



## The Institute of Chartered Accountants of India

### GST & Indirect Taxes Committee

# GOODS & SERVICES TAX UPDATE – 269

## 1. Amendment in CGST Rules, 2017

### a) Insertion of Rule 31D – Value of supply of goods on basis of retail sale price

As per the newly inserted rule, the value of supply of Sin goods (pan masala, unmanufactured tobacco, cigars etc.,) shall be deemed to be the Retail Sale Price (RSP) declared on such goods less the amount of applicable tax.

The amount of applicable tax referred above shall be determined in the following manner, namely: —

*Tax amount = (Retail sale price X tax rate in % of applicable taxes) / (100+ sum of applicable tax rate).*

Following explanations have also been provided:

- a) "applicable tax" means IGST or CGST or SGST or UTGST as the case may be.
- b) "retail sale price" means the maximum price declared on goods at which such goods in packaged form may be sold to the ultimate consumer and includes all taxes, duties, surcharge or cess by whatever name called;
- c) where on the package of any specified goods more than one retail sale price is declared, the maximum of such retail sale price shall be deemed to be the retail sale price;
- d) where the retail sale price declared on packages of any specified goods is altered to increase the retail sale price at any stage before, during, or after the supply, such altered retail sale price shall be deemed to be the retail sale price;
- e) where different retail sale prices are declared on different packages for the sale of any specified goods above in packaged form in different areas, each such retail sale price shall be the retail sale price for the purposes of valuation of the specified goods intended to be sold in the area to which the retail sale price relates.".

**b) Amendment in Rule 86B – Restrictions on use of amount available in electronic credit ledger**

A consequential amendment links the valuation reform with input tax credit controls. For these sin products, non-manufacturers shall get relief from Rule 86B restrictions only where tax has been discharged on RSP basis.

[Notification No. 20/2025-CT dated 31.12.2025](#)

**2. Amendment in Valuation Notification under Section 15(5)**

In parlance with newly added Rule 31D in the CGST Rules, 2017, Government has amended *Notification No. 49/2023-CT dt. 29.09.2023* to insert a new clause (iv), to provide that the value of supply shall be the retail sale price declared on the goods, subject to the same explanations and conditions as provided under Rule 31D, in case of sin goods as mentioned in above *Notification No. 20/2025-CT dated 31.12.2025*.

[Notification No. 19/2025-CT dated 31.12.2025](#)

**The above amendments shall become effective from 1<sup>st</sup> February 2026**

**3. GST Rate Changes for Sin Products**

With effect from 1<sup>st</sup> February 2026, the Government, on the recommendations of the GST Council, has carried out a significant restructuring of the GST rate framework for sin products. Accordingly, through amendments to [Notification No. 19/2025-Central Tax \(Rate\) dated 31.12.2025](#), goods such as pan masala and various categories of tobacco products, which were hitherto taxable at the uniform rate of 28% under GST, have now been shifted to revised rate slabs as prescribed in below table:

S.No.	Description of Goods	Chapter / Heading / Sub-heading / Tariff item	Old GST Rate	New GST Rate
1	Biris	2403 19 21, 2403 19 29	28%	18%
2	Pan masala	2106 90 20	28%	40%
3	Unmanufactured tobacco; tobacco refuse [other than tobacco leaves]	2401	28%	40%

4	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	2402	28%	40%
5	Other manufactured tobacco and manufactured tobacco substitutes; homogenised or reconstituted tobacco; tobacco extracts and essences [other than biris]	2403 (other than 2403 19 21, 2403 19 29)	28%	40%
6	Products containing tobacco or reconstituted tobacco and intended for inhalation without combustion	2404 11 00	28%	40%
7	Products containing tobacco or nicotine substitutes and intended for inhalation without combustion.	2404 19 00	28%	40%

Parallel amendment has been made in *Notification No. 09/2025 UTT (R) dated 17.09.2025 & Notification No. 9/2025 IT (R) dated 17.09.2025*.

[Notification No. 19/2025-CT\(R\) dt. 31.12.2025](#), [Notification No. 19/2025-UTT\(R\) dt. 31.12.2025](#) & [Notification No. 19/2025-IT\(R\) dt. 31.12.2025](#)

#### **4. Amendment in levy of Compensation Cess on Sin Products**

With effect from 1<sup>st</sup> February 2026, the Government, on the recommendations of the GST Council, has withdrawn the levy of Compensation Cess on specified sin products by substituting the applicable cess rate with “Nil” against the relevant entries in the Schedule to *Notification No. 1/2017–Compensation Cess (Rate)*.

[Notification No. 03/2025-CC\(R\) dt. 31.12.2025](#)

**Readers can access all updated notifications on the Committee's website <https://idtc.icai.org/> under the 'GST Statutes' section.**

**Vice – Chairman  
GST & Indirect Taxes Committee**

**Chairman  
GST & Indirect Taxes Committee**

*The GST Update is an endeavour of the GST & Indirect Taxes Committee of ICAI to apprise the readers with the amendments made in the GST law vide significant notifications, circulars etc. The Committee welcomes your feedback on the Update at [gst@icai.in](mailto:gst@icai.in). Please visit the website of the Committee <https://idtc.icai.org/index.php> for previous GST Updates, updated GST Acts, Rules, Notifications and other knowledge resources on GST like articles, publications, legal updates, newsletter etc. as also for the information on upcoming events on GST organised by the Committee.*

*Information published in the Update is taken from publicly available sources and is believed to be accurate. The GST & Indirect Taxes Committee of ICAI takes no responsibility of accuracy and reliability of information published in the Update. No part of this Update may be reproduced, stored in a retrieval system, or transmitted in any form or by any means – electronic, mechanical, photocopying, recording, or otherwise without the permission of GST & Indirect Taxes Committee of ICAI.*

*The Institute of Chartered Accountants of India, ICAI Bhawan, A-29, Sector 62, Noida (U.P.)-201301*