



Anivesh
Legal Consultants

In-depth Industry Wise Analysis of Recommendations of 56th Council Meeting



ABOUT US:

Anivesh Legal Consultants (ALC Group) is a professionally managed multi-specialised consultancy firm headquartered in Gurgaon, Haryana. The term 'Anivesh' denotes 'responsibility' which is our main focus. We are steadfast in our commitment to assuming complete responsibility for every client engagement, striving to deliver genuine value that enhances quality of our services. We are dedicated to not just meet but exceed client expectations, ensuring clients' satisfaction and success.

OUR STORY:

ALC Group was founded by CA. (Adv) Mohit Gupta and CA. (Adv) Ayush Agarwal under the guidance of CA. Vishnu Agarwal (M/s Agrawal Goyal and co. which is a 35 years old firm). It was founded by a team of experienced & dedicated Chartered Accountants & Advocates having rich experience of working in top tier firms of India. ALC team brings together refined consultancy skills, the pinnacle of industry practices, and an unwavering dedication to fulfilling every client need.

OUR EXPERTISE:

With core focus on Indirect Tax (GST, Customs, Foreign Trade Policy) Litigation, Advisory & Audit, Transaction Structuring & Advisory and IDT Due Diligence & compliance Review, we provide a comprehensive range of services including Statutory audits, Internal audits, Financial Services, Direct Tax, Company Law, FEMA / RBI, Economic Zone, Intellectual Property, Business Process automation (i.e. Excel automation), Accounting Services etc.

WHY US?

- Rich experience of working with industry leaders
- Holistic solution
- Strong Work Ethics
- Long-Term Partnerships

Founders of Anivesh Legal Consultants



CA (ADV) MOHIT GUPTA
GST, Customs, FTP

This is truly GST 2.0 as said by Hon'ble PM Narendra Modi ji on our 79th Independence Day !! GST rates have been reduced across 400+ product categories. Further, amendments are not only done in GST rate slabs but structural changes like giving benefit of zero-rating to intermediary services, simplified registration scheme for small taxpayers will reduce lot of compliance burden as well as increase competitiveness of Indian Industries globally.

However, robust anti-profiteering provisions are also required to be put in place by the government to ensure that benefit of such rate reduction actually reaches the intended consumers. Further, an amnesty scheme for past cases should also be announced along with operationalization of GST Appellate Tribunal to reduce huge backlog of pending cases with GST department.



CA (ADV) AYUSH AGARWAL
GST, Customs, FTP

The latest GST reforms, or as the Government calls it GST 2.0 – Diwali Bonanza, mark a landmark move. They are set to reduce prices across sectors such as essentials, automobiles, and consumer electronics. The rate cuts aim to boost domestic consumption, especially in light of up to 50% Trump tariffs on exports. Trade and industry have long awaited a Tribunal for faster dispute resolution, and the new guidelines bring much-needed relief.

Exports will also get a major push. Removal of the intermediary clause from place of supply provisions creates a level playing field for Indian service providers globally. However, there's more than meets the eye. The actual impact of reduced rates may take time, as accumulated credit and denial of ITC on exempted products will shape effective price reductions.

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The Goods and Services Tax (GST) Council in its 56th GST Council meeting has recommended various changes with respect to change in rate of goods/services and other changes, which are explained as under:

1. Date of implementation of change in GST rates

- Revised GST rates on all goods (except Pan Masala, Gutkha, Cigarettes, Chewing Tobacco, Zarda, Unmanufactured Tobacco, and Bidi) w.e.f. **September 22, 2025**.
- Tobacco products, current GST and Compensation Cess rates will continue until loan and interest payment obligations under the Compensation Cess account are fully discharged. The Union Finance Minister and Chairperson of the GST Council will decide the actual date of transition to the revised rates for these goods.

Anivesh (ALC) Comments:

- Advance notice of almost 20 days will help businesses to analyze implications of rate changes. However, it is important to note that legal notifications (containing actual legal text) should be released within few days so that taxpayers actually get the requisite time to analyze the implications.
- For some sectors, even 20 days might be very less to analyze implications especially where significant changes are made in the taxation regime of those sectors (e.g. automobile industry).

2. Operationalization of the Goods and Services Tax Appellate Tribunal (GSTAT)

- GSTAT is expected to become operational for accepting appeals by the end of September, with hearings commencing before the end of December this year.
- Council has recommended cut-off date for filing backlog appeals as **June 30, 2026**.
- Additionally, the Principal Bench of the GSTAT will function as the National Appellate Authority for Advance Ruling.
- Such initiatives will significantly strengthen the institutional framework of GST by establishing a robust dispute resolution mechanism, ensuring consistency in advance rulings, and providing greater certainty to taxpayers.
- Overall, these measures will further enhance trust, transparency, and ease of doing business under GST.

Anivesh (ALC) Comments:

- Constitution of GSTAT is a much-awaited reform under GST law as currently litigation cycles have been prolonged in absence of dedicated appellate tribunals under GST.
- Such burden will reduce burden on High Courts and expedite the resolution of pending disputes.
- Quick dispute resolution encourages voluntary compliance as taxpayers gain confidence that issues will be resolved fairly and in a timely manner.
- With the Principal Bench also functioning as the National Appellate Authority for Advance Ruling, contradictory rulings from different states will be minimized.
- Principal Bench will have a lot of additional responsibilities (i.e. to hear all Place of Supply related matters, deal with anti-profiteering matters and now to act as National Appellate Authority for Advance Ruling). It is important to ensure that sufficient infrastructure is available in the Principal Bench so that main responsibilities as well as all these additional responsibilities can be taken up efficiently by the Principal Bench.

