

NEWS ALERT

6 September 2025



Announcements at the 56th meeting of the GST Council

In a significant move, the GST Council unveiled a series of comprehensive reforms aimed at simplification of the Goods and Services Tax (GST) regime. These growth-oriented measures, announced ahead of the festive season, aim to make GST 2.0 system more favorable to businesses and citizens alike. During its 56th meeting, the GST Council revealed the most substantial overhaul since the introduction of the GST law in 2017, including a simplified twin slab system with rates of 5% and 18%, while sin goods and luxury goods will be taxed at 40%. The consumption stimulus of ~0.5% of GDP is likely to be offset by compensation cess absorption, stronger demand and tax buoyancy, keeping the fiscal impact broadly neutral.

The team at JMP Advisors is pleased to summarise below the key announcements made at the 56th meeting of the GST Council:

➤ Rate reduction

- The GST structure has been significantly simplified, reducing from four slabs (5%, 12%, 18%, 28%) to just two core rates: 5% for essentials and 18% for standard goods and services.
- Key changes in the rates for certain industries/sectors are provided in the *Annexure*. The changes in the proposed rates will be effective from 22 September 2025.
- The recommended changes will result in the number of items subjected to 5% GST rising from 9 to 309 and a fewer items will now be taxed under the 18% slab.

Rate of GST	No. of items Until now	No. of items after the changes
Nil	-	13
5%	9	309
12%	274	-
18%	61	51
28%	46	-
18% / 28%	1	-
40%	-	18

Source: Mint dated 4 September 2025

➤ Simplified GST Registration Scheme

- For small and low risk businesses - The GST Council has approved a simplified registration scheme allowing automatic approval within three working days for applicants whose expected monthly output tax liability on supplies to registered persons does not exceed INR 250,000 (~USD 3,000) per month. Proposed to be effective from 1 November 2025, this Scheme allows the option to voluntarily opt in and out.
- For e-commerce suppliers - The GST Council has 'in-principle' approved a simplified registration scheme for small suppliers selling through e-commerce operators across multiple States, removing the need to maintain a principal place of business in each State. This will ease compliance and support their participation in interstate e-commerce. Detailed guidelines on this will follow.

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➤ Time of Supply

The GST Council clarified that the time of supply, where there is a change in the rate of tax in respect of goods or services or both, will be considered as below:

Sr. No	Supply of Goods/Services or both	Date of Issue of Invoice	Date of Receipt of Payment	Time of Supply
1	Before the change in rate	After the change in rate	After the change in rate	(i) Date of issue of invoice or (ii) Date of receipt of payment whichever is earlier
2	Before the change in rate	After the change in rate	Before the change in rate	Date of receipt of payment

GST rate where advances received for supply of goods/services or both but supply has not been completed or invoice not issued, will be determined based on the time of supply provisions under the GST law.

➤ Exempt outward supply

▪ Outward supply of services-

The GST Council has recommended that individual health and life insurance services, as well as the reinsurance of these services, should be exempt from GST.

▪ Outward supply of goods-

i. A number of goods are now proposed to be exempt from GST, as against the existing tax rates of 5%, 12% or 18%. This measure impacts various sectors including food, health, education and paper.

ii. Furthermore, the IGST in respect of certain goods, including defense-related items, diamonds and antiques is also recommended to be exempt.

iii. The GST Council has recommended that ITC available

for the exempt goods and services can be utilized to set off against liabilities until 21 September 2025. All ITC pertaining to supplies made on or after 22 September 2025 will need to be reversed.

- This may result in higher input costs for suppliers. Also, currently there is no provision or recommendation for claiming a refund of the existing credit.

➤ Change in Place of Supply rules for intermediary services

- The GST Council has recommended revision in the Place of Supply rules for registered persons providing intermediary services,
- As per the revised rules, the place of supply for intermediary services would be the location of the recipient, enabling registered persons to claim export benefits.

