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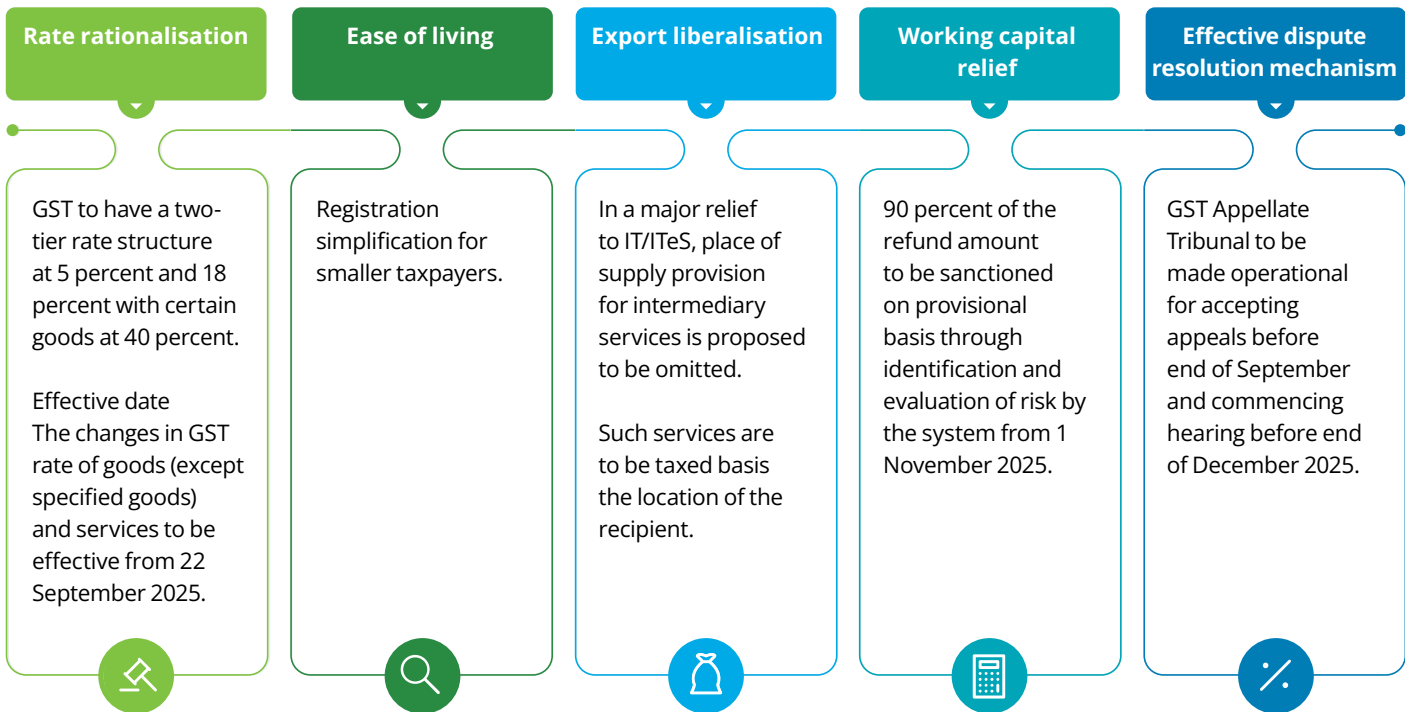
GST Council at its 56th meeting held on 3 September 2025 recommends a major overhaul of rate structure

In the historic 56th Goods and Services Tax (GST) Council meeting, held in the backdrop of the announcements made by the Honourable Prime Minister of India in his Independence Day speech, recommendations have been made focusing on three pillars, namely (i) structural reforms, (ii) rate rationalisation and (iii) ease of living.

Changes in GST tax rates of goods and services across various sectors such as food and essential items, consumer durables (such as smart TVs, refrigerators, etc.), healthcare and cars, which provide relief to the common person from the aspirational middle class have been proposed. Measures for trade facilitation have also been proposed to augment ease of doing business.

The proposals address long standing demands of the industry and provide a strategic boost to the economy.

