

Key highlights of the 56th Goods and Services Tax Council meeting

Based on the recommendations of the Prime Minister Shri Narendra Modi during his independence day address to the nation, the GST¹ Council, in its 56th meeting, has recommended various changes focusing on rate rationalisation, correction of inverted duty structure, resolving classification issues, measures for facilitation of trade and streamlining GST compliances.

Key changes proposed to the GST laws

1. **Operationalisation of GSTAT²:** It is recommended that GSTAT will be operational for accepting appeals before end of September 2025 and will commence hearing appeals before end of December 2025. It is also recommended that such prior period appeals should be filed by June 30, 2026.

The Principal Bench of GSTAT will also serve as National Appellate Authority for Advance Ruling. This will ensure consistency in advance rulings and offer greater certainty to taxpayers.

2. **Amendment in place of supply provisions for intermediary services:** The GST Council has recommended omission of clause (b) of Section 13(8) of the IGST Act³, which prescribes the place of supply of intermediary services to be the location of the supplier of services. As per this recommendation, the place of supply of intermediary services will be the default rule i.e., place of supply will be the location of the service recipient (Section 13(2) of the IGST Act). This amendment aims to restore the export status for intermediary services when supplied to recipients located outside India, thereby facilitating the benefit of export to the Indian service providers.
3. **Amendments in relation to post-sale discounts:** Recommendation to omit Section 15(3)(b)(i) of the CGST Act⁴, which provides the requirement to establish 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. The recommendation will grant discount basis a credit note issued under Section 34 of the CGST Act.

The Government will issue circular clarifying various issues, such as:

- a) non-reversal of ITC⁵ on account of post-sale discount through financial/commercial credit note;
- b) treatment of the post-sale discount provided by manufacturer to the dealer as additional consideration, in the transaction between dealer and end-customer; and

¹ Goods and Services Tax

² Goods and Services Tax Appellate Tribunal

³ Integrated Goods and Services Tax Act, 2017

⁴ Central Goods and Services Tax Act, 2017

⁵ Input Tax Credit

c) treatment of post-sale discount as consideration in lieu of promotional activities etc. performed by the dealer.

4. **Recommendations with respect to inverted duty structure:** The proposed 2 (two) tier rate structure is likely to reduce the disparity between the rates applicable for outward and inward supplies for specific sectors (such as man-made textiles). This will help mitigate the issue of IDS⁶ arising on account of unutilised ITC, thereby reducing dependence on refund claims (*refer tariff recommendations below*).

The GST Council recommended amending Section 54(6) of the CGST Act, to provide for sanction of 90% of refund claimed on provisional basis, in cases arising out of IDS, on similar lines as is presently available for refund in respect of zero-rated supply. This will be operationalised from November 1, 2025.

5. **Risk-based provisional sanction of refunds for zero rated supply:** Recommendation to amend Rule 91(2) of the CGST Rules⁷, to provide for sanction of 90% provisional refund based on identification and evaluation of risk by the system (except in situations where proper officer provides reasons in writing to initiate detailed scrutiny of refund claim). A separate notification should be issued for notifying certain category of registered persons who may not be granted refund on provisional basis. This provision will be operationalised from November 1, 2025.
6. **Supply of local delivery services through ECO⁸:** Local delivery services through an ECO to be notified under Section 9(5) of the CGST Act (for cases where the person supplying such services is not liable for registration under GST). The applicable rate of GST for such services will be 18%.
7. **Introduction of simplified registration scheme for small suppliers supplying through ECOs:** Concept of simplified GST registration mechanism proposed for small suppliers making supplies through ECOs across multiple States facing challenges in maintaining principal place of business in each State. Detailed modalities of the scheme to be placed before the GST Council.
8. **Rate rationalisation:** The GST Council has recommended a 2 (two) tier rate structure i.e., 5% and 18%, with specific rate of 40% for demerit/luxury goods. The key changes are as below:
 - d) exemption from GST on all individual life and health insurance policies (whether term life, ULIP or endowment policies, family floater policies and policies for senior citizens and reinsurance thereof);
 - e) reduction of GST from 18% or 12% to 5% for items such as, hair oil, toilet soap bars, shampoos, toothbrushes, toothpaste, bicycles, tableware, kitchenware and other household articles;
 - f) reduction of GST from 12% or 18% to 5% on food items such as packaged namkeens, bhujia, sauces, pasta, instant noodles, chocolates, coffee, preserved meat, cornflakes, butter and ghee;
 - g) reduction of GST from 28% to 18% on air-conditioning machines, television sets, small cars, motorcycles equal to or less than 350 CC; and
 - h) uniform rate of 18% on all auto parts irrespective of their HS code.