3. 90% provisional refund to be based on risk assessment driven system

- 90% of the refund claimed will be sanctioned as a provisional refund by the proper officer, based on system-driven risk identification and evaluation.
- Such change to be applicable in cases of refund claims in respect of zero-rated supply and Inverted Duty Structure.
- Pending legislative amendments, the CBIC will administratively begin implementing a system for granting 90% provisional refunds on account of Inverted Duty Structure.
- In exceptional cases, where warranted, the proper officer may record reasons in writing and proceed with detailed scrutiny of the refund claim instead of granting a provisional refund.
- Additionally, notification will be issued to specify certain categories of registered persons who will not be eligible for provisional refunds.
- Such provisions will come into effect from **November 1, 2025**.

Anivesh (ALC) Comments:

- At present as well, Rule 91 provides for grant of provisional refund of 90% amount in cases of zero-rated supplies. However, practically such provisional refunds are rarely granted by tax officers.
- The use of risk-based system and requirement for proper officers to record reasons in writing before denying provisional refund should help in actual implementation of grant of provisional refund rather than merely legislative or administrative changes.
- Risk-based 90% provisional refunds for Inverted Duty Structure (IDS) will speed up cash flow for taxpayers while safeguarding revenue bringing it on par with exports refunds (Rule 91).
- Most taxpayers will benefit from quicker sanction of 90% provisional refunds, improving cash flow and working capital.
- Certain categories of taxpayers who have poor compliance track record, fake invoice risk, or past fraud cases or where taxpayers have been prosecuted will not receive provisional refunds, to safeguard revenue.

4. Amendment in CGST Act to provide for GST Refunds in respect of low value export consignments

- Threshold limit of Rs. 1,000/- under Section 54 (14) to be omitted for refunds claims arising out of exports made with payment of tax.
- It will help small exporters making exports through courier, postal mode etc. by enabling them to claim refunds without being restricted by the threshold requirement.

Anivesh (ALC) Comments:

- Removal of the threshold limit allows even small-value exporters to claim refunds of tax paid on exports, improving their cash flow.
- Small businesses, particularly those exporting through courier and postal modes, will find it easier to recover taxes, making exports more viable. It could lead to higher export volumes and contribute to overall economic growth.

5. Simplified GST Registration Scheme for Small and Low-Risk Businesses

- Introduction of an optional simplified GST registration scheme.
- Under this scheme, registration will be granted on an automated basis within three working days from the date of submission of the application in the following cases:
 - Low-risk applicants, as identified through risk-based parameters, and
 - Applicants who, based on their self-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 allow taxpayers to voluntarily opt into or withdraw from the scheme at any time, offering flexibility and ease of compliance.
- The scheme will provide for voluntary opting into and withdrawal from the scheme. This will benefit around 96% of new applicants applying for GST registration.
- Such scheme to be operationalized from **November 1, 2025**.

Anivesh (ALC) Comments:

- It is welcome recommendation since the businesses can commence operations quickly, as registration approval will be completed within three working days for eligible applicants.
- Small and low-risk businesses will face fewer procedural hurdles, encouraging more entrepreneurs to register under GST.
- Easier registration will motivate small businesses to enter the formal economy, thereby widening the tax base.

6. Introduction of Simplified Registration Scheme for small suppliers supplying through electronic commerce operators (ECOs)

- Concept of a simplified GST registration mechanism for small suppliers making supplies through ECOs across multiple States recommended.
- The detailed modalities for operationalizing the said scheme will be placed before GST Council.
- It will ease compliance for such suppliers and facilitate their participation in e-commerce across states.

Anivesh (ALC) Comments:

- Currently, such suppliers face significant challenges in complying with the requirement of maintaining a principal place of business in each State where they supply goods or services. Small suppliers will no longer be required to maintain separate principal places of business in every State where they sell via e-commerce platforms.
- This will encourage more small suppliers to sell on e-commerce platforms, leading to higher market access and growth opportunities.
- Simplified registration will make it easier for micro and small businesses to expand their reach across India without complex administrative requirements.

7. Amendment in place of supply provisions for intermediary services under Section 13(8) of the IGST Act

- Omission of Section 13(8) (b) of IGST Act 2017 recommended.
- Accordingly, after the said law 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.
- It will help Indian exporters of such services to claim export benefits.

Anivesh (ALC) Comments:

- There has been a long-standing dispute ever since separate place of provision of service was prescribed for intermediary services in Service Tax regime. In GST regime as well, litigation has already kicked off with multiple judgments (with latest judgment being *Dharmender M Jani* by Bombay HC). Finally, all such disputes will be resolved.
- It will enable service providers acting as intermediaries to treat services to foreign clients as exports, making them eligible for zero-rated benefits, improving their pricing and increasing their competitiveness in global markets. It should also help in increasing India’s overall export of services.

8. Amendment of section 15 and section 34 of CGST Act, 2017 in respect of Post Sale Discount

- **Omission of Section 15(3)(b)(i) of the CGST Act, 2017** – The requirement to establish that a discount is pre-agreed (through an agreement entered before or at the time of supply) and specifically linked to relevant invoices will be omitted.
- **Amendment of Section 15(3)(b) of the CGST Act, 2017** – Post-sale discounts will be required to be granted through a credit note issued under Section 34 of the CGST Act.
- **Rescission of Circular No. 212/6/2024-GST dated June 26, 2024** – It will be correspondingly amended to include a reference to Section 15(3)(b) of the CGST Act to provide that ITC must be reversed by the recipient where the value of supply is reduced through such GST credit notes.
- **Issuance of a New Circular Clarifying Post-Sale Discount Treatment** – To reduce ambiguity and legal disputes, it has recommended a new circular providing clarity on the following aspects will be issued:
 - ✓ **No ITC reversal** required for financial/commercial credit notes where no tax adjustment is made.
 - ✓ **Treatment of post-sale discounts** provided by manufacturers to dealers to clarify whether such discounts constitute additional consideration for the dealer’s transaction with the end customer.
 - ✓ **Treatment of discounts as consideration** for promotional activities or services performed by dealers – to determine whether such amounts should be taxed as a separate supply of service.