Bird's eye view



Recommendations of the GST Council at its 56th meeting held on 3 September 2025

The GST Council has made various recommendations which include changes in tax rates of goods and services, trade facilitation measures through easing of GST registration and refund processes, issuance of clarification on post sale discounts, etc.

For ease of understanding and reference, the proposals made have been grouped under the following heads:

- 1. Proposals for trade facilitation
- 2. Measures pertaining to law and procedure
- 3. Key sector specific analysis
- 4. Anti-profiteering obligations post rate reduction

Proposals for trade facilitation

A) Export liberalisation

- The place of supply provision for intermediary services is proposed to be omitted, thereby the place of supply for intermediary services would be determined by the location of the recipient.
- This amendment is going to help Indian exporters of such services to claim zero-rated benefits.

Deloitte's comments

The removal of the intermediary provision under GST marks unlocking global competitiveness and a significant push to India's Global Capability Centre (GCC) expansion plans. It aligns India's GST framework with international tax norms, reinforcing its position as a business-friendly destination for global service delivery. Additionally, it provides a strong boost to India's GCC expansion plans, encouraging multinational companies to set up and scale service hubs in India.

B) Post-supply discounts

- Condition of establishing post supply discount in terms of agreement entered before/ at the time of supply and their linking to specific invoices to be removed.
- Relevant provisions to be amended to enable grant of post supply discounts through GST credit notes, including Input Tax Credit (ITC) reversal requirements by the recipient.
- Circular No.212/6/2024-GST dated 26 June 2024, clarifying mechanism for providing evidence of compliance of conditions in case of post supply discounts, to be rescinded.

- Clarification to be issued to address below issues relating to post-sale discount:
 - non-reversal of ITC for post-sale discount through financial/commercial credit note
 - treatment of post-sale discount provided by manufacturer to dealer as additional consideration, in the transaction between dealer and end-customer,
 - treatment of post-sale discount as consideration lieu of promotional activities etc. performed by the dealer.

Deloitte's comments

By removing the requirement for pre-agreed contracts and invoice-level linkage for post-sale discounts, the GST Council has simplified the tax treatment of such incentives, making it easier for businesses to operate with flexibility and transparency.

This reform is particularly impactful for traders, distributors and manufacturers across sectors who frequently use post-sale discounts as part of their commercial strategy. It reduces the risk of litigation and audit disputes, streamlines credit note issuance, and ensures that ITC is not unnecessarily reversed, thereby unlocking working capital trapped in the supply chain. Overall, this move enhances ease of doing business, supports cash flow efficiency and enables businesses to structure performance-based incentives without tax complications. It is a win for operational agility and financial clarity across industries.

C) Expeditious refunds

- Amendments proposed in the GST law to provide 90 percent of refund claimed in case of zero-rated supplies and inverted duty structure to be sanctioned provisionally, based on identification and evaluation of risk by the system barring exceptional cases from **1 November 2025**.
- Categories of registered persons not eligible for provisional refunds to be notified.

Deloitte's Comments

One of the most impactful changes is the government's commitment to resolving the long-standing issue of inverted duty structures, which previously led to working capital blockages and delayed refunds. By rationalizing GST rates across sectors like textiles, fertilizers, and food processing, the reforms are expected to unlock ITC more efficiently and reduce refund backlogs.

D) Registrations

- Simplified GST registration processes for specified suppliers:
 - Optional scheme for automated registration within **three working days** for low-risk applicants and those with output GST liability on B2B supplies does not exceed INR 2.5 lakh per month to be introduced from 1 November 2025
 - Simplified GST registration mechanism proposed for small suppliers supplying online across multiple states, to address challenges in maintaining principal place of business in each State. Detailed modalities for operationalising the said scheme will be placed before GST Council.

Deloitte's comments

Proposed changes with respect to registration will significantly accelerate onboarding, enabling faster entry into national markets and empowering businesses to scale beyond local boundaries. For Ministry of Small and Medium Enterprises (MSMEs), it means reduced administrative overhead, lower costs and the ability to expand interstate operations seamlessly. It also unlocks new growth opportunities for home-based sellers, artisans and rural entrepreneurs, fostering inclusive participation in India's digital economy.

