Analysis of the Decisions made at 56th GST Council Meeting dated 3rd September 2025

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Simplified GST Registration Scheme

- **Optional Simplified GST Registration Scheme**

- Registration on Automated Basis within three working days from the date of submission of application.

- Applicable only for;

  i) low risk applicants and

  ii) applicants who based on their own 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).

- Voluntary opting into and withdrawal from the scheme.

- Operationalized from 1st November, 2025

Simplified GST Registration Scheme

- **Simplified Registration Scheme for small suppliers supplying through electronic commerce operators**

- For the suppliers selling through the e-commerce operators are facing a core challenge that the GST law ties registration and compliance directly to physical locations (warehouses, fulfillment centers) in every state where inventory is stored and orders are shipped.

- Thus, they are getting challenges in maintaining principal place of business in each State.

- The Council is in the process of operationalizing the said scheme.

- Applicable for - Small suppliers making supplies through e-commerce operators (ECOs) across multiple States.

Simplified Refund Scheme

- **Rule 91(2) – Sanction of 90% refund as the provisional refund – Zero Rated Supply**

- Presently, if the proper officer is prima facie satisfied after scrutiny of the claim and the evidence submitted for refund application then a provisional refund will be sanctioned.

- Now, it is proposed that 90% of the refund as the provisional refund will be sanctioned on the basis of identification and evaluation of risk by the system.

- In exceptional cases, the proper officer may for reasons to be recorded in writing, instead of granting refund on provisional basis proceed with the detailed scrutiny of the refund claim.

- The Council will issue a notification to notify certain category of registered persons who may not be granted refund on provisional basis.

- This provision shall be operationalized from 1 November, 2025.

Simplified Refund Scheme

- **Section 54(6) – Sanction of 90% refund as the provisional refund arising due to IDS**

- Inverted Duty Structure (IDS) is a situation wherein the inputs are taxed at a higher rate while the outputs are taxed at a lower rate and thus resulting in accumulating of the ITC.

- Presently, there is no provision for the provisional refund for the IDS matter.

- Thus, on similar lines as is presently available for refund in respect of zero-rated supply, a sanction of 90% of the refund as the provisional refund will be made in IDS cases also on the basis of identification and evaluation of risk by the system.

- It is further clarified that pending requisite amendments in CGST Act, 2017, instructions shall be issued by the Central Board of Indirect Taxes and Customs (CBIC) to direct Central Tax field formations to issue provisional refund.

- This provision shall be operationalized from 1 November, 2025.

Simplified Refund Scheme

- **Section 54(14) – GST Refunds in respect of low value export consignments**

- Section 54(14) of the CGST Act, 2017, currently doesn't allow refunds if the amount is less than one thousand rupees.

- Amendment proposed to remove the threshold limit under section 54(14), enabling exporters to claim refunds irrespective of the export value, specifically benefiting low-value export consignments.

- This change will particularly help small exporters, including those exporting via courier or postal services, by facilitating easier and quicker GST refunds without the barrier of any minimum export value.

Place of Supply for Intermediary Services

- **Section 13(8)(b) of the IGST Act**
- It states that the place of supply of intermediary services is the location of the supplier.
- Thus, the place of supply for intermediary services is treated differently and is not determined solely by the location of the recipient.
- The Council recommended omitting clause (b) of section 13(8), so that place of supply for intermediary services will follow the default rule under section 13(2) - that is, the place of supply will be the location of the recipient of the services.
- Eg. An Indian intermediary facilitates a service between an Indian exporter and a foreign buyer
- This amendment simplifies classification and allows Indian exporters of intermediary services to clearly establish their place of supply as outside India when the recipient is located abroad, enabling them to claim export benefits more easily.
- KC Overseas SC Judgement effect (upholding Bombay HC Judgment) !!

Post Sale Discount

- **Section 15(3(b)**

- Section 15(3)(b)(i) is to be omitted which requires the following for determining the value of supply which shall not include any discount;

  Establishing the discount in terms of an agreement entered into before or at the time of such supply and specifically linking of the same with relevant

- To amend section 15(3)(b) to provide that discount should be granted through a credit note issued under section 34 and to corresponding amend section 34 to include a reference to section 15(3)(b), so as to provide for reversal of ITC by the recipient in case where a post-sale discount is given and value of supply is reduced through GST Credit note.

