<div><div>Irrigation Equipment</div><div>Rate reduced from 12% to 5% for:</div><ul style="list-style-type: none"><li>Other hand pumps</li><li>Nozzles for drip irrigation equipment or sprinklers</li><li>Sprinklers and drip irrigation systems including laterals</li><li>Mechanical sprayers</li></ul></div>	<div><div>Tractors and Parts</div><div>Rate reduced from 18% to 5% for:</div><ul style="list-style-type: none"><li>Tractors (except road tractors with engine capacity &gt;1800cc)</li><li>Tractor tyres and tubes</li><li>Agricultural Diesel Engine for Tractors</li><li>Hydraulic Pumps for Tractors</li><li>Various tractor parts and components</li></ul></div>

## Fertilizer and Pesticide Inputs

Fertilizer and Pesticide Inputs	
<div><div>Rate reduced from 18% to 5%:</div><ul style="list-style-type: none"><li>Sulphuric acid</li><li>Nitric acid</li><li>Ammonia</li></ul></div>	<div><div>Rate reduced from 12% to 5%:</div><ul style="list-style-type: none"><li>Gibberellic acid</li><li>Various Bio-pesticides</li><li>Micronutrients covered under Fertilizer Control Order, 1985</li></ul></div>

# Handicrafts Sector GST Rate Changes

The GST Council has recommended significant rate reductions for various handicraft products, providing relief to artisans and promoting traditional crafts.

## Wooden Handicrafts (12% to 5%)

- Carved wood products and art ware
- Wooden frames for paintings, photographs, mirrors
- Statuettes and ornaments of wood
- Wood marquetry and inlaid work
- Jewellery boxes and decorative articles



### Stone and Metal Crafts

Rate reduced from 12% to 5% for:

- Idols of wood, stone and metals
- Carved stone products and statues
- Stone art ware and stone inlay work
- Art ware of iron, brass, copper, and aluminum
- Bells, gongs, statuettes of base metal

### Textile and Fabric Crafts

Rate reduced from 12% to 5% for:

- Handmade/hand embroidered shawls
- Hand-woven tapestries
- Embroidery in the piece, strips or motifs
- Handcrafted lamps (including panchloga lamp)
- Furniture of bamboo, rattan and cane

### Other Traditional Crafts

Rate reduced from 12% to 5% for:

- Dolls or toys made of wood or metal or textile material
- Ganjifa cards
- Art ware of cork
- Glass statues and art ware
- Handmade Paper and Paper board

Additionally, the Council has recommended rate reduction for various art forms including paintings, drawings and pastels executed entirely by hand, original sculptures and statuary, collections of zoological, botanical, historical, or archaeological interest, and antiques exceeding one hundred years of age.



# Construction Sector GST Rate Changes

The GST Council has recommended significant changes to tax rates in the construction sector, affecting building materials and works contracts.

## Building Materials

The Council has recommended reducing the GST rate on sand lime bricks and stone inlay work from 12% to 5%, providing relief to the construction industry and homebuyers.

Additionally, the rate for Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements has been reduced from 28% to 18%, which will significantly reduce construction costs.

However, the Council has increased the GST rate on coal, lignite, and peat from 5% to 18%, which may impact the cost of certain construction materials that use these as inputs.



## Works Contract Services

### Rate Increases

The Council has recommended increasing the GST rate from 12% to 18% with ITC for:

- Composite supply of works contract involving predominantly earth work (constituting more than 75% of the value) provided to Government
- Composite supply of works contract provided by a sub-contractor to the main contractor providing services to Government
- Composite supply of works contract for offshore oil and gas exploration and production