The key rate changes are outlined in the tables below:

⁶ Inverted Duty Structure

⁷ Central Goods and Services Tax Rules, 2017

⁸ Electronic Commerce Operator

Key tariff changes proposed for supply of services (effective September 22, 2025)

Category – heading	Description of services	Existing rate	Revised rate
9965	Supply of transportation of goods by GTA ⁹	5% without ITC (RCM/FCM) or 12% with ITC	5% without ITC (RCM/FCM) or 18% with ITC
9965	Supply of transportation of natural gas, petroleum crude, motor spirit, high speed diesel or ATF through pipeline	12 % with ITC	18% with ITC
9983	Other professional, technical and business services relating to exploration, mining or drilling of petroleum crude or natural gas or both	12% with ITC	18% with ITC
9986	Support services to exploration, mining or drilling of petroleum crude or natural gas or both	12% with ITC	18% with ITC
9954	Composite supply of works contract and associated services, in respect of offshore works contract relating to oil and gas exploration and production in offshore area	12% with ITC	18% with ITC
9963	Supply of ‘hotel accommodation’ having value of supply of a unit of accommodation less than or equal to INR 7,500 per unit per day or equivalent	12% with ITC	5% without ITC
9994	Services by way of treatment or disposal of biomedical waste or the processes incidental thereto by a common bio-medical waste treatment facility to a clinical establishment	12% with ITC	5% with ITC
99972	Beauty and physical well-being services	18% with ITC	5% without ITC
9988	Supply of job-work not elsewhere covered	12% with ITC	18% with ITC
Any chapter	Specified Actionable Claims ¹⁰	28% with ITC	40% with ITC
9971	All individual health insurance, along with its reinsurance	18% with ITC	Nil
9971	All individual life insurance, along with its reinsurance	18% with ITC	Nil

⁹ Goods Transportation Agency

¹⁰ Betting, casinos, gambling, horse racing, lottery, online money gaming

Key tariff changes proposed for supply of goods (effective September 22, 2025)

Category - heading	Description of goods	Existing rate	Revised rate
Food and beverages sector			
2201	Drinking water packed in 20 litre bottles	12%	5%
2202 9910	Soya milk drinks	12%	5%
2202 9920	Fruit pulp or fruit juice based drinks (other than carbonated beverages of fruit drink or carbonated beverages with fruit juice)	12%	5%
2202 9930	Beverages containing milk	12%	5%
2201	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured	18%	5%
2202 9100, 2202 99	Other non-alcoholic beverages	18%	40%
220210	All goods (including aerated waters), containing added sugar or other sweetening matter or flavoured	28%	40%
22029990	Caffeinated beverages	28%	40%
2202	Carbonated beverages of fruit drink or carbonated beverages with fruit juice	28%	40%
2106	Paratha, Parotta and other Indian breads	18%	Nil
19059030	Extruded or expanded products, savoury or salted (other than un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion)	12%	5%
2007	Jams, fruit jellies, marmalades, fruit or nut purée and fruit or nut pastes, obtained by cooking, whether or not containing added sugar or other sweetening matter	12%	5%
2009	Fruit or nut juices (including grape must) and vegetable juices, unfermented and not containing added spirit, whether or not containing added sugar or other sweetening matter	12%	5%
2106	Food preparations not elsewhere specified or included other than roasted gram, sweetmeats, batters including idli/dosa batter, namkeens, bhujia, mixture, chabena and similar edible preparations in ready for consumption form, khakhra, chutney powder, diabetic foods	18%	5%
210690	Namkeens, bhujia, mixture, chabena and similar edible preparations ready for consumption form (other than roasted gram), pre-packaged and labelled	12%	5%
1806	Chocolates and other food preparations containing cocoa	18%	5%