- In line of the above, it is further agreed to rescind circular No.212/6/2024-GST dated 26 June 2024 which provided a mechanism ensuring compliance of conditions of Section 15(3)(b)(ii) of the CGST Act, 2017 by the suppliers.

Post Sale Discount

- **Issuance of Circular**

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

i. non-reversal of Input Tax Credit on account of post-sale discount through financial/commercial credit note;

ii. treatment of the post-sale discount provided by manufacturer to the dealer as additional consideration, in the transaction between dealer and end-customer;

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

GSTAT

- The Goods and Services Tax Appellate Tribunal (GSTAT) will be made operational for accepting appeals before end of September 2025.

- It commence hearing before end of December 2025.

- The Council also recommended the date of 30.06.2026 for limitation of filing of backlog appeals.

- The Principal Bench of the GSTAT will also serve as the National Appellate Authority for Advance Ruling.

Change in GST Rate of Goods / Services

- The changes in **GST rates on services** will be implemented with effect from **22nd September 2025.**

- **The changes in GST rates of all goods** except pan masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi, will be implemented **with effect from 22nd September 2025.**

- **Pan Masala, gutkha, cigarettes**, chewing tobacco products like zarda, unmanufactured tobacco and bidi **will continue at the existing rates** of GST and compensation cess where applicable. The actual date of transition to the revised rates of GST approved by the Council for the above-mentioned goods will be notified separately.

- **Complete details with respect to HSN and Industry wise rate change can be accessed at;**

[https://pchhajed.com/wp-content/uploads/2025/09/GST-Rates-for-Goods-and-Services Effective-from-22nd-September-2025.pdf](https://pchhajed.com/wp-content/uploads/2025/09/GST-Rates-for-Goods-and-Services-Effective-from-22nd-September-2025.pdf)

Compensation Cess for the Automobile & Other Industries

- The compensation cess has been withdrawn on vehicles, aerated drinks, and coal from September 22, 2025.

- The ITC of compensation cess can only be set off against compensation cess liability. Since the cess is no longer applicable, this ITC cannot be used against GST liabilities.

- Dealers and manufacturers who have accumulated large stock of vehicles or goods with compensation cess ITC before September 22 will face a lapse of that ITC, resulting in significant financial absorption of these blocked credits.

- This issue is critical ahead of the festival season when dealers typically hold high inventory volumes.

- The Chairman of CBIC, Shri Sanjay Kumar Agarwal, has confirmed in an interview with CNBC that there is be no refund or transition mechanism provided for the compensation cess ITC, so the credit will lapse.

- Hope the Govt. will specify the procedure in the law for transition of the same into IGST.

Sales to be pushed till 21st September to absorb Compensation Cess balance ??

Valuation under GST for Pan Masala, Cigarettes, Gutkha, Chewing Tobacco etc.

- The Council recommended retail sale price-based valuation under GST for Pan Masala, Cigarettes, Gutkha, Chewing Tobacco, Zarda, Scented tobacco and Unmanufactured Tobacco.

- Accordingly, consequent amendments in CGST Rules, 2017 and notifications will be carried out.

- This is a shift away from the existing transaction value system and is aimed at tightening compliance and curbing tax evasion in these sectors.

- Many registered persons sometimes under-report sale prices to reduce tax liability; RSP-based valuation ensures tax is paid on the printed retail price, making under-valuation difficult.

Common Issues and Resolution (Based on FAQ issued on 3rd September, 2025)

GST Rate when the events viz. supply, invoice or payment falls either before or after rate change

Scenario	Invoice Issued Before Rate Change?	Payment Received Before Rate Change?	Time of Supply (Section 14)	Applicable Tax Rate
Supply made till 21st September, 2025?	No	No	Earlier of date of invoice or payment	New rate
	Yes	No	Date of issue of invoice	Old rate
	No	Yes	Date of receipt of payment	Old rate
Supply made on or after 22nd September, 2025?	Yes	No	Date of receipt of payment	New rate
	Yes	Yes	Earlier of date of invoice or payment	Old rate
	No	Yes	Date of issue of invoice	New rate

A short cut to remember – check where two out of three events fall !!