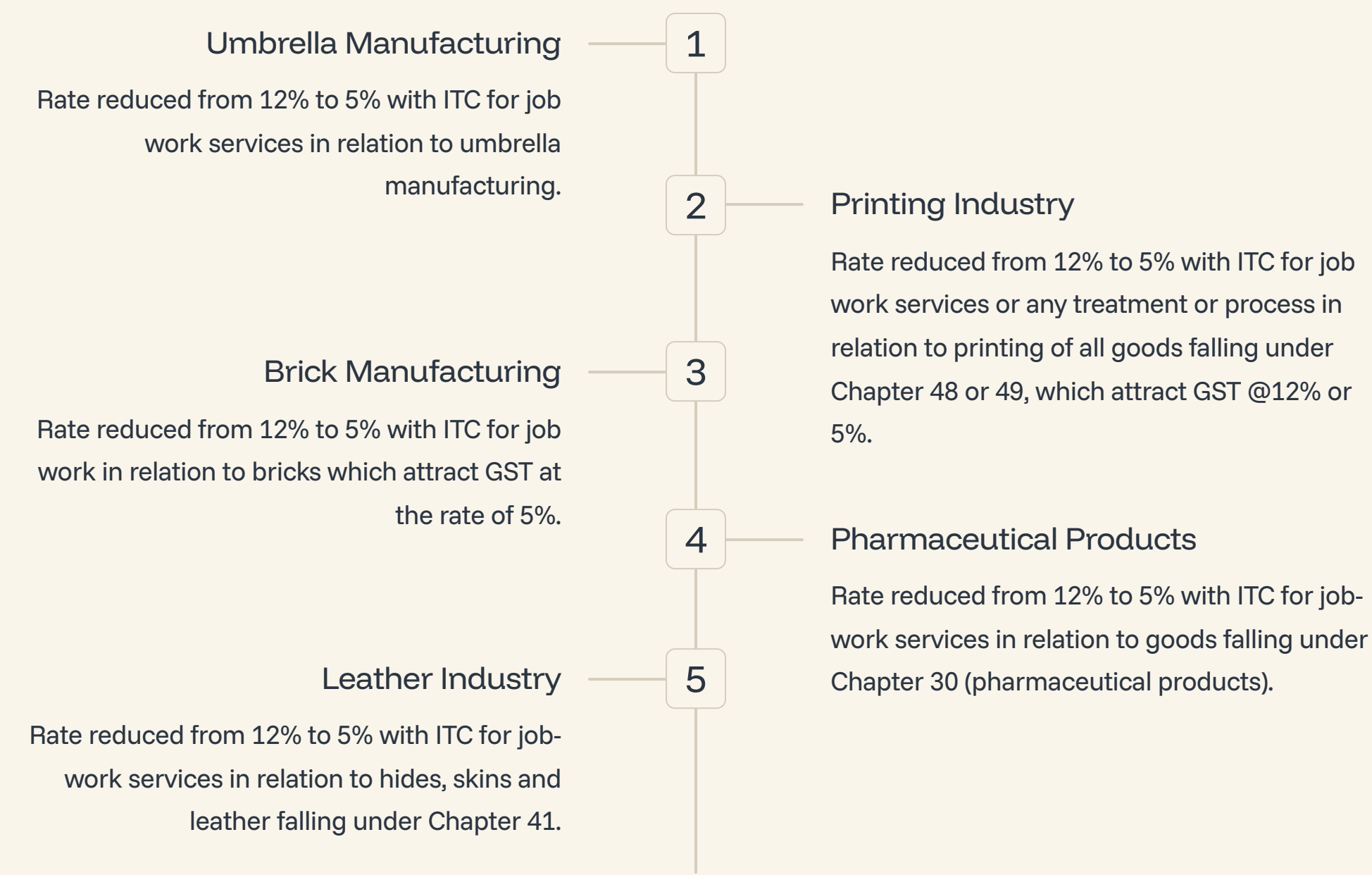
### Impact on Construction Costs

While the increase in works contract service rates may increase costs for government projects, the reduction in cement rates from 28% to 18% is expected to provide significant relief to the construction sector as a whole.

The net impact is likely to be positive for residential construction and infrastructure development, potentially stimulating growth in the real estate sector.

# Job Work Sector GST Rate Changes

The GST Council has recommended significant rate reductions for various job work services, providing relief to manufacturers and service providers in multiple sectors.



