Shipra

Minutes of the 56th Meeting of the GST Council held on 03 September, 2025 at New Delhi

The 56th meeting of the GST Council was held on 3rd September, 2025 under the Chairpersonship of the Hon'ble Union Finance Minister, Smt. Nirmala Sitharaman at New Delhi. The list of Hon'ble Members of the Council who attended the meeting is at **Annexure-1**. The list of the officers from the Centre, States, Union Territories (UTs), GST Council Secretariat (GSTCS) and GST Network (GSTN) who attended the meeting is at **Annexure-2**.

1.2 The following agenda items were listed for discussion in the 56th meeting of the GST Council:

Sl. No.	Agenda Item
1.	Confirmation of Minutes of the 55th GST Council Meeting held on 21st December, 2024
2.	Ratification of Notifications, Circulars and GIC Decisions by the GST Council
3.	Final Report of the Group of Ministers on Life and Health Insurance
4.	Report of the Group of Ministers on Restructuring Compensation Cess
	Proposal of the States of Himachal Pradesh, Jharkhand, Karnataka, Kerala, Punjab, Tamil Nadu, Telangana and West Bengal on GST Rate Rationalisation circulated as addendum in the form of Annexure to Agenda Item 4 (Vol-I): Report of the Group of Ministers on Restructuring Compensation Cess
5.	Final Report of the Group of Ministers on Rate Rationalisation
6.	**Issues recommended by the Law Committee for the consideration of the GST Council**
	(a) Sanction of risk-based provisional refund to facilitate refund claims on account of zero-rated supply of goods or services or both
	(b) Proposal for Risk-Based Provisional Sanction of refunds arising out of inverted duty structure

CHAIRMAN'S INITIALS

	(c) Amendment in CGST Act to provide for GST Refunds in respect of low-value export consignments	
	(d) Simplified GST Registration Scheme for Small and Low-Risk Businesses	
	(e) Amendment in place of supply provisions for intermediary services under section 13(8) of the IGST Act	
	(f)	(I) Amendment of section 15 and section 34 of CGST Act, 2017 in respect of Post Sale Discount.
		(II) Clarification of certain issues pertaining to Post Sale Discount.
	(g) Insertion of a new Rule 31D in CGST Rules, 2017 to provide retail sale price based valuation for Pan Masala, Cigarettes and Chewing tobacco	
	(h) Notifying Annual Return in FORM GSTR-09 for Financial Year 2024-25 and extending exemption from filing FORM GSTR-09 for taxpayers with turnover up to Rs. 2 crore	
	Agendas pertaining to Goods and Services Tax Appellate Tribunal	
	(i) Miscellaneous issues related to the Goods and Services Tax Appellate Tribunal	
	(j) Amendment in CGST Act, 2017 to empower an existing Authority, including the Appellate Tribunal, to function as National Appellate Authority for Advance Ruling	
	(k) Amendments to CGST Rules, 2017, for facilitating the processing of application filed before GSTAT	
	(l) Concept Note on Simplified GST Registration Compliance for small suppliers making supplies through Electronic Commerce Operators who are required to collect tax at source under section 52 of the CGST Act, 2017	
7.	**Recommendations of the Fitment Committee for the consideration of the GST Council**	
	(a) Recommendations made by the Fitment Committee for making changes in GST rates or for issuing clarifications in relation to goods (2 issues) - Annexure-I	
	(b) Recommendations made by the Fitment Committee for making changes in GST rates or for issuing clarifications in relation to services (1 issue) - Annexure- IV	
	(c) Proposal for amending Rule 31A(2) of CGST Rules, 2017 subject to GST Council's approval to recommendation of GoM on Rate Rationalisation regarding specified actionable claims	

CHAIRMAN'S INITIALS

Shipra

8.	Review of revenue position under Goods and Services Tax
9.	Recommendations of the 23rd & 24th meeting of IT Grievance Redressal Committee for approval/decision of the GST Council
	a) Decisions/recommendations of the 23rd meeting of the ITGRC
	b) Decisions/recommendations of the 24th meeting of the ITGRC
10.	Quarterly Performance Reports of Anti-Profiteering authorities received from Goods & Services Tax Appellate Tribunal (GSTAT), State Level Screening Committee (SLSC), Standing Committee (SC) and DG (Anti-Profiteering) for the 3rd quarter (October to December, 2024) and 4th quarter (January to March, 2025) of Financial Year 2024-25 and 1st quarter (April to June, 2025) of Financial Year 2025-26 for information of the GST Council
11.	Review of all states' legislations to map amendments made in CGST Act, 2017.
	Updated Status report (Annexure-I) of Agenda item 11: Review of all states' legislations to map amendments made in CGST Act, 2017
12.	Ad-hoc Exemptions Order(s) issued under Section 25(2) of Customs Act, 1962 to be placed before the GST Council for information
Errata	For Agenda Item 5 (Vol-I): Final Report of the Group of Ministers on Rate Rationalisation for consideration of GST Council Meeting
	For Agenda Item 6(f)(I) (Vol-II): Amendment of section 15 and section 34 of CGST Act, 2017 in respect of Post Sale Discount

1.3 The Secretary to the GST Council (hereinafter called "the Secretary'), sought permission of the Hon'ble Chairperson and commenced the proceedings. He welcomed all the Hon'ble Members of the Council and participating officers to the 56th meeting of the GST Council. He further extended a warm welcome to Sri Ajay Kumar Bhalla, Hon'ble Governor of Manipur, who was attending the council meeting for the first time.

1.4 He also welcomed, Smt. Rekha Gupta, Hon'ble Chief Minister of Delhi, and Shri Krishan Kumar Vishnoi, Hon'ble Minister for Industry, Commerce, Sports and Youth Affairs, Skill and Employment and Entrepreneurship, Policy Planning of Rajasthan, who were attending the council meeting for the first time.

CHAIRMAN'S INITIALS

1.5 The Secretary noted that the 56th meeting of the GST Council marked a significant milestone in the journey of GST as it was the first meeting in the eighth year after its implementation. The meeting was also significant as it would feature discussions on the reports of three important Groups of Ministers (GoMs) which would be presented before the Council. It was expected to have far reaching impact on implementation of GST in the coming years.

1.6 The Secretary informed that a GoM on rate rationalisation was constituted by the GST Council in its 45th meeting to undertake GST rate rationalisation, including correction of inverted duty structure with an objective to simplify the rate structure, and to reduce classification related disputes, etc. The interim report of GoM was placed before the GST council in its 47th meeting. After in-depth examination, the GoM in its final report has made certain recommendations after considering the proposal sent by the Union Government, which would be presented before the Council.

1.7 Further, pursuant to the recommendations made in the 54th Meeting of the GST Council, two GoMs were constituted, one on Life and Health Insurance and the other on the Restructuring of Compensation Cess.

1.8 The Secretary apprised the Council that the GoM on Life and Health Insurance had conducted a thorough examination of the GST framework and prepared a comprehensive report, which is also being presented before the Council. Similarly, the GoM on Compensation Cess, which was constituted to make taxation proposal to replace compensation cess after its abolition, shall also present its report before the Council.

1.9 On behalf of the Council, the Secretary extended his heartfelt thanks to the Hon'ble Conveners of the three GoMs and to all the Hon'ble Members of the respective GoMs for their immensely valuable contributions.

1.10 The Secretary informed the Council that the agenda for 56th Council meeting was discussed in detail during the Officers' Meeting held on the previous day (i.e., 02nd September, 2025), which would help the Council in its deliberations.

1.11 Noting that there was quorum for the meeting, the Secretary sought permission of the Chair to begin deliberations on the Agenda Items set for the

CHAIRMAN'S INITIALS

meeting.

2 . Agenda Item 1: Confirmation of the Minutes of the 55th GST Council Meeting held on 21st December, 2024

2.1 Additional Secretary, GSTCS informed the Council that draft minutes of the 55th GST Council meeting held on 21st December, 2024 were circulated to all the States on 8th February, 2025. The State of Tamil Nadu agreed with the draft minutes as circulated. The States of Haryana and West Bengal suggested some editorial changes which have since been incorporated.

2.2 He stated that comments of the States were also sought in the Officers' Meeting held the previous day, where no State had any comments. Accordingly, the Minutes of the 55th GST Council Meeting were submitted before the GST Council for confirmation.

Decision: The Council adopted the Minutes of the 55th Meeting of the GST Council held on 21st December, 2024.

3. Agenda Item 2: Ratification of the Notifications and Circulars issued by the Central Government and decisions of GST Implementation Committee (GIC) by the GST Council

3.1 Joint Secretary, GSTCS informed the Council that in the 22nd meeting of the GST Council held on 6th October, 2017, it was decided that Notifications, Circulars and Orders issued by the Central Government shall be placed before the GST Council for information and ratification.

3.2 Accordingly, all Notifications, Circulars, Orders that were issued up to 10th December, 2024, that is prior to the 55th Meeting of the Council were placed before the Council. Now, the Notifications, Circulars, Orders that were issued from 10.12.2024 up to 21.08.2025 - available at Page 183 to 188 of Volume 1 of the Agenda, along with a short description of each, were placed in front of the Council for information.

CHAIRMAN'S INITIALS

3.3 Hon'ble Member from Tamil Nadu submitted that as per discussions during the 55th GST Council Meeting, the report of the Committee of Offices on IGST Settlement was presented by the Commissioner of State Taxes from the State of Maharashtra and the Principal Secretary to Government of Tamil Nadu. Specific recommendations were made by the Committee to address the negative balance in IGST Central Pool and clear timelines were mentioned by the Chairperson to implement the recommendations of the Committee by 31st March 2025.

3.4 He further added that, without implementing the recommendations of the Committee in toto for ensuring a fair IGST settlement process and a positive IGST Central Pool, the recovery has been made, while the IGST Pool continues to be negative. This needs to be expedited and the recommendations of the Committee should be implemented within the prescribed time frame.

3.5 Joint Secretary, Department of Revenue (DoR), informed the Council that a Committee of Officers on IGST Settlement was constituted in earlier Council Meeting. An elaborate presentation was made by the States of Maharashtra and Tamil Nadu and the recommendations are being worked upon. A Standard Operating Procedure (SOP) has to be finalized by the Committee of Officers. The Committee had also met the previous week. There are certain issues that the Committee has directed GSTN to work on.

3.6 He informed that before the end of September, 2025 GSTN would submit its report and based on that, implementation would happen, probably by end of the month, or at most, by October, 2025.

Decision: The Council ratified the Notifications and Circulars issued and took note of the decisions of the GST Implementation Committee.

4 . <u>Agenda Item 3: Final Report of Group of Ministers on Life and Health Insurance</u>

4.1 The Secretary requested the Hon'ble Deputy Chief Minister of Bihar and Convener of Group of Ministers (GoM) on Life and Health Insurance to present the report of the GoM.

4.2 The Hon'ble Convener thanked the Hon'ble Chairperson and GST Council

CHAIRMAN'S INITIALS

members for appointing him as convener of the GoM. He also thanked the members of the GoM for their valuable suggestions during GoM meeting for the betterment of life and health of the citizens as well as to strengthen the economy of the country.

4.3 He mentioned that the GoM was constituted on 15th September, 2024 and its first recommendation was presented in 55th GST Council Meeting held on 21st December, 2024. The Council had granted additional time to the GoM for discussion with all stakeholders especially IRDAI. In the meantime, a proposal was received from the Union Government for exempting all individual Life and Health Insurance policies from GST. The coverage of the Union's proposals was wider and more comprehensive and included the earlier recommendations of the GoM. A meeting of the GoM was held on 20th August, 2025 wherein all members agreed that the proposal of the Union is a very good step for the nation and accepted in principle that there is a need to reduce GST burden on Life and Health Insurance policies. Almost everyone agreed to the proposal of the Union to exempt individual life and health insurance policies. Some members emphasized that full benefit of the proposal would accrue only if the resulting benefit is passed on to the customers. A few States also raised an issue that the insurance companies should not make windfall gains by not passing the benefits of the proposed exemption to policy holders. Some members also expressed their concern over the revenue loss due to the proposed exemption and suggested that States may be compensated for their revenue loss. He further stated that the view of States have not been comprehensively included in the GoM report on Life and Health insurance because the GoM on Rate Rationalisation includes the agenda to exempt individual life and health insurance policies wherein the view of the States have been included in toto. The Hon'ble Convener then requested Joint Secretary, TRU-II to present the report of the GoM on Life and Health Insurance before the Council.

4.4 Joint Secretary, TRU-II stated that since the Hon'ble convener of the GoM has spoken in detail about the deliberations in the GoM meeting, he would present the details of the Union proposal along with revenue implication. He stated that the first recommendation of the GoM was to exempt individual term life insurance policies, along with reinsurance thereof. It was also agreed that the request of some States for including group term life in the scope of this exemption could be considered later. The revenue implication was indicated at ₹1,360 crores. The GoM also recommended exempting individual health insurance policies for senior citizens, along with reinsurance thereof and all individual health insurance policies providing coverage up to ₹5 lakhs, along with reinsurance thereof. The limit could

CHAIRMAN'S INITIALS

be revised upwards later. The issue of GST rate on health insurance for Persons with Mental Illness (PMI) was referred to the Fitment Committee for detailed examination. The revenue implication for health insurance was estimated at ₹2,345 crores.

4.5 He stated that the Union proposal received and discussed in the GoM is to exempt all individual life insurance policies, along with reinsurance thereof with revenue implication estimated at ₹5,794 crores and to exempt all individual (including family floater) health insurance policies, along with reinsurance thereof with revenue implication estimated at ₹4,163 crores.

4.6 Joint Secretary, TRU-II stated that in case of health insurance if all exemptions proposed by the Union are considered, it would cover approx. 18% of insured individuals and 86% of policies. As far as life insurance is concerned, the Union proposal covers approx. 39% of insured individuals and 99% of life insurance policies. A summary form of impact of the coverage and revenue implication was also presented.

4.7 Joint Secretary, TRU-II also presented the summary of views of the members of the GoM. He stated that the members have agreed in principle with the proposal and have proposed that the exemption be considered favourably provided the benefits are passed on to customers. States also mentioned that windfall gains may not accrue to insurance companies and beneficiary of the exemption should be the policy holder and not the insurance companies. States also viewed that earlier recommendations made by the GoM may also be considered. States also expressed concern on the manner in which it would be ensured that the benefit of the exemption will be passed on to the customers. Members also stated that the anticipated revenue loss must be adequately offset through suitable compensatory mechanism.

4.8 Joint Secretary, TRU-II stated that the final recommendation of the GoM is that (i) the GST Council may take a final decision on the Union's proposal and (ii) the views expressed by various States may be brought to the notice of the GST Council.

4.9 The Hon'ble Convener of the GoM placed the recommendations of the GoM before the GST Council for consideration.

4.10 The Hon'ble Member from West Bengal stated that during the first meeting of the GoM many of the States including West Bengal were of the view that the GST should not be levied on life and health insurance. However there was not a unanimous decision at that time. Therefore, at the first instance the proposal was

CHAIRMAN'S INITIALS

up to ₹5 lakhs and now they are happy that the Union has accepted the proposal which they actually wanted to have for the people at large. She stated that her view are similar to the Hon'ble convener of the GoM. There are many States which would face loss of revenue. West Bengal alone would face a revenue loss of ₹950 crores but they want that people should get relief. She also stressed that it should be ensured that benefit should go down to the people and companies do not get benefited from the proposed action.

4.11 The Hon'ble Chairperson acknowledged the views of the Hon'ble Member from West Bengal and praised the work done by the GoM prior to submission of the Union's proposal.

5 . <u>Agenda Item 4: Report of the Group of Ministers on Restructuring Compensation Cess</u>

5.1 The Secretary invited the Hon'ble Union Minister of State for Finance and convener of the GoM on Restructuring Compensation Cess to present the report of the GoM.

5.2. The Hon'ble Union Minister of State for Finance stated that a GoM on Compensation Cess was constituted as per the recommendation of the GST Council in its 54th Meeting held in September, 2024. Under his convenership, the GoM consisted of Hon'ble Ministers from 9 States including Assam, Chhattisgarh, Gujarat, Karnataka, Madhya Pradesh, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal. The Terms of Reference of the GoM were to examine and recommend tax proposals to replace compensation cess after its abolition. The GoM held 3 meetings and its recommendations are summarized in its final report being presented.

5.3 He stated that when GST was implemented in July, 2017 the Constitution had been amended to provide compensation to the States for a period of five years to cover any loss of revenue arising from the introduction of GST. Accordingly, the GST (Compensation to States) Act, 2017 was legislated, which provided for levy of a cess on certain goods and to use the same for compensation so as to provide 14% year-on-year growth over revenues in 2015-16 (Base year) from taxes subsumed in GST. The timeline for Compensation Cess ended in June, 2022.

5.4. However, due to the effect of the Covid-19 pandemic, there was lower collection of GST Compensation Cess than required. To ensure that States have adequate resources, with the approval of the GST Council, the Centre borrowed ₹

CHAIRMA
INITIAL

1.10 lakh crore in 2020-21 and ₹ 1.59 lakh crore in 2021-22. To repay these loans and interest there upon, the period for levy and collection of cess was extended from June, 2022 i.e., the original envisaged period of five years. The present levy of cess is only to make up the deficit in initial years. It is only to pay the loan and interest. After their payment, there is no further justification for Compensation Cess. He added that as per the assessment of the Department of Revenue, all the liabilities will be settled by October, 2025. He then requested the Joint Secretary, DoR to present details of the current status of collection and utilization of the GST Compensation Cess.