E) Effective dispute resolution mechanism

- GST Appellate Tribunal (GSTAT) to be made operational for accepting appeals before end of September and commencing hearing before end of December 2025.
- The limitation period for filing backlog appeals to be 30 June 2026.
- The Principal Bench of the GSTAT will also serve as the National Appellate Authority for Advance Ruling.

Deloitte's comments

This announcement marks a major milestone in strengthening tax dispute resolution framework. With appointments across regional and state benches already underway, the Tribunal is set to offer businesses a dedicated, faster and more consistent platform for resolving GST-related appeals.

Measures pertaining to law and procedure

- Retail sale price (RSP) based valuation to be adopted for pan masala, cigarettes, gutkha, chewing tobacco, zarda, scented tobacco and unmanufactured tobacco.
- Relevant changes are going to be made to the GST Law and the effective date of implementation to be decided later.

Deloitte's comments

Considering the deviation from transaction-based taxation for the subject products, we need to keep an eye as to how the subject change is going to be implemented effectively.

Key sector specific analysis

a) Consumer sector

Key rate changes on goods

Nature of goods	Existing rate	Proposed rate
Food sector		
Packaged food items such as namkeen, sauces, pasta, butter, and cornflakes, dry fruits and nuts, butter and ghee, jams, sauces baby diapers	12%	5%
UHT milk, chhena/ paneer, pizza bread, khakhra, roti, paratha and other Indian breads	5%/18%	Exempt
Ice-creams, biscuits, pastries and cakes, chocolates	18%	5%
Education sector		
Majority of stationery products such as notebooks, pencils, sharpeners, erasers and maps.	12%	Exempt
Consumer electronics		
Air conditioners, televisions~32 inches, dishwashers, etc.	28%	18%
Sports goods and toys		
Bicycles and their parts, tricycles, scooters, pedal cars, playing cards, chess boards, carrom boards and other board games	12%	5%
Imported dutiable articles for personal use		
All imported dutiable articles (except drugs and medicines) intended for personal use	28%	18%
Handicraft and leather sector		
Labour-intensives goods such as handicrafts and intermediate leather goods	12%	5%
Footwear and apparel sector		
Footwear of sale value up to INR2,500 per pair	12%	5%
Apparel of sale value up to INR2,500 per piece	12%/ 5%	5%
Apparel of sale value exceeding INR2,500 per piece	12%	18%
Common use items		
Several commonly used items such as hair oil, toilet soap bars, shampoos, toothbrushes, toothpaste, bicycles, tableware, kitchenware and other essential household articles	18%/12%	5%
Sin goods		
Specified aerated waters, caffeinated or carbonated beverages	Applicable rate and compensation cess	40%
Specified tobacco and related products (effective from a notified date)	Applicable rate and compensation cess	40%

Key rate changes on services

Nature of goods	Existing rate	Proposed rate
Transportation of passengers and goods	12% with ITC	18% with ITC
Hotel accommodation services up to INR7,500 per day	12% with ITC	5% without ITC
Beauty and wellness services such as gyms, salons, barbers and yoga centers	18% with ITC	5% without ITC

Deloitte's comments

- The reduction in GST rates on essential food items such as dairy products, snacks and plant-based alternatives reflects a consumer-centric approach that is expected to stimulate demand and ease cost pressures across the value chain. Lower tax burdens are likely to encourage product innovation, improve margins for small and medium enterprises and attract greater investment into food processing and retail infrastructure.
- Reduction in taxes on essential appliances will make technology more accessible to the Indian household. This move is expected to significantly boost demand during the upcoming festive season, driven by enhanced affordability, simplified tax structures and renewed consumer confidence.
- The dual-slab GST structure will bring in much-needed clarity and relief to the paper sector, especially for packaging and educational materials. Lower GST on packaging-grade paper will drive demand across FMCG and e-commerce, while exemptions on educational paper support affordability and access. Simultaneously, the continued exemption or reduced GST on educational

paper, used in textbooks, notebooks and other learning materials, reinforces the government's commitment to affordable education.

b) Banking, financial services and insurance (BFSI) sector

- All individual life insurance policies (term life, ULIP or endowment policies) and individual health insurance (including family floater policies and policies for senior citizens), along with reinsurance thereof, proposed to be exempted.
- GST rate proposed to be reduced from 12 percent to 5 percent in respect of service of third-party insurance of "goods carriage".