However, the Council has recommended increasing the GST rate from 12% to 18% with ITC for supply of job-work not elsewhere covered (residual entry), which may impact certain sectors not specifically mentioned in the rate reductions.

## Environmental Services

The Council has also recommended rate reductions for environmental services:

- Services by way of treatment of effluents by a Common Effluent Treatment Plant: 12% to 5% with ITC
- 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% to 5% with ITC





# Paper Sector GST Rate Changes

The GST Council has recommended significant changes to tax rates in the paper sector, affecting various types of paper products and manufacturing inputs.

## Rate Reductions (12% to Nil)

The Council has recommended complete exemption from GST for:

- Uncoated paper and paperboard used for exercise book, graph book, laboratory notebook and notebooks
- Exercise book, graph book, & laboratory note book and notebooks
- Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed



### Paper Manufacturing Inputs (12% to 5%)

- Mechanical wood pulp
- Chemical wood pulp, soda or sulphate
- Chemical wood pulp, sulphite
- Wood pulp obtained by combined mechanical and chemical processes
- Pulps of fibres derived from recovered paper or paperboard

### Paper Products (12% to 5%)

- Boxes, pouches, wallets of paper or paperboard
- Cartons, boxes and cases of corrugated or non-corrugated paper
- Paper pulp moulded trays
- Paper splints for matches
- Paper Sacks and Bio degradable bags

### Rate Increases (12% to 18%)

- Chemical wood pulp, dissolving grades
- Uncoated paper and paperboard for writing, printing
- Uncoated kraft paper and paperboard
- Greaseproof papers and Glassine papers
- Composite paper and paperboard

These changes reflect a policy to reduce tax burden on educational materials and essential paper products while rationalizing rates for industrial and commercial paper products. The reduction in rates for paper manufacturing inputs will help reduce costs for the domestic paper industry.

# Tobacco Sector GST Rate Changes

The GST Council has recommended significant changes to tax rates for tobacco products, primarily increasing rates to discourage consumption and generate additional revenue.

40%

New GST Rate for Most Tobacco Products

Increased from 28% for cigarettes, cigars, pan masala, and other manufactured tobacco products

18%

New GST Rate for Bidi

Reduced from 28% to provide some relief to small manufacturers

5%

New GST Rate for Bidi Wrapper Leaves

Reduced from 18% to support the bidi industry

## Key Changes in Tobacco Taxation

### Rate Increases (28% to 40%):

- Unmanufactured tobacco; tobacco refuse [other than tobacco leaves]
- Cigars, cheroots, cigarillos and cigarettes
- Other manufactured tobacco and substitutes
- Products containing tobacco or reconstituted tobacco for inhalation without combustion
- Products containing tobacco or nicotine substitutes for inhalation without combustion
- Pan masala (from 28% to 40%)

### Rate Reductions:

- Bidi (from 28% to 18%)
- Bidi wrapper leaves (tendu) (from 18% to 5%)
- Indian katha (from 18% to 5%)

### Valuation Change:

The Council has decided that GST will be levied on Retail Sale Price (RSP) instead of transaction value on Pan Masala, Gutkha, Cigarettes, Unmanufactured tobacco, and Chewing tobacco like Zarda.

The Council has decided that tobacco products will continue at existing rates until loan and interest payment obligations under the compensation cess account are completely discharged. The Union Finance Minister will decide the actual date of transition to revised rates based on this criterion.

# Entertainment and Hospitality Sector GST Rate Changes

The GST Council has recommended significant changes to tax rates in the entertainment and hospitality sectors, affecting hotels, cinemas, and gaming activities.

## Hotel Accommodation

The Council has recommended reducing the GST rate on hotel accommodation having value of supply less than or equal to ₹7,500 per unit per day from 12% with ITC to 5% without ITC. This will make hotel stays more affordable for budget travelers and boost domestic tourism.



## Cinema Tickets

The Council has recommended reducing the GST rate on admission to exhibition of cinematograph films where price of admission ticket is ₹100 or less from 12% with ITC to 5% with ITC. This will make cinema more accessible to the common man and boost footfall in theaters.