5.5 Joint Secretary, DoR presented the financial projections regarding status of the Compensation Cess account wherein he informed that the opening balance in the Compensation Fund account this year was ₹ 18,660 crores and that the estimated collections up to October, 2025 were ₹88,000 crores. Up to August, 2025 the collection was about ₹62,000 crores and another ₹26,000 crores needs to be collected in the remaining 2 months. He also informed that a small amount of excess compensation of ₹290 crores is to be recovered from a few States. Further, if the outstanding loan amount of about ₹67,500 crores and the outstanding interest amount for all the three years of ₹ 36470 crores, are taken into account, it will result in a minor surplus of ₹1,880 crores by the end of October, 2025.

5.6 The Hon'ble Minister of State for Finance stated that the deliberations of the GoM were focused on the three main issues before them, that is sharing of surplus (if any remaining) in the Compensation Cess account, abolition of the cess & effective date for its abolition and the proposal for replacement of the cess after its abolition.

5.7 On the first issue, the GoM recommended that any surplus remaining in the Compensation Cess account at the end of the transition period would be shared in the ratio of 50:50 between the Centre and the States and further amongst the States in the ratio of States' total GST revenues in accordance with the existing provisions of the GST (Compensation to States) Act, 2017.

5.8 On the issue of abolition of Compensation Cess, the GoM noted that based on the estimates provided by the Department of Revenue, the collection of Compensation Cess till October, 2025 shall be sufficient for repayment of admissible GST compensation to States/ UTs and the repayment of back-to-back loan along with applicable interest. This means that the purpose for which cess was being collected would get fulfilled by October, 2025. Once the obligations under the

CHAIRMAN'S INITIALS

Compensation Cess account are fulfilled by end of October, 2025, there is no constitutional mandate to continue levy of Compensation Cess beyond that period. Accordingly, the GoM recommended that the levy of Compensation Cess should be ended by October, 2025.

5.9 With regard to the proposal for replacement of the cess after its abolition, the views of Hon'ble Members of the GoM were contained in the report in detail. In this regard, two options were suggested, first being, to merge the items which are currently subject to Compensation Cess in the GST framework and the matter of fixation of rate may be addressed by the GoM on Rate Rationalisation. Some of the Hon'ble Members of GoM emphasized that the cess was always intended to be a temporary measure and therefore, should be ended timely and incorporated in GST framework. Some members expressed concern that suddenly ending the cess may strain public finances. The other option suggested was to continue the levy of cess in some form either as an additional levy or as a temporary measure. After considering these suggestions, the GoM recommended that the cess system should be discontinued once the liabilities are met, and that both the options may be placed for discussion before the GST Council. Hon'ble Minister of State agreed that while consensus may not have been reached on this issue, he believed that it reflected the true strength of democracy, where diverse views are heard, respected and deliberated.

5.10 The Hon'ble Union Minister of State for Finance concluded by expressing his gratitude to the Hon'ble Members of the GoM for their active participation and valuable contributions. He also appreciated the Hon'ble Chairperson for her constant guidance and support.

5.11 Hon'ble Chairperson observed that on account of there being considerable overlap in the scope of the three GoMs viz. Restructuring Compensation Cess, Life & Health Insurance and Rate Rationalisation, they may be taken up for discussion together.

6 . <u>Agenda Item No. 5: Final Report of the Group of Ministers on Rate Rationalisation</u>

6.1 The Secretary invited the Hon'ble Deputy Chief Minister of Bihar and Convener of the Group of Ministers (GoM) on Rate Rationalisation to present the Final Report of the GoM.

CHAIRMAN'S INITIALS

6.2 The Hon'ble Deputy Chief Minister of Bihar expressed his gratitude to the GST Council and the Hon'ble Chairperson for entrusting him with the important responsibility of being appointed Convenor of the GoM on Rate Rationalisation. He also thanked the Members of the GoM, namely, Shri Suresh Kumar Khanna, Hon'ble Minister for Finance, Uttar Pradesh; Shri Krishna Byre Gowda, Minister of Revenue, Karnataka; Smt. Chandrima Bhattacharya, Minister for Finance, West Bengal; Shri Gajendra Singh, Hon'ble Minister of Medical and Health Sciences, Rajasthan; and Shri K.N. Balagopal, Hon'ble Minister for Finance, Kerala for their cooperation and constructive contributions in preparing the report.

6.2.1 The Hon'ble Deputy Chief Minister informed the Council that the Terms of Reference of the GoM were as follows:

i. To review the supply of goods and services exempt under GST with an objective to expand the tax base and minimize breakage in the input tax credit (ITC) chain;
ii. To review the instances of inverted duty structure and minimize instances of refund due to inverted duty structure;
iii. To review the current tax slab rates and recommend changes in the same; and
iv. To review the current rate slab structure of GST, including special rates and recommend rationalisation measures and merger of GST tax rates and simplification.

6.2.2 He recalled that the Interim Report of the GoM on Rate Rationalisation was placed before the GST Council during the 47th Meeting, based on which, the tax rates were revised on supply of some goods and services. In its first four meetings, detailed discussions were held and the GoM had reached a consensus for revising GST rates in several key sectors including fertilizers, agricultural machinery, textiles, food, pharmaceuticals, and other items of common use. After its fourth meeting held on 2nd December, 2024, a draft report was prepared by the GoM.

6.2.3 In the meantime, the GoM received a comprehensive proposal from the Union on GST Reforms and Rate Rationalisation. The Union's proposal is based on three pillars: Structural Reforms, Rate Rationalisation, and Ease of Living. Structural reforms aimed at correction of inverted duty structure, resolving classification disputes, and ensuring stability in the rate regime. Rate rationalisation includes measures aimed at reducing tax rates on common use items and aspirational goods as well as reducing the number of rate slabs. Measures recommended under Ease of Living focused on simplifying the process of registration, filing of returns and refunds. A sector-wise list of proposed rates is attached as an Annexure to the Union's proposal.

CHAIRMAN'S INITIALS

Shipra

6.2.4 He further informed that the Union Proposal was discussed in the GoM meeting held on 21st August, 2025. In this meeting, the Hon'ble Union Minister of State (Finance) & Convener of GoM on Compensation Cess as well as other Members of the said GoM i.e. Hon'ble Ministers of Madhya Pradesh, Chhattisgarh, Punjab, Assam and Telangana also participated as special invitees. The Hon'ble Minister from Tamil Nadu could not attend in person but sent his written views to the GoM.

6.2.5 All members of the GoM on rate rationalisation including members attending as special invitees supported the Union Proposal, recognizing that it is in larger interest of the common man. Some concerns were also expressed regarding potential revenue losses to States. The Hon'ble Minister of Karnataka emphasized that GST reform is not merely a taxation issue but also concerns the fiscal health of both the Union and the States. Hon'ble Ministers of Tamil Nadu, Punjab, Telangana, Karnataka, and West Bengal while expressing their support in-principle sought clarity on revenue loss and compensation mechanisms for the States.

6.2.6 The Hon'ble Finance Minister of Kerala had acknowledged that the intention behind the Union proposal was to boost the economy and to benefit the common man and he supports it in principle. However, he expressed concern observing that rate cuts rarely translate into benefit for the common man. He further requested that an assessment of the revenue impact as well as cases of inverted duty structure (IDS) that may arise as a result of this exercise may be made. He further added that the consumption pattern in Kerala is such that majority of the items consumed attract a higher rate. Therefore, the revenue loss to the state is likely be relatively higher. In the absence of any mechanism to compensate for this loss, the States will not be able to fulfill their social obligations and their welfare programmes will suffer. He further expressed concern about increased GST on state-run paper lotteries, from 28% to 40%.

6.2.7 The Hon'ble Finance Minister of West Bengal had welcomed the proposal but stressed the need for checks and balances to ensure that benefits reach consumers. She warned of possible adverse effects on State finances and availability of resources with them for welfare schemes. Therefore, she recommended that a compensation mechanism may be formulated.

6.2.8 The Hon'ble Finance Minister of Uttar Pradesh had welcomed the proposal as a historic step that would not only reduce the burden on daily use items but also

CHAIRMA
INITIAL

energize the economy. It is necessary that the GoM and the GST Council take a positive view on the proposal involving rationalisation of tax rates, reduction of tax rate slabs and in cases of refunds arising out of IDS. This will help our economy reach greater heights in the long run. The Hon'ble Minister of Rajasthan echoed this view. The Hon'ble Chief Minister of Meghalaya, as a special invitee, also strongly supported the Union Proposal, calling it the "need of the hour" since a reduction in rates would lead to improved compliance which would have a multiplier effect on economic growth. This view was also endorsed by invited members from States of Madhya Pradesh, Chhattisgarh, Assam, Punjab and Telangana.

6.2.8 After deliberations, he stated that the GoM made the following recommendations:

i. To maintain status quo on reduction of GST from 5% to Nil on products made by handloom weavers.
ii. To maintain status quo on reduction of GST from 5% to Nil on raw silk
iii. To place the final report which contains the Union Proposal for consideration of the Council
iv. To bring to the notice of the Council, the view expressed by various States

6.2.9 The Hon'ble Deputy Chief Minister then requested Joint Secretary, TRU-I, to present the final report of the GoM on Rate Rationalisation before the GST Council.

6.3 Joint Secretary, TRU-I thanked the Convener and stated that she would be presenting the Union Proposal, which had already been circulated as part of the Council Agenda. Presenting the proposal, she stated that the Goods and Services Tax (GST) had completed eight years on 1st July,2025 and that the objective of "One Nation, One Tax" had been achieved. The GST taxpayer base had increased from 66.5 lakh in 2017 to 1.51 crore in 2025. Gross GST collections had doubled within a span of four years, rising from ₹11.37 lakh crore in FY2020–21 to ₹22.08 lakh crore in FY2024–25, registering a compound annual growth rate (CAGR) of 18.06%.

6.3.1 She brought out that the Union Proposal for GST Reforms and Rate Rationalisation was based on three pillars: Structural Reforms, Rate Rationalisation and Ease of Living. Under structural reforms, the issues addressed included correction of inverted duty structure, resolution of classification disputes, and

CHAIRMAN'S INITIALS

creation of an environment of stability and predictability in the tax system. Rate Rationalisation focused on reducing taxes on common and aspirational goods, and reduction of rate slabs. Ease of living involved reforms in registration, return filing, and refunds, which has already been taken up by the GST Policy Wing.

6.3.2 She highlighted that the key focus areas of the Union Proposal were enhancing ease of living for the common man and the aspirational middle class, strengthening core economic sectors, protecting the interests of all stakeholders, and ensuring the overall health of the country's economy. She stated that the existing rates of GST included within its ambit exempt items, special rates, 5%, 12%, 18%, and 28%. The proposal envisaged shifting some goods from the 12% slab to either the exempt, 5%, or 18% rate slabs. A few items from 18% rate slab were proposed to be reduced to 5% and certain goods in the 28% slab were proposed to be brought down to 18%, while a few would move to a new special rate. Under the proposal, the system would comprise exempt items, existing special rates, and simplified slabs of 5% and 18% with a new special rate of 40% for few luxury and sin goods and services.

6.3.3 Based on financial year 2023–24 estimates, she informed that in the current GST slab-wise revenue contribution, 65% of revenue comes from the 18% slab, 7% revenue from 5% slab, 5% revenue from 12% slab, and 11% revenue from 28% slab. As per projections, post the proposed rate rationalisation, the 18% slab would contribute about 70% of revenue, 5% slab would contribute 9% and the special 40% rate would contribute around 16%. She also shared data from an internal analysis on incidence based on taxable value of B2C supplies, estimated for FY2023–24. Presently, the incidence based on share of taxable value of B2C supplies of most goods consumed fell under the 18% slab (39%), followed by 5% (27%) and 28% slab (11%). After proposed rate rationalisation, 41% of the B2C supplies would remain under 18%, while the share of the 5% slab would rise from 27% to 40%, and the incidence of special rate slab would reduce from 11% to 9%.

6.3.4 She stated that the Union proposal would further be explained sector-wise and product-wise. She added that while she would be presenting the goods related part of proposal, while Joint Secretary, TRU-II, would cover the services part.

6.4 Joint Secretary, TRU-I presented the sector-wise proposals, noting that these had already been detailed in the agenda.

6.4.1 **Food:** She stated that it was proposed to reduce all food items currently

CHAIRMA
INITIALS

taxed at a concessional rate of 12% to 5%. Certain goods taxed at 18% were also proposed to be reduced to 5%. Referring to the presentation, she highlighted that the principle guiding these changes was to maintain akin goods at similar rates to avoid classification disputes, as the food sector had maximum disputes.
She further explained that some listed products were proposed to be reduced from 5% to exempt from GST and from 18% to exempt category. She stated that the proposal is to exempt UHT milk, prepackaged and labelled paneer and Indian breads by any name called. The rationale was that while bread was exempt, other Indian breads such as roti, chapati, and parathas etc. attracted GST rate at 5% or 18%, and the intent was to give uniform treatment to all such products irrespective of nomenclature. A comparison had also been made to show existing differences in tax rates on akin goods were based on minor degrees of processing, such as fresh versus dried forms. The proposal, therefore, sought to align most items hitherto taxed at 12% /18% with either nil or 5% GST rate depending on the category. However there are exceptions such as artificial honey which will continue at the existing rate of 18% in order to promote natural honey. She highlighted that the residual entry in food chapter "food preparations not elsewhere specified," which currently attracted 18% rate of GST, was proposed to be kept at 5%, to ensure that no food items barring few items at special rate of 40% attracted tax rate of more than 5% mainly with the objective of minimizing disputes in the food sector.

6.4.2 **Beverages**: On beverages, she explained that items such as caffeinated beverages, carbonated beverages, and those waters including aerated waters with added sugar presently attracted 28% GST along with 12% compensation cess, leading to a total tax rate of 40%. The proposal was to prescribe the GST rate at 40% on these goods, and tax "other non-alcoholic beverages," also at 40% to prevent misclassification with carbonated beverages. Illustrative examples included non-alcoholic beer, energy drinks, and mocktails.

6.4.3 **Common Man Items:** She stated that several items of common use, particularly those used by students, were being proposed to be moved from 12% rate of GST to nil. To ensure that manufacturers of paper and exercise books did not suffer due to the nil rate, uncoated paper and paperboard used in such products were also proposed to be taxed at nil. Erasers were also proposed to be reduced from 5% to nil. Other miscellaneous daily-use items (displayed in presentation) were proposed to be reduced from 12% to 5%. Certain daily use hygiene products currently taxed at 18% were proposed to be reduced to 5%, considering their wide usage across all sections of society.

CHAIRMAN'S INITIALS

6.4.4 Joint Secretary, TRU-I further stated that there had been earlier requests to have a differential tax rate for natural and synthetic Menthol. With the creation of a separate HS line in the Union Budget, the proposal was to retain natural Menthol at 5% while increasing the rate on synthetic Menthol from 12% to 18%. Further two items presently at 12% were also proposed to be shifted to the 18% rate, namely, odiferous preparations which operate by burning (other than agarbatti, dhoop, lobhan, etc.) and biodiesel (except supplies to oil marketing companies for blending with High Speed Diesel).

6.4.5 For certain aspirational white goods such as air conditioners, dishwashers, televisions, and monitors, which were presently taxed at 28%, the proposal was to reduce the applicable GST rate to 18%. In addition, the differential rate for monitors above and below 32 inches was proposed to be removed, creating a uniform rate of 18% irrespective of size.

6.4.6 Joint Secretary, TRU-II then referred to the Household Consumption Expenditure Survey Report, which showed that 67% of household spending was on services taxed either at 5% or exempt, while 33% of such spending was taxed at 18%. Out of this 33%, services such as beauty salons, barber shops, gyms, health clubs, fitness centers, and yoga studios were proposed to be reduced from 18% to 5% without ITC.

6.4.7 **Farmers and Agriculture Sector:**Joint Secretary, TRU-I stated that tractors not exceeding 1800cc and agricultural equipment currently taxed at a concessional rate of 12% were proposed to be taxed at 5% for providing relief to farmers. Further the GST rate on tractor parts was also proposed to be reduced from 18% to 5% to ensure that manufacturers were not adversely impacted. On fertilizers, she explained that while fertilizers attracted the 5% rate, raw materials such as ammonia, sulphuric acid, and nitric acid attracted 18%. Phosphoric acid (fertilizer grade) was already at 5%. This inverted duty structure led to refund outflows of about ₹5,000 crore annually. The Standing Committee on Chemicals and Fertilizers in its 43rd and 52nd Reports had recommended to place the issue of lowering GST Rates on raw materials of fertilizers before the GST Council. The Reports highlighted the heavy reliance on imports for meeting domestic requirements of fertilizers with imports accounting for 20% of domestic urea requirement, 50–60% of Di-ammonium phosphate (DAP) requirement, 100% of muriate of potash requirement, and 8–10% of NPK fertilizers requirement. The matter had been referred by the GST Council in its 53rd meeting to the Group of

CHAIRMA
INITIAL

Ministers (GoM) on Rate Rationalisation for a holistic view. The proposal now was to maintain GST rate on fertilizers at 5% while reducing GST rate on ammonia, sulphuric acid, and nitric acid from 18% to 5%. Micronutrients under the Fertilizer Control Order, 1985, currently taxed at 12%, were also proposed to be taxed at reduced rate of 5%, along with Gibberellic Acid and twelve Specified Bio pesticides. No change was proposed for pesticides and insecticides.

