



GST 2.0 : Key Takeaways & Strategic Insights

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05.10.2025



Prime Minister's Speech on Independence Day

BIGGEST REFORM INITIATIVE AFTER 1991 GETS GOING AS POLITICAL DÉTENTE BROKERED BETWEEN GOVT AND OPPOSITION HOLDS

Tax Reform Gets A Clean Bill

Rajya Sabha Clears GST Statute Bill

House Delivers the Goods

WHO GAINS WHAT

- 1 ECONOMY**
ONE-HALF GST, one-time add up to 2% to GDP
BOOST TO investments via cheaper capital goods
MANUFACTURING TO become competitive
While much work remains to be done, the government has said the GST will be the most comprehensive tax change since Independence and the single biggest reform initiative after the liberalizing form of the economy into a common growing India in the aftermath of the turning point in the government's market and trade policy that GST
- 2 GOVERNMENT**
HIGHER TAX revenues owing to lesser evasion and wider tax base
EASIER TO administer tax
DECLINE IN cost of tax collection
- 3 BUSINESSES**
LOWER LOGISTICS cost - 30-40% savings as per some estimates
REDUCTION IN compliance cost and disputes
SINGLE MARKET to allow optimal investment decisions
PROTECTION FROM cheaper imports
LOWER INCIDENCE of tax in cascading ends
- 4 CONSUMERS**
TAKES ON goods to come down; prices could fall if better based on TRANSPARENCY in taxes
TAKES ON services may go up, which could push up inflation

WHAT NEXT

- GST Council to be set up
- Council to work out details of GST
- GST law must be passed by Parliament
- States have to pass their own GST laws
- Detailed rules have to be notified
- IT infra & processes have to be firmed up & tested

The Road to GST

If Not on April 1, Rollout Anytime During 2017-18

The government can roll out GST anytime in the next fiscal year if it can't be done on April 1, reports the Siskarwar.

No Big Spike in Inflation With 18-20% Rate

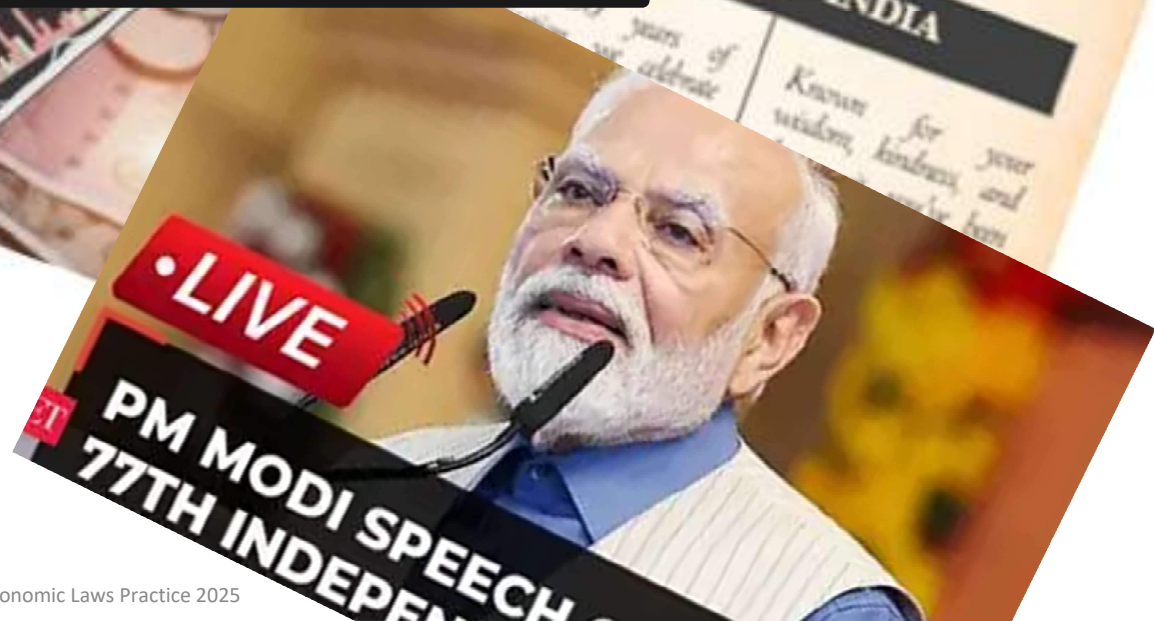
A standard rate of 18-20% will not lead to significant inflation, say economists about the GST, reports Kirti Suneja.

