Update on 56th GST Council Meeting Proposals

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Other proposals related to registration, refunds, exports, etc.

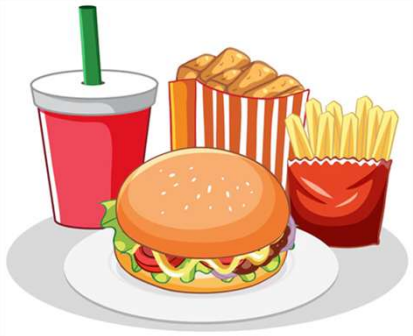
Introduction

- 56th GST Council meeting has proposed host of reforms including reducing the existing multiple slabs of GST rates to primarily two slabs - 5% and 18%.
- GST rate on several essential goods and services have been reduced and some are made Nil GST.
- Proposals have been made to simplify the GST registration process.
- Proposals have been made promoting the exporters by proposing speedy processing of the refunds and removing the Intermediary concept.
- It is also announced that GST Tribunal will start accepting the appeals from September 2025.
- The changes made to the GST rates shall be effective from 22.09.2025. Remaining changes will be introduced in phased manner after making necessary changes to the acts and systems.

Change of GST for Goods

GST Rate has been reduced for the following sectors:

- Agriculture
- Household items
- Footwear and textile articles less ₹ 2,500/-
- Food and beverages
- Automobiles
- Healthcare
- Electronics
- Renewable Energy
- Construction Sector



Action Points

- In cases where there is a reduction in the GST rate, the suppliers are required to pass on the benefit of GST to the customers.
- In case where the goods are affixed with MRP, reduction in MRP is required to ensure the benefits are passed on to the customers. Suitable compliance is required to be followed under the Legal Metrology Rules.
- The Suppliers are required to evaluate the stocks available at various stages of supply chain like CNF Agents, Dealers, Stockist, etc. and need to evaluate the impact on ITC on account of rate of tax change.
- ERP Configurations are required to be carried out to handle the return of the goods supplied prior and after change of rate of tax so that in case of issue of the credit notes, correct rate of taxes are applied.
- In case the goods have become exempted, the suppliers are required to reverse the Input Tax Credit on the existing stock on the date goods become exempt.
- ITC availed prior to rate change can be utilised for payment of tax post change in the tax rate.

Action Points

Considering that there is a change in the rate of tax, the following factors shall be considered to arrive at the correct rate of tax:

Type	Supply date	Invoice date	Payment date	Applicable Rate
Supply Before	Before rate change	After change	After change	New Rate
Supply Before	Before rate change	Before change	After change	Old Rate
Supply Before	Before rate change	After change	Before change	Old Rate
Supply After	After rate change	Before change	Before change	Old Rate
Supply After	After rate change	Before change	After change	New Rate
Supply After	After rate change	After change	Before change	New Rate

Change of GST for Services

Service	Old Rate	New Rate
Supply of passenger transport by any motor vehicle where fuel cost is included	12% with ITC	18% with ITC
Supply of transportation of goods by GTA	12% with ITC	18% with ITC
Health insurance and life insurance: to individual	18%	Exempt
Budget hotel services (≤ ₹7,500/day) & Beauty /well-being (salon, gym, yoga, spa)	12%	5% (no ITC)
Entry to sporting events such as IPL, betting, casino and gambling	28%	40%
Services by job work: pharma & leather	12%	5%
Services by job work: others	12%	18%

An explanation to be added to the definition of 'specified premises' in the context of taxability of restaurant services in order to clarify the position that a stand-alone restaurant cannot declare itself as a 'specified premises' and consequently cannot avail the option of paying GST at the rate of 18% with ITC.

Action Points

- In cases where rate of tax is reduced with a condition that ITC is not available, the suppliers are required not to avail ITC on the purchases that are exclusively used for the outward supplies on which ITC availment is restricted. Further, in respect of the common purchases that are used for taxable as well as ITC restricted supplies, the suppliers are required to reverse the proportionate ITC under Rule 42 and Rule 43.

- Increase in the GST rate on Transport Services and Job work services [other than pharma and leather] may lead to accumulation of ITC or increase in the cost for the suppliers where rate of tax is reduced or made Nil / ITC restricted.

Intermediary Services

Impact on Exporters

From the point of view of exporters, this is a beneficial proposal which makes the suppliers providing intermediary services qualify as export of services.

This will enable the suppliers to claim the refund of the accumulated ITC. Also, this will reduce considerable amount of litigations that are impacting the exporters.

Impact on Importers

From the point of importers, this proposal will lead to levy of IGST as import of services on the payment made to the foreign suppliers providing intermediary services.

Wherever the suppliers are eligible for claiming the ITC, the impact will be neutral except to the extent of impacting the cash flow. However, if the suppliers are not eligible for ITC, then it will lead to added cost.

Amendment Proposed:

Proposed to remove Intermediary Services from Section 13 (8) (b) of the IGST Act.

Consequently, place of supply shall be the recipient of services.

Hitherto Place of Supply was the location of the supplier of service i.e., location of the intermediary

Post Sale Discount

- Beneficial amendment enabling the suppliers providing considerable post sale discounts to reduce the output tax.
- The suppliers will have to have proper compliance mechanism to prove the reversal of ITC by the recipient.

Amendment Proposed:

The requirement to have post-sale discounts be established in terms of an agreement, entered into at or before the time of such supply and linking them to relevant sale invoices, would be done away with

To rescind Circular No. 212/6/2024-GST, dated 26-June-2024 which provided obtaining certificate from CA/ cost accountant on reversal of ITC by customer to satisfy the stated conditions

Fresh circular would be issued for the below:

- No requirement for reversal of ITC for post-sale discount provided through financial/commercial credit note;
- Value of post-sale discount provided by manufacturer to dealer to be treated as additional consideration for supply by said dealer to their end-customer and treatment of post-sale discount to dealer as value of supply for promotion activities by said dealer to principal supplier.

Other Proposals

- Sanction of risk-based provisional refund to facilitate refund claims on account of zero-rated supply of goods or services or both (i.e. export of goods or services or both or supply to a Special Economic Zone developer/unit for authorised operations.)
- Proposal for Risk-Based Provisional Sanction of refunds arising out of inverted duty structure (IDS)
- Amendment in CGST Act to provide for GST Refunds in respect of low value export consignments
- Simplified GST Registration Scheme for Small and Low-Risk Businesses
- Introduction of Simplified Registration Scheme for small suppliers supplying through electronic commerce operators
- Operationalisation of Goods and Services Tax Appellate Tribunal (GSTAT) for accepting appeals before end of September and to commence hearing before end of December 2025

Thank you!

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