6.4.8 **Health-Related Sectors:** She further stated that drugs and medicines currently taxed at the 12% rate were proposed to be reduced to 5%. Medical equipment at 12% were also proposed to be brought to 5%. GST rates on daily-use medical devices and apparatus, such as thermometers and instruments for medical use, presently at 18%, were also proposed to be reduced to 5% at par with other medical devices.

Further, certain other medicines /drugs were also proposed to be taken from the 12% rate to 5%. Also, it was proposed to reduce IGST on certain Drugs/Medicines from 5%/12% to Nil. This list, prepared in consultation with the Department of Pharmaceuticals and the Ministry of Health, included drugs not manufactured in India and are necessarily imported—mainly for rare diseases, chronic cancer, or chronic pulmonary conditions. As part of the Union Budget 2025, customs duty on such medicines were already exempted and, it was proposed that GST rate be reduced to nil to lower costs for patients.

6.4.9 Joint Secretary, TRU-II added that Union proposals related to insurance sector had already been discussed while presenting the Report of GoM on Life and Health Insurance and that the same were being placed again before the Council for information.

6.4.10 **Handicraft Items:** Joint Secretary, TRU-I noted that a long list of handicraft items currently taxed at a concessional rate of 12% were proposed to be taxed at a reduced rate of 5%.

6.4.11 **Textile Sector:** She highlighted that an inverted duty structure persisted in the textile sector despite earlier attempts to correct it. In the natural textile segment, there was no inversion since the GST rate was 5% across the chain. However, in the man-made textile sector, the proposal was to reduce GST rate on polyester fiber, nylon fiber, and rayon fibers from 18% to 5% and on polyester yarns, nylon yarns, and rayon yarns from 12% to 5%. GST rate on waste of man-made fibers was also proposed to be reduced from 18% to 5%. She explained that this would

HAIRMAN'S INITIALS

correct the inverted duty structure for the man-made textile sector, where around 44,000 textile GST registrants engaged in spinning, knitting, processing, and dyeing etc., were currently claiming refunds of approximately ₹8,300 crore. The inversion would now shift backward only to the polyester, nylon and rayon fiber sector, which are largely in the organized industry, resulting in savings of about ₹5,000 crore. In addition, certain textile items presently taxed at 12% were proposed to be taxed at reduced rate of 5%.

6.4.12 **Leather Sector:** She noted that in the leather sector, raw materials were taxed at 5%, intermediate products at 12%, and finished goods at 18%. No change was proposed for raw materials or finished goods and on intermediate products, the GST rate was proposed to be reduced from the 12% to 5%.

6.4.13 **Marble and Granite Sector:** She further stated that, similarly in the marble and granite sector, raw materials were taxed at rate of 5%, intermediate goods at 12%, and finished products at 18%. No change was proposed for raw materials or finished goods, however intermediate products were proposed to be moved from 12% to the 5%.

6.4.14 **Mass Consumption Items:** On apparel and footwear, she stated that there was currently a value-based GST rate. For apparel, the proposal was to raise the threshold value for items attracting a concessional rate of 5% from ₹1,000 per piece to ₹2,500 per piece; with the GST rate increasing from 12% to 18% for items price above ₹2500 per piece. For other made-up textile articles, the value threshold would likewise increase from ₹1,000 per piece to ₹2,500 per piece; with the rate rising from 12% to 18% for items priced above ₹2500 per piece. In the footwear sector, items taxed at 12% were proposed to be taxed at a reduced rate of 5%, with the value threshold enhanced from ₹1,000 per pair to ₹2,500 per pair. For the 18% category, no change in rate was proposed, but the value threshold was proposed to be increased to ₹2,500 per pair.

6.4.15 Joint Secretary, TRU-II stated that job-work services were currently taxed at different rates of 1.5%, 5%, 12%, and 18%. The services taxed at 12% had been examined, and the proposal was to reduce those rates to 5% for certain categories, including job work services in relation to umbrellas, printing of goods which are now proposed to attract 5% or nil rate (compared to the earlier 12% rate) falling under Chapters 48 and 49, hides, skins and leather falling under Chapter 41 in the First Schedule to the Customs Tariff Act, 1975, bricks which attract GST at the rate of 5%, and pharmaceutical products falling under Chapter 30 will also

CHAIRMA
INITIAL

attract 5% rate. All other job-work services, not elsewhere covered (residual entry), were proposed to be placed under the 18% rate.

6.4.16 **Paper Industry:** Joint Secretary, TRU-I, then explained the proposals relating to the Paper Industry. She stated that for raw materials, wood-based pulp currently attracted GST rate of 12%, agro-based pulp attracted 5%, and waste paper-based pulp attracted 5%. The proposal was to reduce GST on wood-based pulp (other than dissolving grades) from 12% to 5%, while increasing GST rate on dissolving grade wood pulp from 12% to 18%. Pulp derived from recovered (waste and scrap) of paper or paperboard and other fibrous material was also proposed to be reduced from 12% to 5%. She clarified that pulp would now fall into two slabs, 5% for paper and 18% for textiles. Rate of GST on writing and printing paper, presently at 12%, was proposed to be partly shifted to 18%, while paper used for manufacturing notebooks, exercise books, graph books etc. would be exempt. She further stated that specified renewable energy devices or appliances, along with parts for their manufacture, currently taxed at 12%, were proposed to be reduced to 5%.

6.4.17 On coal, she informed that coal was currently taxed at 5% GST with a compensation cess of ₹400 per ton. The proposal was to increase the GST rate on coal to 18%. On cement, she added that cement was presently taxed at 28%. It contributes about 11% of the total input cost of construction projects. Since all other building materials were at 18%, the proposal was to reduce rate of GST on cement to 18%. This, she noted, would increase capacity utilization and per capita consumption of cement, reduce construction costs, and boost demand for cement.

6.4.18 Joint Secretary TRU-II then discussed the proposals related to Transportation Sector. He explained that service of transportation of goods was currently taxed at multiple GST rates of 18%, 12%, and 5% (either without ITC or with restricted ITC). In this regard, goods transportation services taxed at 12% with an option of 5% without ITC were now proposed to be taxed at 18% with full ITC, while retaining the option of 5% without ITC that is, for services such as goods transport by road by Goods Transport Agency (GTA) and transportation by pipeline of Natural gas, petroleum crude, etc. He added that Container Transport Operator (CTOs) services by rail (other than Indian Railways), currently taxed at 12%, were proposed to be given two options: i.e. GST Rate of 18% with full ITC or 5% without ITC. For multimodal (domestic) transportation services, currently taxed at 12%, the proposal was to levy GST rate of 18% where transport by air is involved, and 5% with restricted ITC where no leg of transport by air is involved. As such, the entire

CHAIRMAN'S INITIALS

sector related to transportation of goods was proposed to be provided with two options of GST rate- either GST rate of 18% with full ITC or 5% with restricted / no ITC.

6.4.19 He further clarified that the local delivery services would continue to attract GST rate of 18%. However, local delivery services provided through e-commerce operators (ECOs), where the supplier is not liable for registration under GST, would be notified under Section 9(5) of CGST Act, 2017. In such cases, the ECO would be liable to pay GST, and such services (provided through ECO and by ECO) would be excluded from the scope of GTA services to avoid disputes. A similar exercise had been undertaken in respect of passenger transportation services. He noted that the passenger transportation services by road were currently taxed at 5% with restricted ITC or 12% with full ITC. It was proposed to revise this GST rate to 5% with restricted ITC or 18% with full ITC. Further, passenger transport by air (other than Economy class), which was presently taxed at 12%, was proposed to be raised to 18% with full ITC.

6.4.20 Joint Secretary, TRU-I, discussed the other proposals related to Transport sector. She stated that the current GST rate on motor vehicles is 28%. The proposal was to reduce this rate to 18% for small cars, i.e. petrol cars with engine capacity not exceeding 1200 cc and of length not exceeding 4000 mm, and diesel cars with engine capacity not exceeding 1500 cc and length not exceeding 4000 mm. It was also proposed to reduce the GST rate from 28% to 18% on motor vehicles for transport of ten or more persons i.e. buses, transport buses, transport vehicles and ambulances. Additionally, road tractors for semi-trailers with engine capacity more than 1800 cc, three-wheeled vehicles, motor vehicles for transport of goods, motorcycles with engine capacity not exceeding 350 cc, were also proposed to be taxed at 18%.

6.4.21 Joint Secretary, TRU-II, informed that third-party insurance of goods carriage, which is a mandatory requirement for goods transport operators, is currently taxed at 12 percent with full ITC. It was proposed to reduce this to 5% with ITC. While discussing the proposals related to services falling under the category of tourism, mass entertainment and environmental support, he stated that entry to cinema tickets priced at ₹100 or less which were presently taxed at 12 %, were proposed to be taxed at a reduced rate of 5% with full ITC. Similarly, services of common effluent treatment plants (CETP) and services by way of treatment or disposal of biomedical waste or the process incidental thereto by a common biomedical waste treatment facility to a clinical establishment, also taxed at 12%

CHAIRMAN INITIALS

presently, were proposed to be brought down to 5% with ITC. Hotel accommodation services where the room rent is ₹7,500 or less per day, currently taxed at 12%, were proposed to be taxed at reduced rate of 5% without ITC. In respect of professional, technical and business services relating to exploration, mining, or drilling of petroleum crude or natural gas or both, as well as support services to exploration, mining, or drilling of petroleum crude or natural gas or both, which were currently taxed at 12% GST rate with full ITC, were proposed to be revised to 18% with full ITC.

6.4.22 Joint Secretary, TRU-I, further informed that certain specified goods for petroleum operations, currently taxed at 12%, were proposed to be taxed at an increased rate of 18%, in line with the proposed revision of petroleum exploration related services.

6.4.23 Joint Secretary, TRU-II, explained that works contract services, relevant to the construction sector, were generally taxed at 18%. However, certain services in respect of offshore works contracts relating to oil and gas exploration, works contract services involving predominantly earth work to the government and sub-contractor providing such services, were currently taxed at 12%. These were proposed to be revised to 18% with full ITC.

6.4.24 Joint Secretary, TRU-I, while discussing proposals in relation to machinery, noted that certain miscellaneous goods such as fuel elements (cartridges) for nuclear reactors, currently taxed at a concessional rate of 12% were proposed to be taxed at a reduced rate of 5 %. Similarly certain automobile parts, which are presently taxed at 28%, were proposed to be revised to 18%. It was highlighted that next to food sector the automobile sector contributes the most to classification disputes, and that the proposal was aimed at minimizing such disputes.

6.4.25 **Special rate items:** She further stated that with respect to special rate items, it was proposed that aerated waters with added sugar, caffeinated beverages, carbonated beverages of fruit drinks or carbonated beverages with fruit juice, other non alcoholic beverages , pan masala,pan Masla Guthka, beedis, unmanufactured tobacco, manufactured tobacco, cigars, cigarettes, cheroots, and cigarillos, all tobacco products be moved from 28 % to 40%. The GST rates on Mid-sized cars, luxury cars, SUVs, MUVs, motorcycles exceeding 350 cc, yachts, and aircrafts for personal use were also proposed to be revised from 28% to 40 %.

HAIRMAN'S INITIALS

6.4.26 Joint Secretary, TRU-II, added that certain services, currently taxed at 28%,

such as admission to casinos, race clubs, sporting events like IPL, and services by a race club for licensing of bookmakers and leasing or rental services without an operator of goods, were proposed to be taxed at 40%. Specified actionable claims such as betting, casinos, gambling, horse racing, lottery and online money gaming, currently taxed at 28%, were also proposed to be taxed at 40%.

6.4.27 Joint Secretary, TRU-I, clarified that while the total tax rate on pan masala stands at 88 percent, the ceiling GST rate is 40 percent. Bidi, which currently attract GST at 28 percent, was not proposed to be taxed at 40 percent due to the labor intensive and cottage industry-based nature of the sector in which it operates. It was emphasized that, as stated in the Union proposal, the government remains committed to ensuring that the overall tax rates on these items remains unchanged.

6.4.28 She further added that the Hon'ble Convener of Group of Ministers (GoM) on Rate Rationalisation had already stated that the GoM in its Final Report had recommended maintaining status quo on the issue of reducing GST from 5% to Nil on products made by handloom weavers, as well as on raw silk and other silk weaving materials. The GoM had also recommended placing its final report, which contained the Union proposal, before the Council for its consideration and to bring to notice of the Council the views expressed by various States. The report included submissions from Kerala, Karnataka, and other States.

6.5 The Hon'ble Deputy Chief Minister of Bihar and Convener of the GoM, describing Union Proposal as historic, presented the recommendations for consideration by the Hon'ble Chairperson and Members of the GST Council.

6.6 Following the presentation, the Secretary stated that since the presentations had been placed before the Council, the Hon'ble Union Minister of State for Finance and the Convener of the GoM on Restructuring of Compensation Cess, may add further remarks, if desired.

6.7 The Hon'ble Minister of State for Finance stated that certain additional points had been separately submitted by eight States regarding compensation matters. He requested the Joint Secretary (Revenue) to clarify these points before the Council.

6.8 Joint Secretary, Department of Revenue, stated that the proposal referred to by the Hon'ble Minister of State had been submitted by eight States—Himachal

CHAIRMA
INITIALS

Pradesh, Jharkhand, Karnataka, Kerala, Punjab, Tamil Nadu, Telangana, and West Bengal. The issues raised were circulated to all members and attached as an addendum in the form of an annexure to the Agenda on Compensation Cess. He then read out the conclusion of the proposal as contained in paragraphs 16 and 17 of the said proposal:

> *"The Goods and Services Tax is a shared fiscal framework between the Centre and the States, built on the principle of consensus and cooperative federalism. Simplification and rationalisation of rates are desirable objectives, but they should not be pursued at the expense of the fiscal stability of States. The present proposal, if implemented without compensation, will cause severe damage to State revenues, widen fiscal imbalances and thus is unacceptable in the current form.*
>
> *Therefore, it is the considered recommendation of the States that rate rationalisation should be supported by a robust revenue protection framework, a supplementary levy on sin and luxury goods, and a guaranteed compensation mechanism for at least five years. Only such a balanced approach will protect the fiscal autonomy of States while advancing the objectives of GST reform in the true spirit of cooperative federalism."*

Discussion on the reports of the GoMs

6.9 The Secretary, with the permission of the Chair, recalled the earlier advice that since all the three issues - Compensation Cess, Life and Health Insurance and Rate Rationalisation, were interrelated, they would be better discussed in a structured manner if taken up together. With the reports of the three Groups of Ministers presented before the Council, the Secretary requested that the House be opened for discussion.

6.10.1 The Hon'ble Member from Odisha stated that rate rationalisation proposal of the GoM is a welcome move that will benefit the common man and will ease compliance and make India's tax system simpler and more efficient. In line with the vision of Viksit Bharat by 2047, a Viksit Odisha is going to play a crucial role of the growth engine propelling the nation's progress in Amrit Kal. In this context he elaborated some issues concerning the States in general and some issues specific to Odisha. He whole heartedly supported the proposal of Union, recommended by GoM, on exemption of Life and Health Insurance as it would make insurance more

HAIRMAN'S INITIALS

accessible for middle and lower income groups and improve insurance penetration in India.

6.10.2 He further stated that on the various proposals deliberated by the GoM regarding compensation cess he welcomes the merger of items currently subjected to compensation cess in the GST framework. Surplus in the compensation cess account may be shared between the Centre and the States in the ratio of 50:50. Among States it may be distributed based on States' share of GST revenue calculated on the base year formula. Further the date for abolition of compensation cess levy may be kept as 31st October, 2025.

6.10.3 He strongly endorsed the proposal of the GoM on rate rationalisation which would particularly benefit our tribal communities engaged in tendu leaf collection. Reduction of tax from 18% to 5% would result in increase in value of sales of tendu leaves through government procurement agencies. This will help the workers engaged in tendu leaf collection to get higher price from vendors in deregulated areas. He also stated that the agriculture sector is the backbone of our economy. Therefore, the proposed rate reduction in agricultural inputs, machinery etc. would ease financial burden of farmers, lower production costs and make essential items more affordable. This step will encourage growth in the sector, strengthen rural income and contribute to food security for the nation. The rate reduction in pharma sector especially on life saving and common use drugs will make treatment more affordable for patients.

6.10.4 He also strongly supported all proposals of the Law Committee particularly the agenda on simplified registration scheme for small and low risk businesses as this will provide a simple, hassle free online GST registration approval process for small traders, start-ups and self-employed individuals. It will save their time and reduce compliance cost and encourage them to join the formal economy. This scheme will also strengthen trust between taxpayers and the government. In the end, the Hon'ble Member thanked the Hon'ble Chairperson for giving him the opportunity to speak and express his views.