ITC Related Issues

Whether proportionate reversal of Input Tax Credit (ITC) or any ITC reversal in the Electronic Credit Ledger is required on receipt of goods or stock held before the GST rate change, when such goods are supplied on or after 22nd September 2025 **at the reduced rate**	No proportionate ITC is required to be reversed if all other normal conditions of availing the ITC are being satisfied. No reversal is to be done in Electronic Credit Ledger.
Whether proportionate reversal of Input Tax Credit (ITC) or any ITC reversal in the Electronic Credit Ledger is required on receipt of goods or stock held before the GST rate change, when such goods are supplied on or after 22nd September 2025 **at the exempted rate.**	No proportionate ITC is required to be reversed till 21st September, 2025 if all other normal conditions of availing the ITC are being satisfied. However, for supplies made on or after 22nd September, 2025 i.e. when the rate change is effected, ITC will have to be reversed as per provisions of CGST Act, 2017. Cost increases to that extent and 100% GST rate benefit cannot be passed on. Eg Life Insurance.

Refund of ITC as IDS due to Rate Change

Will taxpayer be allowed to take refund of accumulated credit as IDS arising due a fact that the present rate is higher and the revised rate is lower. IDS = Inverted Duty Structure	IDS refund is allowed when input is at higher rate and output is at lower rate. In the present case, the input and output being the same in such cases, though attracting different tax rates at different points in time, do not get covered under the provisions of clause (ii) of the first proviso to sub-section (3) of section 54. Further, the said issue has also been clarified vide circular No. 135/05/2020-GST dated 31.03.2020 (as amended). Thus, no refund will be allowed. Does 54(3) states in this way !! - Indian Oil Corporation (WP 14414/2024) - Malabar Fuel Corporation (Kerala HC)

E-way bill during the transition period

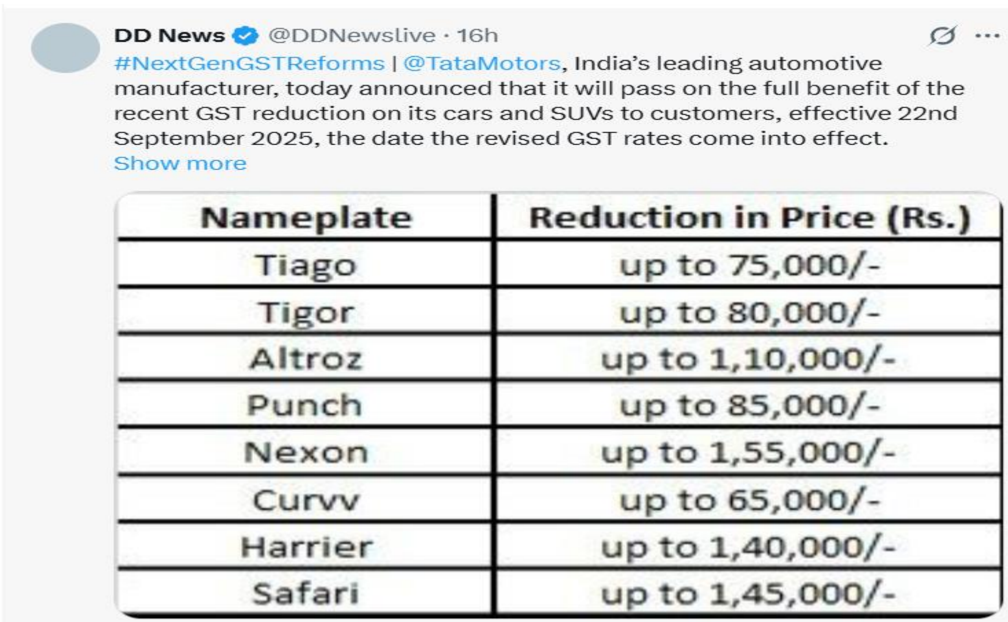
Will the e-way bills have to be cancelled and generated afresh on goods in transit when the new rates come into effect?	As per rule 138 of CGST Rules, 2017 the e-way bill is to be generated before the start of supply/transport of goods. There is no mandatory requirement for cancellation and fresh generation of e-way bills for goods in transit when the new rates come into effect. E-way bills currently in transit will continue to remain valid as per their original validity period.