Deloitte's comments

The removal of GST on life and health insurance premiums marks a significant step toward making healthcare more affordable and inclusive, directly supporting the government's 'Insurance for All by 2047' vision. This move is expected to expand insurance penetration, especially among middle-income and underserved populations, by lowering the cost barrier to entry.

c) Technology, Media and Telecommunication (TMT) sector

Key rate changes on goods and services

Nature of goods and services	Existing rate	Proposed rate
Electric accumulators, including separators therefor, whether or not rectangular (including square) other than Lithium-ion battery and other Lithium-ion accumulators, including Lithium-ion power banks	28%	18%
High performance batteries for drones and specialised equipment	18%	Exempt
Communication devices including software defined radios with component and accessories	18%	Exempt
Two-way radio (Walkie talkie) used by defense, police and paramilitary forces etc.	12%	5%
Supply of local delivery services through Electronic Commerce Operator (ECO)	Not currently notified under section 9(5) of the CGST Act	18% if supplied through ECO

Deloitte's comments

The proposed GST rate rationalisation reflects a balanced policy approach to enhance affordability and boosts local consumption:

- Making consumer electronics like televisions more affordable, while ensuring critical communication devices and security equipment are accessible at lower costs.
- Rate cuts on batteries, including high performance batteries for drones, reflects a step to support innovation, technological advancement and strengthening national security.

Bringing local delivery services under section 9(5) of the CGST Act puts the ambiguity that exists in respect of taxation of delivery services provided through the e-commerce platforms (where suppliers are unregistered), to rest. It aims to shift the tax accountability to ECOs and provides for a flat rate of tax at 18 percent on local delivery services when supplied by an unregistered supplier. In addition, excluding these services from GTA avoids classification disputes and provides clarity in tax treatment. Overall, the reform enhances ease of doing business, fosters inclusive participation in the digital economy, and contributes to the scalability and efficiency of India's e-commerce and logistics ecosystem.

d) Automotive Sector

- Compensation cess on vehicles to be discontinued with effect from 22 September 2025.
- GST rate rationalisation across segments:

Passenger vehicles

Vehicle Type	Current GST rate structure	Revised GST rate structure
Electric Vehicles (including 3 wheeled EVs)	5% GST	5% GST
Small Segment – Length not exceeding 4000mm [Petrol up to 1200cc, Diesel up to 1500cc, and Hybrid up to 1200cc (petrol) / 1500cc (diesel)]	28% GST + Cess [Nil-3%]	18% GST
Hybrid vehicles with engine capacity exceeding 1200cc (petrol) / 1500cc (diesel), or length more than 4000mm, or both	28% GST + 15% Cess	40% GST
Mid Segment with Internal combustible engine capacity not exceeding 1500cc and Length exceeding 4000mm	28% GST + 17% Cess	40% GST
Large Segment with Internal combustible engine capacity exceeding 1500cc and Length exceeding 4000mm	28% GST + 20% Cess	40% GST
SUV Segment with engine capacity exceeding 1500cc; Length exceeding 4000 mm and Ground Clearance of 170 mm and above	28% GST + 22% Cess	40% GST
Motorcycles of engine capacity exceeding 350cc	28% GST + 3% Cess	40% GST
Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without sidecars, engine capacity less than or equal to 350cc	28% GST	18%
Parts and accessories of vehicles of heading 8711 (motorcycles)	28%	18%
Parts and accessories of the motor vehicles of headings 8701 to 8705 (commercial and passenger motor vehicles)	28%	18%
Chassis fitted with engines , for the motor vehicles of headings 8701 to 8705 (commercial and passenger motor vehicles)	28%	18%
Bodies (including cabs), for the motor vehicles of headings 8701 to 8705 (commercial and passenger motor vehicles)	28%	18%
Seats of a kind used for motor vehicles	28%	18%
New pneumatic tyres , of rubber (other than of a kind used on/in bicycles, cycle-rickshaws and three wheeled powered cycle rickshaws; rear tractor tyres; and of a kind used on aircraft)	28%	18%
Spark-ignition reciprocating or rotary internal combustion piston engine (other than aircraft engines)	28%	18%
Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	28%	18%
Fixed Speed Diesel Engines of power not exceeding 15HP	12%	5%
Parts suitable for use solely or principally with the engines of heading 8407 or 8408	28%	18%
Three-wheeled vehicles	28%	18%
Fuel Cell Motor Vehicles including hydrogen vehicles based on fuel cell technology	12%	5%