Anivesh (ALC) Comments:

- Removal of the pre-agreement and invoice-linking requirement will significantly ease documentation and reconciliation for suppliers.
- Mandating credit notes under Section 34 will create a uniform and legally robust mechanism for adjusting taxable value and corresponding ITC. Ensuring recipient ITC reversal where taxable value is reduced will prevent revenue leakage while allowing suppliers to pass on discounts.
- Introduction of Invoice Management System (IMS) has made requirement of CA certificate redundant for checking ITC reversal on the end of recipient. Consequently, omission of Circular 212 (thereby removing requirement of CA certificate) is a welcome step.
- New circular will address long-standing disputes on financial credit notes, dealer incentives, and promotional schemes, reducing litigation and uncertainty.
- It will certainly provide suppliers with flexibility to offer post-sale discounts without fear of non-compliance, fostering better trade practices and smoother supply chain operations.

9. Other Important proposed changes

- **Retail Sale Price (RSP)-based Valuation for Tobacco Products**

- ✓ GST valuation for Pan Masala, Gutkha, Cigarettes, Chewing Tobacco, Zarda, Scented Tobacco, and Unmanufactured Tobacco will shift from transaction value to Retail Sale Price (RSP).

Anivesh (ALC) Comments: It signifies intent of government to move towards earlier established system of RSP based taxation under Excise regime to control GST evasion of tax in highly tax evasion prone sectors. RSP-based valuation for tobacco products will reduce under-valuation, leading to higher GST collections.

- **IGST & Compensation Cess Exemption for Presidential Car**

- ✓ Ad hoc exemption from IGST and Compensation Cess has been granted on the import of new armoured sedan car by the President's Secretariat for the President of India.

- **Clarification on 'Specified Premises' for Restaurant Services**

- ✓ Explanations will be added to the definition of 'specified premises' to clarify that a stand-alone restaurant cannot classify itself as a specified premises and therefore cannot opt for paying GST at 18% with ITC.

Anivesh (ALC) Comments: Ever since introduction of mandatory rate of 5% without ITC for restaurants back in 2017, various restaurants (especially franchise restaurants) have argued that rate of 18% with ITC should be available to them. This clarification will provide much needed clarity in a sector having very complex GST rate taxation system and prevent misuse by stand-alone restaurants.

- **Alignment of Valuation Rules for Lottery Tickets**

- ✓ Amendments will be made to align valuation rules with the revised GST rate applicable to lottery tickets.

- 1. Rate of GST in case of change in rate of GST on goods/services:** Applicable rate of GST on goods/services in transitional cases (e.g. goods supplied but payment not received etc.) will be governed by Section 14 of CGST Act which defines Time of Supply ('ToS') in case of change in rate of GST. It is pertinent to note that Section 14 overrides Sections 12 and 13 and therefore, in case of change in rate of GST, Section 14 will govern the ToS and Sections 12 and 13 will be irrelevant. Provisions are explained in tabular format below.

- Effective date of change in GST rate is taken as 22nd September;
- GST rate is assumed to be changed from 12% to 5% (e.g. Job work services).

Case	Date of supply (goods/services)	Date of issue of invoice	Date of receipt of payment	Time of supply [Section 14]	Applicable rate of GST
1	20.09.2025 [Before change]	23.09.2025 [After change]	25.09.2025 [After change]	23.09.2025 [New Rate]	5% [New Rate]
2	20.09.2025 [Before change]	21.09.2025 [Before change]	25.09.2025 [After change]	21.09.2025 [Old Rate]	12% [Old Rate]
3	20.09.2025 [Before change]	23.09.2025 [After change]	21.09.2025 [Before change]	21.09.2025 [Old Rate]	12% [Old Rate]
4	24.09.2025 [Before change]	21.09.2025 [Before change]	20.09.2025 [Before change]	20.09.2025 [Old Rate]	12% [Old Rate]
5	24.09.2025 [Before change]	21.09.2025 [Before change]	25.09.2025 [After change]	25.09.2025 [New Rate]	5% [New Rate]
6	24.09.2025 [After change]	23.09.2025 [After change]	21.09.2025 [Before change]	23.09.2025 [New Rate]	5% [New Rate]

Anivesh (ALC) Comments:

- The provisions of Section 14 which deal with change in rate of tax is *pari materia* to provisions of Point of Taxation Rules ('POTR') under Service Tax. However, under pre-GST regime, such provision was only applicable to services while in GST regime, such provisions have been made applicable to goods as well as services.
- Simple criteria to be seen for determining applicable GST rate is where 2 of the 3 events (date of supply, date of issue of invoice and date of receipt of payment) fall before date of change in rate of GST, old GST rate will apply. Similarly, where 2 of these 3 events fall after date of change in rate of GST, new GST rate will apply.
- Case 3 will create huge practical difficulties for industry as invoices will be issued post rate change (i.e. 23.09.2025) while applicable GST rate will be earlier rate (i.e. 12%).
- Similarly in Case 5, invoices would already be issued pre-rate change (i.e. 21.09.2025) while applicable GST rate will be later rate (i.e. 5%). In such cases, debit/credit notes might have to be issued. Further, where e-way bills are also generated at the same rate as already mentioned in invoice, it might create issues in movement of the goods.
- Meaning of date of receipt is also defined in Explanation as well as proviso to Section 14. The same may be referred to when deciding applicable rate of GST.

