

Key
Recommendations of
the 56th GST Council
Meeting dated
03.09.2025

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Simplified Tax Structure

Current Structure

4-tiered tax rate structure with multiple rates (5%, 12%, 18%, 28%)

New Structure

2-rate structure with Standard Rate of 18% and Merit Rate of 5%

Special Category

De-merit rate of 40% for select goods (“Sin” and few Luxury Goods) and Services.

Item Category	Cess update after GST Council Meeting	Effective Date
Coal	Compensation cess removed; GST increased to 18%	Effective immediately (announced at meeting)
General Goods (most)	Compensation cess removed; simplified GST slabs of 5% and 18%	September 22, 2025
Tobacco & Sin Goods	Compensation cess continues until loan/interest repayment (target: December 2025)	Until repayment completed
Luxury Goods	A new special GST slab of 40% has been introduced for luxury and sin goods. These goods now attract only flat rate, with no additional cess.	September 22, 2025

Insurance Relief for the General Public



Type of Insurance	Old GST Rate	New GST Rate
All individual life insurance policies (term life, ULIP, endowment)	18% with ITC	Nil (Exempt)
All individual health insurance policies (including family floater and senior citizen policies)	18% with ITC	Nil (Exempt)
Reinsurance of individual life and health policies	18% with ITC	Nil (Exempt)

Relief on Daily Use Items for the Common Man

1

Personal Care Products

Reduction from 18% to 5% on hair oil, toilet soap bars, shampoos, toothbrushes, toothpaste, bicycles, gyms, salons, yoga centres, kitchenware and other household articles etc.

2

Food Items

Reduction on packaged namkeens, bhujia, sauces, pasta, instant noodles, chocolates, coffee, preserved meat, cornflakes, butter, and ghee from 12%/18% to 5%.

3

Essential Appliances

Reduction from 28% to 18% on air-conditioning machines, TVs, dishwashing machines, small cars, and motorcycles equal to or less than 350 CC.

Milk & Dairy Products: GST Changes

Product	Old GST Rate	New GST Rate
Ultra-High Temperature (UHT) milk	5%	Nil (Exempt)
Chena or Paneer (pre-packaged and labelled), Breads	5%	Nil (Exempt)
Butter, Ghee, and Dairy spreads	12%	5%
Cheese	12%	5%
Condensed Milk	12%	5%

Benefits for the Healthcare Sector



Lifesaving Drugs

33 lifesaving drugs reduced from 12% to NIL and 3 drugs for cancer and rare diseases from 5% to NIL



Medical Equipment

Reduction from 18% to 5% on various medical apparatus and devices



Medical Supplies

Reduction from 12% to 5% on diagnostic kits, Glucose monitors, Bandages, and other supplies

These reductions aim to make healthcare more affordable and accessible for all citizens, particularly those with serious medical conditions.

Agricultural and Rural Benefits



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Agricultural Machinery	12%	5%	Reduction on tractors, agricultural machinery for soil preparation, harvesting equipment, and composting machines, boosting farm mechanization.
Fertilizer Sector	18%	5%	Correction of inverted duty structure by reducing GST on sulphuric acid, nitric acid, and ammonia, benefiting fertilizer production.
Food Processing	Varies	Reduced	Specific reductions for various food processing machinery and packaging materials to support the rural food industry.

Automobile Industry: GST Rate Changes

Product	Old GST Rate	New GST Rate	
Small cars less than 1500cc and motorcycles ≤350cc	28%	18%	Makes entry-level vehicles more affordable for the general public.
Buses, Trucks, Ambulances	28%	18%	Reduces costs for commercial transport and emergency services, benefiting logistics and public welfare.
Three-wheelers	28%	18%	Supports last-mile connectivity and local transportation, aiding small businesses and commuters.
Motor cars and other motor vehicles (Luxury)	28%	40%	Increased rate for luxury segments, aligning with revenue generation goals.
Motorcycles >350cc (Luxury)	28%	40%	Higher rate for high-end motorcycles, targeting the luxury consumer market
Aircraft for personal use	28%	40%	Elevated rate for private aviation, contributing to higher luxury taxation
Yachts and vessels for pleasure	28%	40%	Increased rate for recreational marine vessels, focusing on luxury consumption
All auto parts	Varies	18% (Uniform)	Standardized rate simplifies compliance and potentially reduces repair costs.
Armored Sedan Car for President's Secretariat	N/A	Ad hoc IGST and compensation cess exemption	Special exemption granted for official governmental importation

Textile Sector: GST Reforms

Manmade Textile Sector

Item	Previous	New
Manmade fibre	18%	5%
Manmade yarn	12%	5%

**Measure to correct long-pending inverted duty structure:*

Apparel & Made-ups

Item	Previous	New
Apparel ≤₹2500	5%	5% (unchanged)
Apparel >₹2500	12%	18%
Made-up textiles ≤₹2500	5%	5% (unchanged)
Made-up textiles >₹2500	12%	18%