Commercial motor vehicles

Vehicle Type	Current GST rate structure	Revised GST rate structure
Motor vehicles for the transport of ten or more persons , including the driver	28%	18%
Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	28%	18%
Motor vehicles for the transport of goods	28%	18%
Self-loading or self-unloading trailers for agricultural purposes	12%	5%
Tractors (except road tractors for semi-trailers of engine capacity more than 1800 cc)	12%	5%
Road tractors for semi-trailers of engine capacity more than 1800 cc	28%	18%
Parts and components of tractors including tyres, tyre tubes, rear tractor tyres and rear tractor tyre tubes, hydraulic pumps, rear tractor wheel rim, tractor centre housing, tractor housing transmission, tractor support front axle, agricultural Diesel Engine of cylinder capacity exceeding 250 cc, bumpers, brakes assembly, gear boxes, transaxles, road wheels, radiator assembly, cooling system for tractor engine, silencer assembly, clutch assembly, steering wheels, hydraulics, Fender, Hood, wrapper, Grill, Side Panel, Extension Plates, Fuel Tank; and parts thereof	18%	5%

Other vehicles

Vehicle Type	Current GST rate structure	Revised GST rate structure
Bicycles and other cycles (including delivery tricycles), not motorized, including parts thereof	12%	5%
Tanks and other armoured fighting vehicles , motorised, whether or not fitted with weapons, and parts of such vehicles	12%	5%
Hand propelled vehicles (e.g. hand carts, rickshaws and the like); animal drawn vehicles	12%	5%
Aircraft for personal use	28%	40%
Unmanned aircrafts	28%/ 18%	5%
Rowing boats and canoes	28%	18%
Yacht and other vessels for pleasure or sports	28%	40%

Deloitte's comments

GST 2.0 marks a pivotal shift toward enhancing affordability, operational efficiency and environmental sustainability in India's transportation sector. The reforms are poised to unlock growth across freight, logistics, and mobility segments by addressing long-standing cost and compliance challenges.

The rate rationalisation across segments should fuel consumer demand and resolve classification disputes on parts and components. With the discontinuation of compensation cess, there needs to be a mechanism for transition of the accumulated compensation cess throughout the supply chain. Timely implementation on such mechanism will be crucial to mitigate adverse impact on working capital requirements and ensuring that benefits are adequately passed on to the end consumers.