2. Rate of GST in case of exemption on goods/services:

Anivesh (ALC) Comments:

- A legal issue that arises for consideration is whether Section 14 is applicable when certain goods/services are exempted from tax completely. As per the plain reading of Section 14, it should be applicable only when there is change in rate of tax. Therefore, as a corollary, it should not be applicable when the goods/ services are completely exempted as it is not change in rate of tax.
- Further, it should be noted that exemption under Notification 2/2017-Central Tax (Rate) dated 28.06.2017 ('**NN 2/17 CTR**') is given to goods by way of whole exemption under Section 11 while in case of services, exemption Notification 12/2017-Central Tax (Rate) dated 28.06.2017 ('**NN 12/17 CTR**') is given to services by giving exemption to services in excess of 'nil' rate of tax which means effective rate of GST is 'Nil' which is also a rate of tax (as per settled jurisprudence under pre-GST regime).
- Therefore, when goods are exempt **NN 2/17 CTR**, it is an exemption which does not qualify as 'change in rate of tax' and should not be governed by Section 14 but in case of services, rate of GST is changed from their respective to 'Nil' rate under **NN 12/17 CTR** and therefore, it will qualify as 'change in rate of tax' and will be governed by Section 14 only. It is also explained by help of table below:

Type	Examples	Amendment to be made by way of	ALC comments
Goods	UHT milk or bread	Full Exemption given	Applicable GST rate to be determined as per normal Time of Supply as per Section 12 (date of removal/issue of invoice)
Services	Individual health insurance	'Nil' rate prescribed	Applicable GST rate to be determined as per Section 14

3. **Refund of ITC under Inverted Duty Structure:** Where rate of GST has been reduced (e.g. 12% to 5%) for traders. Now, goods were procured by traders @12% pre rate change while they would be sold @5% post rate change. Whether ITC and refund of such ITC under Inverted Duty Structure (IDS) is available?

Anivesh (ALC) Comments:

- Eligibility of ITC: The ITC of 12% charged on procurement of goods would be eligible to the traders as ITC is available of 'GST charged' on invoice. As 12% GST was charged on procurement of goods, even though they were sold @5%, full 12% ITC will be eligible on those goods. [Refer FAQs 6 and 8]
- Eligibility of refund of ITC: As per Circular No. 135/05/2020-GST dated 31.03.2020 (as amended), refund of ITC in IDS is not available where input and output products are same [Refer FAQ 10]. However, there is no bar in Section 54 as this case will squarely satisfy the condition of 'accumulation of credit on account of rate of tax on inputs being higher than the rate of tax on output supplies'. Further, it is a well-accepted principle that circular cannot go against provisions of the law. Therefore, the said clarification given by Circular No. 135/05/2020 appears to be incorrect.

4. Anti profiteering provisions

Anivesh (ALC) Comments:

- Section 171 which deals with anti-profiteering had a sunset date of 1st April 2025 for taking new complaints. It means no new complaints for anti-profiteering can be filed after 1st April 2025.
- With so many amendments in GST rates (primarily rate reductions), fresh anti-profiteering provisions may be notified by the government to ensure benefit of rate reductions are actually passed on by the companies to the ultimate consumers.
- If such anti-profiteering provisions are notified, it will be interesting to see that how the impact of reversal of ITC in cases where complete exemptions have been given (e.g. UHT milk/breads/insurance services) will be taken in calculation of profiteering amount benefit of which has to be passed on to the consumers.

5. Reversal of ITC on unsold inventory

Inputs: Where goods are exempted from GST, ITC must be reversed on any unsold inventory lying with the supplier [Section 18(4)].

Anivesh (ALC) Comments:

- In case of goods where cess was earlier levied, such cess will also become part of cost as ITC of such cess will not be available. For example, a car with engine capacity of less than 1500cc is currently leviable to 28% GST + 15% cess. Post rate amendment, GST rate will be 40%. However, in case of unsold inventory of such cars lying with car dealers as on 22nd September 2025, cess ITC on such cars will become will have to reversed which will ultimately increase cost of such unsold inventory.
- In case of exporter where goods were earlier taxable and are now exempt, whether reversal of ITC to be done?

Capital goods: Similarly, in case of capital goods earlier used for supply of taxable goods/services but subsequently such goods/services are exempted from GST, ITC for balance useful life of Capital Goods has to be reversed by considering total useful life as 5 years [Section 18(4) read with Rule 44].

Input Services: Input services which can be one-to-one linked with goods supplied before exemption (i.e. taxable supply) will be eligible for full ITC. Similarly, Input services which can be one-to-one linked with goods supplied after exemption (i.e. exempt supply) will not be eligible for any ITC. Input services which are attributable to goods supplied before exemption as well as after exemption will be treated as common services as its ITC will be available in proportion of taxable turnover to total turnover.

Anivesh (ALC) Comments: Treatment of common services which can be one-to-one linked with goods like transportation services, insurance, warehousing, CFA services, CHA services, contract labour etc. has to be seen carefully.

6. Debit/Credit notes

Anivesh (ALC) Comments:

- Where goods originally sold @12% (i.e. sold on 20.09.2025) are returned after 22nd September (i.e. 25.09.2025) (when rate changed to 5%), the credit note for such sales return will be issued at the original invoice GST rate only i.e. 12%.
- Disclosure of debit/credit note for pure GST amount (debit note for 6% (18%-12%) GST amount) without any taxable value in GST returns will be difficult as GSTR-1 does not have proper mechanism to disclose such debit/credit notes.