6.11 The Hon'ble Member from Jammu & Kashmir expressed support for the decisions of the Groups of Ministers and the Union proposal. At the same time, certain concerns were highlighted, particularly in the context of fiscally challenged States such as Union Territory of Jammu & Kashmir. He noted that the proposed rate rationalisation and related changes could lead to a direct loss of income for States and Union Territories.

CHAIRMAN INITIALS

6.11.1 The Hon'ble Member flagged two issues. First, the need for devising a mechanism to safeguard the fiscal stability of States and Union Territories was emphasized. Jammu & Kashmir, he explained, had faced severe economic challenges in the current year due to devastating floods in August and the aftermath of the incident in Pahalgam in April. These events have negatively impacted all the sectors including horticulture, handicrafts, tourism, manufacturing, and even infrastructure projects—everywhere GST collections had fallen significantly due to a slowdown in the pace of work and exodus of labor.

6.11.2 Second, the Hon'ble Member stressed the importance of ensuring that the benefits of reduced GST rates were actually passed on to consumers. Drawing comparisons with oil prices and bank interest rates, he observed that while impacts of increases were immediately passed on to consumers, however, any reduction in prices or interest rates often required efforts so as to be passed on to consumers. A mechanism to ensure that GST reductions reached the ultimate consumer was, therefore, essential.

6.11.3 The Hon'ble Member raised two additional points. The first related to the redistributive effect of GST as GST has managed a fine balance between equity and fiscal concerns. As highlighted in a NIPFP report, wealthier consumers bore a higher share of the burden— 20% of richest consumers carry 37 percent of burden in rural areas and 41 percent in urban areas. He cautioned that reducing the number of GST slabs might weaken this redistributive effect.

6.11.4 The second point related to the proposal to increase the rate on sin goods from 28 % to 40%. The rate of 28% in itself was heavy enough burden causing a lot of pressure to check evasion. The Hon'ble Member warned that such a hike could increase the incentive for tax evasion, placing an additional monitoring and enforcement burden on the States and Union Territories. In conclusion, while Jammu & Kashmir endorsed the Union proposal as a policy measure that would ease the tax burden on citizens, he urged that mechanisms be established to ensure that benefits were passed to consumers and reduce the burden on the States.

6.12 The Hon'ble Member from Karnataka wanted to know the revenue implications of the proposals. He stated that it would be advisable to discuss and take decisions with the knowledge of what is the implication; otherwise it would be deliberating in semi-darkness. The Hon'ble Member suggested that the Secretariat provide estimates of the likely revenue implications so that the Council could move

CHAIRMAN'S INITIALS

the discussions forward.

6.13 The Hon'ble Member from Punjab supported the point made by Hon'ble Member from Karnataka. He highlighted that State of Punjab had already experienced significant revenue losses since the introduction of GST, and therefore it was essential to know the likely impact of the proposals on both State and Central revenues. The Hon'ble Member added that while Punjab welcomed the proposal to introduce two slabs, complete data on revenue loss was necessary before proceeding with discussions.

6.14 The Hon'ble Member from West Bengal also expressed agreement with the views of Hon'ble Members from Karnataka and Punjab. She observed that quantification of the losses would help States chalk out their future plans.

6.15 The Hon'ble Member from Tamil Nadu endorsed the concerns of Karnataka and other States, while also placing on record the views of the Government of Tamil Nadu. The Hon'ble Member stated that any proposal for simplification and reduction of GST rates was welcome, but it was equally important to take into account State finances. Tamil Nadu, like many other States, had undertaken major infrastructure projects and welfare schemes. A strain on public finances should not adversely affect such outlays. In crucial social sectors such as health and education, Tamil Nadu had set an example. The Hon'ble Member emphasized that reforms in GST rates must be accompanied by measures to protect the revenues of all States. With the end of the current compensation cess regime in two months and expected revenue losses from rate rationalisation, both issues needed to be addressed simultaneously and not separately.

6.15.1 He stated that three broad points need to be considered. First, the net revenue loss to States resulting from shifting goods from the 28% and 12% categories to 18% and 5% categories respectively, alongside the increase in GST rate of certain goods from 28% to 40%. Second, the framework required to deal with such losses. Third, the role and utility of cess on demerit and luxury goods, presently levied under the 28% category and its utility in the current scenario.

6.15.2 The Hon'ble Member further observed that the proposal of rate rationalisation had fiscal implications like those faced during the initial introduction of GST. Therefore, compensation for revenue losses arising from these reforms should be implemented by bringing a Constitutional amendment. Given the fact that any decision to compensate the States is likely to take time for implementation, it is

CHAIRMA
INITIAL

Shipra

necessary to ensure proper fiscal space for States during the transition. He proposed that the net borrowing ceiling of States be raised to 4 percent of GSDP without any conditions.

6.15.3 On the issue of individual life and health insurance, the Member noted that proposed exemptions would impose a cost of over ₹9,500 crore on governments, distorting pricing due to the non-availability of input tax credit, to the disadvantage of the sector. Further, stakeholder discussions do not figure out any enforcing mechanism for reduction of premium amount to make it affordable by way of reduction of GST. Hence, the new proposals impact Government revenue and will not result in reduced price to consumers. The proposal of exempting individual plans, both term and non-term as opposed to group plans will disturb the market.

6.15.4 As an alternative, he suggested that all term plans providing pure risk cover —whether individual or group-oriented—be exempted, while non-term plans, which function more as investment vehicles, continue to be taxed. Regarding health insurance, he pointed out that public health insurance schemes at the national and state levels already provide wide coverage of basic health needs. Therefore, the earlier recommendations of the GoM on health insurance may be adopted.

6.15.5 The Hon'ble Member concluded by reiterating support for Hon'ble Member from Karnataka's position that revenue figures must be provided before further deliberations could take place.

6.16 The Hon'ble Member from Jharkhand congratulated the Hon'ble Chairperson on behalf of the Hon'ble Chief Minister of Jharkhand for convening the 56th meeting of the GST Council. The Hon'ble Member highlighted that State of Jharkhand is a tribal-dominated state and holds nearly 40 percent of the country's mineral wealth.

6.16.1 As per assessment, after the introduction of GST in 2017, State of Jharkhand received compensation for five years up to 2022. However, the revenue the State earned prior to the introduction of GST was significantly higher than the compensation under GST, causing losses to State of Jharkhand. The State is a manufacturing state rather than a consuming state. If the Centre's thought is that by reducing the prices of Goods, the consumers in Jharkhand will benefit, the same may not be accurate. If the State is divided in four geographical sectors, in the sectors of Palamu, Chatra, and Dumka, the annual per capita income was around ₹58,000, compared to the State's overall per capita income of ₹1,05,000.

CHAIRMAN'S INITIALS

This showed that large sections of the population lacked purchasing power and therefore would not derive much benefit from reduced GST rates as consumers.

6.16.2 The Hon'ble Member further stated that while State of Jharkhand produces coal and steel in large quantities, nearly all of it, amounting to over 350.117 million tonnes of coal per annum and 48,016 metric tonnes of steel per annum, was consumed outside the State. The State suffers a loss on account of the same.

6.16.3 The Hon'ble Member felt that when GST was originally introduced with four slabs in 2017, it was done after some thought. The rationale for now reducing the structure to two slabs after a period of 7–8 years require to be explained in light of the decisions taken when four slabs were introduced. He emphasized that when GST was introduced, the provisions of Act provided compensation to States for a period of five years in case of revenue losses. The Hon'ble Member wanted to know the basis for limiting compensation to only five years, particularly how Centre can state that losses suffered had been compensated in 5 years. Pointing out that in the official data submitted to the 16th Finance Commission, the State of Jharkhand had projected a revenue loss of ₹16,000 crore for the period from 2017 to FY2024–25, and an anticipated loss of further ₹61,676 crore for the period from FY2025–26 to FY2029–30. He stated that India's federal structure requires the Centre to support States that were financially weak. If such cooperation is lacking, States like Jharkhand, Himachal Pradesh, and Karnataka would face serious strain. The Hon'ble Member strongly argued that compensation should not be restricted to a period of five years but should continue if losses persist. He felt that if necessary legislative changes to facilitate the same can be made.

6.16.4 The Hon'ble Member concluded by stressing that the proposals would result in an annual loss of nearly ₹2,000 crore for Jharkhand. Therefore, the Centre must review this issue and extend compensation beyond the stipulated five years —whether for 10 or 15 years—until the State finances achieve stability. A request was made that States like Jharkhand, which face substantial revenue losses due to GST implementation, be provided with compensation with due sympathy and consideration by the Centre.

6.17 The Hon'ble Member from Himachal Pradesh extended his gratitude to the Hon'ble Chairperson on behalf of State of Himachal Pradesh, for creating this forum by organizing the GST Council meeting.

CHAIRMAN INITIALS

6.17.1 He stated that the unique geographical and climatic conditions of the State of Himachal Pradesh and other hill States including those in the North-East region, significantly increased the cost of providing services and fulfilling basic needs of the people. He further stated that the cost of collecting GST in such States was also very high, as the terrain was tough and the climate remained adverse throughout the year. He cited examples of recent floods and snowbound areas, pointing out that providing even basic services such as ration and fuel is extremely expensive in such circumstances. He urged that a separate Group of Ministers (GoM) may be constituted for the hill States so that their specific needs and expectations may be properly presented and addressed.

6.17.2 The Hon'ble Member further referred to the compensation given to State of Himachal Pradesh for five years and stated that implementation of GST had caused revenue loss to the State. Before the introduction of GST, under the VAT regime, the State of Himachal Pradesh had an annual growth rate of 16% in revenue collection. Post-GST, this has reduced to a rate of 5–7%. The cumulative revenue loss post-GST for the State of Himachal Pradesh had reached approximately ₹17,000 crore. He welcomed the proposal of GST rate rationalisation. However, he cautioned that it would further impact the State of Himachal Pradesh with an additional burden of nearly ₹800–1,000 crore, which was a significant amount for their State and posed a challenge to financing of various welfare provisions and local development activities. He pointed out that the GST compensation mechanism was initially designed with the assumption that the buoyancy in the economy would make up for the losses after five years, but this expectation had not materialized. Therefore, he requested an extension of the compensation period until revenue collections stabilized or at least reached the growth levels that existed during the VAT period.

6.17.3 The Hon'ble Member also welcomed the proposed reforms in health insurance sector and tax rationalisation but stressed that the benefits must be transferred to policyholders instead of allowing profiteering by companies. He then raised concerns about tax evasion risks in the hotel sector, particularly where room charges exceeded ₹7,500. He pointed out that hotel owners might try to manipulate charges to remain below the taxable slab and urged the creation of a mechanism to prevent such practices. He also requested that tourism-centric states should not be adversely affected by the GST rate rationalisation measures.

6.17.4 Lastly, he agreed with the proposal of maintaining two GST slabs but stated that certain specific factors should be considered during revenue devolution. He

HAIRMAN'S INITIALS

emphasized that flat rate of devolution of 50% was not appropriate and that production, along with local climatic and geographical conditions of the State, should also be factored in. Therefore, he urged that the share of revenue devolution for hill States like the State of Himachal Pradesh should be higher than 50%.

6.18 The Hon'ble Member from Kerala emphasized the importance of accurately identifying the actual revenue loss arising from the implementation of GST rate rationalisation. He noted that different reports in newspapers presented varying figures, ranging from ₹1.8 lakh crore to ₹2.5 lakh crore, but the exact impact remained unclear. He informed that he has been a Member of the Rate Rationalisation Committee, since the time it was chaired by the then Hon'ble Chief Minister of Karnataka, where several meetings were held. Then the Union Government brought forward its proposal. While he agreed with the proposal of GST rate rationalisation in the interest of the common man, he stressed that the lack of clarity on how much it is affecting and that was a matter of concern.

6.18.1 The Hon'ble Member further stated that the State of Kerala had attempted its own estimates of the potential revenue loss arising on account of GST rate rationalisation by focusing on four sectors i.e. automobiles, insurance, cement and electronics. As per their estimates, from these sectors, the State expected to lose around ₹2,500 crore annually. He underlined the difficulty of calculating losses across all sectors but insisted that identifying the scale of losses was vital. He stated that the State of Kerala was one of the eight States which had submitted a proposal to safeguard the States' revenue interests as a part of the GST rate rationalisation exercise. He stressed that this issue transcended political affiliations. It is a matter for the Country and a serious situation is coming. While they want to go with pro-people policies, the State Government have to make a lot of expenditure. For example, Kerala provided free health facilities up to ₹5 lakh annually for 42 lakh families. Every State is now spending on these kind of social security. He highlighted that GST had now completed eight years, and it was crucial to compare the pre and post-GST scenarios.

6.18.2 Citing Kerala's revenue performance before GST, he said the State had a robust tax revenue of ₹30,737 crore in 2015-16, with subsumed taxes contributing ₹16,821 crore. The State's Compounded Annual Growth Rate (CAGR) was 15.26% over ten years prior to GST and 12.1% over the preceding five years. Based on the Arvind Subramanian Committee's recommendation, GST was envisaged to be revenue-neutral at rates between 15% and 15.5%. However, it

CHAIRMA
INITIAL

began with an effective rate of 14.4%, which was later reduced in November 2017 to 11.6% after rationalisation was introduced by reducing rates of 178 items.The effect of presently proposed decrease is not known.

6.18.3 The Hon'ble Member stated that had Kerala's revenue continued to grow at 12%, which was a reasonable growth rate in pre-GST period, from the protected revenue at the end of compensation period, the State could have accrued to ₹51,892 crore. Kerala's revenue could have grown to ₹60,377 crore at the 15.2% pre-GST growth rate. But in reality, its current GST revenue stood at only ₹32,773 crore. If the compensation system had been continued till last year, the State would have received a revenue of ₹54,000 crore, however, the system of compensation was stopped two years back and this year they received only ₹32,773 crore He pointed out that this situation was not unique to Kerala but applied to all States.

6.18.4 Referring to the current proposal for moving 450 items into new GST slabs, the Hon'ble Member expressed his concern over the benefit genuinely reaching the common people. He cited State of Kerala's study on refrigerators, where GST rates were reduced from 28% to 18%, but companies did not lower the prices. This aspect needs to be kept in mind.

6.18.5 The Hon'ble Member brought out that after the reduction of GST rates on 178 items in 2017, Kerala's protected revenue compensation increased sharply from ₹2,102 crore to ₹8,111 crore, showing the magnitude of loss borne by State. He noted that with current proposal of GST rate rationalisation covering 450 items, the impact could be even greater, however, the details of the same are not there. Moreover, with the cessation of compensation, States will not get anything for protection of revenue.

6.18.6 He stressed that despite the administrative initiatives undertaken by State of Kerala which were also appreciated by the Union and GST Council, systemic issues have persisted. State revenue as a percentage of GDP had been declining. Unlike the Union Government, States did not have an alternative financial lever to offset these shortfalls. Therefore, he strongly recommended serious discussions on issue of revenue loss along with estimates and proposed a revised revenue-sharing ratio of 60:40 between the Union and the States to better protect the States.

CHAIRMAN'S INITIALS

6.18.7 The Hon'ble Member also argued for a taxation system that imposed higher tax rates on luxury goods while keeping essential items consumed by the common

man at significantly lower rates. He noted that nearly 78% of Kerala's revenue came from items in the 18% and 28% GST rate slabs. Reductions in these slabs would impact the State adversely.

6.18.8 He also raised a State-specific issue regarding paper lotteries, which was also jointly highlighted by the States of Kerala and West Bengal in the GoM. Currently taxed at GST rate of 28%, paper lotteries provided employment to over two lakh people. It is a State specific collection being collected at a single point, however, the State government received less than 3% of the income earned from this activity, whereas nearly 50% of the 28% tax is being given to the Centre.

6.18.9 Hon'ble Chairperson interjected to point out that 41% of the tax being given to the Centre was devolved back to States. While accepting the same, Hon'ble Member from Kerala stressed that his concern was not about revenue sharing between Centre and States instead it was about the livelihoods dependent on this sector, therefore, urging that paper lotteries may be treated as a special case.

6.18.10 In conclusion, the Hon'ble Member from Kerala said that GST, though eight years old, was still a relatively new tax system for the country, and States required protection to move ahead. He observed that while the governments may change, the States and the country must continue with financial strength. He emphasized the importance of cooperative federalism, underlining two core concerns of protecting the States revenue and ensuring that the benefits of GST rate rationalisation reach the common people.

6.19 The Hon'ble Member from Meghalaya thanked the Hon'ble Chairperson for granting him the opportunity to share his observations on behalf of the State of Meghalaya. He stated that the differing opinions expressed by various States reflected the very purpose of the GST Council i.e. ensuring that the perspectives of different States are heard and considered. He emphasized that every State faced its own unique challenges, and in presenting his views, he was not undermining those circumstances. However, he noted that the core matter at hand was policy, and the Council's role was to work collectively toward that policy framework.

6.19.1 He observed that India had been among the last nations to adopt the GST regime of "One Tax" but significant progress had been made over the past eight years through the hard work of States, Members and officials. At this stage, he said, the focus must be on simplifying the system further and improving upon what

CHAIRMAN INITIALS

had already been done.

