



### **1. Overview of the 56<sup>th</sup> GST Council Meeting** **(3 september 2025)**

- The 56th GST Council convened on 3 and 4 September 2025 in New Delhi, under the leadership of Finance Minister Nirmala Sitharaman
- Its primary goal was to revamp the GST structure—simplifying tax slabs, offering relief to consumers, and promoting ease of compliance
- The decisions were set to be implemented from 22 September 2025, aligning with the start of Navratri

### **2. Simplified Tax Structure**

- The Council eliminated the 12% and 28% GST slabs, streamlining the system into:

~ 5% “merit rate” — for essentials and broadly consumed items.

~ 18% standard rate — for general goods and services.

~ 40% de-merit/sin rate — applied to luxury and harmful prod

### **3. Key Rate Reductions**

#### **a) Everyday Essentials / Food Items**

Many goods moved to either 5% or nil GST, including:

- Processed foods: jams, juices, broths, desserts, namkeens, soya drinks, ice creams
- Staples and packaged food: milk (UHT), cheese, butter, ghee; paneer and Indian breads like roti, parotta are now GST-free

#### **b) Medicines & Healthcare**

- 33 lifesaving drugs and medicines: GST reduced from 12% to nil.

- Additional 3 critical drugs, used for conditions like cancer or rare diseases, saw GST cut from 5% to nil

- Other medicines and medical devices: rates now range from 5% (previously 12–18%).

#### **c) Household Goods & Personal Care**

- Items like hair oil, shampoo, soap, toothpaste, toothbrushes, shaving cream, kitchenware, utensils: brought down to 5% GST.

#### **d) Vehicles & Electronics**

- Small cars (under specified engine limits), two-wheelers ≤ 350cc, three-wheelers, ACs, TVs (over 32"), dishwashers, and components: shifted from 28% to 18% GST.

**e) Agriculture, Textiles & Renewable Goods**

- Manmade fibre: 18% → 5%; yarn: 12% → 5%.
- Fertilizer inputs (e.g., sulphuric acid) and renewable energy devices/parts: reduced to 5%.

**f) Services & Accommodation**

- Hotel rooms (≤ ₹7,500/day): 5% GST.
- Beauty and wellness services like salons, gyms, barbers, yoga: lowered to 5%.
- Life and health insurance premiums: now GST-exempt, i.e. nil tax.

**4. Higher Tax on “Sin & Luxury” Items**

- The 40% slab targets luxury or harmful goods, including:
  1. Tobacco products (cigarettes, gutkha, pan masala).
  2. Premium bikes >350cc, yachts, aircraft, lottery, gambling.
- Also, compensation cess continues on certain items until earlier obligations are met.

**5. Transition Ease: MRP Revisions & Packaged Goods**

- Manufacturers, packers, and importers of pre-packaged goods can revise MRPs on unsold stock (either up or down), using stickers, stamping, or digital labels—original MRP must remain visible.
- This facility is valid until 31 December 2025 or until stocks are cleared.

**6. Compliance & Procedural Enhancements**

- Pre-filled GST returns to reduce taxpayer errors.
- Faster refunds for small businesses.
- Simplified e-commerce registration to boost MSME participation.
- Improved GSTN portal, steps to resolve disputes and streamline state compensation systems.

**7. Economic Impact & Industry Response**

- The reforms aim to lower costs for households, rev up consumption, and drive growth, investment, and employment.
- Automobile and two-wheeler sectors anticipate a surge in festive-demand-driven sales due to lower GST

- ing with old packaging due to MRP flexibility
- The carpet industry, with GST cut to 5% on handmade carpets, expects better affordability and export expansion but notes concerns regarding finish-product rates.
- CBIC clarifies that certain claimed transition benefits circulating on social media are false, warning taxpayers not to rely on misinformation.

**8. Implementation Timeline**

Event	Date
GST Council Meeting	3–4 September 2025
Effective Date of New GST Rates	3–4 September 2025
MRP Revision Allowance Ends	31 December 2025

**9. Transition Provision :**

- Businesses may revise MRPs (via stickers/stamps) until 31st Dec 2025, with both old and new prices visible.



## Here's a detailed list of the items whose GST rates were changed following the 56th GST Council Meeting on 3 September 2025, with effect from 22 September 2025:

### GST Reduced to 0% (Nil Rate)

- Ultra High Temperature (UHT) milk
- Pre-packaged and labeled paneer (chhena)
- Indian breads: roti, parotta, khakhra, pizza bread
- Life-saving medicines: 33 identified drugs (12 % → 0%)
- Critical medicines for cancer and rare diseases (5 % → 0%)
- Individual life insurance and health insurance policies



### GST Reduced to 5%

#### Daily-use Household Items & Personal Care

- Hair oil, shampoo, toothpaste, toilet soap, toothbrush, shaving cream
- Feeding bottles, baby napkins, clinical diapers
- Utensils, kitchenware, sewing machines & parts
- Thermometers, medical oxygen, diagnostic kits & reagents, glucometers & strips, corrective spectacles