Impact on Some Major Industries

Automobile Industry

Vehicle Type	Engine/Specs	GST Rate (Old)	Comp. Cess (Old)	Total Old Rate	New GST Rate (from Sept 22, 2025)
Small Car (Petrol/LPG/CNG) ≤1200cc & ≤4m	≤1200 cc, ≤4m	28%	1%	29%	18%
Small Car (Diesel) ≤1500cc & ≤4m	≤1500 cc, ≤4m	28%	3%	31%	18%
Car (Petrol) >1200cc or (Diesel) >1500cc & ≤4m	>1200/1500 cc, ≤4m	28%	15%	43%	40%
Large Car (Petrol or Diesel) >1500cc	>1500 cc	28%	20%	48%	40%
SUV (Diesel or Petrol) >1500cc, >4m, ground clearance ≥170mm	>1500 cc, >4m, ≥170mm ground	28%	22%	50%	40%
Other Motor Vehicles (e.g. vans, not above)	-	28%	Up to 22%	Up to 50%	40%
Motorcycles ≤350cc	≤350 cc	28%	0%	28%	18%
Motorcycles >350cc	>350 cc	28%	3%	**31%**	**40%**
3-Wheelers (Non Electric)	-	28%	0%	28%	18%
Electric Vehicles	All capacities	5%	0%	5%	5%
Ambulances	-	28%	0%	28%	18%
Bicycles / Tricycles incuding parts	Non-Motorized	12%	0%	12%	5%

Automobile Industry in Social Media



DD News @DDNewslive · 16h

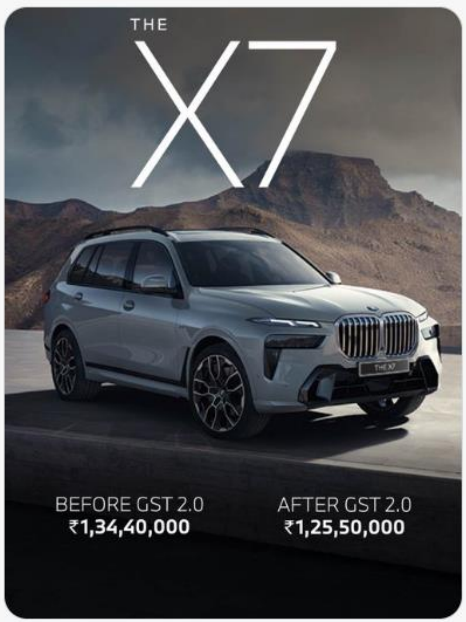
#NextGenGSTReforms | @TataMotors, India's leading automotive manufacturer, today announced that it will pass on the full benefit of the recent GST reduction on its cars and SUVs to customers, effective 22nd September 2025, the date the revised GST rates come into effect.

Show more

Nameplate	Reduction in Price (Rs.)
Tiago	up to 75,000/-
Tigor	up to 80,000/-
Altroz	up to 1,10,000/-
Punch	up to 85,000/-
Nexon	up to 1,55,000/-
Curvv	up to 65,000/-
Harrier	up to 1,40,000/-
Safari	up to 1,45,000/-

Automobile Industry in Social Media

CNBC-TV18 @CNBCTV18Live · 3h
#JustIn | #BMW announces reduced rates after GST cut, X7 t
by 9 lakhs



Moneycontrol @moneycontrolcom · 16h
#AutoWithMC | From Swift to Virtus, Brezza, XUV700, Innova: Check out how much cheaper they will get

More Details
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Model	New ex-showroom price (estimated)	Old ex-showroom price (estimated)	Reduction
Maruti Suzuki WagonR	Rs 5.29 lakh	Rs 5.79 lakh	-8.60%
Maruti Suzuki Swift	Rs 5.93 lakh	Rs 6.49 lakh	-8.60%
Maruti Suzuki Dzire	Rs 6.25 lakh	Rs 6.84 lakh	-8.60%
Volkswagen Virtus	Rs 11.14 lakh	Rs 11.55 lakh	-3.60%
Tata Punch	Rs 5.66 lakh	Rs 6.19 lakh	-8.60%
Maruti Suzuki Brezza	Rs 8.37 lakh	Rs 8.68 lakh	-3.60%
Hyundai Creta	Rs 10.71 lakh	Rs 11.1 lakh	-3.60%
Mahindra XUV700	Rs 13.51 lakh	Rs 14.49 lakh	-6.80%
Maruti Suzuki Ertiga	Rs 8.79 lakh	Rs 9.11 lakh	-3.60%
Toyota Innova Crysta	Rs 18.64 lakh	Rs 19.99 lakh	-6.80%