6.19.2 He highlighted the proposal of GST rate rationalisation to reduce four tax slabs to two as a further simplification and a step in the right direction, calling it a welcome move aligned with the original objectives of the GST Council.

6.19.3 The Hon'ble Member further stressed that the second important policy related priority was reducing the tax burden on essential commodities used by people on a daily basis, such as food products, agricultural equipment etc. Bringing such items under lower tax slabs would make them more affordable and relieve the financial burden on citizens at the grassroots level. He noted that this measure would be a very welcome move, directly benefiting the common people.

6.19.4 Taking onto account the global economic context, he remarked that nations worldwide were facing major challenges in trade and that India needed to show resilience and strength. By creating a simplified, robust taxation system, India would not only benefit its citizens but also send an important message to the world that it was committed to do what is required to create a simplified robust system.

6.19.5 On the issue of financial impact of GST rate rationalisation, the Hon'ble Member acknowledged the concerns raised by other States regarding revenue implications. He referred to the Hon'ble Minister from Kerala, who had rightly pointed out that it was extremely difficult to accurately assess the real impact. For instance, even in a relatively small case such as health insurance, there were wide variations between figures cited by States, by the Union and by the GST officials. He argued that while debates and rough estimates would continue, it would be nearly impossible to arrive at a precise figure.

6.19.6 However, he drew attention to the GST collection figures presented by officials, which showed growth from ₹11 lakh crores in 2021 to about ₹22 lakh crores in just four years. He said that this was testament in itself that the Council's policies and decisions had significantly expanded the GST tax base and increased its compliance, and further growth in consumption was expected. He cautioned against relying solely on linear calculations of tax reductions which would give a misleading picture by ignoring growth variables such as a tax base increase.

6.19.7 He added that certain areas would still require protection or compensation to safeguard States revenue, and these could be debated and worked upon

CHAIRMAN'S INITIALS

Shipra

further. Monitoring mechanisms would also need to be strengthened to ensure that tax reductions genuinely benefitted citizens at the grassroots. Ultimately, he stressed, the matter was about policy direction, sending a message, and taking the work of GST Council to the next level by simplifying taxes and making life more affordable for the people.

6.19.8 The Member also expressed his support for proposal to exempt health and life insurance from GST. He recalled that State of Meghalaya had initially suggested a GST rate of 5% but, after listening to arguments from other States, had shifted to advocating full exemption. He noted that State of Meghalaya might be the highest spender on health in terms of percentage of GDP, allocating about 9% of its budget annually. The State strongly believed that an insurance-based health system encouraged preventive healthcare and lifestyle changes and expanding insurance coverage was in the long-term interest of the people. He welcomed the move to exempt the health insurance and life insurance from GST.

6.19.9 In conclusion, he reiterated his support for the GST rate rationalisation process, acknowledging that no policy could be perfect or satisfy everyone. The larger message from the GST Council should be that India was moving toward a simpler tax system. Simplification would also ease monitoring by the Government. He appealed to all the Hon'ble Members of the GST Council to view the matter in this spirit that the GST Council, as a responsible body, was collectively striving for rates simplification and affordability for the citizens.

6.20 The Hon'ble Member from Sikkim thanked the Hon'ble Chairperson for granting him the opportunity to present his views before the GST Council. He endorsed the facts and figures presented by the Ministry, noting that GST revenue had increased from ₹11 lakh crores earlier to nearly ₹22 lakh crores. Describing this as a significant achievement, he congratulated the Hon'ble Chairperson and the entire GST team.

6.20.1 At the same time, he drew attention to the unique difficulties faced by different regions across the country. Speaking specifically about the State of Sikkim, he emphasized that it was a landlocked State, bordered by China, Bhutan and Nepal, with only a small corridor connecting it to the rest of India. Connectivity, he noted, was extremely poor. Although an airport had been constructed, it was still not functional. The State had no network of railways or waterways, and its only lifeline was NH-10, which was not an all-weather road. During the monsoon season, heavy rainfall often cause breaches, cutting off the movement of people

CHAIRMA
INITIALS

and goods and even creating challenges for defense personnel. He urged that greater importance be given to strengthening State's connectivity, as it was not only vital for the State of Sikkim but also for the safety and security of the entire nation.

6.20.2 The Member explained that the State of Sikkim lacked major industries and its economy was heavily dependent on revenue generated from casinos and lotteries. While welcoming the GST rates fixed, he urged a reconsideration to ensure a justifiable rate, which would be in the interest of the state. He highlighted that casinos and lotteries had helped a lot in promoting tourism, which in turn benefitted hoteliers, shopkeepers, and the hospitality sector in general. In a State with limited industrial base, many youths had taken loans to purchase vehicles, build hotels, etc., the repayment of which becomes difficult. The proposed high GST rates would be detrimental to the State as whole.

6.20.3 He emphasized that the casino and lottery sector directly provided livelihood to over 12,000 people in Sikkim. However, the lack of transport infrastructure continued to limit State's growth. He urged for provision of an all-weather road to secure better connectivity.

6.20.4 On the subject of casinos, he pointed out the geographical disadvantage that State of Sikkim faced. The nearest functional airport was in Bagdogra, West Bengal, about 125 kilometers from Gangtok, while the Nepalese zone of Mechi was just 40–45 kilometers away from the airport and could be reached within 45 minutes. By contrast, travel to Gangtok took three to four hours under normal conditions and up to six to seven hours during the monsoon. As a result, Nepal benefitted from casino tourism, since its tax rates were much lower at only 5% of GGR, compared to India's much higher rates.

6.20.5 He recalled that the State of Sikkim had earlier appealed when GST rate on casinos was raised from 18% to 28%, which had already been heavy for the State. Now, with the proposed increase of GST rate to 40%, he expressed concern that it would harm tourism, employment and livelihoods in the State. He informed that from October 2023, when the GST rate increase to 28% , it had already slowed growth, with revenues gradually declining and adverse effect being visible. If higher GST rates persisted, he warned, activities would shift into the grey market or to neighboring countries such as Nepal and Sri Lanka, causing further loss to India.

CHAIRMAN'S INITIALS

6.20.6 He therefore appealed for the formulation of a fair and reasonable GST

Shipra

rate, which would help retain business within the State of Sikkim and the country. He noted that even State of Goa faced similar challenges. He stressed that for a landlocked State like Sikkim, with very limited opportunities, casinos and lotteries were crucial drivers of tourism of State revenues.

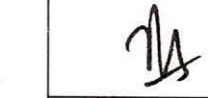
6.20.7 In conclusion, the Hon'ble Member once again humbly requested that the GST Council reconsider the proposed GST rates on casinos and lotteries in the interest of economy of the State of Sikkim and its people. He once again expressed gratitude to the Hon'ble Chairperson for allowing him the opportunity to present his concerns and hoped that these issues would receive due attention.

6.21 The Hon'ble Member from Telangana thanked the Hon'ble Chairperson and extended his regards to all the Hon'ble Members of the GST Council, and thereafter presented the perspective of State of Telangana to highlight the impact and implications of GST rate rationalisation as well as concerns of the State.

6.21.1 He pointed out that expenditure on salaries, pensions and loan repayments with interest consumed more than 50% of revenue of the State of Telangana, leaving no flexibility in these areas. Expenditure on salaries, he noted, continued to rise. Any reduction in State's revenue would directly affect essential services such as health, education and welfare schemes. A shortage of revenue for infrastructure, he stressed, would have a drastic impact on the State's overall development.

6.21.2 He further explained that before GST, State of Telangana had the flexibility to plan and raise revenues to cater to its needs. For example, before GST, the State's revenue used to be around 18%. However, after GST, it had declined to 10% and was now falling further to 9%. He highlighted this as a serious concern, as the States no longer had the freedom to raise revenues, yet the responsibility for expenditure remained with them. Therefore, he emphasized that it was the responsibility of the GST Council to safeguard and protect the revenues of the States.The proposal of the Union Government is causing huge loss of revenues to the States as per available reports outside.

6.21.3 While welcoming GST rate rationalisation, he stated that State of Telangana proposed that it must be accompanied by measures to safeguard the States and their revenue. He proposed certain measures, including:



CHAIRMAN'S INITIALS

i. Full compensation of revenue loss to States through a mechanism similar to the GST compensation cess.

ii. An additional levy on sin and luxury goods be imposed in order to maintain the current effective level of taxation, with all proceeds fully transferred to the States which are already facing rising fiscal stress and erosion of fiscal autonomy.

iii. Raising loans by the Union to cover the balance of State revenue losses arising from rate rationalisation and the expiry of compensation cess, with repayment through an extension of the compensation cess beyond five years, as per past precedence.

iv. Fixing the base year for compensation as FY2024–25, comprising the State's GST revenue and its compensation cess share based on place of supply.

v. Guaranteeing protection at the rate of 14% annual growth, which was the average of the preceding three financial years' growth rates.

vi. Ensuring compensation for at least five years, subject to review thereafter depending on GST buoyancy.

6.21.4 The Hon'ble Member stressed that GST was a shared fiscal framework between the Centre and the States, built on principle of consensus and cooperative federalism. While simplification of GST and rationalisation of rates were desirable objectives, they should not be pursued at the cost of fiscal stability of the States. He cautioned that the present proposal, if implemented without compensation, would severely damage State revenues, widen fiscal imbalances, and therefore was not advisable in its current form. He recommended that rate rationalisation must be supported by a robust revenue protection framework, a supplementary levy on sin and luxury goods, and a guaranteed compensation mechanism for at least five years. Only such balanced approach, would protect fiscal autonomy of States while advancing the objectives of GST reform in the true spirit of cooperative federalism.

6.21.5 In conclusion, he reiterated in-principle support of the State of Telangana for GST rate rationalisation but requested that the Secretariat provide clear financial implications so that meaningful discussions regarding compensation could

CHAIRMAN'S INITIALS

take place. He requested that these suggestions be taken on record to ensure that States were fully protected in their revenues and their developmental commitments are strengthened.

6.22 The Hon'ble Member from Chhattisgarh welcomed the Union's proposal on health and life insurance. He stated that given India's young demography, which would eventually age, it was important to promote insurance at this stage, especially when the penetration and density of insurance remained low. He emphasized that with healthcare services already exempt from GST, encouraging insurance sector would help healthcare for future and this deserved full support.

6.22.1 The Hon'ble Member further welcomed the proposal to abolish the Compensation cess and merge it into GST rates, highlighting that this would benefit the States. He noted that while the State of Chhattisgarh was the ninth-largest State in terms of area, larger even than States of Bihar and Tamil Nadu, it had a relatively small population of around three crore. It had 44% of its area under forests, a per capita income below the national average and challenges posed by left-wing extremism. The Centre while taking care of suitable compensation to all the States, had taken a sensitive decision of borrowing during Covid pandemic. Chhattisgarh had contributed a significant amount of about ₹51,800 crore to the Compensation Cess pool, ranking sixth among States, however they had received only ₹20,762 crore in compensation, which placed it fifteenth in terms of compensation received. So they received about ₹31,000 crore lesser compensation than their contribution to the cess pool. He pointed out that States like Jharkhand and Odisha had also contributed around ₹31,000 crore each. He stressed that merging cess into GST rates would benefit such States since the proceeds would now be distributed based on consumption, rather than going entirely to the Centre and he welcomed this step.

6.22.2 Turning to GST rate rationalisation, the Hon'ble Member welcomed the proposal to move from four GST slabs to two, as well as the efforts to correct the inverted duty structure. He underlined that since 2017 simplification had been the key driver of reforms and the results were clear. From 1947 to 2017, India had only managed to add about 66 lakh taxpayers, averaging about one lakh per year. However, in the last eight years alone, over 85 lakh new taxpayers had been added with an average of more than 10 lakh per year. This was possible only due to structural reforms and simplification. He noted that proposals such as easier GST registration and automated input tax refunds were further steps in this positive direction.

CHAIRMA
INITIAL

6.22.3 Addressing concerns raised by other Hon'ble Members about revenue losses, the Hon'ble Member stressed that the ultimate purpose of GST was to reduce the cascading effect of taxes and provide relief to consumers while boosting the economy. He reminded the Council that the true beneficiaries of reduced tax burdens were the consumers, the common citizens of all States. Thus, GST had not only strengthened the economy but also benefited taxpayers and the public alike. He concluded by reiterating support for GST as a major reform, acknowledged the remarkable revenue performance of ₹22 lakh crore, and thanked the Union Government for abolishing Compensation Cess and merging it into GST framework, which he believed would particularly benefit States like Chhattisgarh.

6.23 The Hon'ble Member from Madhya Pradesh began by extending heartfelt gratitude to the Hon'ble Prime Minister and the Hon'ble Chairperson for presenting a historic proposal to rationalize and simplify GST rates. He stated that this initiative was not merely a tax reform but a visionary step that would give new momentum to the economy. According to him, the decision would bring major relief to industries and businesses, reduce costs for small and medium enterprises, make them more competitive, and simplify production and distribution systems. Consumers, in turn would receive essential goods and services at more reasonable prices.

6.23.1 He further emphasized that the rationalisation of GST slabs would make the tax system more transparent and simpler. Honest taxpayers would benefit, compliance would become easier, and administrative complexities would be reduced. This would lead to increased investment and generate new employment opportunities. He also noted that reducing misclassification related disputes would curb tax evasion.

6.23.2 Speaking on behalf of State of Madhya Pradesh, he highlighted that as an agriculture-dominated State, the reduction in GST rates on tractors and their parts would benefit farmers significantly. Likewise, lowering the tax rate on raw materials used in fertilizer production would reduce fertilizer prices, further aiding the farming community. He also welcomed the steps taken to end the misclassification of items like namkeen and confectionery, noting that this would provide a boost to Indore, which is a hub for these industries, and promote further growth in the sector.

CHAIRMAN'S INITIALS

6.23.3 The Hon'ble Member underlined that at a time when global economic

conditions remained challenging, the reduction in production costs would make Indian products more competitive in international markets and strengthen India's export capacity. Most importantly, he remarked that this decision aligned with the Hon'ble Prime Minister's vision of Atmanirbhar Bharat (self-reliant India). Stronger industries, increased investment, and the creation of more jobs would accelerate India's journey towards self-reliance.

6.23.4 He concluded by stating that this was not just a tax reform but a strong and historic step in the direction of building a self-reliant India. He expressed full support for the GST rate proposals, emphasizing that they served the interests of farmers, the middle class and small industries. He thanked the Union Government for this landmark initiative.

6.24 The Hon'ble Member from Uttar Pradesh stated that the GST Council was formed with the spirit of national integration, an idea that originated from the Central Government. He acknowledged that all the Hon'ble Members of GST Council deserved appreciation for the full cooperation extended by their States, which led to the development of a mechanism which, for the past eight years, has been making decisions based on consensus.

6.24.1 The Hon'ble Member especially congratulated the Hon'ble Chairperson, noting that she had always given everyone an opportunity to all the Hon'ble Members of the GST Council to express their views. He mentioned that, over the past six years, he had observed her consistently listening to all perspectives, respecting people's sentiments, and then taking decisions that not only strengthened the nation's economy but were also accepted by all.

6.24.2 He further remarked that the proposal presented by the Union Government on this occasion was commendable beyond words. He emphasized that the common agenda of all political parties present was to benefit the common man, uplift those who were left behind, bring improvement to their lives, and ensure a better future for them. Keeping in mind this agenda of all parties, under the leadership of the Hon'ble Prime Minister and the Union Government, this proposal has been placed before the GST Council.

6.24.3 He stated that everyone had welcomed the proposal of the Union Government. He expressed his heartfelt thanks for the same. He submitted that the tradition of common consensus has always been maintained by the GST Council and these proposals have been placed keeping in mind the interest of the common man of the country, especially the weaker sections. This is the agenda of all

CHAIRMAN'S INITIALS

parties. He urged that the proposals be wholeheartedly and sincerely accepted and adopted by every State. He pointed out that there was a discussion on having an estimate of figures as a basis on which they could move the discussion forward. He stated that the idea of abolishing the 12% slab was not new, as it had also been discussed several times in the meeting of the Group of Ministers last year. Ever since its announcement on 15th August, all States had already visualized the circumstances that would arise in their respective regions. He emphasized that whenever tax slabs have been reduced, demand has increased, and when demand increases, the economy is strengthened. He noted that the Union Government and the Hon'ble Prime Minister, during their tenure, had demonstrated a sensitivity that was well known to everyone. He recalled that when the NDA Government came to power for the first time, the share of States in Central Revenue was increased from 32% to 42% through the medium of Finance Commission. Later, 1% of the same went to Jammu & Kashmir and 41% was still being given. He pointed out that this had not been explicitly demanded but was done suo motu with the intention of strengthening the States and in the spirit of moving the entire country forward together. He added that whether in Parliament or outside, the Hon'ble Prime Minister had always spoken of 140 crore people, never singling out any state or region and this is evident to everyone.