Synthetic/artificial filament tow, staple fibres, and waste of manmade fibres reduced from 18% to 5%

Real Estate & Works Contract

Works Contract Services

Type	Previous	New
Earth work (>75% of contract value) for Government Sub-contractor to main contractor for Government earth work	12% with ITC	18% with ITC
Offshore works for oil & gas exploration	12% with ITC	18% with ITC

Construction Materials

Material	Previous	New
Cement	28%	18%
Sand lime bricks	12%	5%
Stone inlay work	12%	5%

* These changes aim to rationalize rates and correct inverted duty structures in the construction sector

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Revised GST Rates in the Service Sector

As announced by Prime Minister Shri Narendra Modi from the ramparts of Red Fort on 15th August 2025, the GST Council has approved significant rate rationalisation across various service sectors.

Rate Reduction

Several services now have reduced GST rates, particularly benefiting common citizens, healthcare, and hospitality sectors.

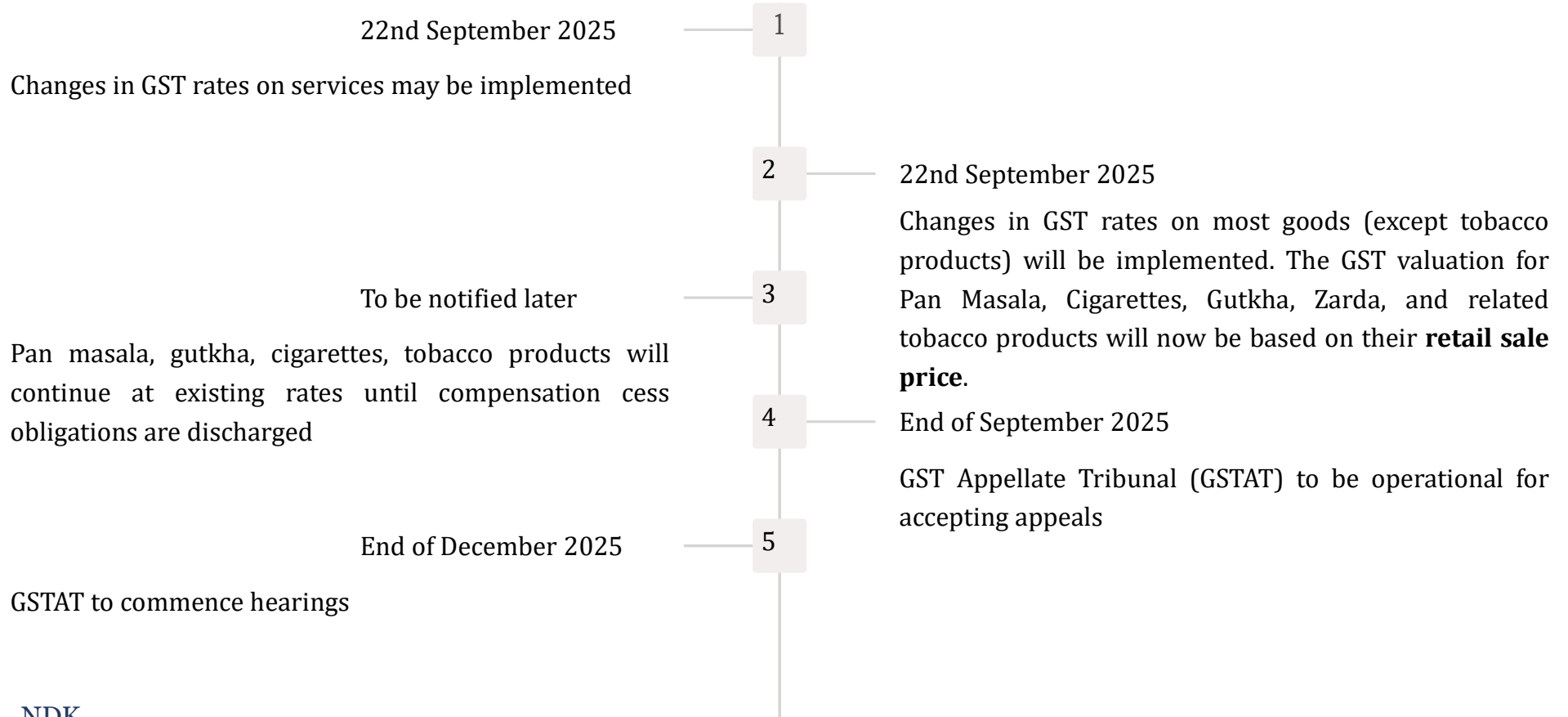
Rate Increase

Some luxury services and specific sectors will see an increase from 28% to 40%, aligning with the new two-tier tax structure.

