



## The Institute of Chartered Accountants of India

### GST & Indirect Taxes Committee

## GOODS & SERVICES TAX UPDATE-263

### Recommendations made in the 56<sup>th</sup> GST Council Meeting

The 56<sup>th</sup> GST Council Meeting held on 03.09.2025 made the following recommendations reaffirming the announcements made by the Prime Minister on Independence Day focusing on next-generation tax reforms:

#### 1. Measures for facilitation of trade

**(a) Sanction of risk-based provisional refund to facilitate refund claims on account of zero-rated supply of goods or services or both (i.e. export of goods or services or both or supply to a Special Economic Zone developer/unit for authorised operations.):**

- The Council recommended amendment in rule 91(2) of CGST Rules, 2017 to provide for sanction of 90% of refund claimed as provisional refund by the proper officer on the basis of identification and evaluation of risk by the system.
- In exceptional cases, the proper officer may for reasons to be recorded in writing, instead of granting refund on provisional basis proceed with the detailed scrutiny of the refund claim.
- Certain category of registered persons may not be granted refund on provisional basis who shall be notified through a notification.
- This provision shall be operationalised from 01.11.2025.

**(b) Proposal for Risk-Based Provisional Sanction of refunds arising out of inverted duty structure (IDS):**

- The Council recommended amending section 54(6) of the CGST Act, 2017, to provide for sanction of 90% of refund claimed on provisional basis, in cases arising out of inverted duty structure, on similar lines as is presently available for refund in respect of zero-rated supply.
- Pending requisite amendments in the CGST Act, 2017, instructions shall be issued by the CBIC to direct Central Tax field formations for grant of provisional refund

equivalent to 90% of amount claimed as refund, arising out of Inverted Duty Structure on the basis of identification and evaluation of risk by the system, as in the case of provisional refunds on account of zero-rated supplies.

- This shall also be operationalized from 01.11.2025.

**(c) Amendment in CGST Act to provide for GST Refunds in respect of low value export consignments**

The Council recommended to amend section 54(14), to remove the threshold limit (i.e. Rs. 1,000/-) for refunds arising out of exports made with payment of tax. This will particularly help small exporters making exports through courier, postal mode etc.

**(d) Simplified GST Registration Scheme for Small and Low-Risk Businesses**

- Introduction of an optional simplified GST registration scheme wherein registration shall be granted on an automated basis within three working days from the date of submission of application in case the person to be registered -
  - is low-risk applicants and,
  - based on their own assessment, determine that their output tax liability on supplies to registered persons will not exceed Rs. 2.5 lakh per month (inclusive of CGST, SGST/UTGST and IGST).
- The scheme will provide for voluntary opting into and withdrawal from the scheme.
- This shall be operationalized from 01.11.2025.

**(e) Introduction of Simplified Registration Scheme for small suppliers supplying through electronic commerce operators:**

Introduction of a simplified GST registration mechanism for small suppliers making supplies through e-commerce operators (ECOs) across multiple States facing challenges in maintaining principal place of business in each State as currently required under the GST framework.

**(f) Amendment in place of supply provisions for intermediary services under section 13(8) of the IGST Act**

The Council recommended the omission of section 13(8)(b) of the IGST Act, 2017. The place of supply of intermediary services will be determined by the default provision under section 13(2) of the IGST Act, 2017 i.e., the location of recipient of such service. This will help Indian exporters of such services to claim export benefits.

**(g) Clarification on issues pertaining to Post Sale Discount**

- Section 15(3)(b)(i) from CGST Act, 2017 is proposed to be omitted, thereby omitting the 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.
- Section 15(3)(b) is proposed to be amended to provide that discount should be granted through credit note issued under section 34 of the CGST Act, 2017.
- Section 34 is proposed to be correspondingly amended to include a reference to section 15(3)(b), so as to provide for reversal of input tax credit by the recipient in case where a post-discount sale is given and value is reduced through GST credit note.
- Circular 212/6/2024 GST dt. 26.06.2024 which provides for the mechanism ensuring compliance of conditions of section 15(3)(b)(ii) by the supplier is proposed to be rescinded.
- Following issues are to be clarified –
  - non-reversal of Input Tax Credit 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.

**(h) Other Measures pertaining to Law & Procedure**

The Council recommended retail sale price-based valuation instead of valuation on transaction value under GST for Pan Masala, Cigarettes, Gutkha, Chewing Tobacco, Zarda, Scented tobacco and Unmanufactured Tobacco through amendments in CGST Rules, 2017 and notifications.

**(i) Operationalization of Goods and Services Tax Appellate Tribunal (GSTAT)**

- The GSTAT will be made operational for accepting appeals before end of September and will commence hearing before end of December this year.
- The Council also recommended the date of 30.06.2026 for limitation of filing of backlog appeals.

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

## 2. Rate Rationalisation

The 4-tiered rate structure of GST has been proposed to be rationalised into a 2-rate structure with-

- a Standard Rate of 18%
- a Merit Rate of 5%
- a special de-merit rate of 40% for a select few goods and service

## 3. Changes in GST rate of Services

- GST on all individual life insurance policies whether term life, ULIP or endowment policies and reinsurance thereof to make insurance affordable for the common man and increase the insurance coverage in the country has been exempted.
- GST on all individual health insurance policies (including family floater policies and policies for senior citizens) and reinsurance thereof has been exempted.
- Explanations have been proposed to be added to the definition of 'specified premises' in the context of restaurant services to clarify that a stand-alone restaurant cannot declare itself as 'specified premises' and thus cannot avail the 18% GST with ITC option.
- Changes in GST rates of key sectors of services have been summarised in the table below:

Existing Rate	Proposed Rate	Description
12% with ITC	18% with ITC	Supply of Air transport of passengers in other than economy class
12% with ITC	18% with ITC	Supply of Passenger transport by any motor vehicle where fuel cost is included

12% with ITC	5% without ITC or 18% with ITC	Supply of transport of goods in containers by rail by any person other than Indian Railways
12% with ITC	18% with ITC	Supply of Transport of goods by GTA
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
12% with ITC	5% with ITC of input services (in the same line of business) or 18% with ITC	Supply of Renting of goods carriage (with operator) where fuel cost is included in consideration
18% with ITC	5% without ITC	Beauty and physical well-being services falling under group 99972 i.e. Hairdressing and barbers services; Cosmetic treatment (including cosmetic or plastic surgery), manicuring and pedicuring services; Physical well-being services including health club and fitness centre; and other beauty treatment services nowhere else classified.
12% with ITC	5% without ITC	Supply of “hotel accommodation” having value of supply of a unit of accommodation less than or equal to Rs. 7500/- per unit per day or equivalent
28% with ITC	40% with ITC	Admission to casinos, race clubs, any place having casinos or race clubs, or sporting events like the IPL.

28% with ITC	40% with ITC	Specified Actionable Claims (betting, casinos, gambling, horse racing, lottery, online money gaming) defined as goods
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#### 4. Changes in GST rate of Goods

(i) Proposed reduction in GST rate of few Goods has been summarized as below:

Existing rate	Proposed rate	Description
18% or 12%	5%	<ul style="list-style-type: none"> <li>Common man items such as, hair oil, toilet soap bars, shampoos, toothbrushes, toothpaste, Bicycles, Tableware, kitchenware, other household articles, et al</li> <li>Food items such as packaged namkeens, Bhujia, Sauces, Pasta, Instant Noodles, Chocolates, Coffee, Preserved Meat, Cornflakes, Butter, Ghee, etc.</li> </ul>
5%	Nil	<ul style="list-style-type: none"> <li>Ultra-High Temperature (UHT) milk, Prepackaged and labelled chena or paneer</li> <li>All the Indian Breads (Chapati or roti, paratha, parotta, etc)</li> </ul>
28%	18%	<ul style="list-style-type: none"> <li>Air-conditioning machines, TVs – 32 inch, dishwashing machines, small cars, motorcycles equal to or less than 350 CC</li> <li>Cement</li> <li>Small Cars and Motorcycles equal to or below 350cc</li> <li>Buses, trucks, ambulances etc.</li> </ul>

12%	Nil	33 lifesaving drugs and medicines used for treatment of cancer, rare diseases and other severe chronic diseases.
5%	Nil	3 lifesaving drugs & medicines used for treatment of cancer, rare diseases and other severe chronic diseases.
12%	5%	<ul style="list-style-type: none"> <li>• All other drugs and medicines other than those specified above</li> <li>• 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.</li> <li>• Labour intensive goods such as Handicrafts, Marble and travertine blocks, granite blocks, and Intermediate leather goods</li> <li>• Renewable energy devices and parts for their manufacture</li> <li>• Various medical equipment and supplies devices such as wadding gauze, bandages, diagnostic kits and reagents, blood glucose monitoring system (Glucometer) medical devices, etc</li> </ul>
18%	5%	Various medical apparatus and devices used for medical, surgical, dental or veterinary usage or for physical or chemical analysis

(ii) Increase in GST rate of key goods has been summarised as below:

Existing Rate	Proposed Rate	Description
28%	40%	<ul style="list-style-type: none"><li>• All goods (including aerated waters), containing added sugar or other sweetening matter or flavoured</li><li>• Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice</li><li>• Caffeinated Beverages</li><li>• Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes</li><li>• Motor vehicles with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, of engine capacity exceeding 1200cc or of length exceeding 4000 mm</li></ul>
18%	40%	Other non-alcoholic beverages
5%	18%	<ul style="list-style-type: none"><li>• Coal; briquettes, ovoids and similar solid fuels manufactured from coal</li><li>• Lignite, whether or not agglomerated, excluding jet</li><li>• Peat (including peat litter), whether or not agglomerated</li></ul>
12%	18%	<ul style="list-style-type: none"><li>• Other than natural menthol</li><li>• Biodiesel (other than biodiesel supplied to Oil Marketing Companies for blending with High-Speed Diesel)</li></ul>



**(iii) Correction of inverted duty structure for manmade textile sector & fertilizer sector**

The GST Council proposed to make correction in the inverted duty structure for the manmade textile sector by reducing GST rate on manmade fibre from 18% to 5%, manmade yarn from 12% to 5%.

Further, correction of inverted duty structure is also proposed in the fertilizer sector by reducing GST from 18% to 5% on sulphuric acid, Nitric acid and Ammonia.

**(iv) Exemption on sedan Car imported by the President's Secretariat**

It has been recommended to grant ad hoc IGST and compensation cess exemption on new armoured sedan Car imported by the President's Secretariat for the President of India.

**(v) Increase in GST rate of Tobacco, pan masala etc**

GST rate on pan masala, Unmanufactured tobacco; tobacco refuse [other than tobacco leaves], Cigars and certain other tobacco products has been proposed to be increased from 28% to 40%.

**5. Recommendations relating to date of implementation**

- a) The following shall be implemented with effect from 22.09.2025:
  - The changes in GST rates of all goods except pan masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi
  - The changes in GST rates on services.
- b) The changes in case of Pan Masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi shall be applicable from a date to be notified based on discharging of entire loan and interest liability on account of compensation cess.
- c) Pending requisite amendments in CGST Act, 2017, 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, as in the case of risk based provisional refunds on account of zero-rated supplies.

Detailed recommendations can be read at [Press Release: Press Information Bureau](#)

FAQs: [Press Release: Press Information Bureau](#)

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