

# FAQs: Key Clarifications on 56th GST Council Meeting Reforms

## Implementation and General Questions

1. **When will the new GST rates take effect?**

The revised GST rates on most goods and services will be implemented from **September 22, 2025**. Sin goods like cigarettes, chewing tobacco (zarda), unmanufactured tobacco, and beedi will continue at existing rates with compensation cess until pending loans are repaid. Notification for new rates on these goods will be published later.

2. **Has the GST registration threshold changed?**

No changes have been made to GST registration thresholds under the CGST Act.

3. **Where will official notifications on rate changes be available?**

Updated GST rate notifications will be published on the Central Board of Indirect Taxes and Customs (CBIC) website.

4. **How are supplies, invoices, and advances handled around the rate change date?**

Supplies made before September 22 but invoiced later are taxed based on the time of supply rules:

- If payment is made after the rate change, GST applies at the earlier of invoice or payment date.
- Advances received before September 22 attract old rates; supplies and invoices after the date are taxed at new rates.
- E-way bills for goods in transit on September 22 remain valid; no fresh bills are required.

5. **What are the changes to exports after the GST rate rationalisation?**

The 56th GST Council approved reforms to streamline GST on exports, including an automated refund mechanism for exporters. This includes 90% provisional refunds for inverted duty structure cases based on system data and risk evaluation, which will improve cash flow for exporters. The new GST rates for goods and services will come into effect from September 22, 2025, facilitating easier trade and compliance. Pending amendments to the CGST Act will enable efficient refund processing for exporters.

## Registration

### 6. What changes were made to GST registration in the 56th GST Council meeting?

The 56th GST Council meeting approved a Simplified GST Registration Scheme for small and low-risk businesses, allowing automatic approval of GST registrations within three working days. This scheme applies to applicants with a monthly output tax liability of up to ₹2.5 lakh on B2B supplies, covering about 96% of new registrants. Additionally, a separate simplified registration process for small e-commerce suppliers operating across multiple states was approved in principle to ease compliance. These reforms will be effective from November 1, 2025, aiming to streamline the registration process and support faster onboarding of small businesses under GST.

## Input Tax Credit (ITC) and Refunds

### 7. How will Input Tax Credit (ITC) on purchases made before rate revision be treated?

ITC on inputs purchased before September 22 remains valid, subject to CGST Act conditions. However, ITC on supplies exempt from GST after the change must be reversed. Refunds of accumulated ITC are not allowed solely due to rate revisions unless there is an inverted duty situation.

### 8. What about GST refunds?

The Council has expanded risk-based provisional refund schemes to include inverted duty structure claims and small export consignments, speeding up refunds and liquidity.

## GST Rate Changes by Product Category

### 9. What are the new GST slabs?

The GST framework now primarily has:

- **5% slab** for daily essentials and many consumer goods
- **18% slab** for standard goods and services
- **40% special rate** for sin and luxury goods

### 10. Which items are taxed at 5%?

Essentials like packaged UHT milk, paneer, parathas, plant-based milk drinks, agricultural machinery, fertilizers, textiles, medicines, medical devices, bicycles, and household items such as soaps, shampoos, and toothpaste.

### 11. Which items fall under 18% GST?

Smaller vehicles, general job work for specified sectors, many consumer goods and services not listed in other slabs.



**12. What items attract 40% GST?**

Tobacco, pan masala, gutkha, luxury vehicles, gambling, casinos, lotteries, IPL tickets and similar high-end or sin-category goods and services.

**13. What are the key tobacco-related decisions from the 56th GST Council meeting?**

The 56th GST Council meeting decided that GST rates and compensation cess on tobacco and related products—including cigarettes, chewing tobacco like zarda, unmanufactured tobacco, bidi, gutkha, and pan masala—will continue to remain at current rates instead of being changed on September 22, 2025. Unlike other goods and services where new GST slabs (5%, 18%, and a 40% sin/luxury tax) will apply from that date, tobacco products will stay under the existing GST regime (28% GST plus compensation cess) until all outstanding compensation cess loan and interest liabilities are cleared. The actual transition date for applying revised rates to tobacco products will be notified later by the government. Additionally, GST on these tobacco products will be levied based on the Retail Sale Price (RSP) instead of the transaction value to discourage tax evasion and ensure better revenue collection.

This deferral allows continuity in tax revenue collection on sin goods while balancing public health and fiscal considerations.

## **Exemptions and Special Treatments**

**14. Which insurance policies are exempt?**

All individual life and health insurance policies—including term life, ULIPs, endowment, family floater, and senior citizen plans—are exempt from GST.

**15. Are all medicines exempt from GST?**

Most medicines are taxed at a concessional 5% rate, rather than fully exempted, to maintain ITC availability and control costs.

**16. How are passenger and goods transport services taxed?**

Passenger transport is taxed at 5% with no ITC; operators may opt to charge 18% and claim ITC. Goods Transport Agency services have similar options. Multimodal transport rates depend on the involvement of air travel.

## **Sector-Specific Clarifications**

**17. Why are all Indian breads exempted now?**

To harmonize tax treatment, all varieties of Indian breads—roti, paratha, chapati—are exempted despite earlier differential rates.



**18. What are the GST rates on vehicles?**

Small petrol, LPG, and CNG cars up to 1200cc are taxed at 18%. Larger vehicles including SUVs pay 40%. Motorcycles up to 350cc attract 18%, above 350cc pay 40%. Buses, ambulances, and goods vehicles are taxed at 18%.

**19. Has GST on agricultural machinery been changed?**

Many types of agricultural machinery and equipment have had GST reduced from 12% to 5%, providing relief to farmers while protecting local manufacturers.

**20. Why is full exemption on agricultural machinery not provided?**

Full exemption would break the ITC chain for manufacturers, increasing costs that could pass on to farmers.

**21. Is there a change to the GST rates on Restaurant services?**

Yes, GST rates on restaurant services have been revised as part of the rate rationalization. While standalone restaurants cannot avail the option of paying GST at 18% with input tax credit, the Council has introduced more transparent rate structures for restaurant services. Specific slabs for different types of restaurant services apply from September 22, 2025, to simplify tax computation and compliance.

## **Compliance and Transitional Provisions**

**22. What preparations should businesses make for the transition?**

Businesses need to update billing and accounting software to reflect the new GST rates by September 22, review stock valuations, and train staff on new GST 2.0 processes.

**23. How will the GST Appellate Tribunal (GSTAT) operate?**

GSTAT will begin accepting appeals from September 2025, with hearings starting December 2025. The deadline for backlog appeals filing is June 30, 2026, ensuring quicker dispute resolution.

**24. How will technology support GST 2.0?**

Enhanced technology features include AI-driven invoice matching, automated scrutiny of returns, and auto-filled GST returns for faster and more accurate compliance.

**25. What happens to stock already lying with taxpayers on the date of the rate change?**

Taxpayers holding stock on the date of GST rate changes must pay tax based on the new rates effective from September 22, 2025. Stock on hand should be valued and accounted for at revised rates for compliance and input tax credit purposes, ensuring alignment with updated GST slabs. This transitional provision prevents tax arbitrage and ensures smooth implementation of the new rate structure.