Changes in GST Rates: Goods

1. Food Sector

HSN	Description of Goods	Before	After
0401, 0406, 1905 or 2106	UHT milk, Chena or paneer (pre-packaged and labelled), Pizza bread, Khakhra, Chapathi or Roti	5%	<i>Nil</i>
2106	Paratha, parotta and other Indian breads	18%	<i>Nil</i>
Chapters 04, 08, 11, 15, 16, 17, 18, 19, 20, 21, 22	Dairy & Nuts & Processed & Packaged Food Products (47-line items)	12%	<i>5%</i>
Chapters 11, 13, 15, 17, 18, 19, 21, 22, 35	Various other food items such as bakery pastry, cakes, Ice cream etc. (23-line items)	18%	<i>5%</i>
22029100, 220299	Other non-alcoholic beverages	18%+ 12%CC	<i>40%</i>
Chapters 21, 22	Caffeinated Beverages, Carbonated Beverages of fruits & Tobacco Substitutes (4-line items)	28%+ 12%CC	<i>40%</i>

Anivesh (ALC) Comments:

- Exemption extended to UHT milk, and GST on plant-based and soya milk drinks reduced to 5%
- All varieties of Indian breads, including roti, paratha, parotta, and pizza bread, are now fully exempt from GST.
- Only pre-packaged paneer is taxed, while unpackaged remains exempt to support small-scale cottage cheese production.
- Food preparations not elsewhere specified will attract a GST rate of 5%.
- GST on carbonated fruit drinks raised to offset removal of compensation cess and maintain overall tax burden.
- Other non-alcoholic beverages taxed at 40% to align similar goods and avoid classification disputes between different kinds of beverages.
- GST is kept lower on natural honey to promote its consumption over artificial honey.

Note: CC in rate table means compensation cess.

2. Tobacco Sector

HSN	Description of Goods	Before	After
14049010, 14049050	Bidi Wrapper Leaves (Tendu) & Indian Katha	18%	5%
2403	Bidi	28%	18%
Chapter 24	Smokables such as Cigars, Cheroots etc. unmanufactured and other manufactured tobacco (5-line items)	28%+ CC (multiple rates)	40%

Anivesh (ALC) Comments:

- Since tobacco is considered as sin product, rate is increased from 28% to 40%. Further, cess will not be applicable.
- The rates change on these items will come into effect only after the obligations of the Central Government under the compensation cess account related to loan and interest payment are completely discharged.
- The rate of bidi has been reduced to 18% whereas the rate of cigarettes has increased to 40%. Primary purpose behind reducing GST rate on bidi is to protect rural farmers engaged in making bidis.
- GST on tendu leaves is reduced to 5%, aligning with tobacco leaves, as they are minor forest produce.

3. Agriculture Sector

HSN	Description of Goods	Before	After
Chapters 84, 87	Agricultural Machinery, Diesel engines, Pumps, nozzles, sprinklers, irrigation systems, Tractors, trailers, carts & animal-drawn vehicles (11-line items)	12%	5%

Anivesh (ALC) Comments:

- GST on agricultural machinery and equipment reduced from 12% to 5% to make them more affordable.
- Full exemption on agricultural machinery is avoided to protect manufacturer's ITC benefits and prevent higher costs for farmers.

4. Fertilizer Sector

HSN	Description of Goods	Before	After
2807, 2808, 2814	Sulphuric acid, Nitric acid, Ammonia	18%	5%
Chapters 28, 29, 38	Agrochemicals (Gibberellic acid, Bio-pesticides & Micronutrients) (3-line items)	12%	5%
Chapters 40, 84, 87	Tractor Parts & Accessories (Tractor Components, Tractor Assemblies & Agri-Vehicle Parts) (17-line items)	18%	5%

Anivesh (ALC) Comments:

- Rates of several items have been reduced which ultimately provides relief to the agriculture sector.

5. Coal Sector

HSN	Description of Goods	Before	After
2701, 2702, 2703	Coal, Lignite, Peat etc. (3-line items)	5% + 400 /tonne CC	18%
<u>Anivesh (ALC) Comments:</u> ➤ Earlier coal attracted 5% GST and Rs 400/ton Compensation Cess. Now, the rate has been increased to 18% with no compensation cess which essentially does not increase the burden.			

6. Renewable Energy Sector

HSN	Description of Goods	Before	After
Chapters 73, 84, 85, 87, 94	Green Energy Equipment (solar cookers, solar water heaters, bio-gas plants, solar devices, windmills, waste-to-energy plants, photovoltaic cells, fuel cell vehicles, etc.) (4-line items)	12%	5%
<u>Anivesh (ALC) Comments:</u> ➤ GST on renewable energy equipment/devices is reduced from 12% to 5% ➤ GST on renewable energy goods is reduced to 5%; inverted duty refunds and process reforms support promotion of these items.			

7. Textile Sector

HSN	Description of Goods		Before	After
Chapters 54, 55, 56, 57, 58, 59, 65 & 94	Yarns, Fabrics and Textile Articles (Sewing threads, yarns, nonwovens, ropes, carpets, terry fabrics, lace, embroidery, coated fabrics, wicks, belts, technical textiles, hats & quilted products) (40-line items)		12%	5%
Chapters 61, 62, 63, 94	Apparel, Clothing Accessories and Home Textile Articles (apparel (knitted / woven, clothing accessories, made-up textile articles, and cotton quilts) (4-line items)	<i>Upto Rs. 1000</i>	5%	5%
		<i>Rs. 1000 - Rs. 2500</i>	12%	5%
		<i>More than Rs. 2500</i>	12%	18%
Chapters 54, 55	Man-made Fibres (synthetic/artificial filament yarn, filament tow, staple fibres, and waste of man-made fibres) (5-line items)		18%	5%
Chapters 61, 62, 63 & 94	High-Value Apparel and Textile Articles (apparel (knitted/woven), clothing accessories, made-up textile articles, cotton quilts, and quilted textile products (all above Rs. 2500 per piece) (5-line items)		12%	18%
<u>Anivesh (ALC) Comments:</u>				
➤ The rates have been reduced to correct the inverted duty structure on manmade textile sector.				
➤ Reduction of GST to 5% to apparel and clothing accessories ranging between Rs. 1,000 to Rs. 2,500 will help textile industry by increasing demand while simultaneously raising GST to 18% on high priced clothes (above Rs. 2,500).				