➤ **Inverted Duty Structure**

- The existing provisions allow registered persons to claim refund of unutilised ITC where rate on inward supply of goods is in excess of rate on outward supply. However, ITC on inward supplies and capital goods are not eligible for refund.
- The revised rate structure recommended by the GST Council is expected to narrow the gap between the inward and outward tax rate reducing the accumulation of unutilised ITC.

➤ **Discontinuation of Compensation cess**

- With the objective to boost consumption and provide relief to the end consumers, the GST Council has recommended an end of the compensation cess on goods other than sin goods.
- The existing rates along with cess are expected to continue on sin goods till December 2025 (by which time the loans are expected to be repaid) post which the revised rates shall be applicable.

➤ **Operationalization of Goods and Services Tax Appellate Tribunal**

- The GST Council has recommended that the Goods and Services Tax Appellate Tribunal ('GSTAT') will be

operational for accepting appeals before the end of September 2025 and commence hearings before the end of December 2025.

- The GST Council has proposed that pending appeals be filed by 30 June 2026.
- The GST Council has proposed that the Principal Bench of the GSTAT will also act as the National Appellate Authority for Advance Rulings.

➤ **Anti-profiteering**

- The Central Board of Indirect Taxes and Customs ('CBIC') and the State tax authorities are expected to monitor effective transmission of benefits to the end consumers on account of reduction in tax rates.

➤ **Post Sale discount**

- The GST Council has recommended to simplify the provisions regarding post sale discounts by omitting the requirement of an agreement in place before/at the time of supply and of specifically linking discounts with relevant invoices.
- The GST Council has further recommended to amend the relevant provisions to allow GST credit notes to be issued for post-sale discounts as well as the corresponding reversal of relevant ITC.

➤ **Compensation to State Governments**

- The reduction in tax rates and discontinuation of Compensation Cess may lead to revenue losses to the States.
- The Centre may possibly announce a method of compensation to the states for any revenue losses.

The announcements discussed above are based on the Press Release dated 3 September 2025 and the Frequently Asked Questions issued by the CBIC. Detailed notifications are awaited.

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Annexure

Sr. No.	Particulars	Old Rate	New Rate
1	Common Man Items		
	Hair oil, toilet soap bars, shampoos, toothbrushes, toothpaste, bicycles, tableware, kitchenware, other household articles	18 or 12%	5%
2	Health Sector		
	Individual Life Insurance and Health Insurance	18%	NIL
3	Renewable Energy		
	Renewable energy devices and parts for their manufacture such as solar power based devices, solar power generator, wind mills, wind operated Electricity Generator, Ocean waves/tidal waves energy devices/plants	12%	5%
4	Automobiles		
	Electrically operated vehicles	5%	5%
	Petrol & Petrol Hybrid, LPG, CNG Cars (not exceeding - 1200cc & 4000mm)	28%	18%
	Petrol & Petrol Hybrid, LPG, CNG Cars - Others	28%	40%
	Diesel & Diesel Hybrid Cars (not exceeding - 1500cc & 4000mm)	28%	18%
	Diesel & Diesel Hybrid Cars- others	28%	40%
	Motor Cycles (350cc & below)	28%	18%
	Motor Cycles – Others	28%	40%
	Motor Vehicles for the transport of goods	28%	18%
	Aircraft (for personal use)– helicopters, airplanes	28%	40%
5	Coal		
	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	5%	18%
6	Consumer Electronics		
	Air conditioners, dishwashers and all TVs and monitors	28%	18%
7	Certain other sectors		
	Lithium Ion batteries for machinery and other batteries	18%/28%	18%
	Cement	28%	18%
8	Sports		
	Tickets for IPL and similar events but not for "recognised sporting events."	28% with ITC	40% with ITC

Sr. No.	Particulars	Old Rate	New Rate
9	Job Work Services		
	For Pharmaceutical products, hides, skins and leather	12%	5%
10	Hotel Accommodation		
	Services with a value up to INR 7500 per unit per day	12% with ITC	5% without ITC
11	Handicraft		
	Dolls or other toys made of wood or metal or textile materials	12%	5%

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Should you wish to discuss any of the above issues in detail or understand the applicability to your specific situation, please feel free to reach out to us on coe@jmpadvisors.in.

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