6.24.4 He further added that on the issue of income tax slabs, people had demanded exemption up to ₹10 lakhs, but the Hon'ble Prime Minister on his own gave exemption up to ₹12 lakhs. He highlighted that in the previous tenure, the Prime Minister had always thought of the entire country, considering the needs of the common man, the middle class, and especially addressing the basic requirements of the weaker sections that had not been fulfilled since independence. He observed that these needs were fulfilled by the Prime Minister. He underlined that the attention of the government was given especially to the common man, the downtrodden and those living below the poverty line.

6.24.5 He remarked that in the present conditions, the proposal to reduce the tax slabs should be wholeheartedly welcomed. He believed that across party lines, everyone should consider that while outside we are free to pursue our own agendas, sitting here inside this hall the betterment of the Nation's and States' economic conditions can be done by unanimously passing proposals in the interest of the common man. He appealed that the meeting should not be deferred by raising new issues or creating obstacles in any way. He requested that in the interest of the country, more and more facilities should be given to the common man, to those below the poverty line, and to all the needy so that their standard of living could be improved. He emphasized that the proposal was brought with this

CHAIRMAN'S INITIALS

Shipra

intention, whether it related to tax slabs or insurance, and these are extremely useful in today's times. He requested that it be passed.

6.24.6 He addressed the concern raised by the Hon'ble Minister from Sikkim, noting that similar issues had been raised earlier in this House regarding casinos. He emphasized that people who go to casinos do not think about how much tax will be imposed on them. He asserted that definitely the revenue of such States would increase and they would progress, and they should not be apprehensive that revenue might fall due to the 40% rate. He reminded the House that earlier too there had been long discussions, even lasting one and a half to two years, on online gaming, casinos, and racecourses, but eventually even those who had raised objections were the ones who benefitted more, as their economies have emerged stronger on account of higher revenue collections from casinos and horse racing.

6.24.7 He expressed gratitude for being given the opportunity to speak and, through the Chair, made a special request to all ministers of all States to maintain the tradition of the GST Council. The tradition had always been to pass everything on the basis of common consensus after hearing everyone. He acknowledged that the Chairperson of the GoM on Rate Rationalisation had seriously considered the views of all the Members and prepared the report. He also noted that the Hon'ble Union Minister of State for Finance, had ensured respect for people's sentiments, and the tradition of this House had always been to respect everyone's views and pass decisions with consensus.

6.24.8 He added that everyone already knew what would happen in their respective states, but he felt that once the tax was reduced, demand would increase. Since the Hon'ble Prime Minister had already given exemption up to ₹12 lakhs in income tax, people's purchasing power would increase. As demand rises, economic activity would also increase, employment would be generated, and the economy would strengthen in every way.

6.24.9 Therefore, the Hon'ble Member concluded that the proposals before the Council should be passed.

6.25 The Hon'ble Member from West Bengal stated that they were in favor of rate rationalisation for the benefit of the common people and welcomed the same. However, she emphasized that it must be ensured that the full dividend of such reforms and their benefits accrue to the ultimate consumers, for which necessary checks and balances were required to be put into place. She clarified, in response to the point made by Hon'ble Finance Minister of Uttar Pradesh, that there was no intention to defer discussions but only to express her thoughts. The Council was the proper forum to exchange thoughts and reach conclusions.

CHAIRM
INITIA

6.25.1 She observed that rationalisation of GST rates was likely to benefit the economy in the long run but it is equally true that the proposed changes would adversely impact State finances to a great extent and its fiscal stability would be greatly hampered in the short and medium term. She emphasized that while simplification of rates was a very good thought which they welcomed but it must be carefully examined to ensure it did not eliminate the fiscal strength of the States. She highlighted that States also worked for the "aam aadmi" through social schemes, which ultimately benefitted the common people. Therefore, it should be looked into that simplification, while good, must not create hindrance to the fiscal strength of States.

6.25.2 She stated that the reduction of resources available to the States would ultimately hit the common man, as pro-people schemes would be affected. Referring specifically to West Bengal, she said that the State would lose ₹950 crores from the proposed GST changes on life insurance and health insurance. She informed that West Bengal had first made the proposal in the GoM and she was happy that it was accepted by all States and the Union. Although this was a good step for common people, yet the financial loss was undeniable. She added that West Bengal is likely to lose more than ₹10,000 crores if the rate rationalisation proposal was accepted.

6.25.3 She explained that States depended heavily on GST, pointing out that while GST accounts for 28% of the Centre's Revenue, it accounted for 45% of West Bengal's own tax revenue. She suggested that an equivalent levy of Compensation Cess should be continued in suitable form to offset the loss of revenue for the States. She further stated that Compensation Cess was levied mostly on sin, demerit and luxury goods, post its abolition equivalent amount should continue to be levied on these goods as an additional levy of GST. She proposed that section 9 of the CGST/SGST Act, 2017 and section 5 of the IGST Act, 2017 could be amended to allow an additional levy of GST so that existing upper limits of GST do not apply to such additional levies and the entire amount of this additional levy be made available to the States. Sharing with the Centre could also be considered. She stressed that States played an important role in revenue collection on account of the steps taken by GST Council. Through its decisions the GST revenues that had grown from ₹11 lakh crores to ₹22 lakh crores. It needs emphasis that this was made possible by state machinery. She also referred to a publication of August 2025 by the National Institute of Public Finance and Policy (NIPFP), which recommended that an additional GST levy in lieu of Compensation Cess on commodities that currently attracted Compensation Cess was necessary after its abolition for generation of revenue for both the Union and State governments.

CHAIRMAN'S INITIALS

6.25.4 She pointed out that while there had been discussions about abolishing the 12% GST slab, there was no discussion regarding abolition of the 28% slab. She questioned the logic behind lowering rates on white goods such as televisions, air conditioners, dishwashers and certain sin goods arguing that this could distort consumption patterns.

6.25.5 She explained that in West Bengal, the GST to GSDP ratio had fallen from 2.52% in 2015–16 to 2.41% in 2023–24, and further down to 2.25% in 2024–25. She argued that since the ratio was decreasing, compensation for State losses was necessary. She reiterated that all the States and the Union worked for the common people, being elected Governments. The States have their schemes to operate and that has to be looked into. That is why they should be compensated. She suggested imposing a higher additional levy by amending the section through ordinance immediately and subsequently passing an act so that the cap of 20% rate can be addressed.

6.25.6 The Hon'ble Member concluded by welcoming rate rationalisation but urged fiscal strengthening of States.

6.26 The Hon'ble Member from Andhra Pradesh welcomed and supported rate rationalisation, describing it as a next-generation GST reform and a need of the hour. He said that the simplification of the multi-slab system would reduce the burden on the common man, consumers, and businesses, ultimately stimulating the economy, improve compliance, and the revenue.

6.26.1 He stated that proposed rate rationalisation moved towards a simpler structure, boosting consumption and economic growth, curbing inflationary pressures, and makes Indian companies more competitive. While acknowledging revenue concerns raised by other members, he argued that the initial revenue dip would be offset by long-term gains through increased consumption and higher compliance. He felt that lower tax rates increased disposable income, savings, and investments, expanding the economy and enhancing tax compliance.

6.26.2 The Hon'ble Member reiterated full support for the proposal.

6.27 The Hon'ble Member from Puducherry welcomed the Union Government's proposals on rate rationalisation and exemptions on health and life insurance. He said that many of Puducherry's requests for rate reductions had been accepted, for which they were thankful. Rationalisation of rates was the need of the hour. He observed that the government had proposed a standard GST rate of 18%, merit rate of 5%, and demerit rate of 40%, with essential commodities such as food, medicines, and daily goods taxed at nil or 5%. He observed that this was a pro-

CHAIRMAN'S INITIALS

common man decision. He also welcomed the reduction of GST rates on aspirational goods from 28% to 18%, which would benefit common people.

6.27.1 Brining out that in Puducherry, accommodation services cater to a number of day tourists, he requested the Council to delink room tariff from food in accommodation services. He requested Council to ensure that the benefit of rates reduction reaches the common man. He pointed out that the Union Territory's revenue loss was around ₹180–200 crores which is a big loss and requested some solution for compensation from the Union Government.

6.27.2 The Hon'ble Member concluded by stating that Puducherry welcomed the Union Government's efforts to reduce the burden on common people through tax reforms.

6.28 The Hon'ble Member from Gujarat appreciated the effort of Group of Ministers' in rationalizing GST rates and reducing the number of slabs, describing it as a major structural reform with positive economic impact across different sectors. He stated that farmers, MSMEs, the common man, industries, and exporters would all benefit and agreed with the recommendations of the GoM. He also agreed and supported the proposals of rate rationalisation of health and life insurance. He elaborated that GST rate reductions on fertilizers, farm machinery, and irrigation equipment would directly lower farmers' input costs, enable use of new technology, improve productivity and benefit crores of people dependent on agriculture in Gujarat. He added that middle-class families and common men most affected by inflation would gain relief on essential goods, while exemptions on educational items, medicines, health and life insurance services would enhance ease of living and deepen social securities.

6.28.1 Noting that many States have said that manufacturing States were suffering, he wanted to share the Gujarat experience. He stated that Gujarat had 38.5 lakh registered MSMEs. Rate rationalisation, elimination of inversion and faster refunds would improve cash flows, reduce compliance burdens and promote ease of doing business which will lead to job creation which, in turn, will increase demand and revenue collections. He said that exporters and foreign investors would benefit from correction of inverted duty structures, faster refunds, reducing embedded costs and administrative complexities, thereby boosting competitiveness, predictability and foreign investments. He explained that Gujarat contributed 27% of India's exports and had a GSDP of over ₹25 lakh crores which is closely tied up with an efficient tax administration. He stated that rate rationalisation would broaden the tax base, reduce leakages, complexities and disputes, which would allow greater fiscal space to Centre and States for

CHAIRMAN'S INITIALS

infrastructure investments and welfare spending.

6.28.2 The Hon'ble Member expressed full support for the GoM recommendations.

6.29 The Hon'ble Member from Maharashtra welcomed the move of rate rationalisation, calling it a major structural reform that reduced the GST impact on common items and essential commodities. She said that Maharashtra fully supported this decision, as it would boost compliance, consumption and overall revenue. She suggested that certain revenue augmenting measures without burdening the common man should also be considered. She highlighted that banks and financial institutions were currently allowed to avail only 50% of input tax credit, regardless of actual taxable output supplies. This limit was set in the Service Tax Regime and needs re-examination. She also referred to recent legal decisions on taxation of long-term lease, TDR and availability of ITC that have gone against tax authorities. She suggested corrective legislative or judicial measures so as to secure revenue and bring clarity.

6.29.1 She called for improvements in IGST settlements to States and urged that the recommendation made by IGST Settlement Committee should be implemented urgently. She also submitted that further negative recoveries should not be made in the current year, as State revenues were uncertain. She stated that Maharashtra had received few representations and they would be submitting the same. She acknowledged concerns raised by some States over financial repercussions but expressed optimism that reforms would yield positive impacts within a quarter or two. She emphasized that the Council remained open for future discussions and adjustments.

6.29.2 The Hon'ble Member welcomed the overall move of rate rationalisation, stressing that it would ultimately benefit the common man.

6.30 The Hon'ble Member from Assam stated that, first and foremost, she would like to place on record her deep appreciation and thankfulness to the Hon'ble Prime Minister of India and the Hon'ble Finance Minister of India for bringing forward the revolutionary idea of GST reforms after eight years of successful implementation of GST. She mentioned that they were taking it as a matter of pride.

6.30.1 She further stated that the GST rate rationalisation would positively impact the common man through more affordable essential goods, definitely lower overall inflation, and increase consumption. She expressed that the State would support businesses by simplifying compliance, reducing costs and fostering the overall economy by increasing the tax base. She added that the rate rationalisation would

CHAIRMA
INITIAL

also positively impact the competitiveness of Indian goods globally through support systems for MSMEs.

6.30.2 She emphasized that the proposal of rate rationalisation was not only for reducing rates or curbing the slabs of rates in GST, but also a step taken to reform the tax administration structurally for inclusive growth of all sectors. She remarked that as the whole nation was entering the festive season starting from the end of the month, she looked forward to the early implementation of the GST reforms.

6.30.3 The Hon'ble Member affirmed her support for the Union government's proposal on rate rationalisation.

6.30.4 Regarding the Compensation Cess, she submitted a proposal that the items under Compensation Cess must be subsumed under GST. She also welcomed the proposal for exemption of GST on individual life insurance policies and all individual health insurance including family floater policies.

6.30.5 Lastly, she submitted that the GST rate for admission into events like the IPL was proposed at 40%, which is welcome. While supporting the proposal, she highlighted that the GST rate for admission into live concerts was only 18% at present. Therefore, she suggested that the GST rate for entry into live concerts should also be placed at par with the IPL, since both events were similar and commercial in nature.

6.31 The Hon'ble Member from Haryana stated that this Council was not only meant for taking decisions related to taxation but also stood as the most vibrant and successful example of India's democratic tradition and cooperative federalism.

6.31.1 He further said that when GST was implemented in 2017 under the able leadership of the Hon'ble Prime Minister Shri Narendra Modi, it was termed the biggest economic reform since India's independence. He remarked that GST had made the tax system simpler and more transparent and had also eliminated barriers to trade between States, thereby realizing the idea of "One Nation, One Tax, One Market." He expressed gratitude to the Hon'ble Finance Minister for organizing and presiding over this meeting and praised her remarkable blend of efficient leadership, determination and simplicity. He stated that with skill and foresight, she had given a new direction to the financial system of the country, always provided equal opportunity to all States, heard everyone's views, and ensured that decisions were taken unanimously, which reflected her democratic and inclusive working style.

6.31.2 He mentioned that continuous efforts had been made since 2017 to simplify and rationalize the GST structure, which had resulted in the expansion of the

taxation base and increase in GST collections in Haryana. He added that the net SGST collection in Haryana had increased from ₹18,910 crore in 2018–19 to ₹39,743 crore in 2024–25, showing a growth of 110%. He highlighted that despite its relatively smaller population and size, Haryana has emerged as a major tax-collecting State and ranked fifth among the large States in terms of gross GST collection in 2024–25.

6.31.3 He expressed his heartfelt thanks to the Central Government and GST Council for continuously pursuing the rationalisation of GST rates and assured full support of Haryana to the important proposals placed in the meeting. He remarked that this was not only a concrete step toward better tax administration but also a measure directly benefiting the common people, as lowering the rates on everyday essential goods made GST more transparent, fair and people-oriented. He emphasized that this showed the tax system's sensitivity toward the needs of the public and its commitment to working for their welfare.

6.31.4 He welcomed the proposal of rationalizing rates on food items, healthcare, agricultural equipment and machinery, fertilizers, renewable energy, textiles and general-use items. He noted that since Haryana was primarily an agricultural State contributing significantly to food grain production, any relief in the food sector directly benefitted farmers, food processors, traders and most importantly consumers. He stated that lowering GST on food items would reduce prices, control inflation and ensure that nutritious food remained affordable. Referring to the popular saying "Desh mein desh Haryana, jahan doodh dahi ka khana," he appreciated the proposal to reduce GST on packaged milk and paneer from 5% to zero, on ghee, butter, and dry fruits from 12% to 5%, and to completely exempt common food items like roti and parantha. He added that this would encourage indigenous food businesses, promote the food processing industry, enhance farmers' value addition and generate rural employment opportunities.

6.31.5 He further welcomed the reduction of GST on agricultural equipment such as sprinklers and tillage machinery, which would reduce costs and encourage agricultural growth. He appreciated the proposal to reduce GST on bio-pesticides and fertilizer inputs such as ammonia, sulphuric acid and nitric acid to 5%. He noted that such reductions would provide significant relief to farmers, entrepreneurs, service providers and common man. He expressed gratitude to the Union Finance Minister for lowering GST on agricultural equipment used in crop residue management and welcomed the proposal to reduce GST on tractors and tractor parts, which would lower costs, encourage adoption of modern agricultural machinery and promote agricultural modernization.

CHAIRM
INITIA

6.31.6 He welcomed the reduction of GST on solar and other renewable energy equipment from 12% to 5%, stating that it would encourage clean energy, reduce project costs and promote sustainable energy. He added that rationalizing GST rates on textile inputs would reduce production costs for entrepreneurs, ease the working capital burden for traders, make the textile sector more competitive and contribute further to economic growth. He also welcomed the proposal to reduce GST on commonly used items, which would reduce the financial burden on families, especially lower-income groups, and provide relief to both rural and urban households.

6.31.7 He stated that reducing GST on cement would significantly benefit the infrastructure and construction sector in Haryana by reducing project costs, making housing more affordable, accelerating urbanization, improving connectivity, generating employment and enhancing citizens' quality of life. He also expressed Haryana's full support for the proposals in the insurance sector. He urged representatives of Central and State Governments to ensure that the benefits of GST rate reductions effectively reached the final consumer.

6.31.8 He recalled that under Section 18 of the Constitution (101st Amendment) Act, 2016, the Central Government had provided for Compensation Cess to make up for States' revenue losses after the implementation of GST. He mentioned that the Group of Ministers on Restructuring of Compensation Cess had recommended that since the loans taken to compensate States would be repaid by 31st October, 2025, the levy of Compensation Cess should be discontinued thereafter. He said that Haryana had so far collected ₹42,892 crore as Cess and received ₹36,926 crore as compensation, which was less than the total collected. The State supported the proposal to end the Cess as its objective had already been achieved. He emphasized that along with the abolition of the Cess, the GST Council, Central Government and State Governments should work together to develop a permanent solution to ensure States' financial stability and national interest, while also strengthening data analytics and technology-driven compliance to expand the tax base and prevent tax evasion.