- Similarly, cotton quilts of sale value not exceeding Rs. 2,500 per piece will attract 5% rate and sale value exceeding Rs. 2,500 per piece will attract 18%.
- Raw cotton remains GST-exempt for farmers, with tax applied on reverse charge to preserve input credit for the textile industry, benefiting consumers.
- GST rate rationalisation aims to fix inversion in the manmade fibre chain, but multi-use goods prevent end-use-based reductions under current policy.
- Technical textiles like geotextiles and agro-textiles are classified as textiles, with GST refund mechanisms neutralising inverted duty credit.

8. Health Sector

HSN	Description of Goods	Before	After
Chapter 30	3 lifesaving drugs and medicines used for treatment of cancer, rare diseases and other severe chronic diseases	5%	<i>Nil</i>
Chapter 30	33 Lifesaving drugs and medicines	12%	<i>Nil</i>
Chapters 28, 30, 38, 40, 90, 98	Medicines, Oxygen, Diagnostic Kits, Medical Devices and Healthcare Products (23-line items)	12%	5%
9025, 9027	Medical, Surgical, Dental or Veterinary Instruments and Apparatus including Thermometers and Analytical Devices (2-line items)	18%	5%

Anivesh (ALC) Comments:

- Rates on various life-saving drugs have been reduced to Nil. All medicines attract a concessional GST rate of 5%, except those specifically exempted at nil rate.
- Full GST exemption on certain medicines is avoided to preserve ITC flow and prevent higher medicine prices for consumers.
- All medical devices, surgical, dental, and veterinary instruments are taxed at 5% GST unless specifically exempted.
- Reducing GST on medical devices lowers healthcare costs, with ITC refund mechanisms addressing any deepened inverted duty structure.

9. Education Sector

HSN	Description of Goods	Before	After
4016	Erasers	5%	<i>Nil</i>
4905, 8214, 9608, 9609, 4820	Printed Maps and Charts- Stationery Articles including Pencil Sharpeners, Pencils, Crayons, and Exercise/Note Books (4-line items)	12%	<i>Nil</i>
7310, 7326	Mathematical boxes, geometry boxes and colour boxes	12%	5%

Anivesh (ALC) Comments: Rate of various goods have been reduced to Nil. The impact of same on prices of the goods due to denial of ITC remains to be seen.

10. Common Man Items

HSN	Description of Goods	Before	After
Chapters 33, 34, 36, 39, 40, 42, 44, 66, 69, 73, 74, 76, 84, 87, 94, 96	Household, Personal Care, Kitchenware, Furniture, Bicycles, and Other Consumer Goods (25-line items)	12%	5%
Chapters 33, 34, 96	Cosmetics, Toiletries, and Personal Care Products (6-line items)	18%	5%

Anivesh (ALC) Comments:

- GST on toilet soap bars is reduced to 5% to ease expenses for lower-middle and poorer sections.
- GST rate rationalization simplifies taxation on daily-use cosmetics, avoiding brand or price-based complexity despite luxury items also benefiting.
- GST reduced to 5% on select daily use goods for most population segments e.g. GST on basic dental hygiene items such as toothpaste, toothbrush, and dental floss is reduced to 5%.

11. Consumer Electronics

HSN	Description of Goods	Before	After
8415, 8422, 8528	Air conditioning machines, Television and Dish Washing machines (3-line items)	28%	18%

Anivesh (ALC) Comments:

- The rate of consumer electronic products has been reduced to 18% to give relief to common man as items like ACs and washing items have become necessary items for middle class rather than a luxury.
- Earlier TVs were taxed at different GST rates based on their sizes (18% for up to 32" inches TV and 28% for above 32" inches). Now GST rates have been streamlined as all TVs are taxed at 18%.

12. Paper Sector

HSN	Description of Goods	Before	After
4802	Uncoated paper and paperboard used for exercise book, graph book, laboratory notebook and notebooks	12%	Nil
Chapters 47, 48	Pulp, Paper, Paperboard and Articles Thereof (10-line items)	12%	5%
Chapters 47, 48	Paper and Paperboard, Including Various Grades and Special Types (9-line items)	12%	18%

Anivesh (ALC) Comments: Wood pulp is used for making paper and textiles. The paper chain and the textile chain operate separately. The tax is reduced to maintain parity with other textile goods.

13. Transportation Sector

HSN	Description of Goods	Before	After
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%+ 1% CC	18%
8703 8711	Diesel driven motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm Motorcycles of engine capacity exceeding 350 cc,	28%+ 3% CC	18%
Chapters 40, 87, 89, 94	Motor Vehicles, Motorcycles, Parts, Accessories, Tyres, and Other Transport Equipment (17-line items) including: <ul style="list-style-type: none"> • Three-wheelers • Motor vehicles carrying 10+ persons • Road tractors for semi-trailers >1800 cc 	28%	18%
Chapters 87, 88, 89	High-Capacity Motor Vehicles, Motorcycles, Aircraft, and Yachts (6-line items) including: <ul style="list-style-type: none"> • Mid-size, large cars and utility vehicles (SUVs, MUVs, MPVs, XUVs) above 1500cc, 4m length, and 170mm clearance • Motorcycles above 350 cc 	28%+ CC(3-22%)	40%

Anivesh (ALC) Comments:

- Motor vehicle industry has always faced multiple disputes, especially in 18% vs 28% GST rate categories. Judgment of Hon'ble SC in case of *Westinghouse Saxby* also created lot of confusion in the industry with regards to parts of automobiles. Such disputes will finally be put to rest as parts of all types of automobiles will be levied at standard GST rate of 18%.
- Reduction of GST rate from 28% to 18% on small motor vehicles might have an adverse impact on EV sector as price incentive due to gap in GST rate between EV vehicle and normal fuel vehicles will be reduced.
- In case of goods where cess was earlier levied, such cess will also become part of cost as ITC of such cess will not be available. For example, a car with engine capacity of less than 1500cc is currently leviable to 28% GST + 15% cess. Post rate amendment, GST rate will be 40%. However, in case of unsold inventory of such cars lying with car dealers as on 22nd September 2025, cess ITC on such cars will become will have to reversed which will ultimately increase cost of such unsold inventory.
- The GST policy aims to support farmers without harming domestic producers, as fully exempting small tractors would force manufacturers to absorb unrecoverable input tax costs, raising prices for buyers.

14. Sports Goods and Toys

HSN	Description of Goods	Before	After
Chapters 42, 95	Sports, Recreational, and Play Equipment, Toys, and Fishing Rods (5-line items)	12%	5%

15. Dutiable Articles for Personal Use (For Imports)

HSN	Description of Goods	Before	After
9804	All dutiable articles intended for personal use	28%	18%
Anivesh (ALC) Comments: It will give boost to imports for personal use by Indian consumers from foreign countries and reduce their tax burden.			

16. Leather Sector

HSN	Description of Goods	Before	After
4107, 4112, 4113, 4114, 4115, 6701	Leather (Processed, Treated and Specialty), Leather Composites and byproducts, birds' skin and feathers (6-line items)	12%	5%
Anivesh (ALC) Comments: This may lead to refund of ITC under Inverted Duty Structure in this sector.			

17. Wood Sector

HSN	Description of Goods	Before	After
Chapters 44, 45	Composite and Engineered Boards, Wood Articles (Raw, Basic and Manufactured), Cork Products (15-line items)	12%	5%
Anivesh (ALC) Comments: This may lead to refund of ITC under Inverted Duty Structure in this sector.			

18. Defence Sector

HSN	Description of Goods	Before	After
852560, 8710	Two-way radio (Walkie Talkie), Tanks and Other Armored Vehicles. (2-line items)	12%	5%
Anivesh (ALC) Comments: This may lead to refund of ITC under Inverted Duty Structure in this sector.			

19. Footwear Sector

HSN	Description of Goods	Before	After
Chapter 64	Footwear of sale value upto Rs. 1,000 per pair	12%	5%
Chapter 64	Footwear of sale value between Rs. 1,000 to Rs. 2,500 per pair	18%	5%
Chapter 64	Footwear of sale value exceeding Rs. 2,500 per pair	18%	18%
Anivesh (ALC) Comments: This may lead to refund of ITC under Inverted Duty Structure in this sector.			

20. Miscellaneous Sector

HSN	Description of Goods	Before	After
Chapters 01, 25, 29, 37, 38, 39, 40, 66, 69, 70, 73, 76, 83, 90, 94, 96	Living Animals, Stone Blocks, Menthol and Essentials Oils, Photographic Materials, Rubber and Plastic Products, Optical and Vision Products, Metal Products and Hardware, Ceramic Glass (24-line Items)	12%	5%
Chapters 29, 30, 33, 38	Synthetic Menthol Products, Odoriferous Preparation, Biofuels, Goods for Petroleum and energy Operations (5-line items)	12%	18%
9302, 9614	Revolvers and Pistols, Smoking Accessories (2-line items)	28%	40%

21. Construction Sector

HSN	Description of Goods	Before	After
Chapter 68	Sand lime bricks or stone inlay work	12%	5%
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%

22. Handicraft Goods

HSN	Description of Goods	Before	After
Chapters 68, 44, 83, 69, 96, 97, 34, 42, 45, 61, 70, 73, 74, 76, 94, 95	Handicrafts, Art Ware and Decorative Articles (idols, statues, sculptures, paintings, antiques, decorative articles, handicrafts made of wood, stone, metal, glass, clay, textiles, bamboo, paper, etc.) (36-line items)	12%	5%

23. Other Machinery

HSN	Description of Goods	Before	After
8401	Fuel elements (cartridges), non-irradiated, for nuclear reactors	12%	5%
Chapters 84, 85	Automotive Engines and Components (Spark-ignition engines, Compression-ignition engines, Engine parts, Fuel and lubricant pumps, Electric accumulators, Electrical ignition and starting equipment) (6-line items)	28%	18%

Anivesh (ALC) Comments: GST on batteries other than lithium-ion is reduced from 28% to 18%. Now, all kinds of batteries, whether lithium-ion or otherwise, fall into the same GST rate category.

24. Other Proposals

HSN	Description of Goods	Before	After
8806	Unmanned aircrafts	28/18%	5%
Chapters 49, 71, 88, 85, 84, 87, 90, 93, 89	Defense and Aerospace Equipment, Naval and Underwater Systems, Weaponry and Ammunition, Communication and Electronics, Miscellaneous Defense Components, Diving and Life Support Systems. (20-line items)	18%	Nil