Category - heading	Description of goods	Existing rate	Revised rate
1901 (other than 1901 2000)	Malt extract, food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40% by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of heading 0401 to 0404, not containing cocoa or containing less than 5% by weight of cocoa calculated on a totally defatted basis not elsewhere specified or included	18%	5%
1904	All goods i.e. corn flakes, bulgar wheat, prepared foods obtained from cereal flakes, fortified rice kernel	18%	5%
1905	Pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa; communion wafers, empty cachets of a kind suitable for pharmaceutical use, sealing wafers, rice paper and similar products	18%	5%
210111, 21011200	Extracts, essences and concentrates of coffee, and preparations with a basis of these extracts, essences or concentrates or with a basis of coffee	18%	5%
210120	All goods i.e., extracts, essences and concentrates of tea or mate, and preparations with a basis of these extracts, essences or concentrates or with a basis of tea or mate	18%	5%
Renewable energy			
841912	Solar water heater and system	12%	5%
84, 85 or 94	Following renewable energy devices and parts for their manufacture: (a) bio-gas plant; (b) solar power-based devices; (c) solar power generator; (d) wind mills, wind operated electricity generator (WOEG); (e) waste to energy plants/devices; (f) solar lantern/solar lamp; (g) ocean waves/tidal waves energy devices/plants; and (h) photo voltaic cells, whether or not assembled in modules or made up into panels	12%	5%
87	Fuel cell motor vehicles including hydrogen vehicles based on fuel cell technology	12%	5%
Coal			
2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	5%	18%
2702	Lignite, whether or not agglomerated, excluding jet	5%	18%

Category - heading	Description of goods	Existing rate	Revised rate
2703	Peat (including peat litter), whether or not agglomerated	5%	18%
Health sector			
3004	Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale, including Ayurvedic, Unani, homoeopathic siddha or Bio-chemic systems medicaments, put up for retail sale	12%	5%
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electromedical apparatus and sight-testing instruments	12%	5%
9022	Apparatus based on the use of x-rays or of alpha, beta or gamma radiations, for medical, surgical, dental or veterinary uses, including radiography or radiotherapy apparatus, x-ray tubes and other x-ray generators, high tension generators, control panels and desks, screens, examinations or treatment tables, chairs and the light	12%	5%
9804	Other drugs and medicines intended for personal use	12%	5%
9027	Instruments and apparatus for medical, surgical, dental or veterinary uses for physical or chemical analysis	18%	5%
Consumer electronics			
8415	Air-conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated	28%	18%
8528	Television sets (including LCD and LED television); monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receiver or sound or video recording or reproducing apparatus, set top box for television and television set (including LCD and LED television)	28%	18%
Transportation sector			
4011	New pneumatic tyres, of rubber (other than of a kind used on/in bicycles, cycle-rickshaws and 3 wheeled powered cycle rickshaws; rear tractor tyres; and of a kind used on aircraft)	28%	18%
8702	Motor vehicles for the transport of 10 or more persons, including the driver (other than buses for use in public	28%	18%

Category - heading	Description of goods	Existing rate	Revised rate
	transport, which exclusively run on Bio-fuels)		
8703	Petrol, liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm	28%	18%
8703	Diesel driven motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm	28%	18%
8702 or 8703	Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	28%	18%
8703 40, 8703 60	Motor vehicles with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm	28%	18%
8703 50, 8703 70	Motor vehicles with both compression-ignition internal combustion piston engine (diesel-or semi diesel) and electric motor as motors for propulsion, of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm	28%	18%
8704	Motor vehicles for the transport of goods (other than refrigerated motor vehicles)	28%	18%
8708	Parts and accessories of the motor vehicles of headings 8701 to 8705 (other than specified parts of tractors)	28%	18%
8703	Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars, other than those mentioned above for which rate of GST has been reduced to 18%	28%	40%
8703 40, 8703 60	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	28%	40%
8703 50, 8703 70	Motor vehicles with both compression-ignition internal combustion piston engine (diesel-or semi diesel) and electric motor as motors for propulsion, of engine capacity exceeding 1500cc or of length exceeding 4000 mm	28%	40%
Construction sector			
2523	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers	28%	18%

Category - heading	Description of goods	Existing rate	Revised rate
Dutiable articles for personal use (for imports)			
9804	All dutiable articles intended for personal use	28%	18%
Miscellaneous items			
8407	Spark-ignition reciprocating or rotary internal combustion piston engine (other than aircraft engines)	28%	18%
8408	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	28%	18%
8409	Parts suitable for use solely or principally with the engines of heading 8407 or 8408	28%	18%
8507	Electric accumulators, including separators therefor, whether or not rectangular (including square) other than lithium-ion battery and other lithium-ion accumulators including lithium-ion power banks	28%	18%
8511	Electrical ignition or starting equipment of a kind used for spark-ignition or compression-ignition internal combustion engines (for example, ignition magnetos, magneto-dynamos, ignition coils, sparking plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut-outs of a kind used in conjunction with such engines	28%	18%

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