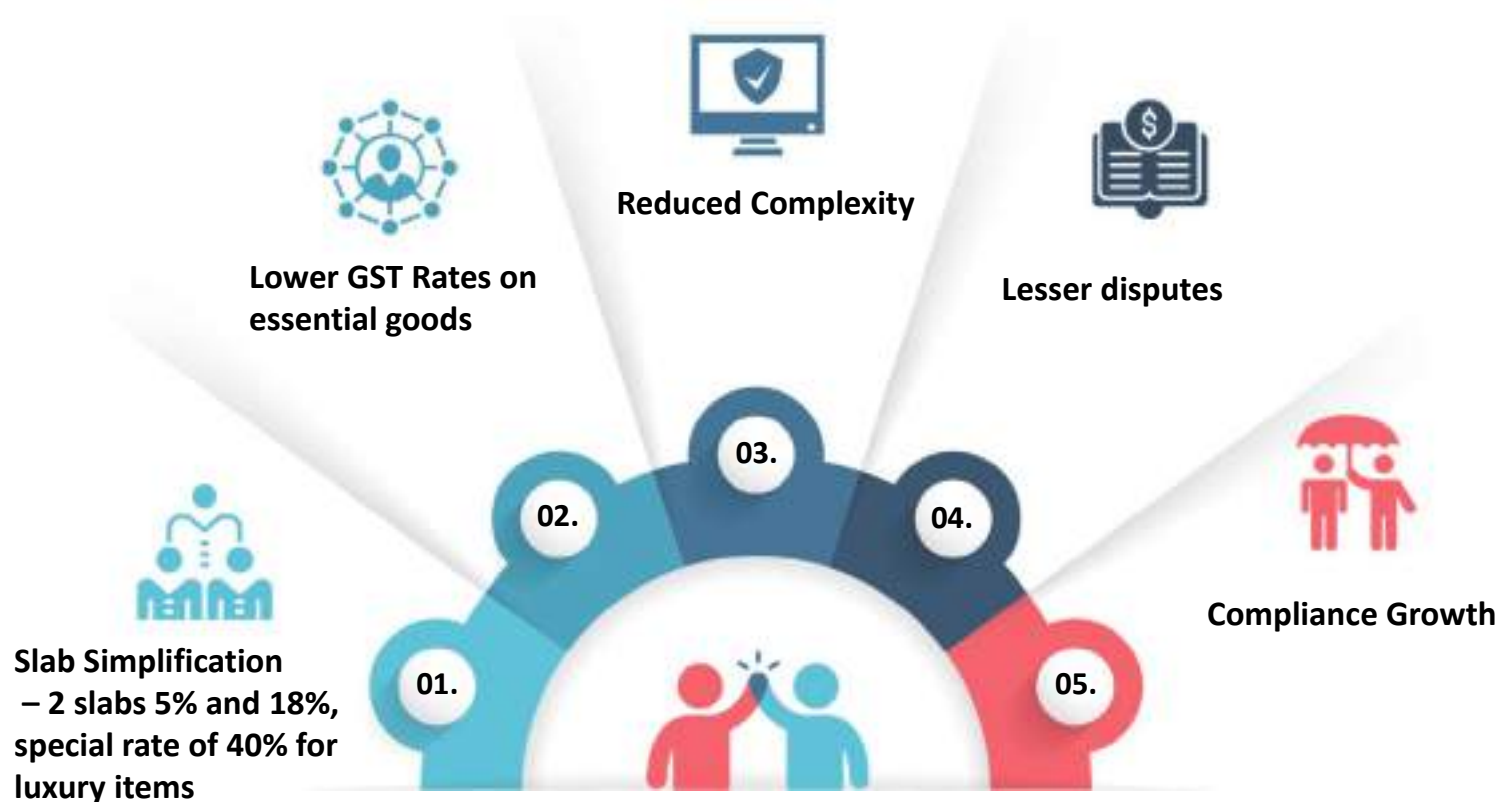
CONGRESS RIDES ITSELF OF 'TALLER' TAG

Sensex Falls 1% as Investors Book Profit

Benchmark indices fell over 1% on Monday

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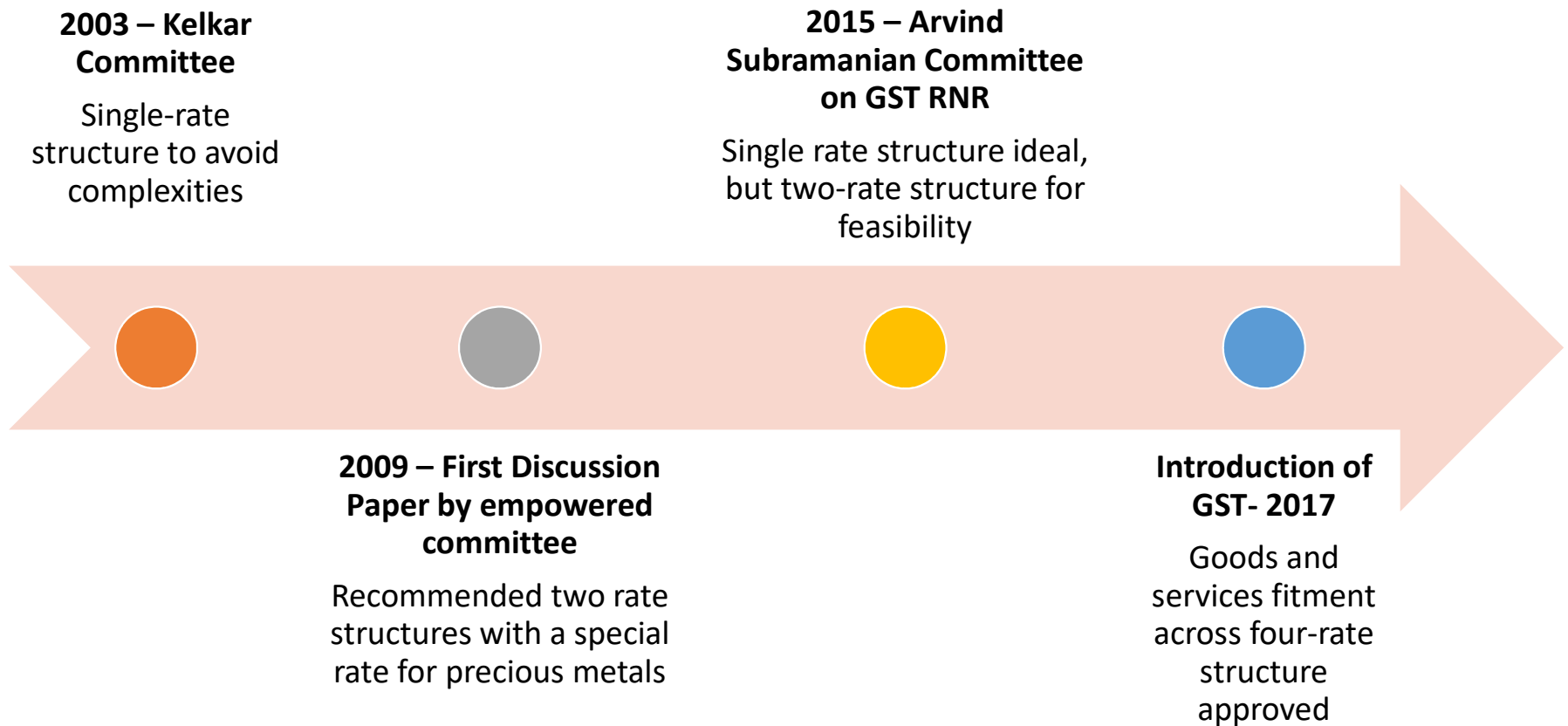
KEY HIGHLIGHTS



Rate Rationalization



PAST RECOMMENDATIONS ON RATE STRUCTURE



GST COUNCIL'S RECOMMENDATIONS ON RATE : 2017 -2025

Since the implementation of GST, the Government has endeavoured to achieve a two rate structure

GST Council Meeting	Date	Key Decision/Development
23rd GST Council	10.11.2017	Early signal within 6 months of GST rollout – major rate cuts/rationalisation on 200+ items
45th GST Council	17.09.2021	Acknowledged the need to streamline GST rate rationalisation
47th GST Council	28.06.2022	Rate rationalisation exercise recommended
56th GST Council	22.09.2025	Rate rationalization made effective from 22.09.25 - announced on 03.09.25

Ushering in next generation GST reforms - GST 2.0



DOCUMENTS ISSUED

Document	Particulars
Press Release	80 pages press release issued pursuant to the 56 th GST Council Meeting
FAQ-1	CBIC releases FAQ on GST Rate Rationalisation based on recommendations of GST Council - FAQs covers 75 questions and responses
FAQ-2	CBIC issues a second set of FAQs with 19 queries on GST rate rationalisation
Notifications	Multiple notifications issued under CGST so as to amend/supersede earlier notifications for implementing GST 2.0
FAQ-3 and 4	To address queries on CGST rate notifications, exemptions, amended compensation cess, and Consumer Affairs Advisory
FAQ-5	For addressing GST grievance redressal on National Consumer Helpline
Advisory	For filing appeals before GSTAT

OUTCOME OF RATE RATIONALISATION

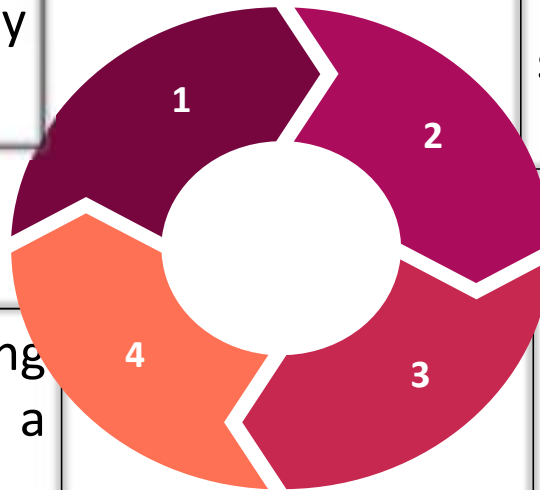
Outcome of Rate rationalisation

Effective streamlining of rates for daily consumables

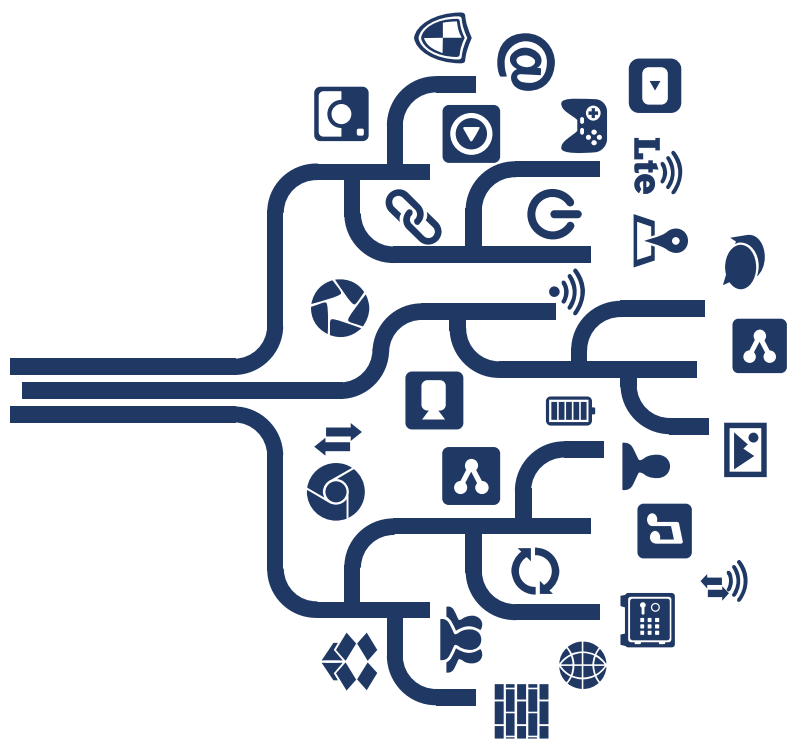
Ease of doing business with simpler rate structure

