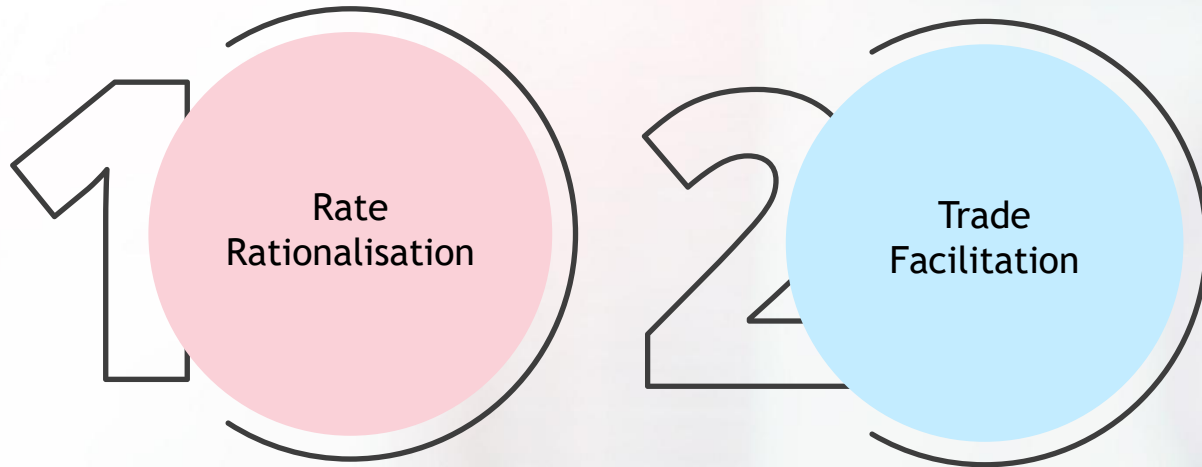


GST Reforms 2.0 - Key Updates

BDO India
September 2025

GST 2.0 : Key Changes



Market reacts to GST 2.0

Exports

FORTUNE
INDIA

As GST rates get revised on Monday, exporters, importers see better prospects

Joe Mathew

September 21, 2025, 14:31 IST / 3 min read

Manufacturing

INDIA TODAY

Boost manufacturing, be investment friendly: PM Modi's message to states

Prime Minister Narendra Modi, in his address to the nation ahead of Navratri, called on state governments to accelerate manufacturing, create a business-friendly environment, and promote local products in a big 'Aatmanirbhar Bharat' push.

Pharma

THE ECONOMIC TIMES | Industry

"Transformative shift in India's healthcare": Pharma alliance lauds GST reforms ahead of implementation

FMCG

INDIA TODAY

Amul cuts prices of 700 products, ghee cheaper by Rs 40 per litre from September 22

Amul, marketed by the Gujarat Cooperative Milk Marketing Federation (GCMMF), on Saturday announced a price reduction for over 700 products, including ghee, butter, ice cream, cheese, and frozen snacks. The move comes after a GST rate cut, with the company passing the benefits to consumers.

Automobile

THE TIMES OF INDIA

Car showrooms see rise in bookings

Sep 22, 2025, 09:06 PM IST



Kolkata: Car showrooms recorded a higher than usual turnout of prospective customers on Monday, with nearly all dealerships registering a spike in bookings. But, unlike shops selling white goods that saw a huge surge as prices of large TVs, fridges, ACs and washing machines dropped by nearly 8% due to GST cut, most car firms had already announced reduced prices days after Union minister Nirmala Sitharaman announced the new GST rates on Sept 3.

Dealers of Maruti Suzuki, Hyundai, Mahindra & Mahindra, and Tata Motors, which make up nearly 80% of cars in the market, said the revised GST would definitely reverse the sales decline and could

lead to a 40% jump in sales in Sept compared to Aug.

Rate Rationalisation

GST 2.0 : Key Changes

RATE RATIONALISATION

- ▶ GST rate slabs rationalized with removal of 12% and 28% rate slab
 - Goods and services of day to day consumption to largely be covered now in 5% rate slab
 - Some goods to be included in 18% rate slab from 28%
- ▶ A new rate slab of 40% for sin and luxury goods introduced
- ▶ Compensation cess to be discontinued on items other than Tobacco products
- ▶ Compensation cess on Tobacco products to be discontinued once the collection of compensation cess is sufficient to repay balance amount of borrowing for funding shortfall of compensation cess
- ▶ New rate structure came into effect from 22 September 2025, except on Tobacco products