Major Automobile Parts

Category	HSN Code(s)	Previous GST Rate (Before Sept 22, 2025)	New GST Rate (From Sept 22, 2025)
Automobile parts	8708	28%	18%
Engines (for vehicles)	8409	28%	18%
New pneumatic tyres	4011	28%	18%
Batteries	8507	28%	18%
Lubricants (auto-use)	Various	18%	18%
Electric vehicle parts	8507, 8708	12%-18%	18%
Electrical ignition or starting equipment	8511	28%	18%

Transport Industry including GTA

Category	Previous GST Rate (Before Sept 22, 2025)	New GST Rate (From Sept 22, 2025)
Supply of Air transport of passengers in other than economy class	12% with ITC	18% with ITC
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**
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
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
Supply of Transport of goods by GTA	5% without ITC (RCM/FCM)	5% without ITC (RCM/FCM)
	12% with ITC	**18% with ITC**
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
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

FMCG Industry

Debate of Roti v. Paratha ends here !!

FMCG Industry

Debate of Loose v. Packaged v. Caramel Pop Corn ends here !!

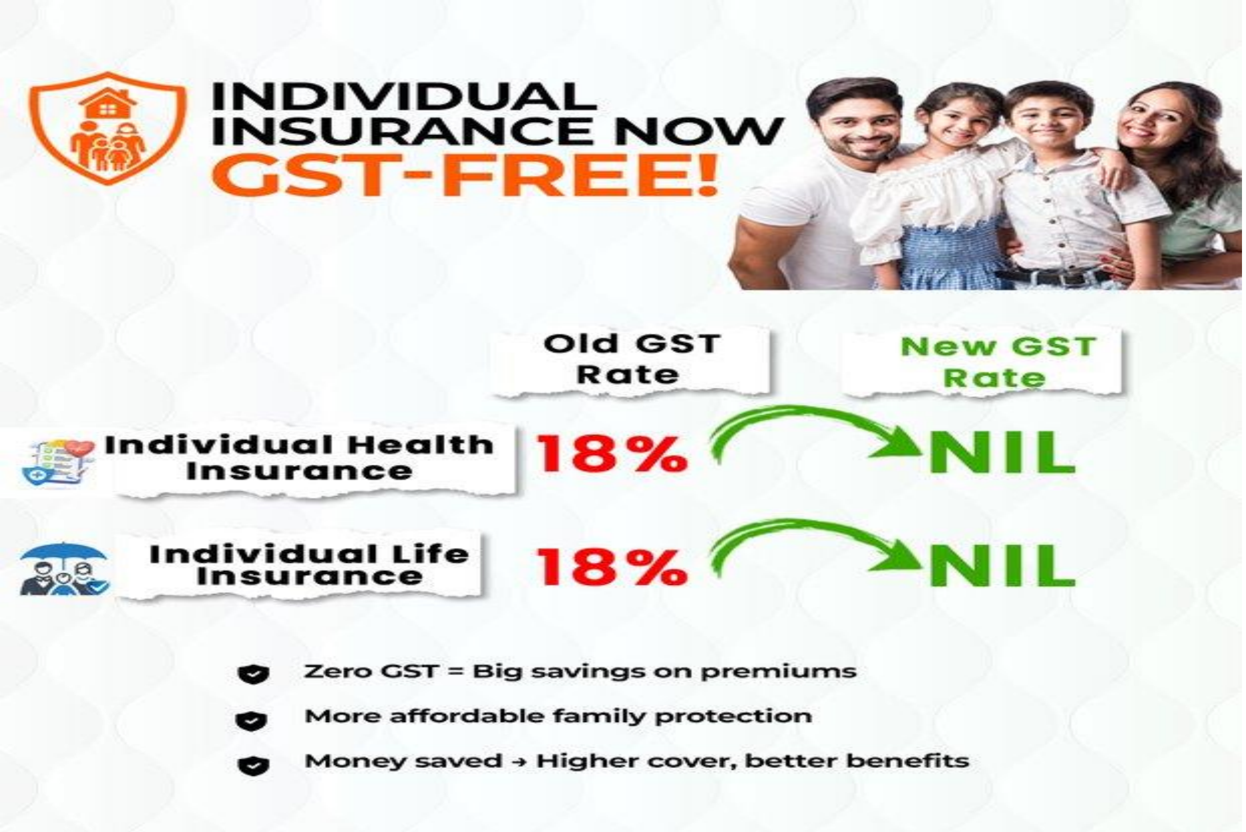
FMCG Industry

18% v. 5% controversy ends here !!

Other non-alcoholic beverages

Particulars	Previous GST Rate	New GST Rate
All goods [including aerated waters], containing added sugar or other sweetening matter or flavoured (2202 10) Caffeinated Beverages (2202 99 90) Carbonated Beverages of Fruit Drink or Carbonated Beverages with Fruit Juice (2202)	28% + 12% Cess	40% GST (No Cess) (Effective rate same. By removing Cess, total rate increased)

Insurance Industry



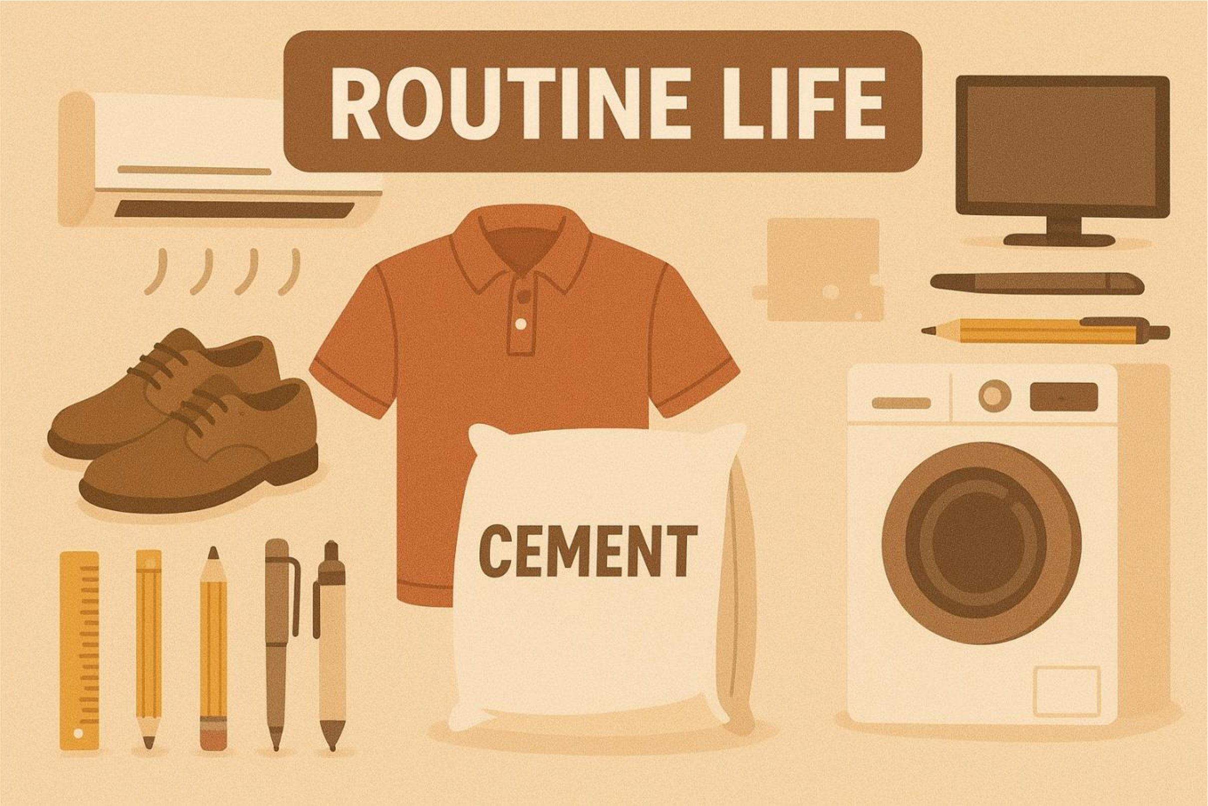
This is a sector which gave rise to the entire debate of rate change !!!