Address ongoing geopolitical concerns to a certain extent

Likely to bring momentum in the economy by boosting consumption



NOT ALL IS WELL



HOUSEHOLD/ DAILY USE ITEMS

Lowering household costs by reducing tax on daily essentials, household electronics & small motor vehicles



Products	Existing GST rate	Proposed GST rate
Pre-packaged paneer, roti/chapathi, Khakhra, Pizza Bread etc.	5%	Nil
Butter, ghee, chocolates, instant noodles, cornflakes, packaged namkeens, sauces, pasta, preserved meat, coffee etc.	12%	5%
Hair oil, shampoo, toilet soap, toothpaste, toothbrush, face powder etc.	18%	5%
Air conditioners, TVs ($\leq 32''$), dishwashers, Small cars, Motorcycles equal to or less than 350 CC	28%	18%

Accomplishing the Hon'ble Prime Minister's vision of making goods affordable to the public

Supporting farmers and rural economy by reducing tax on Agri-equipment and fertilisers



Products	Existing GST rate	Proposed GST rate
Tractors (except road tractors > 1800 cc), diesel engines ≤ 15 HP, hand pumps, drip-irrigation nozzles, composting machines etc.	12%	5%
Tractor tyres & tubes; diesel engines > 250 cc; hydraulic pumps and several parts etc.	18%	5%
Fertilizers – Sulphuric acid, Nitric acid, Ammonia etc.	18%	5%

The geo-political winds require immediate steps to protect India's core economy

HEALTHCARE & EDUCATION

Products	Existing GST rate	Proposed GST rate
Glucometer, Medical grade oxygen & hydrogen peroxide, Anaesthetics, diagnostic kits etc	12%	5%
Medical thermometers, physical or chemical analysis equipment etc	18%	5%
Maps, notebooks, pencils, erasers, sharpeners etc	12%/18%	5%



GST on Insurance premium – No GST on premium paid towards life and health insurance held by individuals

- Rate rationalisation for Health and Education sectors are in line with India's high population demography
- A welcome move to enhance insurance penetration for individuals

INSURANCE

FAQ 2 - Q4. What are the insurance services covered within the ambit of the exemption granted to individual life and health insurance?

Answer: Services of individual health and life insurance business provided by insurers to the insured, where the insured is not a group, are included within the ambit of the exemption. When these services are provided to an individual, or to an individual with his/her family, the same will be exempted.



Key points:

- Group cover
- Keyman insurance
- Rate of GST in cases where premium deposited before 22.09.2025 and policy issued post this date



TEXTILE AND APPAREL

GST rate has been changed on apparels such as T-shirt, Shirt, Polo, Coats, Jackets, Sweatshirts, Jeans, Trousers, Cargo, Socks etc.



Regime	Before (Upto 22.09.2025)	After (From 22.09.2025)
Sale price below INR 1,000	5%	5%
Sale Price between INR 1,000 and INR 2,500	12%	5%
Sale Price above INR 2,500	12%	18%

ENERGY SECTOR : RENEWABLE...



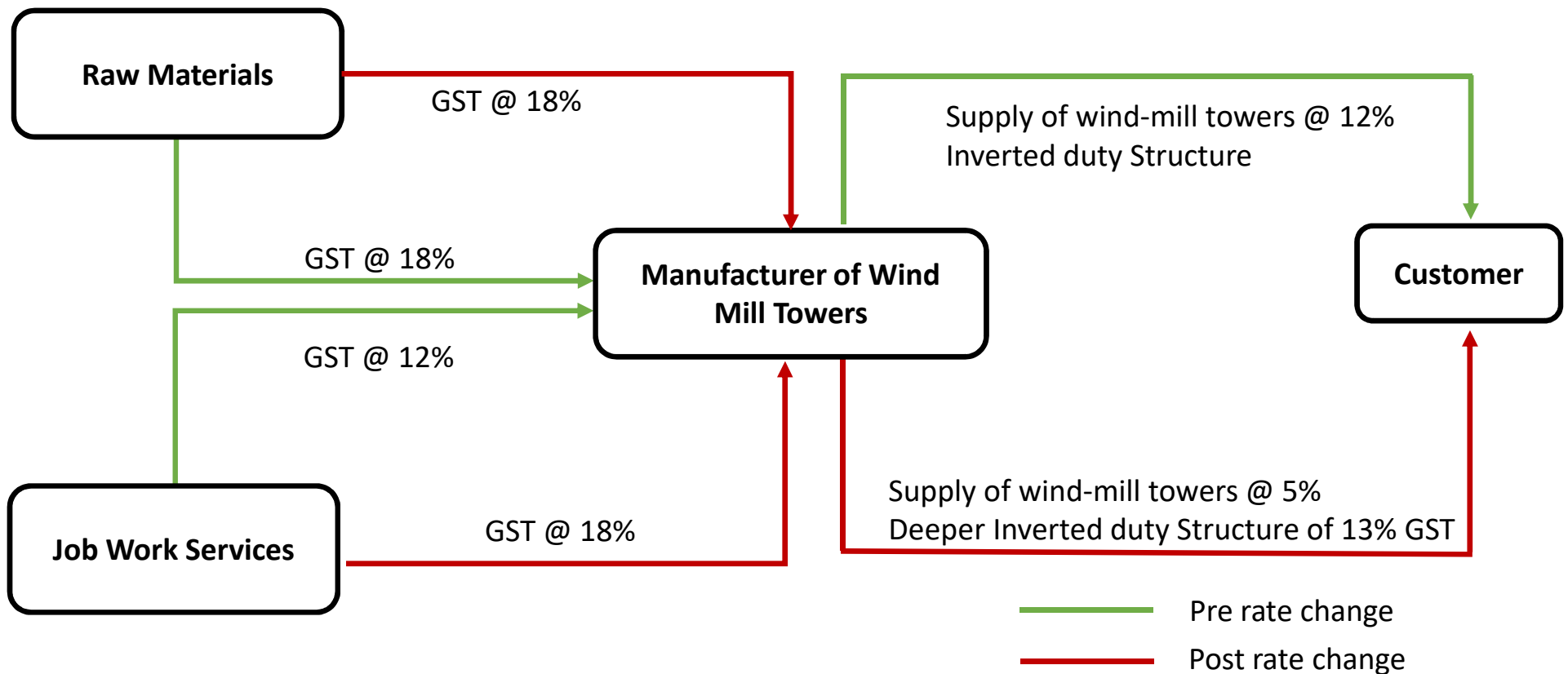
- Renewable energy sector already under Inverted duty structure
- Reduction of rate on outward supply would deepen the inversion – FAQ 51
- Process reforms such as Provisional refund, would expedite the refunds

Products	Existing GST rate	Proposed GST rate
Following renewable devices and parts for their manufacture: (a) Bio-gas plant (b) Solar power-based devices (c) Solar power generators (d) Wind mills, Wind Operated Electricity Generators (e) Waste of energy plants/devices (f) Solar lantern/ solar lamp (g) Ocean waves/tidal waves energy devices/plants...	12%	5%

A welcome step towards fulfilments of target of 500 GW renewable energy generation by 2030

...ENERGY SECTOR : RENEWABLE

Rate reduction on renewable energy products would lead to increase in pre-existing inverted duty structure





ENERGY SECTOR : COAL

Existing structure
5% GST + Compensation Cess INR 400/
ton



Proposed Structure
18% GST + No Compensation Cess

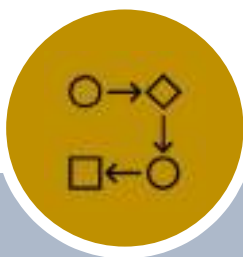
Particulars	Existing Tax Structure	Proposed Tax Structure	Net Impact
Base Price of Non-Coking Coal(Range)	₹4,000 – ₹10,000 per ton*	₹4,000 – ₹10,000 per ton*	—
GST @ 5%	₹200 – ₹500	—	—
Compensation Cess (Fixed)	₹ 400	—	—
GST @ 18%	—	₹720 – ₹1,800	—
Total Indirect Tax	₹600 – ₹900	₹720 – ₹1,800	↑ ₹120 – ₹900 per ton

Source: Monthly Statistical Report issued by Ministry of Coal, Government of India – [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://coal.gov.in/sites/default/files/2025-05/srn-march-2025.pdf](https://coal.gov.in/sites/default/files/2025-05/srn-march-2025.pdf)

While the FAQ 48 mentions that there is no additional tax burden, basis the above cost of thermal energy need to be analysed

SERVICES

Job work



Rate of GST on residuary Job work hiked from 12% to 18%

Air Transport



Air Transport of passenger other than economy class hiked from 12% to 18%

Works Contract



Composite supply of specified works contracts services hiked from 12% to 18%

Entertainment / Betting



Casinos, race clubs, sporting events like IPL, and online gaming moved to 40%

Beauty & Wellness



Beauty and physical well being – from 18% with ITC to 5% without ITC

While the overall approach is benign, few instances need explanation....