6.31.9 He concluded by affirming that under the leadership of the Hon'ble Finance Minister, Haryana viewed these reforms as a positive step toward creating a transparent, efficient and consumer-friendly tax system. He expressed confidence that these changes would further increase public trust in GST, improve compliance and boost economic growth. He praised the balance of sensitivity and firmness in women's leadership, which the Hon'ble Finance Minister had repeatedly demonstrated. He said India could proudly declare that it has a Finance Minister

CHAIRMAN'S INITIALS

whose statements have enhanced India's dignity and economic strength globally. On behalf of Haryana, he expressed gratitude and assured that under her guidance, all States would work together to make GST more effective, logical and people-friendly.

6.32 The Hon'ble Member from Delhi stated that the 56th GST Council Meeting was her first meeting. She expressed her happiness to see all members discussing issues pertaining to their respective States and the very positive discussions which are taking place.

6.32.1 She further stated that, since the implementation of GST in 2017, Delhi has achieved significant growth. Delhi's GDP has almost doubled, and the revenue has also doubled. Therefore, GST continuously benefitted Delhi. Through the compensation cess, Delhi received nearly ₹52,000 crores, which contributed greatly to the development of the State. With those funds, numerous welfare schemes in Delhi were started. She also conveyed gratitude for Delhi's inclusion as a member of the Fitment Committee.

6.32.2 She noted that in this GST Council, many benefits have been brought for the common people. She believed this was a very important move that would directly benefit the citizens of the entire country. She pointed out that GST rates on all necessary goods had been reduced, which would benefit the public. She expressed that this would make life much easier for people.

6.32.3 She highlighted that at a time when the whole nation was surrounded by natural calamities and the country had suffered significant losses, the relief provided in different sectors was commendable. These sectors included health, insurance, food products, educational goods, electronics, clothing, automobiles, agriculture, and renewable energy. Each of these segments was directly linked with the common man, making trade easier, providing certainty in business, reducing risks, and simplifying compliance with the tax system. The confusions were resolved, which would reduce litigation and bring benefits to all.

6.32.4 She acknowledged that prima facie, it appeared that revenue might decrease. However, she emphasized that the people of the State would directly benefit from it, which made it a positive movement. Through this platform, she expressed her gratitude to the Hon'ble Prime Minister who had brought such a historic reform in the history of the country, benefitting both the public and the trade community. She described it as a great relief and a strong roadmap for a Viksit Bharat by 2047. She concluded by offering her heartfelt thanks.

6.33 The Hon'ble Member from Goa welcomed the decision to exempt GST on

CHAIRMAN'S INITIALS

health insurance. He also appreciated the simplification of the GST registration process. Earlier, the registration process used to take more than 20 days, and whenever discussions were held with people and businesses, they consistently raised the need for simplification. He had also highlighted this issue in the past. He expressed appreciation for the steps taken to simplify the process.

6.33.1 He further stated that the decision on rate rationalisation was significant. He said that the Hon'ble Prime Minister, Shri Narendra Modi ji, had taken the resolve of "One Nation, One Tax," which had brought about a revolution across the country. In his view, the present GST meeting was very important as it aligned with the vision of *Antyodaya, Sarvodaya* and *Gramodaya,* which sought to reach the people directly. He emphasized that the benefits of rate rationalisation would certainly reach all sections of society, from farmers to every household, and extend to every village.

6.33.2 He also acknowledged the infrastructural funds support extended by the Government of India, which Goa had effectively utilised. The long-term funds provided for 50 years were used to develop the State's infrastructure. In addition, the Government of India had made direct investments in the States, contributing to nationwide infrastructure from Jammu and Kashmir to Kanyakumari. He noted that, for the first time, under the 15th Finance Commission, the devolution of funds at the level of panchayats and municipalities was effectively utilized in Goa. This was why he referred to *Antyodaya* and *Gramodaya*—to highlight that development had reached the grassroots level. He further acknowledged the benefits Goa received through the Hon'ble Prime Minister's flagship programmes such as *Har Ghar Nal* and *Har Ghar Bijli.* The separate funding provided under these schemes had been properly utilised and Goa was among the leading States in implementing them. He mentioned that 80% of the flagship programmes have been completed 100% in Goa, putting the State ahead in this regard.

6.33.3 The Hon'ble Member added that even with the 60:40 infrastructure schemes funding ratios, Goa had maximised the benefits provided by the Government of India. He also noted that the GST compensation share received by Goa had increased each year.

6.33.4 He stated that the decision on Rate Rationalisation, taken after eight years, is a historic one unparalleled in any other country. It reflects the Prime Minister's commitment towards building Viksit Bharat and towards co-operative federation. The Prime Minister had considered the interests of the entire country, whether in relation to income tax or overall development. He emphasized that the benefits of

CHAIRMAN'S INITIALS

this decision would reach every household, every village, and every individual.

6.33.5 While changing the slabs to 5% and 18%, he highlighted that the next slab moved to 40%. He pointed out that Goa, being a small and tourist State, had unique considerations. He expressed support for the point raised by the Hon'ble Minister from Sikkim and reiterated that the casinos industry should be treated as a part of tourism industry and not only as gambling.

6.33.6 He noted that people visiting casinos provided a significant boost to tourism and casinos were a form of global entertainment. He stressed the importance of adopting the globally implemented Gross Gaming Revenue (GGR) Rules in this context. Recalling the earlier increase of GST from 18% to 28%, he stated that a further increase to 40% might impact the tourism industry, which needs to be carefully considered.

6.33.7 He further highlighted that tourism revenue amounting to nearly₹800 crore in Goa came predominantly from casinos. Additionally, more than 10,000 people are dependent on the hotel industry, taxi industry and the tourism sector which largely relied on casinos for their livelihood. Referring to the remarks of the Hon'ble Minister from Sikkim, he pointed out that if people were not given the opportunity to play in the country, they might prefer to travel abroad, which would have an adverse impact on the local tourism sector.

6.33.8 He noted that maintaining the 28% slab on casinos will help both Goa and Sikkim. Goa, however, remained strongly supportive of the rate rationalisation decision.

6.33.9 The Hon'ble Member asserted that in order to fulfill the Prime Minister's vision of a Viksit Bharat, the benefits of rate rationalisation must indeed reach every section of society.

6.34 The Hon'ble Member from Arunachal Pradesh stated that he was reminded of the inspiring words of the Hon'ble Prime Minister delivered on the historic occasion of the 79th Independence Day from the ramparts of the Red Fort. The Prime Minister, by reflecting on the journey of GST, had announced the dawn of next-generation reforms. GST, one of the most significant economic reforms of independent India, had simplified the indirect tax regime, reduced the overall tax burden, and created a unified national market.

6.34.1 He further stated that, at the same time, after eight years of implementation, the time had come for a comprehensive review. In the last eight years, there had been a major reform of GST, reducing the tax burden across the

CHAIRMAN'S INITIALS

country and simplified the tax arrangements. He emphasized that after eight years, the need of the hour was to review it once. The review had been initiated by setting up a high-power committee and also by holding detailed discussions with the States.

6.34.2 He observed that this was a reminder of the transformative journey of GST since 2017. It had bridged the gap between reality and the vision of *One Nation, One Tax*. He stressed that now it was time to usher in the next generation of GST reforms, which rested on three strong pillars.

6.34.3 The first pillar was structural reforms, which included correcting inverted duty structures, resolving classification disputes and ensuring stability and predictability in tax rates. The second pillar was tax rationalisation, which involved simplifying the tax structure, reducing the number of slabs, and cutting down the tax burden on common goods. The third pillar was ease of living, through seamless compliance enabled by technology-driven registration, pre-filled returns and faster refunds.

6.34.4 He stated that these reforms were not abstract ideas but held tangible promise for the common man, micro, small and medium enterprises, farmers, women, and the middle class. They would lower the cost of items, remove distortions, and make compliance easier, thereby strengthening the backbone of the economy and stimulating growth. He added that through these reforms micro, small and medium enterprises, as well as small entrepreneurs, would receive huge benefits. Everyday items would become cheaper, and the economy would gain a new boost.

6.34.5 He expressed support for the proposal made by the GoM to reduce GST on life and health insurance policies from 18% to 'Nil'. He also supported the recommendation of the GoM on compensation cess, merging the items currently subjected to compensation cess into the GST framework, with the matter of the rate being addressed by the GoM on rate rationalisation. He endorsed the recommendations of the Fitment Committee and the Law Committee.

6.34.6 He further stated that Arunachal Pradesh strongly endorsed the proposal of rationalisation of GST rates into two primary slabs of 5% and 18%. The State also supported the recommendations of the Group of Ministers on rate rationalisation in respect of certain goods and actionable claims, including betting, casinos, gambling, lottery, and online gaming, for which the tax had been proposed to be increased from 28% to 40%.

6.34.7 The Hon'ble Member reaffirmed that Arunachal Pradesh was committed to

CHAIRMAN'S INITIALS

cooperative federalism in strengthening GST into a simple, stable, and transparent tax system. He concluded by stating that this reform would be a gift for the common people, reducing their burden and accelerating India's march towards *Viksit Bharat* in 2047.

6.35 The Hon'ble Member from Tripura stated that, on behalf of the Government of Tripura, he extended full support for all proposals pertaining to the exemption of GST on individual health and life insurance policies, along with reinsurance policies, to help the common people of the country.

6.35.1 He further stated that he also supported proposals pertaining to structural reforms, rate rationalisation, and the merger of Compensation Cess with GST. He expressed confidence that such work would surely improve the ease of living, accelerate economic growth, and ultimately contribute to the making of *Viksit Bharat*.

6.35.2 The Hon'ble Member concluded by thanking all those who had been involved in that exercise.

6.36 The Hon'ble Member from Uttarakhand stated that the GST Council was continuously providing a common platform to the States and the Centre in accordance with the spirit of the federal structure of India. The discussions that were going on regarding rate rationalisation, which the GoM had recommended, were not just a question of revenue collection but an effort to make India's governance simpler, more transparent, more business-oriented, and easier for the citizens.

6.36.1 He further stated that the way focus had been laid on different segments, whether in the health sector, agriculture sector, or insurance sector, reflected the spirit of *Antyodaya* and on how the common man could get everyday things at a cheaper rate. It had definitely become a great tool to strengthen the concept of a developed India and a strong India.

6.36.2 He observed that it was true that rate rationalisation might cause a loss of revenue to the States in the short term, and it might be even more difficult for States like Uttarakhand, which had special geographical and infrastructural challenges. However, they believed that in the long term, it would encourage consumption, increase compliance, and improve the ease of doing business. This would directly benefit the economy of the State and the people.

6.36.3 He stated that the Government of Uttarakhand fully supported this positive step taken by the GST Council. He added that they believed this decision would bring uniformity and transparency and increase the efficiency of the State

CHAIRMAN'S INITIALS

administration. He also requested that options for special assistance from a special central scheme be considered to compensate for the possible revenue loss of the States so that development projects were not adversely affected.

6.36.4 The Hon'ble Member concluded by stating that it was the shared responsibility of both the States and the Centre to create a tax structure that was simple, fair, and helpful for the progress of the nation. He affirmed that Uttarakhand would fully cooperate in the collective efforts of the GST Council.

6.37 The Hon'ble Member from Nagaland stated that he had no intention of saying anything, as he had come only to listen. However, after listening to the various presentations and deliberations from different States and officials of the GST, he felt he needed to speak. He wished to speak on behalf of the non-manufacturing and non-producing States in the Union.

6.37.1 He expressed his gratitude to all the producing States and the manufacturing States for the huge contributions they were making towards the Union, which was propelling the country forward. But, as a vast country, there were different situations in different parts of the Union. Because of the disparity in contributions, in receipts or in payments, he could understand from their expressions the impact they were feeling. The sacrifices they were making were taking a toll on the interests of their individual States in more ways than had been expressed.

6.37.2 While there was appreciation for the producing States, he also wished to appeal to them. Though they were feeling the pinch of giving so much and not receiving enough in return, and though their grievances were well taken, he appealed to them not to look at the entire process through the window of their own individual States. He appealed that they should keep the larger perspective of the nation in mind and appreciate what the GST Council was trying to do in balancing.

6.37.3 He further stated that a State like Nagaland, along with some other States, had not been able to live or function normally since 1947. There was no need to go back into history, but those who understood the background knew that they had never been given the opportunity to unleash its full potential by exploring its natural resources or human resources in the absence of peace and normalcy. Situations had always been volatile and very hostile, and so industrial growth and having a vibrant economy with commercial activities had never been the order of the day. Nagaland had been totally dependent on the Centre's financial assistance, and the situation was no better today. However, they saw a ray of hope that a solution was on the anvil.

CHAIRMAN'S INITIALS

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6.37.4 He observed that if this solution was achieved within a short time, Nagaland would also join in contributing to the exchequer of the nation and contribute its share of revenue, as expected. He noted that the State had several noble metals, rare earth elements, and strategic elements, including petroleum and natural gas deposits, which they hoped to start exploiting after more than 60 years of functioning as a State in the country. He admitted that the Centre had to look into and address the financial difficulties of Nagaland.

6.37.5 He stated that these were some of the reasons why richer States, producing States, and manufacturing States had been taxed, perhaps unreasonably. But, as we functioned together, there were areas where we had to contribute and areas where we had to receive in order to survive. At present, the burden had fallen on them, but he wished they would be more considerate. He added that Nagaland would also join in the reforms initiated by the GST Council.

6.37.6 The Hon'ble Member concluded by expressing full support for the recommendations of rationalisation and simplification of the three GOMs and the GST Council initiatives. He also congratulated the Chairperson and the GST Council members.

6.38 The Hon'ble Member from Rajasthan stated that during the first tenure of the Hon'ble Prime Minister, Shri Narendra Modi on 1st July 2017, a historic day was created, and today, moving forward from that day, the members had gathered here to take steps towards GST 2.0. He mentioned that discussions were held on various subjects and since 2017, both the condition and direction of the country had changed, which everyone was a witness to. In this short span of eleven years, the GDP had advanced to the extent that even a developed country like Japan was left behind.

6.38.1 He further stated that in 2017–18, Rajasthan had recorded a GST collection of ₹ 12,137 crores, while in 2024–25 it had reached₹ 42,518 crores. This reflected the reforms that had taken place. At the time of 2017, there were merely 4.34 lakh taxpayers in Rajasthan, but by 2024, this number had risen to around 9.25 lakh taxpayers, marking an increase of nearly 119 percent. Inspector Raj is almost over and a favourable environment was created for traders, as there was no longer a need to pay tax on tax. The long-standing demand for *One Nation, One Tax* had been realised, and the cost of input tax credit had also reduced.

6.38.2 He added that, Hon'ble Member from Meghalaya had also mentioned about simplification of tax procedures. Collecting revenue for the public and then directly passing on the benefit to the people was the direction in which the work had

CHAIRMA
INITIAL

progressed and this also reflected the thinking of the Hon'ble Finance Minister. Even in developed nations across the globe, they had only two types of tax systems slabs, as pointed out by the Hon'ble Member from West Bengal also. Moving in that direction, India was strengthening its own system.

6.38.3 He stated that food, clothing, and shelter were the essential facilities that must reach the last person in the queue. Over 25 crore people had been lifted above the poverty line during this period. He further added that in developed nations, every household had insurance coverage, and today in India, nearly 99 percent of the people are likely to come under insurance coverage. He highlighted that the introduction of easy registration schemes, simplified taxation on major items and agricultural equipment, reduced taxes, and focus on important subjects like health and textiles were noteworthy steps taken with attention to ease of doing business.

6.38.4 He further mentioned that in the previous year, the Chief Minister of Rajasthan, had taken a significant step forward by announcing the initiative of 'Rising Rajasthan'. Within the first year, MoU worth ₹35 lakh crores had been signed and approximately ₹4 to ₹5 lakh crores worth of projects had been grounded. The tax reform would create an environment encouraging investors. He expressed confidence that Rajasthan would soon witness a brighter future.

6.38.5 He expressed his full faith that the advent of GST 2.0 would also generate vast employment opportunities. With this hope and expectation, he conveyed his congratulations to the Hon'ble Union Finance Minister, the Hon'ble Prime Minister, and the entire GST Council team. He stated that Rajasthan extends its complete support for this initiative, which within just eight years of this tenure, had taken commendable steps towards a *Viksit Bharat 2047*. He concluded with confidence that these steps would undoubtedly take India forward at a faster pace in the future.

6.39 The Hon'ble Member from Manipur complimented the painstaking efforts of the Groups of Ministers who, after several meetings, had placed the agenda for consideration.

6.39.1 He expressed full support for the recommendations of the GoM on life and health insurance, as well as for the recommendations on Compensation Cess. Further, he conveyed support for the Union proposal on the rationalisation of the tax structure, noting that it carried a dual advantage—first, it simplified the tax structure, and second, it benefitted the consumer in relation to both consumer goods and aspirational goods.