Service Category	Old Rate	New Rate
Betting, gambling, online money gaming	28% with ITC	40% with ITC
Casinos, race clubs, sporting events like IPL	28% with ITC	40% with ITC
Hotel accommodation (value ≤₹7,500 per unit per day)	12% with ITC	5% without ITC
Beauty & physical well-being services	18% with ITC	5% without ITC
Cinema tickets (price ≤₹100)	12% with ITC	5% with ITC
Third-party insurance of goods carriage	12% with ITC	5% with ITC
Air transport (other than economy class)	12% with ITC	18% with ITC

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Implementation Timeline



Trade Facilitation Measures



Risk-Based Refunds

90% provisional refund for zero-rated supplies and inverted duty structure based on system risk evaluation, effective from 1st November 2025.



Simplified Registration

Automated registration within 3 working days for low-risk applicants and those with monthly output tax liability under ₹2.5 lakh. Also In-principle approval for simplified GST registration for small suppliers on e-commerce platforms, eliminating need for principal place of business in each state



E-Commerce Suppliers

Simplified registration mechanism for small suppliers making supplies through e-commerce operators across multiple states.

Trade Facilitation Measures



GST Refunds for Low Value Exports

Amendment to section 54(14) of CGST Act to remove threshold limit for refunds on exports made with tax payment, benefiting small exporters using courier/postal services.



Post-Sale Discount Amendments

Changes to sections 15 and 34 of CGST Act regarding discount requirements, credit notes, and ITC reversal; rescinding of Circular No.212/6/2024-GST.

Post-Sale Discount Clarifications

Circular to clarify ITC non-reversal for financial credit notes, treatment of manufacturer-to-dealer discounts, and discounts as consideration for promotional activities



Place of Supply for Intermediary Services

Omission of section 13(8)(b) of IGST Act; place of supply for intermediary services will be recipient's location, enabling export benefits for Indian service exporters.

Institutional Strengthening

GST Appellate Tribunal

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

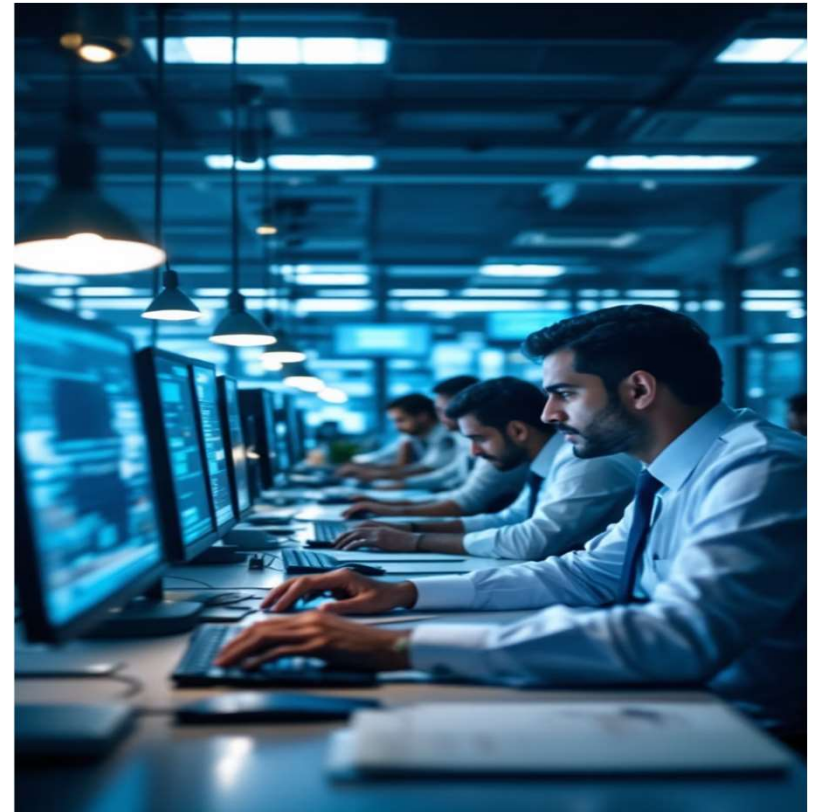
The Principal Bench will also serve as the National Appellate Authority for Advance Ruling, ensuring consistency in rulings.

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Benefits to Taxpayers

- Robust mechanism for dispute resolution
- Greater certainty for taxpayers
- Enhanced trust and transparency
- Improved ease of doing business

The deadline for filing backlog appeals has been set for 30.06.2026.



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