RATE RATIONALIZATION TO REDUCE/END LITIGATION

The GST rates of several goods and services, the classification of which was previously litigated, have been rationalized.

Product	Dispute	Uniformity brought by rate rationalisation
Auto-parts	Various parts at different rate	All parts at uniform 18% rate
Toothpaste & Toothpowder	Toothpaste @18% vs. Toothpowder @12%	Both Toothpaste & Toothpowder are proposed under 5% rate
Flavoured Milk	milk-based product @5% vs. milk beverage @12%	Uniform 5% avoids such dispute
Paratha vs. Roti	Roti @ 5% vs. Paratha @ 18%	Both product now exempted from GST
Namkeen, chips	5% / 12% / 18%	Now all such savouries covered under 5% rate



Revised Rates – Effective date and transition



EFFECTIVE DATE

GENERAL GOODS & SERVICES

- New GST Rates
- Effective from 22 September 2025
- Notifications issued by CBIC

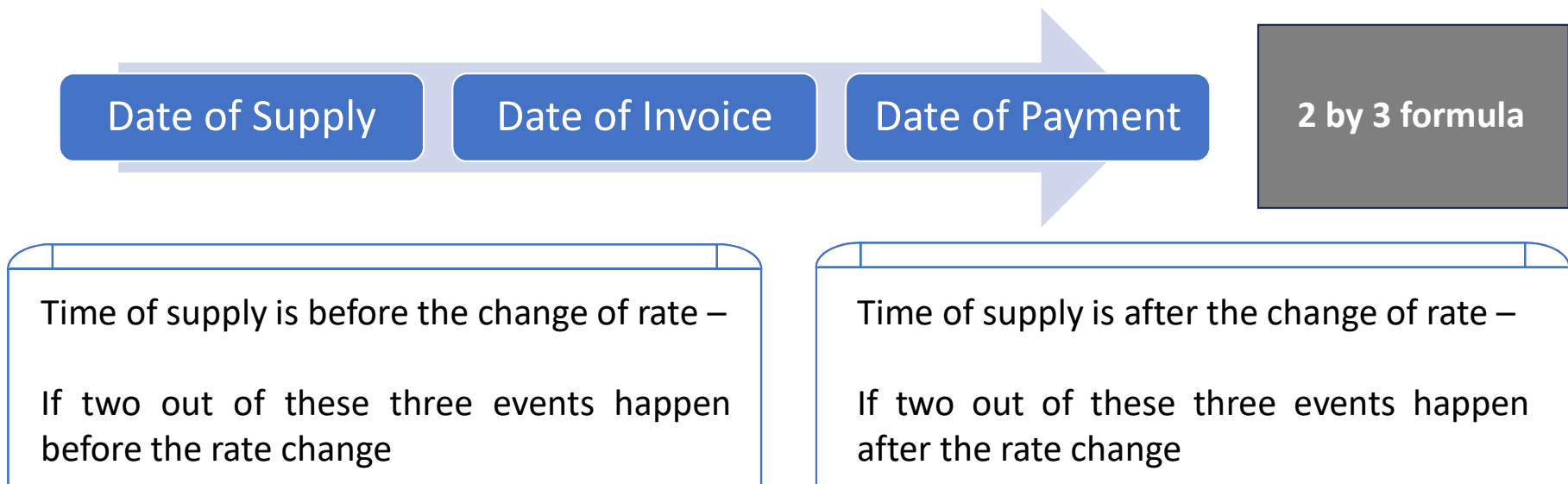
- Existing Rates continue
- Future date to be notified
- Linked to cess obligations

TOBACCO & PAN MASALA



DETERMINATION OF APPLICABLE RATE (OLD VS. NEW)

Section 14 deals with “Change in Rate of Tax”



Raising of invoice should be as per the provisions under Section 31



TIME OF SUPPLY IN VIEW OF SECTION 14 PROVISIONS

Supply made	Date of Invoice	Date of Payment	Applicable GST Rate	Time of Supply
Before	Before	Before	Old Rate	As per existing provisions
Before	Before	After	Old Rate	Date of invoice
Before	After	Before	Old Rate	Date of payment
After	Before	Before	Old Rate	Earlier of date of invoice or date of payment
Before	After	After	New Rate	Earlier of date of invoice or date of payment
After	After	Before	New Rate	Date of invoice
After	Before	After	New Rate	Date of payment
After	After	After	New Rate	As per existing provisions



Whether the issuance of invoices could be strategically timed to benefit from the change in GST rate

ITC IMPLICATIONS ON THE START OF EXEMPTION / TAXABILITY

Where exempt becomes taxable

Eligibility under Section 18(1)

ITC availability on the effective day:

- On inputs held in stock, contained in semi-finished and finished goods relatable to such exempt supply
- On capital goods exclusively used for exempt supply:

Provided that the credit on capital goods shall be reduced by such percentage points as may be prescribed [Rule 40]

Where supply becomes exempt

Reversal under Section 18(4)

Pay / reverse credit on the effective day:

- Inputs held in stock and inputs contained in semi-finished or finished goods held in stock
- Capital goods reduced by such percentage points as may be prescribed [Rule 44]

Provided that after payment of such amount, the balance of input tax credit, if any, lying in electronic credit ledger shall lapse.

Credit availability / reversal of Inputs and Capital goods (proportionate basis) is required



ITC REVERSAL FOR SUPPLIES MOVING FROM TAXABLE TO EXEMPT

FAQ 9 refer to requirement to reverse ITC for supplies made from 22.09.2025

ITC for taxable vs. exempted supplies on going forward basis

Splitting ITC balances on 21.09.2025 for taxable vs. exempt supplies

Unutilized pool of ITC & S. 18(4) – Lapse of all ITC



STATUTORY FRAMEWORK

Section 171 – Anti profiteering

- (1) Any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the **recipient by way of commensurate reduction in prices.**
- (2) ...
Provided that the Government may by notification, on the recommendations of the Council, ***specify the date from which the said Authority shall not accept any request*** for examination as to whether input tax credits availed by any registered person or the reduction in the tax rate have actually resulted in a commensurate reduction in the price of the goods or services or both supplied by him.
- (3A) Where the Authority referred to in sub-section (2) after holding examination as required under the said sub-section comes to the conclusion that any registered person has profiteered under sub-section (1), such person shall be liable to pay penalty equivalent to ten per cent. of the amount so profiteered*

Sunset clause

The authority shall not accept any complaints under section 171(1) on or after April 01, 2025

[Notification No. 19/2024 - Central Tax dated September 30, 2024]

Penal provisions

- Failure to furnish statistics - INR 10,000 (*Section 124*)
- General Penalty - INR 25,000 (*Section 125*)



REACTION OF OFFICIALS - ANTI-PROFITEERING PROVISIONS

“... Administratively, at the CBIC level and state levels, we will be engaging with the industry...”

Revenue Secretary during Press Briefing after 56th GST Council Meeting

“...At the moment, there is not any particular mechanism under the GST regime to counter "profiteering" by businesses, We'll have to keep talking with industry, we'll have to nudge them...”

Finance Minister during an interview

“... I'm sure the private sector will do the same with insurance, and so with other things...”