e) Energy, Resources and Industrial sector

Nature of goods and services	Existing rate	Revised rate
Infrastructure		
All types of cement (such as Portland, aluminous, slag, super sulphate, etc.), whether coloured or in clinker form	28%	18%
Composite works contract ($\geq 75\%$ earthwork) for Government; Sub-contracted works contract to main contractor for Government	12%	18%
Supply of job work in relation to bricks which attract GST at the rate of 5%	12%	5%
Energy		
Coal	5%	18%
Specific goods used in petroleum exploration and production contracts	12%	18%
Composite supply of offshore works contract and related services for oil & gas exploration/production	12%	18%
Fertiliser		
Fertilisers, including critical raw materials like fertiliser acids and bio pesticides	18%	5%
Renewable Energy		
Following renewable energy devices and parts for their manufacture:- (a) Bio-gas plant; (b) Solar power-based devices; (c) Solar power generator; (d) Wind mills, Wind Operated Electricity Generator (WOEG); (e) Waste to energy plants / devices; (f) Solar lantern / solar lamp; (g) Ocean waves/tidal waves energy devices/plants; (h) Photo voltaic cells, whether or not assembled in modules or made up into panels.	12%	5%
Solar cookers	12%	5%
Solar water heater and system	12%	5%
Fuel Cell Motor Vehicles including hydrogen vehicles based on fuel cell technology	12%	5%
Ammonia	18%	5%
Industrial		
Fuel elements (cartridges), non-irradiated, for nuclear reactors	12%	5%
Spark-ignition reciprocating or rotary internal combustion [other than aircraft engines] and its specific parts	28%	18%
Compression-ignition internal combustion piston engines semi-diesel engines) and its specific parts	28%	18%
Pumps for dispensing fuel or lubricants of the type used in or garages [8413 11], Fuel, lubricating or cooling medium internal combustion piston engines [8413 30]	28%	18%
Electric accumulators, including separators therefor, whether rectangular (including square) other than Lithium-ion battery Lithium-ion accumulators including Lithium	28%	18%

Nature of goods and services	Existing rate	Revised rate
Electrical ignition or starting equipment of a kind used for or compression-ignition internal combustion engines ignition magnetos, magneto-dynamos, ignition coils, sparking glow plugs, starter motors); generators (for example, alternators) and cut-outs of a kind used in co	28%	18%
Fixed Speed Diesel Engines of power not exceeding 15HP	12%	5%
Air-conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated	28%	18%
Hand-operated rubber roller	12%	5%
Electric accumulators, including separators therefore, whether or not rectangular (including square) other than Lithium-ion battery and other Lithium-ion accumulators including Lithium-ion power banks	28%	18%
Electrical ignition or starting equipment of a kind used for spark-ignition or compression-ignition internal combustion engines (for example, ignition magnetos, magneto-dynamos, ignition coils, sparking plugs and glow plugs, starter motors); generators (for example, dynamos, alternators) and cut-outs of a kind used in conjunction with such engines	28%	18%
Two-way radio (Walkie talkie) used by defense, police and paramilitary forces etc	12%	5%
Transport		
Supply of transport of goods in containers by rail by any person other than Indian Railways	12% with ITC	5% without ITC
		18% with ITC
Pipeline transport of natural gas and petroleum product	5% without ITC (no change)	5% without ITC (no change)
	12% with ITC	18% with ITC
Supply of Transport of goods by GTA	5% without ITC (RCM/FCM) (no change)	5% without ITC (RCM/FCM) (no change)
	12% with ITC	18% with ITC

Deloitte's comments

The increase in GST rate of coal would solve the inverted duty structure which resulted in significant accumulation of input tax credit for coal production and coal mining companies. This move also signals a clear policy shift towards promoting renewable energy by making clean technologies comparatively more affordable. Currently no clear guidance regarding the treatment of the compensation cess balance remaining in the electronic credit ledger following its removal.

Reduction of GST rate on renewable energy devices and parts from 12 percent to 5 percent will lower the cost of

equipment such as solar power generators (SPG), wind operated electricity generators (WOEG) and photovoltaic modules, thereby improving project economics and supporting faster adoption of clean energy.

The proposed GST rate rationalisation in the industrial sector is aimed at reducing cost pressures, enhancing affordability and promoting wider adoption of critical goods. By lowering rates from the highest slab, the move is expected to reduce input costs for manufacturers and minimise disputes associated with classification under the 28 percent rate.

