



UPDATE IN GST RATES FOR SERVICES

TRANSPORTATION SECTOR

S.NO.	SERVICES	OLD RATE	NEW RATE
1.	Supply of Air transport of passengers in other than economy class	12% with ITC	18% with ITC
2.	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) 12% with ITC	5% with ITC of input services (in the same line of business) 18% with ITC
3.	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
4.	Supply of transportation of natural gas, petroleum crude, motor spirit, high speed diesel or ATF through pipeline	5% without ITC 12% with ITC	5% without ITC 18% with ITC
5.	Supply of Transport of goods by GTA	5% without ITC (RCM/FCM) 12% with ITC	5% without ITC (RCM/FCM) 18% with ITC
6.	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) 12% with ITC	5% with ITC of input services (in the same line of business) 18% with ITC



7.	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
8.	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

- **IMPACT –**
- **GST rates on many transport services increased from 12% → 18%.**
- **Service costs rise, especially for goods transport, rentals, and non-economy passenger travel.**
- **Businesses with ITC: Largely unaffected, as they can claim credit.**
- **End consumers & SMEs: Face higher costs due to limited ITC benefit.**
- **Freight rates increase, raising supply chain and product costs.**
- **Creates cash flow pressure for small transporters due to higher upfront tax.**

JOB WORK SECTOR

S.NO.	SERVICES	OLD RATE	NEW RATE
1.	Supply of services by way of job work in relation to umbrella	12% with ITC	5% with ITC



2.	Supply of job work services or any treatment or process in relation to printing of all goods falling under Chapter 48 or 49, which attract GST	12% with ITC	5% with ITC
3.	Supply of job work in relation to bricks which attract GST at the rate of 5%	12% with ITC	5% with ITC
4.	Supply of job-work services in relation goods falling under Chapter 30 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (pharmaceutical products)	12% with ITC	5% with ITC
5.	Supply of job-work services in relation to Hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975	12% with ITC	5% with ITC
6.	Supply of job-work not elsewhere covered (residual entry)	12% with ITC	18% with ITC



IMPACT –

- **Positive: Cost reduction for key industries (printing, pharma, leather, bricks, umbrellas)**
- **Negative: Increased cost for residual/unclassified job work**
- **Net Effect: Sector-specific benefits, but uneven impact across industries**

CONSTRUCTION SECTOR

S.NO.	SERVICES	OLD RATE	NEW RATE
1.	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
2.	Composite supply of works contract involving predominantly earth work (that is, constituting more than 75per cent. of the value of the works contract) provided to Government	12% with ITC	18% with ITC
3.	Composite supply of works contract provided by a sub-contractor to the main contractor providing services at Sl. No. 2 above to Government	12% with ITC	18% with ITC



IMPACT –

- **Higher Project Costs** – Increase from 12% to 18% raises the overall cost of oil & gas and government-related infrastructure projects.
- **Increased Tax Liability** – Contractors now pay GST at the standard rate, instead of the earlier concessional rate.
- **Cash Flow Pressure** – Long-term projects with fixed budgets may face financial strain due to higher GST outflow.

LOCAL DELIVERY SERVICES

S.NO.	SERVICES	OLD RATE	NEW RATE
1.	Local delivery services (This service is currently taxed at the rate of 18% with ITC as this is covered under SAC 996813 – under the Group Postal and Courier Services)	18% with ITC	18% with ITC (no change)
2.	Supply of local delivery services through Electronic Commerce Operator (ECO)	Not currently notified under section 9(5) of the CGST Act	<ul style="list-style-type: none"> • Rate of GST at 18%. • Local delivery services, to be notified under section 9(5) of the CGST Act in cases where the person supplying



			<p>such services through electronic commerce operator is not liable for registration under GST</p> <ul style="list-style-type: none">• The applicable rate on such services to be 18%.• Local delivery services provided by and through ECO to be excluded from the scope of GTA services.
--	--	--	---

IMPACT –

- **No change in GST rate, but change in tax responsibility.**
- **Shift of liability from small delivery agents to E-commerce Operators, ensuring better compliance and tax collection.**
- **Positive impact for small providers (less compliance) but added responsibility for ECOs.**



OTHER SERVICES

S.NO.	SERVICES	OLD RATE	NEW RATE
1.	Supply of Service of third-party insurance of “goods carriage”	12% with ITC	5% with ITC
2.	Services by way of admission to exhibition of cinematograph films where price of admission ticket is one hundred rupees or less.	12% with ITC	5% with ITC
3.	Services by way of treatment of effluents by a Common Effluent Treatment Plant;	12% with ITC	5% with ITC
4.	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
5.	Supply of “hotel accommodation” having value of supply of a unit of	12% with ITC	5% without ITC



	accommodation less than or equal to seven thousand five hundred rupees per unit per day or equivalent		
6.	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
7.	Support services to exploration, mining or drilling of petroleum crude or natural gas or both.	12% with ITC	18% with ITC
8.	Beauty and physical well-being services falling under group 99972[This service is currently taxed at the rate of 18% with ITC as this is covered under SAC 9997]	18% with ITC	5% without ITC

IMPACT –

- **Positive impact: Lower cost for insurance, effluent/biomedical waste treatment, affordable cinema, and small hotels (for end-users).**
- **Negative impact: Petroleum exploration services taxed higher, hotels & beauty services lose ITC benefit.**



- **Net effect: Sector-specific gains for consumers, but additional burden for industries like petroleum and organized services.**

(28% to 40%)

S.NO.	SERVICES	OLD RATE	NEW RATE
1.	Admission to casinos, race clubs, any place having casinos or race clubs, or sporting events like the IPL.	28% With ITC	40% with ITC
2.	Services by a race club for licensing of bookmakers in such club.	28% With ITC	40% with ITC
3.	Leasing or rental services, without operator, of goods which will attract (28%) 40% GST	28% With ITC	40% with ITC
4.	Specified Actionable Claims (betting, casinos, gambling, horse racing, lottery, online money gaming) defined as goods (Corresponding changes in the lottery valuation rules are also being carried out)	28% With ITC	40% with ITC

IMPACT –

- **Higher Compliance Burden:** More disputes on valuation and tax treatment.
- **Consumer Shift:** Legal options costlier → push towards unregulated/illegal channels.
- **Revenue Impact:** States may see lower legal revenue despite higher tax.
- **Industry Effect:** Small operators may exit; bigger players consolidate market.

Services Proposed to be exempted

S.NO.	SERVICES	OLD RATE	NEW RATE
1.	All individual health insurance, along with reinsurance thereof	18% with ITC	Exemption
2.	All individual life insurance, along with reinsurance thereof	18% with ITC	Exemption

IMPACT –

- This change makes insurance more affordable, increases coverage, and supports social welfare, though it reduces government GST revenue.”



CA. Vishal Thappa



CA. Neha Agarwal