Finance Minister during an interview



DELHI HIGH COURT IN RECKITT BENCKISER CASE ON ANTI-PROFITEERING

Section 171 of the CGST Act is constitutionally valid and thus, the benefit shall be passed on the recipient

Benefit shall be passed in the form of price reduction - other forms (such as increase in weight, supply of additional items, festival discount) shall not be acceptable



The presumption that there must necessarily be a reduction in prices is a rebuttable presumption

Genuine reasons / commercial factors may exist for offsetting a reduction - Supplier, in such case, may raise the prices based on commercial factors, despite the reduction in GST rate

The price reduction shall be offered so long as the direct relation between reduction of tax rate/ ITC benefit exists and there is no other factor effecting/ countering same

Judgment has been challenged before the SC – Stay not granted; Delhi HC also hearing the case by case petitions



ADMINISTRATIVE EFFORTS TO MONITOR COMPLIANCE

GST 2.0: Amid concern of 'profiteering', FinMin to compile price data of common use items

The field offices have been asked to treat this price compilation exercise "on priority", with the monthly report to be sent to the Central Board of Indirect Taxes and Customs (CBIC) by the 20th of every month

After cut in GST, CBIC orders price tracking of 54 items

By ET Bureau • Last Updated: Sep 13, 2025, 12:29:00 AM IST

Synopsis

The Central Board of Indirect Customs and Taxes will monitor price changes. This follows the Goods and Services Tax rate rationalisation. The new rates become effective September 22, 2025. Field formations must track prices for six months. They will submit monthly reports on 54 commodities. CBIC will meet with industry to discuss GST reforms.

ADMINISTRATIVE EFFORTS TO MONITOR COMPLIANCE

THE HINDU

National Consumer Helpline receives 3,000 GST-related complaints post tax cuts: Consumer Affairs Secretary

The Consumer Affairs Ministry is closely monitoring instances where consumers are being cheated through misleading discount practices to avoid passing on the benefits of reduced GST rates

bt Business Today

latest > Economy > Consumer Affairs Department flags over 3,000 complaints on GST cut not passed to buyers

Consumer Affairs Department flags over 3,000 complaints on GST cut not passed to buyers

The ministry is closely tracking pending cases and has warned that it may initiate class action under unfair trade practices if businesses continue to deny GST cut benefits to consumers.



Anti-profiteering – Real Estate

Real Estate Sector has seen the highest cases on anti-profiteering

Effective GST rate on commercial properties is 12%

Neither change in rate nor increase in ITC, however, already questions on benefit to be passed on

Product/Service	Rate earlier	Rate now
Cement + Compensation cess on coal	28%	18%
Marble blocks	12%	5%
GTA service	12% with ITC	18% with ITC



IMPACT OF INVENTORIES BOUGHT AT HIGH TAX RATE

Goods procured at a higher rate but sold at lower rate potentially leads to ITC accumulation



ITC AVAILABLE

FAQ 8

Credit not expunged
– available for
subsequent periods /
other products



INVENTORY SCHEDULING

Optimum scheduling
till September 22,
2025



MANNER OF DISCOUNTING

GST Credit Notes
instead of Financial
Credit Notes for
agreed discounts



REFUND ON ACCOUNT OF INVERTED RATE STRUCTURE



CASH FLOW SUPPORT

Support to
distributors /
wholesalers



IMPACT ON INVENTORIES – ITC ACCUMULATION

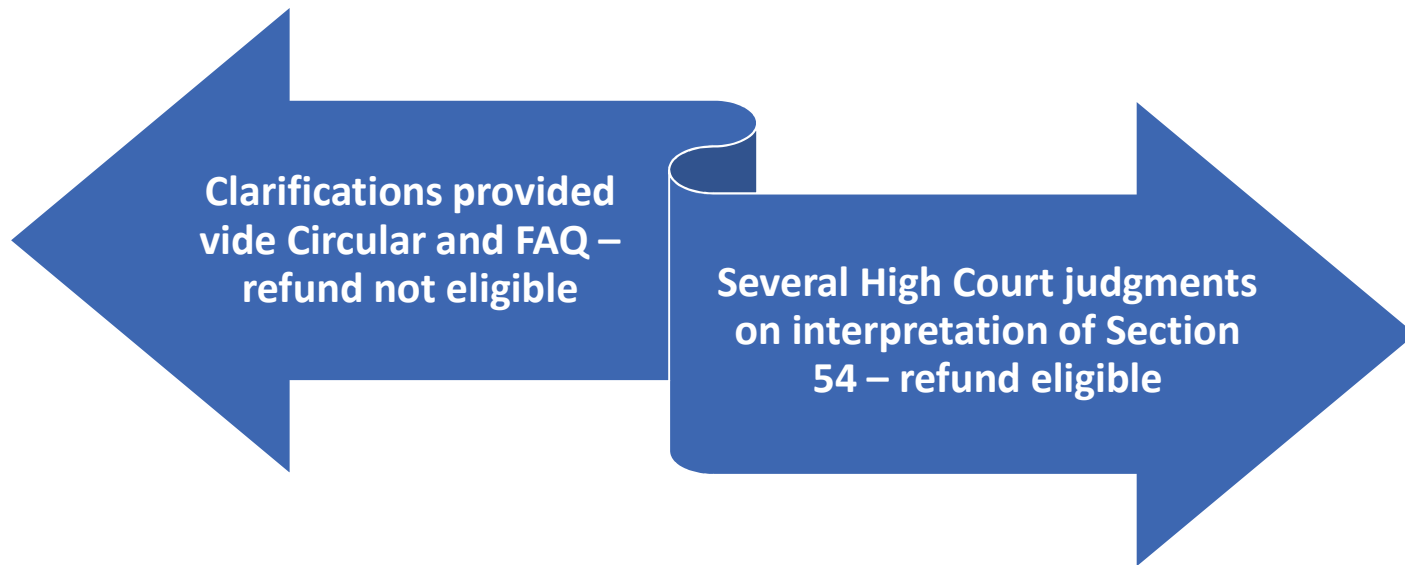


INVERTED DUTY REFUND

- **Section 54(3)** – “*registered person may claim refund...where the credit has accumulated on account of rate of **tax on inputs being higher than the rate of tax on output supplies...***”
- **Circular 135/ 2020** – Refund not available if input & output is same but attract different rates at different points in time – also referred in FAQ 10
- **FAQ** – The inputs and outputs attracting different tax rate at different point in time, do not get covered in clause (ii) of first proviso to Section 54(3) i.e. inverted duty structure



IMPACT ON INVENTORIES – ITC ACCUMULATION



IMPACT ON INVENTORIES – ITC ACCUMULATION

- **BMG Informatics Pvt. Ltd. vs. Union Of India & Ors. [2021 (9) TMI 472 – Gauhati High Court]**

28. Consequently, in view of the clear unambiguous provisions of Section 54(3) (ii) providing that a refund of the unutilized input tax credit would be available in the event the rate of tax on the input supplies is higher than the rate of tax on output supplies, *we are of the view that the provisions of paragraph 3.2 of the circular No.135/05/2020-GST dated 31.03.2020 providing that even though different tax rate may be attracted at different point of time, but the refund of the accumulated unutilized tax credit will not be available under Section 54(3)(ii) of the CGST Act of 2017 in cases where the input and output supplies are same, would have to be ignored.*

- **M/s. Shivaco Associates vs. Joint Commissioner of State Tax [2022 (4) TMI 118 – Calcutta High Court]**

In the present case, the Act does not mention about non-granting of the benefit of accumulated input tax credit where the input and output supplies are the same. The circular is trying to restrict the refund to a particular set of supplies. The circular is trying to create a class inside the class, which is impermissible. According to the Act, refund is permissible in respect of all classes where the input tax is higher than the output tax. By way of the circular, the Board is curtailing the said benefit and making refund permissible only if the input and output supplies are different. The same amounts to overreaching the provisions as laid down in the Act.