Changes in GST Rates- Services

25. Transportation Services

HSN	Description of Goods	Before	After
9964	Supply of Air transport of passengers in other than economy class	12% with ITC	18% with ITC
9964	Supply of Passenger transport by any motor vehicle where fuel cost is included	5% with ITC of input services (in the same line of business)	5% with ITC of input services (in the same line of business)
		12% with ITC	18% with ITC
9965	Supply of transport of goods in containers by rail by any person other than Indian Railways	12% with ITC	5% without ITC
			18% with ITC
9965	Supply of transportation of natural gas, petroleum crude, motor spirit, high speed diesel or ATF through pipeline	5% without ITC	5% without ITC
		12% with ITC	18% with ITC
9965	Supply of Transport of goods by GTA	5% without ITC (RCM/FCM)	5% without ITC (RCM/FCM)
		12% with ITC	18% with ITC
9966	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	5% with ITC of input services (in the same line of business)	5% with ITC of input services (in the same line of business)
		12% with ITC	18% with ITC
9966	Supply of Renting of goods carriage (with operator) where fuel cost is included in consideration	12% with ITC	5% with ITC of input services (in the same line of business)
			18% with ITC
9965	Supply of Multimodal transport of goods within India	12% with ITC	5%, where no leg of transport is through air; with restricted ITC (i.e. 5% of input services of goods transportation).
			18% with ITC

Anivesh (ALC) Comments:

➤ All the rates related to 12% are shifted to 18%.

- Supply of multimodal transport of goods, earlier taxed only at 12% with ITC, now offers two options: 5% with restricted ITC (if no leg is by air) or 18% with ITC. Whether these rates are optional rates as per choice of taxpayer or will be a mandatory rate remain to be seen?
- Passenger transport services taxed at 5% without ITC have an option to charge 18% to claim full ITC.
- GST on air passenger transport services is 5% without ITC for economy class and 18% for other classes.
- GST on goods transport by GTA is 5% without ITC or have an option to charge 18% to claim full ITC.

26. Job Worker Services

HSN	Description of Goods	Before	After
9988	Specified Job Work Services (Umbrella, Printing, Bricks, Pharma, Leather) (5-line items)	12% with ITC	<i>5% with ITC</i>
9988	Supply of job-work not elsewhere covered (residual entry)	12% with ITC	<i>18% with ITC</i>

Anivesh (ALC) Comments:

- Rates of job work on specific industries are now shifted to 5% with ITC. Normal job work services (not covered in specific entries of HSN 9988 i.e. residual entry) are shifted back from 12% to 18%.
- There is a possibility of inverted duty structure in this sector now.

27. Construction Services

HSN	Description of Goods	Before	After
9954	Works Contract Service (Offshore oil and Gas works Contract, Predominantly Earth work contract for government, Sub-Contractor Services for Earth Work Contract to Government) (3-line items)	<i>12% with ITC</i>	<i>18% with ITC</i>

28. Local Delivery Services

HSN	Description of Goods	Before	After
9954	Local Delivery Services	<i>18% with ITC</i>	<i>No change in rate</i>
9968	Local Delivery Services through Electronic Commerce Operator (ECO)	<i>Not covered under 9(5)</i>	<i>To be notified under 9(5) and rate will be 18%</i>

Anivesh (ALC) Comments:

- Local delivery services industry has seen an exponential rise in recent times, especially after multiple e-commerce companies have come into this sector. But GST payment is largely absent in this sector because of multiple small vendors.
- Local delivery services which are provided by and through ECO will be out of scope of GTA.
- These services will be covered under Section 9(5) of the CGST Act where the supplier is below normal registration threshold (i.e. 20 lacs or 10 lacs in some states). Therefore, e-commerce operators will be liable to pay GST on the same.
- These services will attract 18% GST.

29. Life and Health Insurance Services

HSN	Description of Goods	Before	After
9971	All Individual Life and Health Insurance along with reinsurance thereof	18% with ITC	<i>Exempt</i>
<u>Anivesh (ALC) Comments:</u> <ul style="list-style-type: none"> ➤ GST exemption applies to all individual life insurance policies including term plans, ULIP, endowment plan and its related reinsurance services. ➤ It covers all individual health insurance policies including family floater policies and senior citizen plans and its related reinsurance services. 			

30. Other Services

HSN	Description of Goods	Before	After
9971, 9996, 9994	<ul style="list-style-type: none"> • Third-party insurance of “goods carriage” • Admission to exhibition of cinematograph films (ticket price ≤ Rs. 100) • Treatment of effluents by a Common Effluent Treatment Plant • Treatment or disposal of biomedical waste by a common bio-medical waste treatment facility 	12% with ITC	<i>5% with ITC</i>
9968	Hotel accommodation (value of supply ≤ Rs. 7,500 per unit per day or equivalent)	12% with ITC	<i>5% without ITC</i>
9983, 9986	Other Professional, technical, business services and support services related to exploration, mining, or drilling of petroleum crude or natural gas or both	12% with ITC	<i>18% with ITC</i>
9997	Beauty and physical well-being services falling under group 99972	18% with ITC	<i>5% without ITC</i>
9996, 9973	<ul style="list-style-type: none"> • Admission to casinos, race clubs, any places having casinos or race clubs, or sporting events like the IPL • Services by a race club for licensing of bookmakers in such club • Leasing or rental services, without operator • Specified actionable claims (betting, casinos, gambling, horse racing, lottery, online money gaming) defined as goods 	28% with ITC	<i>40% with ITC</i>
<u>Anivesh (ALC) Comments:</u> <ul style="list-style-type: none"> ➤ Various entertainment Services such as services related to admission to casinos, race clubs sporting events like IPL etc., will attract 40% GST instead of 28%. ➤ Hotel stays up to Rs. 7,500 per unit per day reduced from 12% to 5% without ITC. ➤ Beauty and wellness services such as health clubs, salons, barbers, fitness centers, yoga are reduced from 18% to 5% without ITC. It will benefit MSME businesses in this sector but large chains (especially which are operating under franchisee model) which have a lot of GST ITC (on expenses like royalty, rent, capital goods) might be adversely impacted due to restriction on ITC under 5% rate. 			

Thank You



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