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56 TH GST COUNCIL MEETING - *ANALYSIS AND IMPACT*



GST

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GST 2.0 - Context & Background

Since its inception in 2017, the GST regime has undergone multiple changes to align fiscal sustainability with ease of doing business. However, multiple tax slabs, sectoral anomalies, compliance hurdles and litigation persisted even in the new regime.

The 56th GST Council meeting marks a pivotal reform in India's indirect tax framework. By moving from a fragmented four-tier GST structure to a more streamlined two-tier system, the Council has addressed long-standing issues of compliance complexity. The reforms aims to focus on simplifying the GST structure, correcting anomalies, and addressing key concerns of consumers, farmers, and MSMEs.

GST Council's Strategic Agenda:

- Simplifying GST rate structure for ease of doing business and compliance efficiency
- Providing relief to consumers through reduced rates on essentials
- Boosting competitiveness of MSMEs and labour-intensive industries
- Correcting inverted duty structures in critical sectors like fertilizers
- Strengthening institutional mechanisms, the GST Appellate Tribunal (GSTAT).

GST Rate Rationalization and its impact:

Through the unification of multiple tax rates into a simpler two-tier framework, the Council has affirmed its commitment to make GST simpler, fairer, and more growth-oriented. Essential household items have been made cheaper, agriculture and healthcare have been given much-needed relief, and labour-intensive sectors have gained competitiveness through lower rates. Concurrently, high-tax demerit goods remain tightly regulated, ensuring revenue safeguards.

This balanced approach marks a turning point to provide relief to consumers, enable business efficiency, and sustain fiscal stability. This structural simplification is expected to enhance tax predictability, improve compliance, and strengthen India's positioning as a business-friendly economy.

GST Rate Restructuring – Sectoral Overview

Essential Goods

Products	Existing Rate	Revised Rate
Soaps and Shampoos	12–18%	5%
Bicycles	12%	5%
Kitchenware	12%	5%
Milk, paneer, parotta	5%	NIL
Namkeens, chocolates, ghee	12–18%	5%

Agriculture

Products	Existing Rate	Revised Rate
Tractors &	12%	5%
Fertilizers	18%	5%
Irrigation equipment	12%	5%
agri machinery	12%	5%

Health & Pharma

Products / Services	Existing Rate	Revised Rate
Life and Health Insurance	18%	Exempt
Rare Disease Medicines	5%	NIL
33 Lifesaving Drugs	12%	NIL
Other Medicines & Devices	12–18%	5%

Automobiles

Products	Existing Rate	Revised Rate
Small cars, motorcycles ≤350cc	28%	18%
Three-wheelers	28%	18%
Buses, Trucks, Ambulances	28%	18%

MSMEs, Labour-Intensive Industries and Others

Products	Existing Rate	Revised Rate
Handicrafts	12%	5%
Marble & granite blocks	12%	5%
Intermediate leather goods	12%	5%
Cement	28%	18%

Implementation Roadmap

The revised GST rates will be implemented in a phased manner starting 22nd September 2025. While most goods and services will transition immediately, demerit goods such as tobacco and pan masala will continue under the existing cess framework until liabilities are cleared.

Timeline highlights:

- Services – Effective 22nd September 2025
- Goods – Effective 22nd September 2025
- Tobacco & Pan Masala – Deferred implementation subject to cess clearance.

Other Recommendations:

Beyond rate rationalisation, the 56th GST Council meeting proposed various important measures aimed at enhancing compliance and mitigate litigations.

Key recommendations include:

1. Intermediary Services

- The Council has recommended omission of clause (b) of section 13(8) of IGST Act 2017
- Accordingly, after the amendment, the place of supply for “intermediary services” will be determined as per the default provision under section 13(2) of the IGST Act, 2017 i.e. the location of the recipient of such services.
- This will allow such services to qualify as zero-rated supplies, enabling businesses to claim export refunds.
- The clarification aligns with global trade practices and removes ambiguity that has been discouraging Indian firms from competing in international service supply chains.

2. GSTAT

- The GST Appellate Tribunal (GSTAT) is set to become operational by December 2025, providing much-needed relief to businesses burdened by litigation.
- A Principal Bench will serve as the National Appellate Authority for Advance Rulings, ensuring consistency and predictability in GST jurisprudence.
- Deadline of 30th June 2026 was fixed for clearing backlog appeals, giving clarity to taxpayers and reducing legal uncertainty.

3. Issuance of circular on certain issues pertaining to Post Sale Discount:

In order to remove ambiguity and legal disputes, the Council recommended to provide clarification on certain issues pertaining to Post Sale Discount namely, -

- 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.

Way Forward – Outlook 2025-26

The GST reforms introduced in 2025 are expected to reshape India's indirect taxation landscape over the next few years. The 56th GST Council meeting has ushered in landmark reforms that balance consumer welfare, industry growth, and revenue stability. By moving towards a simplified structure, reducing inverted duties, and institutionalising dispute resolution, the Council has set a strong precedent for tax reform.

Successful implementation and stakeholder engagement will be critical to realising the full potential of these reforms and ensuring GST evolves into a truly business-friendly tax regime.