IMPACT ON INVENTORIES – ITC ACCUMULATION

- **Baker Hughes Asia Pacific Limited vs. Union Of India & Ors. [2022 (7) TMI 73 – Rajasthan High Court]**

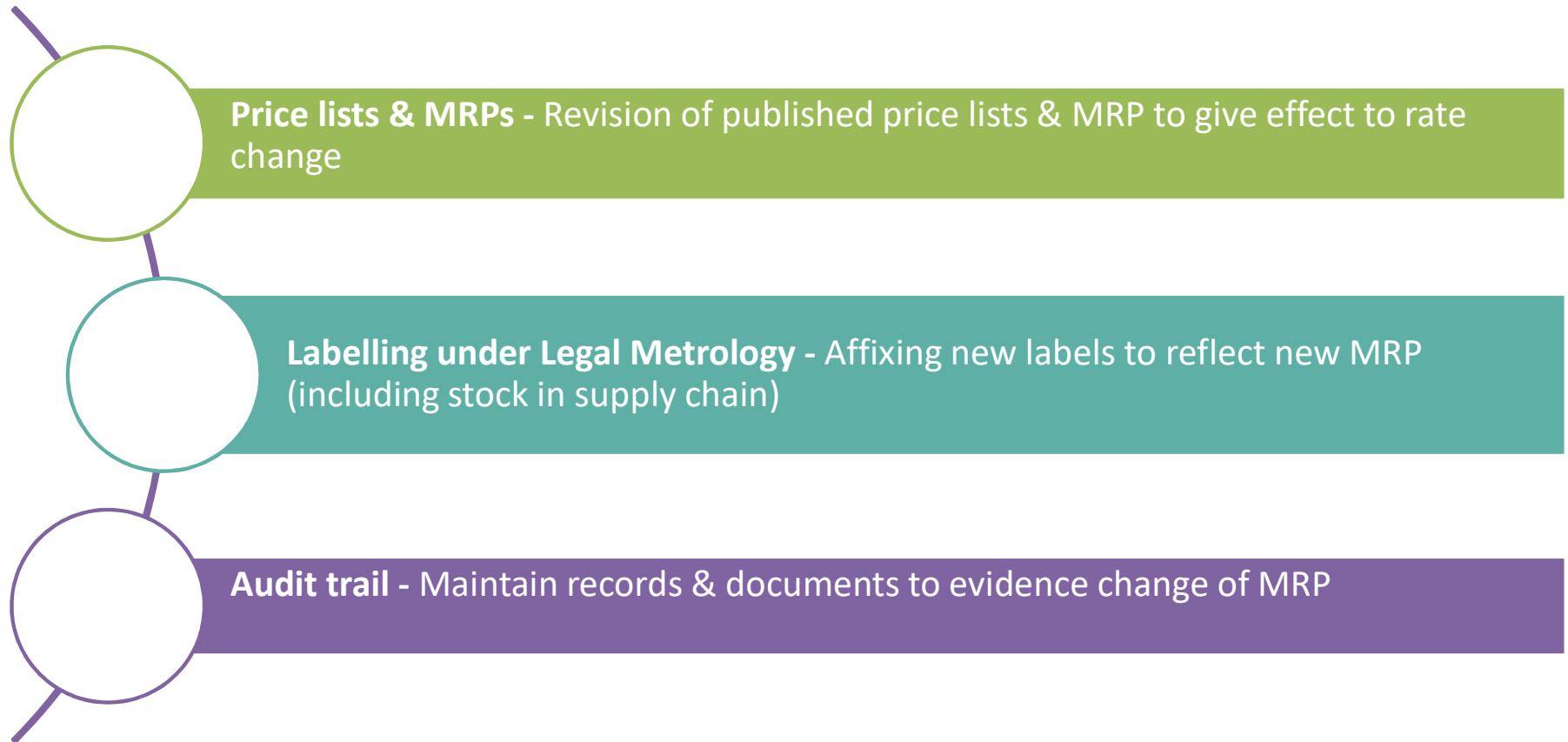
10. At the outset, we may note here that Section 54(3)(ii) of the CGST Act is absolutely unambiguous and does not carve out any exception that Input Tax Credit under the Inverted Tax Structure would not be applicable where the input and the output goods are the same....

11... Clause (ii) of Sub-Section (3) of Section 54 of the CGST Act does not indicate that ITC would be admissible only if the goods supplied had been subjected to some process. The provision allows refund of credit accumulated on account of supplies and does not mention that the credit could be claimed only if the supplier has made any value addition/enhancement to the goods supplied...

Similar position was upheld by various other High Courts, such as:

- **Indian Oil Corporation Ltd. vs. Commissioner of Central Goods and Services Tax & Ors. [2023 (12) TMI 361 – Delhi High Courts]**
- **Smart Byte Technologies vs. UOI & Ors. [2022 (10) TMI 1129 – Karnataka High Courts]**
- **M/s. Malabar Fuel Corporation vs. The Assistant Commissioner of Central Tax & Ors. [2024 (1) TMI 1203 – Kerala High Court]**
- **M/s. Eveready Spinning Mills Pvt. Ltd. vs. The Assistant Commissioner of Central GST & Central Excise, Dindigul [2024 (7) TMI 1160 – Madras High Court]**

IMPACT ON INVENTORIES - REGULATORY REQUIREMENTS



IMPACT ON INVENTORIES - REGULATORY REQUIREMENTS

The Department of Consumer Affairs (Legal Metrology) has issued an Advisory I-10/14/2020-W&M dated 18.09.2025 in supersession of the earlier advisory of 09.09.2025 to relax the provisions contained in Rule 18(3) under the *Legal Metrology (Packaged Commodities) Rules, 2011* pursuant to the recent GST rate revision.

Optional revised price stickers

Manufacturers, packers, or importers **can voluntarily** affix a revised MRP on unsold stock manufactured prior to 22 September 2025, provided the original price declaration remains visible and not obstructed

Requirement of the Newspaper advertisement waived off

The earlier requirement to publish revised prices in two newspapers, as per the advisory dated 09.09.2025 and Rule 18(3), has been **waived off** by the Central Government

Revised compliance requirement

Only circulars about the revised prices need to be sent to wholesale dealers/retailers, etc., and endorse copies to the Director, Legal Metrology (Central) and Controllers of Legal Metrology of all States/UTs.

Awareness measures

Immediate steps must be taken to sensitize dealers, retailers, and consumers about the GST-related price revisions through electronic, print, and social media

LONG TERM CONTRACTS (Input side & Output side)



- **Change in law/tax clauses are key**
- **Renegotiation, if absent**
- **Impact on inclusive vs. exclusive GST contracts**
- **If required, short close the contract and enter into a new contract**

BALANCE OF GST COMPENSATION CESS

- **Clarification in press conference** – ITC taken on compensation cess will lapse. Since no discharge of cess from 22nd Sept, no question of utilisation
- **Lapse of unutilized ITC on compensation cess** - Proviso to Section 11 of the GST Compensation Cess Act restricts utilization of cess only towards payment of said cess on output supply.
- **No refund mechanism**
- **Litigation in the past w.r.t. other cesses** – Several conflicting precedents on eligibility of refund of E Cess, SHE Cess, KKC, etc. upon cess being phased out / transition to GST regime

Representation to Government for relief

BALANCE OF GST COMPENSATION CESS

Sr. no.	Judicial precedents	Ratio
1	Muthoot Finance Limited vs. UOI [2024(9) TMI 905 – Kerala High Court	Cess ITC cannot be transitioned into GST under S. 140; S. 54(3) scope does not cover cess refund
2	AC vs. Sutherland Global Services Private Limited [2020 (10) TMI 804 – Madras High Court]	Same as above
3	Bharat Heavy Electricals Limited vs. Commissioner of CGST [Excise Appeal No. 50081 of 2019]	Credit on cesses was vested right and no provision stating that such credits would lapse – refund eligible
4	Tata Sons Pvt. Ltd. vs. CCGST [2025 (7) TMI 1412 – CESTAT Mumbai]	No bar in refund of unutilized cess ITC even after retrospective explanation

Pending SLP before the SC in case of Bombay Dyeing – Slovak India (Kar. HC) vs. Gauri Plasticulture (Bom HC) controversy on refund of credit upon closure of business



REFUND OF COMPENSATION CESS PAID ON EXPORTS

Gujarat High Court orders in the case of Patson Papers [TS-439-HC(GUJ)-2025-GST] and Atul Limited [Order dated 24.07.2025 in SCANo. 13174 of 2022]