## Gaming and Betting

The Council has recommended increasing the GST rate from 28% to 40% with ITC for:

- Admission to casinos, race clubs, sporting events like IPL
- Services by race clubs for licensing of bookmakers
- Specified Actionable Claims (betting, gambling, horse racing, lottery, online money gaming)

## Beauty and Wellness Services

The Council has recommended reducing the GST rate on beauty and physical well-being services from 18% with ITC to 5% without ITC. This includes services such as:

- Hairdressing and other beauty treatments
- Slimming salon and massage services
- Spa and wellness services
- Physical well-being activities

These changes reflect a policy to make essential services more affordable while increasing tax on luxury and sin goods. The reduction in rates for budget hotels, cinema tickets, and beauty services will benefit the common man, while the increase in rates for gaming and betting activities aims to discourage such activities and generate additional revenue.

# Post-Sale Discount and Other Procedural Changes

The GST Council has recommended significant amendments to provisions related to post-sale discounts and other procedural aspects to simplify compliance and reduce disputes.

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## Amendments to Post-Sale Discount Provisions

The Council has recommended:

- Omitting section 15(3)(b)(i) of CGST Act, removing the requirement of establishing discount in terms of an agreement entered into before or at the time of supply
- Amending section 15(3)(b) to provide that discount should be granted through a credit note issued under section 34
- Amending section 34 to include reference to section 15(3)(b), requiring reversal of ITC by the recipient when post-sale discount is given

2

## Clarifications on Post-Sale Discount

The Council has recommended clarifications on:

- Non-reversal of ITC on account of post-sale discount through financial/commercial credit note
- Treatment of post-sale discount provided by manufacturer to dealer as additional consideration
- Treatment of post-sale discount as consideration for promotional activities performed by the dealer

3

## Retail Sale Price-Based Valuation

The Council has recommended retail sale price-based valuation under GST for:

- Pan Masala
- Cigarettes
- Gutkha
- Chewing Tobacco like Zarda
- Unmanufactured Tobacco

## Local Delivery Services through E-Commerce Operators

The Council has recommended:

- Notifying local delivery services under section 9(5) of the CGST Act when supplied through ECOs by persons not liable for registration
- Maintaining the GST rate at 18% for such services
- Excluding local delivery services provided by and through ECOs from the scope of GTA services

These changes aim to simplify compliance, reduce disputes, and ensure proper taxation of emerging service models. The amendments to post-sale discount provisions will particularly benefit businesses by removing ambiguities and reducing litigation.



# Summary of Key GST Council Recommendations

The 56th GST Council meeting has introduced comprehensive changes across sectors, aiming to rationalize tax rates, provide relief to common citizens, and facilitate trade.



## Major Rate Reductions

- Essential food items: Many reduced to 5% or Nil
- Healthcare: Complete exemption for health and life insurance
- Medicines: 33 specialized drugs exempted, others reduced to 5%
- Common use items: Personal care products reduced to 5%
- Agricultural machinery: Reduced to 5% to support farmers



## Rate Increases

- Luxury vehicles: Increased from 28% to 40%
- Tobacco products: Most increased from 28% to 40%
- Gaming and betting: Increased from 28% to 40%
- Coal and fossil fuels: Increased from 5% to 18%
- High-value apparel: Increased from 12% to 18%



## Trade Facilitation Measures

- Risk-based provisional refunds for exports and IDS
- Simplified registration for small businesses
- Operationalization of GST Appellate Tribunal
- Amendments to post-sale discount provisions
- Simplified registration for e-commerce suppliers

The Council has recommended implementing most changes from September 22, 2025, except for tobacco products which will transition later based on compensation cess obligations. The recommendations reflect a balanced approach to taxation, providing relief to essential sectors while increasing rates on luxury and sin goods.

The facilitation measures, particularly the operationalization of the GST Appellate Tribunal and simplified registration schemes, will significantly enhance ease of doing business and reduce compliance burden for taxpayers.

These comprehensive changes are expected to rationalize the GST structure, making it more aligned with the principles of progressive taxation while ensuring revenue stability for the government.