#### Processed Foods & Snacks

- Namkeens, bhujia, mixtures, noodles, sauces, pasta, chocolates, cornflakes, baked goods, biscuits, pastries, sugar confectionery, pizza bread, jams, jellies, marmalades, coconut water, soups, broths, dairy spreads, butter, ghee, cheese, sun-dried fruits & nuts, malt, starches, inulin, vegetable extracts, sausages, preserved meats, cocoa products, ready-to-eat foods, plant-based and soya drinks
- Agricultural & Industrial Inputs
- Tractors, agricultural and horticultural machinery (e.g., threshers, balers, mowers), drip irrigation systems, composting machines
- Fertilizer inputs: sulphuric acid, nitric acid, ammonia, micronutrients, gibberellic acid
- Renewable energy devices and parts
- Marble, granite blocks for handicrafts

#### Construction Materials

- Cement (Portland etc.): from 28% → 18% (note this is still 18, not 5) — but consider this as reduced; see next section

#### Machinery & Equipment

- Three-wheelers, small cars ( $\leq 1200$  cc petrol /  $\leq 1500$  cc diesel & under 4 m), motorcycles up to 350 cc — moved to 18% (down from 28%)
- Air conditioners, TVs (above 32"), dishwashers, auto parts — moved to 18% These are **not** 5%, but major reductions (see below)

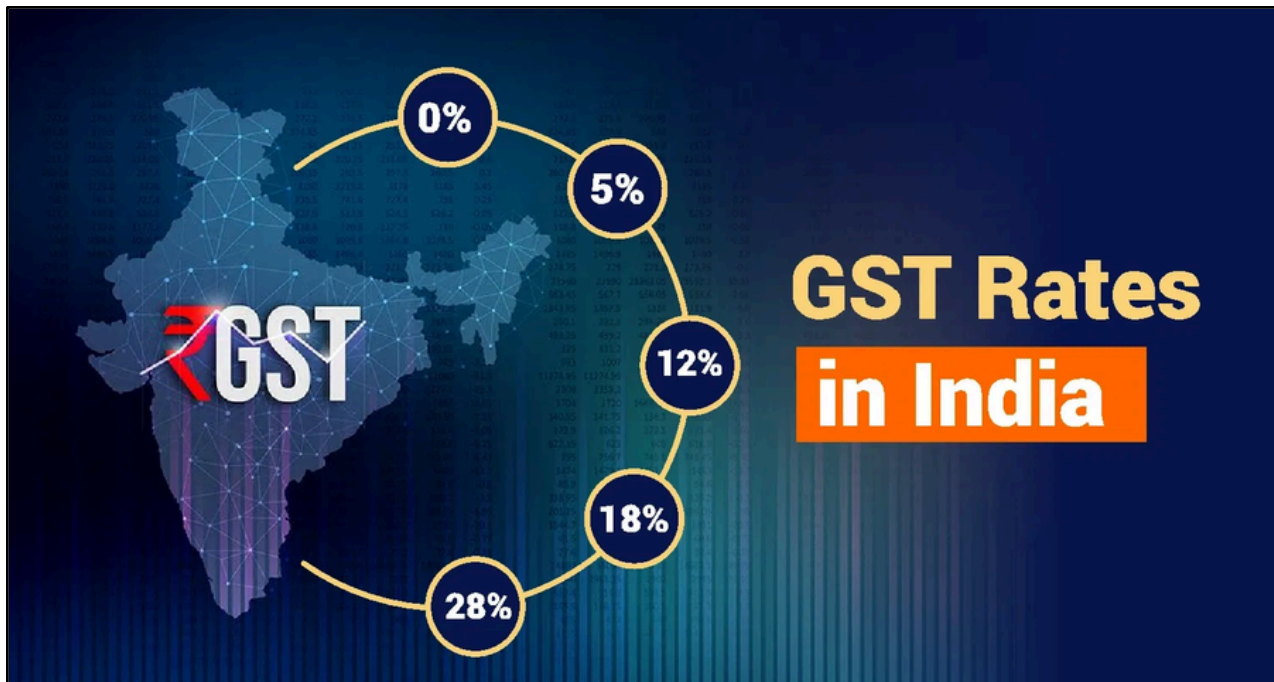
#### Services & Wellness

- Salons, gyms, barbers, yoga centers, wellness services — moved to 5% (from ~18%)

### GST at 18%

#### These items moved from the previous 28% slab:

- **Small vehicles:** cars (as specified above), bikes up to 350 cc, three-wheelers
- **White goods & appliances:** ACs, TVs (above 32"), dishwashers
- **Construction materials:** cement (from 28% to 18%) — These are part of the standard GST rate of 18%



### GST Increased to 40% (Sin & Luxury Goods)

A new de-merit 40% slab introduced for:

- Pan masala, gutkha, cigarettes, other tobacco products, chewing tobacco like zarda
- Aerated sugary/flavored drinks, caffeinated beverages, non-alcoholic drinks
- Motorcycles over 350 cc, aircraft for personal use, yachts, luxury vehicles
- Betting, gambling (casinos, lotteries), online gaming and IPL tickets

— This applies higher tax to discourage consumption of harmful and luxury goods

### Summary Table

Category / Item Type	Old GST Rate	New GST Rate
Essentials (UHT milk, paneer, breads)	5%	0%
Life/Health Insurance & lifesaving medicines	12% / 5%	0%
Household items & personal care	12-18%	5%
Packaged foods, beverages, snacks	12-18%	5% (some to 0%)
Agri/industrial inputs & machinery	12-18%	5%
White goods, vehicles, cement, auto parts	28%	18%

Luxury / sin goods (tobacco, drinks, motors >350cc) 28% / 18% / 12% 40%



**Anandhan Hari**