Hospitality Industry

Hospitality Industry

Room Tariff (Per Night)	Previous GST Rate	New GST Rate
Up to ₹1,000	0%	0%
₹1,001 to ₹7,500	12% with ITC	5% without ITC
Above ₹7,500 (No Change)	18% with ITC	18% with ITC

Routine Life Products



Routine Life Products

Category	Old Rate	New Rate
Footwear of sale value not exceeding Rs.2500 per pair (Exceeding Rs. 1000 to not exceeding Rs. 2500 – Old Rate was 18%)	12%	5%
Footwear of sale value exceeding Rs.2500 per pair	18%	18%
Articles of apparel and clothing accessories, knitted or crocheted, of sale value not exceeding Rs. 2500 per piece (Not exceeding Rs. 1000 – Old Rate was 5%)	12%	5%
Articles of apparel and clothing accessories, knitted or crocheted, of sale value exceeding Rs. 2500 per piece	12%	18%
Cement	28%	18%

Routine Life Products

Category	Old Rate	New Rate
Air Conditioning Machine / Dish Washing Machine	28%	18%
Television (Presently Television ≥ 32 Inches attracts 28%)	28%	18%
Washing Machine (No Change – as it is there in the sample image of the presentation, so clarified here),	18%	18%
Erasers	5%	0%
Pencil / Pencil Sharpeners / Maps / Exercise Book / Graph book / Laboratory Notebook	12%	0%
Mathematical boxes, geometry boxes and colour boxes	12%	5%

Don’t we consider Mathematical boxes, geometry boxes and colour boxes as essential for education !!

BIDI

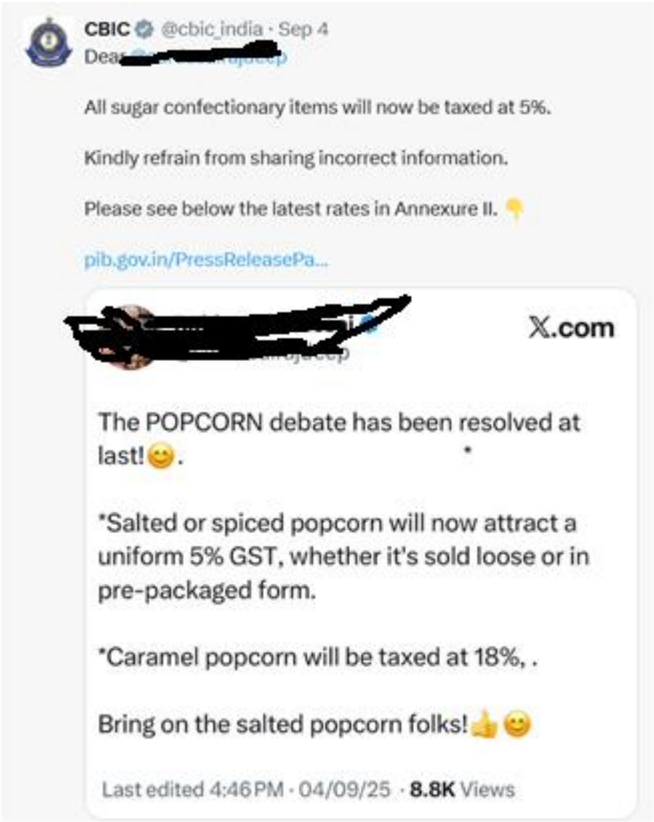
BIDI

Category	Old Rate	New Rate
Bidi wrapper leaves (tendu)	18%	5%
***Bidi**	28% + Cess	18%

* Effective date will be notified later on

The logic of reducing the rate on Bidi as against increasing the other tobacco products is that it provides the rural women employment !!

Social Media Rumours



Ignore the non-professional Analyst and avoid rumours!!

Thank you !!

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