Key Changes in GST rate of goods / services

Changes in GST rate of goods

Particulars	Sector	Old GST rate	New GST rate	BDO Insights
Food products (e.g. Sugar Boiled Confectionery, prepackaged and labelled Namkeens, bhujia etc)	FMCG	12%	5%	<ul style="list-style-type: none"> - Reduced classification issues - Affordability to common man
Biscuits and Chocolates		18%	5%	
Tooth-brush, toothpaste, dental floss		18%	5%	
Coal	Energy	5%	18%	<ul style="list-style-type: none"> - Focus sector for the Government and step closer to carbon neutrality
Renewable energy devices and parts for their manufacture (e.g. Solar Power generator, Wind mills, Wind Operated Electricity Generator etc)		12%	5%	
Garments of sale value exceeding INR 2,500 per piece	Textiles	12%	18%	<ul style="list-style-type: none"> - The price threshold increased from INR 1,000 to INR 2,500 for garments taxable at 5%
Garments of sale value not exceeding INR 2,500 per piece	Textiles	5%	5%	<ul style="list-style-type: none"> - Inverted duty structure is likely to be addressed
Medicines and specified medical devices	Pharma	12%	5%	<ul style="list-style-type: none"> - Affordability & focus on health care - Inverted duty structure is likely to be addressed

Key Changes in GST rate of goods / services

Changes in GST rate of goods

Particulars	Sector	Old GST rate	New GST rate	BDO Insights
Carbonated beverages with fruit juice	FMCG	28%	40%	- Sin Goods/Focus on health
AC, Dishwashers, TV above 32 inches	White Goods	28%	18%	- Affordability to common man
Small cars	Automobile	28%	18%	- Reduced classification issues
Luxury cars and SUV		28%	40%	- Affordability to common man
Parts and accessories of vehicles		28%	18%	- Luxury cars [Post removal of compensation cess net GST impact is lower]
Mathematical, geometry and color boxes.	Education	12%	5%	- Affordability to common man
Cement	Infra	28%	18%	- Focus on infrastructure
Glasses for corrective spectacles and flint buttons, Contact lenses, Spectacle lenses	Others	12%	5%	- Affordability to common man
Specified goods required in connection with petroleum operations	Oil & Gas	12%	18%	- To re-align with standard rates
Cycles, non-Motorised	Others	12%	5%	- Affordability to common man

Key Changes in GST rate of goods / services

Changes in GST rate of services

Particulars	Sector	Old GST rate	New GST rate	BDO Insights
Individual health and life insurance, along with reinsurance thereof	Insurance	18% with ITC	Exempt	<ul style="list-style-type: none"> - Affordability to common man - Focus on health care - ITC adverse impact on Insurance Companies
Transport of goods by GTA where tax is paid under forward charge	GTA	12% with ITC	18% with ITC	<ul style="list-style-type: none"> - To re-align with standard rates
Air transport by passengers in other than economy class	Air Travel	12% with ITC	18% with ITC	<ul style="list-style-type: none"> - To re-align with standard rates
Hotel accommodation having value less than or equal to INR 7,500 per day	Hospitality	12% with ITC	5% without ITC	<ul style="list-style-type: none"> - Affordability to common man
Support services for exploration, mining or drilling of petroleum crude or natural gas or both	Mining, Oil & Gas	12% with ITC	18% with ITC	<ul style="list-style-type: none"> - To re-align with standard rates - ITC adverse impact on Oil & Gas
Specified actionable claims (betting, casinos, gambling, horse racing, lottery, online money gaming)	Sin	28% with ITC	40% with ITC	<ul style="list-style-type: none"> - Sin /Focus on mental health
Supply of Renting of any motor vehicle (with operator) designed to carry passengers where the cost of fuel is included in consideration	Mobility	12% with ITC	18% with ITC	<ul style="list-style-type: none"> - To re-align with standard rates

Trade Facilitation

GST 2.0 : Key Changes

TRADE FACILITATION MEASURES

GST Registration:

- ▶ **Optional simplified GST registration scheme**
(To be operational from 1 November 2025):
 - Grant of automated GST registration within 3 working days
 - Applicable to low risk applicants and to applicants with estimated tax liability on supplies to registered persons below INR 2.50 lacs per month
 - Voluntary opting into and withdrawal from the scheme
- ▶ **Simplified GST registration scheme for small suppliers supplying through electronic commerce operators ('ECOs'):**
 - A simplified registration scheme for small suppliers supplying through e-commerce operators across multiple States to be introduced
 - Detailed modalities for operationalizing scheme to be placed before GST Council

GST Refunds:

- ▶ Sanction of risk based provisional refund for zero-rated supply and Inverted Duty Structure ('IDS') **(To be operational from 1 November 2025)**
 - Sanction of 90% of refund claimed on provisional basis for zero-rated supply on the basis of identification and evaluation of risk by the system
 - Notified persons to be barred from provisional refund.
 - Proper officer may, for reasons to be recorded in writing, process refund after detailed scrutiny in exceptional cases
 - Rule 91(2) to be amended
 - Section 54(6) of CGST Act to be amended to enable provisional refund of 90% of refund claimed for IDS.
 - CBIC to administratively start implementation on basis of system driven risk evaluation
- ▶ Threshold for refund on exports made with payment of tax (refund less than INR 1,000) to be removed by amending Section 54(14) of CGST Act

GST 2.0 : Key Changes

TRADE FACILITATION MEASURES

Post Sale Discounts:

- ▶ Proposed omission of Section 15(3)(b)(i) of CGST Act, to omit the requirement of establishing pre-agreement for post sales discount and linking with invoice
- ▶ Post sale discount to be allowed only by credit note and reversal of ITC by recipient (Amendment proposed under Section 15(3)(b) of CGST Act and corresponding amendment in Section 34 of CGST Act).
- ▶ Circular No. 212/6/2024-GST dated 26 June 2024 (issuance of CA certificate to substantiate reversal of ITC by recipient) to be rescinded.
- ▶ Circular No. 251/08/2025-GST has been issued on September 12, 2025, to clarify:
 - Post sale discount extended by manufacturer to dealer shall not be treated as consideration for promotion of goods unless it is specifically mentioned as such in the agreement
 - No reversal of ITC when financial/commercial credit notes are issued for post sale discounts

[Change to come into effect from date to be notified]



GST 2.0 : Key Changes

TRADE FACILITATION MEASURES

❑ Place of Supply for Intermediary Services ('PoS'):

- Section 13(8)(b) of the IGST Act relating to determination of PoS for 'intermediary services' to be omitted
 - Effectively location of recipient to be place of supply, enabling claim for export of services

❑ Operationalization of the GST Appellate Tribunal ('GSTAT'):

- To be made operational for accepting appeals before end of September 2025
- Hearings to commence before end of December 2025
- All orders communicated before 01-04-2026 - appeal to filed by 30-06-2026
- All orders communicated on or after 01-04-2026 - appeal to be filed within 3 months from the date of communication of notification
- The Principal Bench of GSTAT to serve as National Appellate Authority for Advance Ruling

❑ Class of Cases to be heard exclusively by Principal Bench of GSTAT:

- Cases pending before two or more State Benches where the President satisfied that an identical question of law is involved
- Cases involving issues under Section 14 or Section 14A of the IGST Act, 2017 (place of supply disputes and related cross-border supply issues)
- Cases involving issues under Section 20 of the CGST Act, 2017 (ISD related issues)



GST 2.0 : Key Changes

TRADE FACILITATION MEASURES

❑ **Local delivery as part of Section 9(5):**

- E-commerce operator notified as the person liable to pay GST (under Section 9(5) of the CGST Act) on local-delivery services supplied through it, where the supplier is not liable for registration under the GST law
- Local delivery services provided by or through ECO excluded from the scope of exempted GTA services
- Local delivery services not specifically defined

❑ **Annual Return**

- Exemption granted to the registered person having aggregate turnover up to INR 20 Mn. from filing annual return for FY 2024-25

❑ **Amendments made in Finance Act 2025 and not yet made effective, to be effective from 1 October 2025**



GST 2.0 : Key Changes

TRADE FACILITATION MEASURES

❑ Transitional Provision for supply of goods & services

- In case, goods or services or both have been supplied before change in rate of tax, and invoice for the same has been issued after change in rate of tax, then time of supply i.e. date of liability to pay tax on such supply will be as follows:
 - ✓ If the payment is received after change in rate of tax, then time of supply shall be the date of receipt of payment or the date of issue of invoice, whichever is earlier
 - ✓ If the payment has been received before the change in rate of tax, the time of supply shall be the date of receipt of payment
- GST rate applicable if advance is received for supply of goods/services or both but supply has not been completed or invoice is not issued:
 - ✓ The GST rate will be determined as per the time of supply provisions. (Refer Section 14 of the CGST Act, 2017)



GST 2.0 : Way forward

Rate master update in ERP

Passing of benefit to end consumer is very critical

Procurement to be done carefully due to rate change

Advertisement of new MRP due to rate changes to be done by Manufacturer, Importer and Packers

Preparedness of Annual Returns to be undertaken quickly

Preparedness for Appeal filings before GSTAT



Q & A

Thank You

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