

DESAI SAKSENA & ASSOCIATES

19th September, 2025

Friday Tax Alert

56th GST Council Meeting

Background:

The 56th GST Council Meeting, chaired by Union Finance Minister Smt. Nirmala Sitharaman, was held on 3rd September 2025 in New Delhi. This meeting marks a pivotal shift in India's indirect tax regime, introducing the "Next-Gen GST" framework aimed at simplification, transparency, and ease of compliance. These reforms are aligned with the Prime Minister's Independence Day announcement and will be implemented in a phased manner starting 22nd September 2025.

Structural Reforms:

1. Rationalization of GST Rate Structure

- Existing 4-tier structure (5%, 12%, 18%, 28%) replaced with:
 - Merit Rate**- 5%: For essential goods and services
 - Standard Rate**-18%: For most other goods and services
 - De-Merit Rate**-40%: For luxury and sin goods (e.g., tobacco, pan masala, high-end automobiles)
 - Compensation Cess** retained only for tobacco and pan masala

2. Correction of Inverted Duty Structure

- CBIC to issue detailed guidelines for refund eligibility under IDS
- Refunds allowed only where input tax rate > output tax rate, not due to rate revision

GST Rate Changes (Effective 22nd September 2025):

Daily Use Consumer Goods

Item	Previous GST Rate	Revised GST Rate
Hair oil, shampoo, toothpaste	18%	5%
Toilet soap bars	12-18%	5%
Face powder, talcum powder	18%	5%
Tooth powder	12%	5%
Kitchenware, tableware, utensils	12%	5%
Umbrellas, combs	12%	5%
Bicycles	12%	5%

Agriculture & Labour-Intensive Goods

Item	Previous GST Rate	Revised GST Rate
Tractors, threshers	12%	5%
Handicrafts, marble/granite	12%	5%
Intermediate leather goods	12%	5%

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Food & Beverages

Item	Previous GST Rate	Revised GST Rate
UHT milk	12%	Exempt
Paneer (packaged/labeled)	5–12%	Exempt
Indian breads (roti, paratha)	5–12%	Exempt
Packaged namkeens, noodles	12–18%	5%
Butter, ghee, cheese	12–18%	5%
Chocolates, jam, sauces	18%	5%
Ice cream, pastries, biscuits	18%	5%
Cornflakes, cereals	12%	5%
Tender coconut water	12%	5%
Drinking water (20L bottles)	18%	5%

Consumer Durables

Item	Previous GST Rate	Revised GST Rate
Air conditioners	28%	18%
TVs up to 32 inches	28%	18%
Dishwashing machines	28%	18%

Automobiles

Item	Previous GST Rate	Revised GST Rate
Small petrol vehicles	28%	18%
Small diesel vehicles	28%	18%
Motorcycles ≤350cc	28%	18%
Buses and trucks	28%	18%

Construction & Infrastructure

Item	Previous Rate	GST	Revised Rate	GST
Cement		28%		18%

Renewable Energy

Item	Previous Rate	GST	Revised Rate	GST
Solar/wind devices and parts		12%		5%

Luxury & Sin Goods

Item	Previous Rate	GST	Revised Rate	GST
Tobacco, pan masala		28% + cess		40% + cess
Carbonated sugary drinks		28% + cess		40%
Casinos, betting services		28%		40%

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Legal & Compliance Updates

1. GST Appellate Tribunal (GSTAT)

- Operational by September 2025
- Hearings commence December 2025
- Backlog appeals deadline: 30th June 2026
- Principal Bench to act as National Appellate Authority for Advance Ruling

2. Intermediary Services Export Benefit

- Section 13(8)(b) of IGST Act omitted
- Place of supply now based on recipient's location
- Enables full zero-rating for service exporters

3. Post-Sale Discount Clarification

- Circular No. 212/6/2024 rescinded
- Credit notes allowed for post-sale discounts
- Clear ITC reversal mechanism introduced

Trade Facilitation Measures

1. Simplified GST Registration

- Optional scheme for businesses with monthly liability $\leq$ ₹2.5 lakh
- Auto-approval within 3 days
- Effective from 1st November 2025
- E-commerce sellers can register without primary place of business across states

2. Automated Refunds

- 90% provisional refunds for zero-rated supplies
- Risk-based sanction using AI/ML
- Courier/postal exports < ₹1000 eligible for refunds

Implementation Advisory

1. Immediate Actions

- Update ERP/billing systems with new HSN/SAC codes
- Recalculate pricing to reflect revised GST rates
- Prepare stock statements as of 21st September 2025
- Review ITC eligibility and inverted duty refund claims
- Ensure accurate GST returns for pre- and post-rate change periods

2. Transitional Provisions

- No need to regenerate e-way bills for goods in transit during rate change
- Credit notes for post-sale discounts must be issued with proper ITC reversal
- Maintain separate records for pre- and post-change transactions

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Sector-Specific Notes

1. FMCG

- Lower GST on soaps, toothpaste, namkeens, etc.
- Inventory revaluation required for MRP-labelled goods
- Awaiting government guidelines for transition

2. Auto

- Price cuts across models due to cess removal
- Tata Motors, Mahindra already announced reductions
- Auto parts now uniformly taxed at 18%

3. Pharma

- Life-saving drugs exempted
- General medicines reduced to 5%
- Exporters benefit from zero-rating and faster refunds

Conclusion

The 56th GST Council Meeting has ushered in a transformative phase for India's indirect tax regime. The introduction of a simplified rate structure, targeted exemptions, and streamlined compliance mechanisms under the "Next-Gen GST" initiative reflects the government's commitment to ease of doing business and tax rationalization.

TEAM WORK · BRIGHT MINDS · INNOVATIVE IDEAS ·

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