Refund of unutilized Compensation Cess credit cannot be denied merely because the exported goods were subject to IGST payment and not Compensation Cess

Where goods are exported under payment of IGST, and coal used in manufacturing suffer Compensation Cess which remains unutilized, such cess is eligible for refund under Section 54 read with Rule 89



INTERNALLY GENERATED SERVICES – CROSS CHARGE

Cases of reduction in applicable GST rate

Rule 28 read with
Circular no.
199/11/2023 –
GST

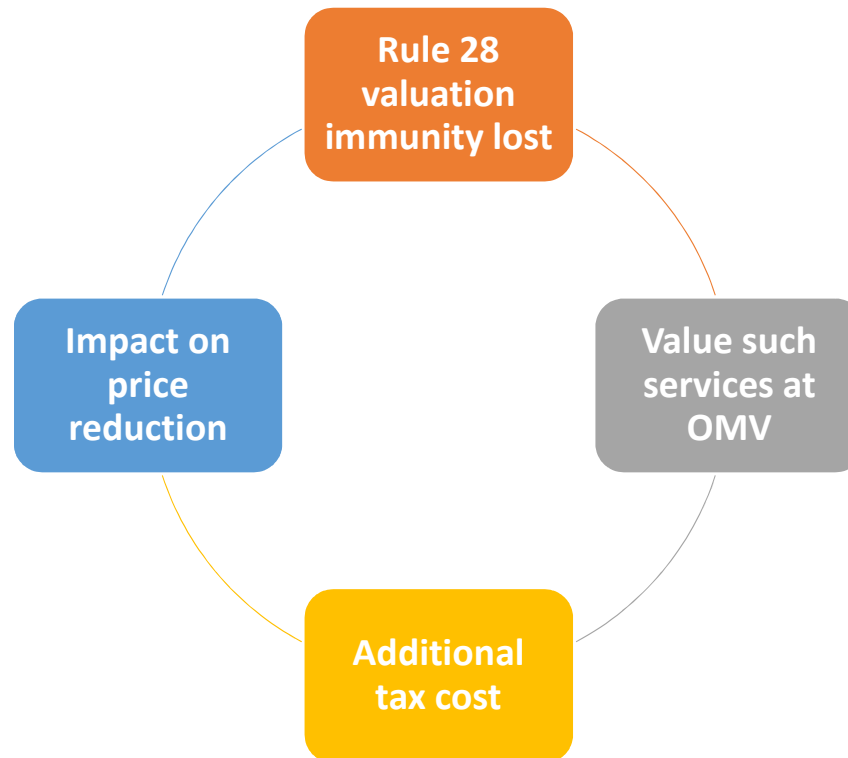
- Valuation immunity for internally generated services would be eligible as long as full ITC eligible – position not vitiated by rate change
- As per the Circular, even Nil valuation acceptable

Realignment of
cross charge in
the altered math
of ITC vs. outward
tax liability

- Reduction in outward GST liability and rates of GST on procurement would impact net cash liabilities and ITC positions
- Realignment in valuation of internally generated services to avoid ITC accumulation

INTERNALLY GENERATED SERVICES – CROSS CHARGE

Outward supplies moving from taxable to exempt category



END-USE BASED RATE REDUCTIONS

Some examples of end-use based rate reduction

Oxygen for medical purpose and other purpose – 5% vs. 18%

Self-loading and unloading trailers @ 5% - for agricultural use

FAQ 41 – End use based mechanism is against the policy of moving away from end use based consumption

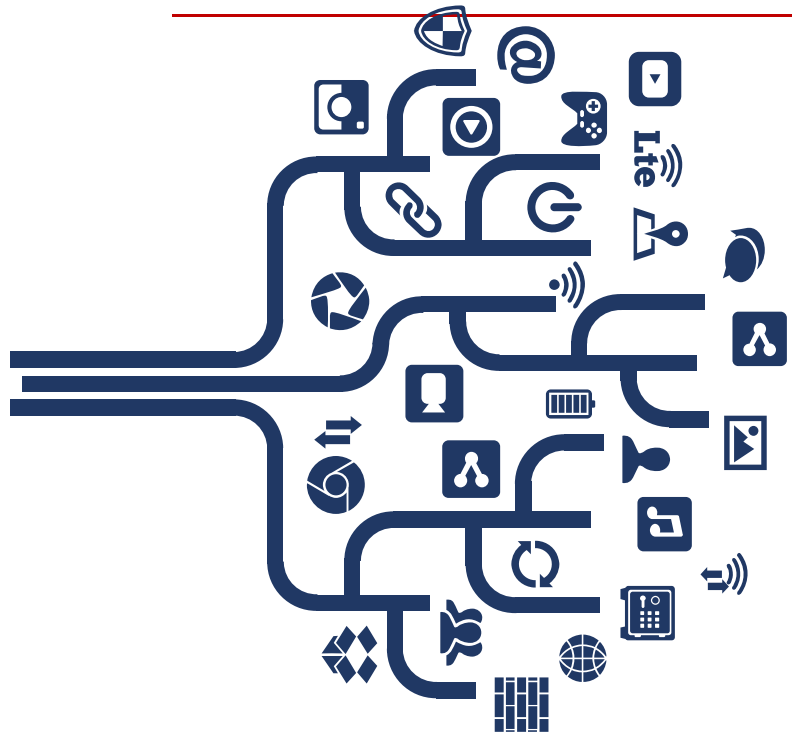
Potential rise to rate litigation



STATE INCENTIVES

- To encourage industrial development, several States provide incentives linked to the output net SGST
- Reduction in GST rate would adversely impact the State incentives
- May require to approach the State for policy advocacy, on case-to-case basis

Particulars	Incentive under existing scenario (12% Outward GST)	Incentive under revised scenario (5% Outward GST)	Difference
Annual Turnover	1,00,000	1,00,000	
SGST Liability @ (6%/2.5%)	6,000	2,500	(3,500)
Input tax credit utilised to make payment of SGST	2,000	2,000	-
Net SGST paid in cash	4,000	500	(3,500)
Subsidy in terms of incentive provided by State Government	4,000	500	(3,500)



OMISSION OF SPECIFIC POS PROVISIONS FOR INTERMEDIARY

- **Section 13 of the IGST Act – Place of supply of services where location of supplier or location of recipient is outside India**

(2) The place of supply of services **except the services specified in sub-sections (3) to (13)** shall be the location of the recipient of services:

.. ..

(8) The place of supply of the following services shall be the location of the supplier of services, namely:-

(a)

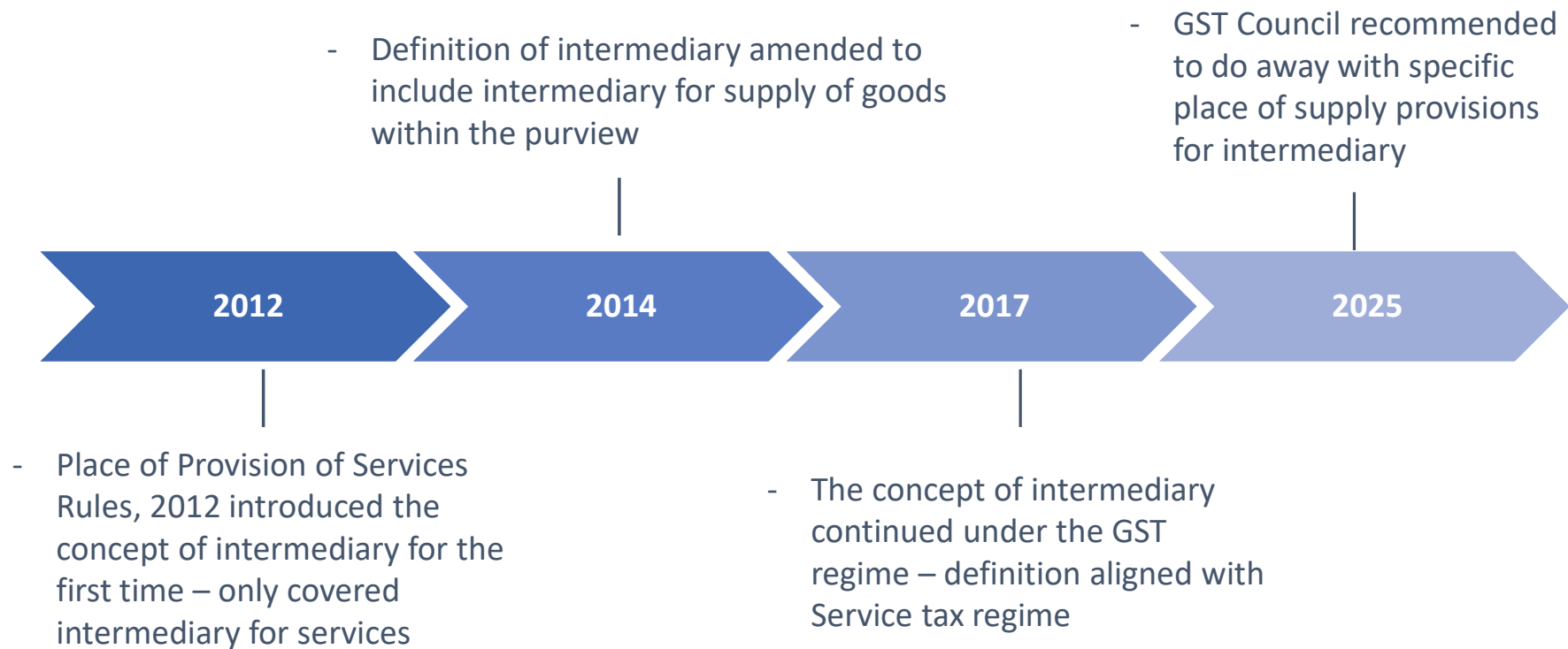
(b) ~~intermediary services~~;