Also, the reduction in GST on cement and other key construction inputs under GST 2.0 is a transformative move for the real estate and infrastructure sectors. By easing cost pressures on developers, the reforms are expected to improve project economics, enhance margins, and enable the delivery of higher-quality housing at more competitive prices. This cost rationalisation is particularly impactful for the affordable and mid-income housing segments, where price sensitivity is high, and demand remains robust. Lower input costs are likely to translate into direct savings for homebuyers, making homeownership more attainable for a broader section of

the population, especially first-time buyers and families in emerging urban centers

The revised GST rates on logistics services will increase freight costs, particularly for container rail transport and pipeline supplies where higher ITC-linked rates apply. This also amplifies the inverted duty scenario as several goods now attract only 5 percent GST, creating additional working capital strain for businesses. Delivery services for restaurant services, taxed under section 9(5) of the CGST Act, is hoped to be corrected to be 5%.

f) Life Science and Healthcare Sector (LSHC sector)

GST rate rationalization for **36 lifesaving drugs** and medicines covered under Chapter 30:

Description of goods or services	Current GST rate structure	Revised GST rate structure
Agalsidase Beta	5%	Nil
Imiglucerase	5%	Nil
Eptacog alfa activated recombinant coagulation factorVIIa	5%	Nil
Onasemnogene abeparvovec	12%	Nil
Asciminib	12%	Nil
Mepolizumab	12%	Nil
Pegylated Liposomal Irinotecan	12%	Nil
Daratumumab	12%	Nil
Daratumumab subcutaneous	12%	Nil
Teclistamab	12%	Nil
Amivantamab	12%	Nil
Alectinib	12%	Nil
Risdiplam	12%	Nil
Obinutuzumab	12%	Nil
Polatuzumab vedotin	12%	Nil
Entrectinib	12%	Nil
Atezolizumab	12%	Nil
Spesolimab	12%	Nil
Velaglucerase Alpha	12%	Nil
Agalsidase Alfa	12%	Nil
Rurioctocog Alpha Pegol	12%	Nil
Idursulphatase	12%	Nil
Alglucosidase Alfa	12%	Nil
Laronidase	12%	Nil
Olipudase Alfa	12%	Nil
Tepotinib	12%	Nil

Description of goods or services	Current GST rate structure	Revised GST rate structure
Avelumab	12%	Nil
Emicizumab	12%	Nil
Belumosudil	12%	Nil
Miglustat	12%	Nil
Velmanase Alfa	12%	Nil
Alirocumab	12%	Nil
Evolocumab	12%	Nil
Cystamine Bitartrate	12%	Nil
CI-Inhibitor injection	12%	Nil
Inclisiran	12%	Nil

GST rate rationalisation from **12 percent to 5 percent** for following products:

Description of goods or services	Current GST rate structure	Revised GST rate structure
Anaesthetics	12%	5%
Potassium Iodate	12%	5%
Steam	12%	5%
Iodine	12%	5%
Medical grade oxygen	12%	5%
Medicinal grade hydrogen peroxide	12%	5%
All Drugs and medicines including:	12%	Nil
Fluticasone Furoate + Umeclidinium + Vilanterol FF/UMEC/VI, Brentuximab Vedotin, Ocrelizumab, Pertuzumab, Pertuzumab + trastuzumab, Faricimab	12%	5%
Glands and other organs for organo-therapeutic uses, dried, whether or not powdered; extracts of glands or other organs or of their secretions for organo-therapeutic uses; heparin and its salts; other human or animal substances prepared for therapeutic or prophylactic uses, not elsewhere specified or included	12%	5%
Animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions and modified immunological products, whether or not obtained by means of biotechnological processes; toxins, cultures of micro-organisms (excluding yeasts) and similar products	12%	5%
Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of two or more constituents which have been mixed together for therapeutic or prophylactic uses, not put up in measured doses or in forms or packings for retail sale, including Ayurvedic, Unani, Siddha, homoeopathic or Bio-chemic systems medicaments	12%	5%
Medicaments (excluding goods of heading 30.02, 30.05 or 30.06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale, including Ayurvedic, Unani, homoeopathic siddha or Bio-chemic systems medicaments, put up for retail sale	12%	5%