(c)

Default rule to apply upon deletion of S. 13(8)(b) – Big relief for the industry



INTERMEDIARY – TIMELINE AND HISTORY





Amendment in Legislative Provisions

Risk-based 90% provisional refund on zero-rated supply and Inverted duty structure cases

Simplified GST Registration Scheme for Small and Low-Risk Businesses

Introduction of Simplified Registration Scheme for small suppliers supplying through ECOs

Removal of the minimum refund threshold limit of INR 1,000/- for refunds arising from exports made with payment of tax

POST SALE DISCOUNTS – RECOMMENDATIONS...

- Section 15 of the CGST Act – Value of taxable supply

(3) The value of the supply shall not include any discount which is given,-

(a) before or at the time of the supply if such discount has been duly recorded in the invoice issued in respect of such supply; and

(b) after the supply has been effected, if,-

~~*(i) such discount is established in terms of an agreement entered into at or before the time of such supply and specifically linked to relevant invoices; and*~~

(ii) input tax credit as is attributable to the discount on the basis of document issued by the supplier has been reversed by the recipient of the supply.

...POST SALE DISCOUNTS – RECOMMENDATIONS

- **Proviso to Section 34(2) of the CGST Act – Up to 30.09.2025**

Provided that no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person."

- **Proviso to Section 34(2) of the CGST Act – Notified w.e.f. 01.10.2025**

Provided that no reduction in output tax liability of the supplier shall be permitted, if the—

(i) input tax credit as is attributable to such a credit note, if availed, has not been reversed by the recipient, where such recipient is a registered person; or

(ii) incidence of tax on such supply has been passed on to any other person, in other cases

POST SALE DISCOUNTS – WAY FORWARD



Establishing pre vs. post sale discount not required



Any discount deduction subject to ITC reversal by recipient



CA/CMA certificate for ITC reversal may not work - Circular No. No.212/6/2024-GST dated 26.06.2024 providing mechanism for compliance with S. 15(3)(b)(ii) rescinded



CDN associated ITC appearing on GSTR 2B to be reversed



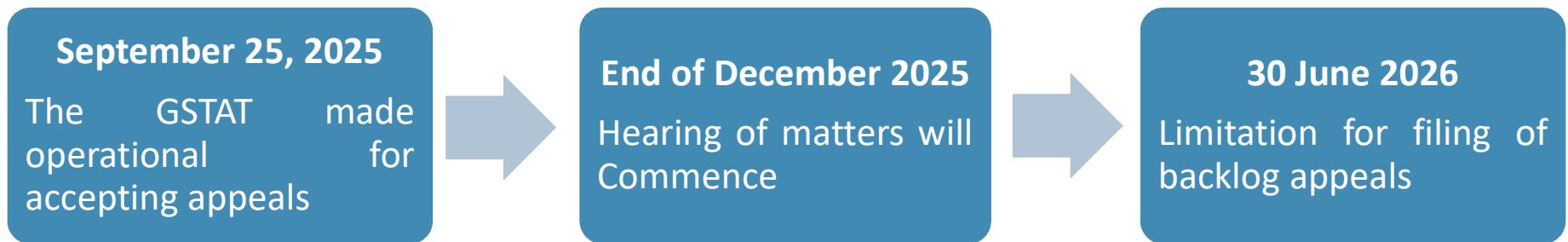
DISCOUNTS | RECENT CLARIFICATION DATED 12.09.2025

Sr. No.	Issue	Clarification
1	Whether full ITC available if recipient makes discounted payments (vide financial/ commercial Credit Note issued by supplier)	✓ Supplier not eligible to reduce original tax liability ✓ Recipient not required to reverse ITC since taxable value not reduced
2	Whether post-sale discount offered by manufacturer to dealer/ distributor = inducement consideration	✓ If no agreement between manufacturer and end customer → discounts given for competitive pricing and mere price reduction, which CANNOT be included in consideration ✓ If agreement exists with end customer to supply goods at discounted price → discount = inducement, part of consideration.
3	Whether post sale discount = consideration for promotional activities to boost sales	✓ Promotional activities by dealer to boost his sales → NOT consideration as mere reduction in price ✓ If dealer undertakes specific sales promotional services (advertisement campaigns, co-branding, customization services, special sales drive, etc.) under agreement → GST payable on such specific services provided by dealer.



GSTAT and NAAAR

➤ GOODS AND SERVICES TAX APPELLATE TRIBUNAL ('GSTAT')



➤ NATIONAL APPELLATE AUTHORITY FOR ADVANCE RULING ('NAAAR'):

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



GSTAT and NAAAR

To mitigate procedural bottleneck, CBIC has issued e-filing Advisory, outlining a flowchart for navigating through the e-filing feature on the GSTAT portal, as also important timelines as under:-

Period of filing appeal in Form APL-01 or APL-03 under section 107 of the Act or issuance of notice in Form RVN-01 in terms of section 108 of the Act	Period during which the appeal before the GSTAT may be filed
on or before 31.01.2022	From 24.09.2025 to 31.10.2025 or any date succeeding such date being not later than 30.06.2026
on or after 01.02.2022 but on or before 28.02.2023	From 01.11.2025 to 30.11.2025 or any date succeeding such date being not later than 30.06.2026
on or after 01.03.2023 but on or before 31.01.2024	From 01.12.2025 to 31.12.2025 or any date succeeding such date being not later than 30.06.2026
on or after 01.02.2024 but on or before 31.05.2024	From 01.01.2026 to 31.01.2026 or any date succeeding such date being not later than 30.06.2026
on or after 01.06.2024 but on or before 31.03.2026	From 01.02.2026 or any date succeeding such date being not later than 30.06.2026



Unfinished Agenda

**UNFINISHED
AGENDA**

Scope and expansion of ITC restriction under Section 17(5)



No notification under Section 11A for industry-specific relief



No clarity on taxation of real estate transactions, including TDR

**UNFINISHED
AGENDA**

No discussion to cover petroleum and petroleum products under GST regime



No amendment in inverted duty refund formula, for coverage of 'services'



No relief in respect of transactions sought to classified under Schedule I
(such as corporate guarantee, secondment of employees, usage of brand name, etc.)

A person is captured mid-jump, diving off a wooden pier into the ocean. The scene is set during a soft sunset or sunrise, with a warm, orange-pink glow in the sky. The person's arms are outstretched, and their body is arched in mid-air. In the background, a row of houses is visible along the shoreline. The overall mood is one of freedom and embracing change.

The only way to
make sense out of
change
is to plunge into it,
move with it, and
join the dance.

Alan Watts

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Thank you

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