Description of goods or services	Current GST rate structure	Revised GST rate structure
Wadding, gauze, bandages and similar articles (for example, dressings, adhesive plasters, poultices), impregnated or coated with pharmaceutical substances or put up in forms or packings for retail sale for medical, surgical, dental or veterinary purposes	12%	5%
Pharmaceutical goods specified in Note 4 to this Chapter [i.e. Sterile surgical catgut, similar sterile suture materials (including sterile absorbable surgical or dental yarns) and sterile tissue adhesives for surgical wound closure; sterile laminaria and sterile laminariants; sterile absorbable surgical or dental haemostatics; sterile surgical or dental adhesion barriers, whether or not absorbable; Waste pharmaceuticals] [other than contraceptives and Ostomy appliances]	12%	5%
All diagnostic kits and reagents	12%	5%
Surgical rubber gloves or medical examination rubber gloves	12%	5%
Blood glucose monitoring system (Glucometer) and test strips	12%	5%
Patent Ductus Arteriosus / Atrial Septal Defect occlusion device	12%	5%
Spectacles and goggles for correcting vision	12%	5%
Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instruments	12%	5%
Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus	12%	5%
Other breathing appliances and gas masks, excluding protective masks having neither mechanical parts nor replaceable filters	12%	5%
Apparatus based on the use of X-rays or of alpha, beta or gamma radiations, for medical, surgical, dental or veterinary uses, including radiography or radiotherapy apparatus, X-ray tubes and other X-ray generators, high tension generators, control panels and desks, screens, examinations or treatment tables, chairs and the light	12%	5%
Other drugs and medicines intended for personal use	12%	5%

GST rate rationalization from **18 percent to 5 percent** for following products:

Description of goods or services	Current GST rate structure	Revised GST rate structure
Thermometers for medical, surgical, dental or veterinary usage	18%	5%
Instruments and apparatus for medical, surgical, dental or veterinary uses for physical or chemical analysis.	18%	5%

GST rate rationalisation on following **services**:

Description of goods or services	Current GST rate structure	Revised GST rate structure
Supply of job-work services in relation goods falling under Chapter 30 in the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (pharmaceutical products)	12% with ITC	5% with ITC

Deloitte’s comments

- This next-generation GST reform is a progressive step that reflects the government’s commitment to citizen welfare and industry growth. Reducing tax rates on essential medicines and medical devices is a welcome move for LSHC sector. The reforms not only make healthcare and essential treatments more affordable but also enhance the financial viability of pharmaceutical businesses. These measures will likely enhance patient access and advance India’s position as a global life science hub.
- The reduction in GST rates on finished formulations from 12 percent to 5 percent, while maintaining the GST rate on APIs at 18 percent, is expected to heighten working capital pressures for LSHC sector due to the inverted duty structure. LSHC sector hopes for capital good to be added in the refund formula, along with services, soon. This will enable full benefit of lower GST rate of 5 percent to be transferred to consumers. That said, the recommendation to allow 90% provisional refunds on claims arising from such inverted duty structures is a positive step and should help mitigate working capital challenges arising from refund processing delays.

g) Other changes

Nature of goods and services	Existing rate	Proposed rate
Other professional, technical and business services relating to exploration, mining or drilling of petroleum crude and/ or natural gas	12% with ITC	18% with ITC
Support services to exploration, mining or drilling of petroleum crude and/ or natural gas	12% with ITC	18% with ITC
Admission to casinos, race clubs, any place having casinos/ race clubs, or sporting events like the IPL	28% with ITC	40% with ITC
Specified actionable claims (betting, casinos, gambling, horse racing, lottery, online money gaming)	28% with ITC	40% with ITC

Anti-profiteering obligations post rate reduction (as per press briefings)

- Historically, the data suggests that most of the industry has complied with the requirement to pass on the benefits of GST rate reductions to consumers.
- The anti-profiteering provisions are unlikely to be reinstated; instead, a trust-based compliance mechanism is expected, wherein the industry will be relied upon to voluntarily pass on the benefits of rate cuts to the end consumers.
- Both the CBIC and State authorities are expected to actively engage with the industry to ensure that benefits

from the latest rate rationalization are transmitted to end consumers

- Authorities believe the transmission of benefits is also in the interest of businesses and anticipate voluntary compliance.

Deloitte comments

Businesses are advised to ensure transparent and timely passing on of rate reduction benefits to consumers to remain compliant with tax expectations and to avoid reputational or regulatory risks.

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