CHAIRMAN'S INITIALS

6.39.2 With regard to the State of Manipur, he stated that it was a small State which had performed well when the GST was introduced. For five years, Compensation Cess was collected but never availed, as the State was able to achieve its protected revenue. However, due to certain circumstances in the last two years, the State had suffered revenue losses and had now fallen below the protected revenue threshold. As there was no longer any system of Compensation Cess, this had created challenges for the State.

6.39.3 He emphasized that even a small dent in revenue made a significant impact in a small State like Manipur. While the amounts might appear small for larger States, in a State of Manipur's size, any reduction in revenue had serious consequences. He further observed that long-term dislocations arising from factors such as law and order issues, natural disasters, or other such events, required special consideration.

6.39.4 In this regard, he suggested that if the Council could consider, in the future, making some provision from the balance amount available in the Compensation Cess kitty, it could serve as a corpus for compensating States affected by such prolonged dislocations.

6.39.5 With this suggestion, the Hon'ble Member concluded by expressing his gratitude.

6.40 The Hon'ble Member from Mizoram began by appreciating the initiatives of the Central Government and acknowledging the hard work of the Group of Ministers in preparing detailed reports and structured recommendations.

6.40.1 He first commented on the matter of life insurance. In addition to the exemption already provided for all individual life insurance policies, he suggested that group life insurance policies up to a sum assured of ₹5 lakh should also be exempted. Such an exemption, he explained, would encourage groups of individuals working together to economically subscribe to life insurance schemes and thereby help them gain access to insurance coverage.

6.40.2 He pointed out that there were two different recommendations before the Council, one from the Central Government and the other from the Group of Ministers, particularly on the rates. It was therefore necessary to be clear about which recommendation would be adopted, as the two differed at certain points. He further sought clarification on the date from which the proposals would come into effect. He requested that either the Hon'ble Chairperson or the Secretary provide such clarity, or indicate whether the matter would be further deliberated.

6.40.3 On the issue of rates, he drew attention to the proposed increase of tax

CHAIRMAN'S INITIALS

from 18% to 40% on non-alcoholic beverages falling under HSN codes 22029100 and 22029999. He cautioned that this steep increase would greatly affect production of non-alcoholic beverages and might also encourage large-scale tax evasion. Referring to a CAG report on VAT from 2010, he recalled that companies and manufacturers did not reduce their prices even after tax rates were lowered. Accordingly, he requested the Hon'ble Finance Minister to actively engage with manufacturers and service providers to ensure that they reduced their prices when tax rates were rationalized, either on present stocks by way of discounts or for future production.

6.40.4 If the objective is to deter people from buying lotteries, it might be better to tax lotteries under GST at 40%, but the TDS aspect must be re-examined. It was also suggested that lotteries should be taxed excluding actionable claims, as was the practice in several other parts of the world.

6.40.5 He highlighted that Mizoram, being a highly consumption-oriented State with no large manufacturing base, appeared at first glance to be less affected by GST rate reductions. However, in reality, GST constituted 77.8% of the State's projected Own Tax Revenue (SOTR). Consequently, any fluctuation in GST rates can have a volatile impact on the State's finances. Since the rollout of GST in 2017, the compound annual GST revenue growth of the North-Eastern region had been 27.5%, compared to the national average of 14.8%. This surge was largely due to GST's destination-based model, which benefitted consumption-heavy States such as those in the North-East, alongside improved taxpayer compliance.

6.40.6 He warned that any reduction in tax returns translated into a constrained ability to fund critical infrastructure projects, allocate resources for health and education, and deliver welfare schemes for farmers, women, and underprivileged sections of society. He stressed that this was not an appeal for charity but a call to strengthen cooperative federalism and shared responsibility. He, therefore requested to consider a compensation mechanism to help States absorb short-term revenue losses for at least a period of five years.

6.40.7 Drawing from the experience of other countries, he noted that the evolution of GST systems tended to move towards fewer tax rate slabs. India too was taking a bold step in this direction. Simplification of registration, simplification of tax structure, and improved compliance would be the eventual outcomes. He expressed Mizoram's support for this initiative, while reiterating that the Central Government should help States to cushion the anticipated decline in revenues during the short-term period. He acknowledged that this was a sacrifice for a greater cause and for long-term growth.

CHAIRMAN'S INITIALS

6.40.8 He also extended support to the proposal put forth by the Hon'ble Member from Meghalaya during an informal discussion. The proposal was for the Council to issue a memorandum or declaration affirming that, despite differences in political outlook, the States stood united in the face of external pressures. He urged that this new phase of GST be made a success story of collective federalism, demonstrating that States with diverse political ideologies could come together in solidarity, particularly when confronted by very high tariffs imposed by another country.

6.41 The Hon'ble Member from Punjab stated that it would have been useful if an analysis with data had been provided on the revenue losses suffered by various States after the introduction of GST. Such an analysis would have enabled States to present their cases more effectively.

6.41.1 He referred to the three reports of the Groups of Ministers, on health insurance, on compensation cess, and on rate rationalisation, being discussed by the Council. Speaking on behalf of Punjab, he highlighted that the State had made the highest contribution to India's food security following the Green Revolution. Presently, Punjab contributed 47% of the country's wheat and 32% of its rice to the national food bowl. He further pointed out that Punjab shared a border of nearly 550 kilometers with Pakistan, and due to security reasons, its economy had been unable to progress as rapidly as desired. During the recent tensions with Pakistan in May, Punjab bore the maximum damage. During such difficult times, Punjab had always stood at the forefront to safeguard the nation.

6.41.2 Turning to revenue matters, he explained that in 2017, at the time of GST implementation, the revenue neutral rate for Punjab was 18.3%, which had now declined to about 12%. This continuous fall in the effective rate had severely affected collections. Under the earlier VAT regime, Punjab's revenue collection, based on CAGR, would have been ₹2,37,530 crores, whereas under GST, actual collections were only ₹1,26,485 crores. This indicated a loss of about ₹1,11,000 crores over eight years. Out of this, ₹61,000 crores was received through Compensation Cess, but Punjab still faced a net loss of nearly ₹50,000 crores.

6.41.3 He welcomed and agreed to the proposal to simplify the tax structure and reduce the number of slabs from four to two, but stressed that protection must be provided for the revenue losses being incurred by States. Compensation Cess had been available for five years and was then discontinued, leaving all States concerned. According to Punjab's analysis, the State expected an additional annual loss of about ₹6,000 crores, due to rate rationalisation which amounted to 21% of its revenue base.

CHAIRMAN'S INITIALS

6.41.4 He underlined that Punjab was the only State in the country where a purchase tax was levied, yielding about ₹4,000 crores annually. With its abolition under GST, Punjab had lost this crucial revenue source. Given Punjab's extraordinary contribution to the nation's food bowl, such revenue streams were vital for the State. The Member questioned how these continuing losses would be compensated—whether through an extension of Compensation Cess or by creating an alternative mechanism. He pointed out that as per the terms of reference of GoM on compensation cess, it was to suggest alternatives for States suffering loss.

6.41.5 He emphasized that although all States had supported the "One Nation, One Tax" principle and accepted GST on the assurance of five years of compensation, revenue protection mechanisms must continue for States still incurring losses. Punjab had already suffered revenue losses of ₹50,000 crores over eight years, and the State now faced further losses of ₹6,000 crore annually.

6.41.6 He added that as a border State, Punjab faced multiple challenges including cross-border attacks, drone activities, and most recently, severe floods which had submerged large parts of the State. Such circumstances compounded the financial strain. In this light, he strongly urged that a proper mechanism be established to protect the revenue of loss-making States, either by extending Compensation Cess or through an alternate arrangement, so that critical infrastructure such as 68,000 Kms of village roads, flood management and welfare projects could be adequately funded.

6.41.7 Speaking not only for Punjab but also on behalf of other States facing similar difficulties but who may not have expressed it, he stressed that losses should be compensated for all such States.

6.41.8 The Hon'ble Member concluded by reiterating support for the broader GST framework and the spirit of cooperative federalism, while firmly requesting the Union to put in place a mechanism to compensate the continuing revenue losses of Punjab and other similarly affected States.

6.42 The Hon'ble Chairperson, in a lighter vein, stated that every State had been given the opportunity to speak in the Council. It is not correct to say that some States are speaking and some are not.

6.42.1 The Chairperson then recalled that in the matter of calculation of revenue, Punjab's officials had been reminded in 2019 that the State's own calculation of the base year revenue was inaccurate. At that time, the then Finance Minister of Punjab had repeatedly raised the issue in the Council, stating that Punjab was not

CHAIRMAN'S INITIALS

receiving its due share because of wrong calculations. After further examination, it was found that the oversight lay in calculations of the base year figures, which was later accepted by the State Government. The Chairperson emphasized that the GST Secretariat remained open-minded and after the error was corrected, the amounts were duly settled in one payment. She reiterated that the Council considers all States equally.

6.42.2 She further pointed out that former RBI Governor, Shri C. Rangarajan, had published an article after a detailed study, stating that all States benefitted following the introduction of GST in 2017. This, she clarified, was the conclusion of an independent expert based on GST data. She urged Members not to forget that GST had been implemented through extraordinary cooperation between the Centre and the States, and that it has benefitted everybody.

6.42.3 The Chairperson acknowledged that the COVID-19 pandemic had disrupted revenue flows for both the Centre and the States. At such times, measures such as loans had been taken to meet the needs of all stakeholders. She emphasized that when GST collections declined, the revenue loss was not confined to States alone, the Centre too experienced the same reduction. Since revenues were shared equally, the Centre's share was also reduced, with 41% of its portion being devolved further to the States.

6.42.4 In conclusion, the Hon'ble Chairperson stated that this was not a matter of Centre losing or States losing, but that all were equally affected. The Council must therefore approach the issue in a spirit of partnership, appreciating the difficulties faced on both sides. The Centre, she stressed, could not be excluded from the calculation, as it remained a partner in the GST framework. She then invited the Revenue Secretary to provide further clarification on the matter.

6.43 The Secretary stated that before all issues are finally addressed by the Chairperson of the Council who would respond to them at a higher level, he would provide input essentially to set right certain facts and the legal and constitutional positions. This would enable a better informed decision at the end of the exercise. He noted that three major aspects required clearer understanding, both in terms of facts and legal position. These included: first, what happened post-GST in comparison to the pre-GST regime; second, the matter of revenue loss, a terminology used by a few States; and third, the issue of compensation.

6.43.1 On the first issue, the Secretary referred to certain data points to highlight developments since the implementation of GST. He pointed out that gross tax collections under GST had doubled from ₹11.37 lakh crore in 2020–21 to₹22.08 lakh crore in 2024–25, reflecting a compound annual growth rate of 18.06 %, with

CHAIRMA
INITIAL

average monthly collections of ₹1.84 lakh crore, which constituted a record. In terms of buoyancy, he explained that the combined buoyancy of Centre and State revenues in the five years preceding GST was 0.99, whereas from 2019–20 to 2023–24, including the years of compensation, it had improved to 1.26.

6.43.2 Focusing specifically on State taxes that had been subsumed under GST, the Secretary observed that buoyancy from 2012–13 to 2016–17 had been only 0.71, whereas post-GST, from 2018–19 to 2024–25, it had risen to 1.23. Although buoyancy figures for individual States were available, he noted that it was not necessary to highlight them, however, it could be generally said that post-GST buoyancy was significantly higher, and definitely not lower, than in the pre-GST period. He further emphasized that growth in GST revenues over the past 3 years exceeded the average growth rate of subsumed State taxes in the 5 years preceding GST. Thus, he concluded, GST had a very significant positive fiscal impact, not only in terms of tax rates but also in terms of the manner in which the system was implemented.

6.43.3 Coming to the second issue of revenue impact or revenue loss, the Secretary sought the indulgence of the Council to explain the matter differently. He clarified that the current proposal was not a rate reduction exercise but rather a rationalisation of the GST rate structure. The core of the exercise was to move from a multi-rate tax system towards a more refined two-rate structure, namely 5% and 18%. He added that the proposal followed certain guiding principles, as detailed in the Union Government's submission to the Group of Ministers and circulated as part of the Council's agenda.

6.43.4 He outlined that items such as food, items used by common man, farmers, agricultural items, health-related items, labour-oriented sectors and certain other economic sectors which were necessary to drive the engines of growth had been treated with special consideration as part of a well calibrated exercise. For instance, job work related to employment-oriented sectors run by small units like printing, textiles, leather, and bricks had been fixed at 5% to enable sustainable business operations, whereas job work involving machines and chemicals, typically handled by larger industries, had been kept at 18%. Similarly, works contracts were taxed at 18% based on the sector's capacity to pay tax. In MSME inverted duty structures in the textile sector were addressed in a calibrated manner, with rate reductions targeted to benefit those who need it. Value chain of MMF where rate reduction has happened is to do with small units such as fabric dyeing and weaving enterprises, thereby benefiting about 44,000 units facing working capital challenges.

CHAIRMAN'S INITIALS

6.43.5 The Secretary emphasized that all sectors have not been discussed individually as the approach might give a semblance of preference or prejudice against any sector and hence avoided. Therefore, the proposals have been presented in a fashion which clearly brought out the thought process of GST rate rationalisation and then looking at certain principles to fit those rates inside. He referred to the presentation slides which demonstrated the distribution of the tax base across various slabs, noting that the two major slabs of 5% and 18% accounted for most of the tax base. The 18% slab also represented a significantly large tax base because that is the size of the economy which can pay that and run its affairs sustainably.

6.43.6 On the question of revenue implications, the Secretary submitted that this was not money being "given away." Rather, it remained within the economy. From the Government's perspective, it constituted a revenue implication, not a revenue loss from the economy's perspective. He stressed that the measures were designed to protect the interests of the poor, the common man, farmers, basic needs like health, and labour-oriented sectors. He reiterated that the objective was to maintain fiscal health collectively, as both Centre and States together determined the economic stability of the country.

6.43.7 The Secretary informed the Council that the net impact of the proposed rationalisation, coupled with rate adjustments from 28% to 40%, was estimated at ₹47,700 crore. To provide clarity, he explained that this estimate arose from applying the stated principles and fitting rates appropriately within the GST structure, ensuring that the reforms balanced revenue considerations with the broader goals of economic and social welfare.

6.43.8 He informed that under GST rate structure rationalization exercise the Union Government has tried to use these principles to apply specific rates to them and fit them at the appropriate place. Based on the data of consumption pattern and entire value chain for the period 2023-24, he informed, the items that moved from the 28% to the 40% tax bracket are projected to account for approximately **₹45,570 crore**. Furthermore, a broader rate rationalization initiative, aimed at correcting the tax structure and ensuring that the identified themes are delivered, is expected to lead to around **₹93,300 crore** of net negative. Taken together, these two figures result in about **₹ 47,700 crore** of net negative. He also informed that this year's returns are yet to be filed which can also be updated.

6.43.9 He stated that while specific revenue numbers were provided in response to request from Hon'ble Members, however these figures should not be viewed as

CHAIRMA
INITIAL

a definitive prediction of the final revenue outcome. He explained the reasons for the same. Firstly, tax collection is not static. There is buoyancy. As some States pointed out, when hotel rates go down we expect more tourism and so is the situation for many other sectors. We expect when people have more disposable income due to lower taxes, they tend to spend more and this increase in spending eventually generates additional tax revenue. He highlighted that somewhere in the initial years of GST when the effective tax rate was 15.5% the compliance in GSTR -3B filing used to be around 85-90% and when effective tax rate came down to around 12% the compliance improved to 97%, suggesting that lower tax rates leads to better compliance. There is also the issue of classification related disputes. He informed that total classification related disputes identified by the central formations were 424 out of which close to 230 pertain to only 2 sectors i.e., automobile and food where there is a variation of rates of 5%, 18% and 28%. The end result of classification which helps to simply compliance is that people become more honest in paying taxes. Classification disputes do not necessarily result in tax revenues; they result in delays. There is also a likelihood of something not getting into the radar of enforcement today. We might theoretically assume tax to be paid at the rate of 28% but it may not be happening. We expect that the rate rationalisation reforms will improve compliances, certainty of revenue flows, interaction with taxpayers and will enable them to focus on doing their business. The other thing that is expected to happen as a result of rate rationalisation is that consumer behavior will change. We are a very aspirational society comprising of our middle class and youth. This exercise will influence what the consumers consume and ultimately improve the quality of consumption. Another reason why the revenue implications presented before the Council Members are not to be seen as hard numbers as a result of this exercise is that the entire value chain needs to be evaluated. When the output rate comes down, and input rates not change correspondingly, the ITC may remain unutilized so there is a tax implication which might happen in a manner which is very difficult to mathematically model at the outset. So, he requested the Hon'ble Members that while these revenue numbers have been brought out for the sake of transparency, these should be viewed with a sense to understand the rationale behind the rate rationalisation exercise. This rationalisation exercise is going to be fiscally sustainable and in due course will yield positive results, as it had done in the past.

6.43.10 The Secretary brought out the legal perspective on the last issue that is pertaining to Compensation Cess. He highlighted that compensation was incorporated in the Constitution; the title of the Article reads as "Compensation to States for loss of revenue on account of introduction of Goods and Services Tax".

CHAIRMAN'S INITIALS

So, the purpose of compensation was very specific. It was meant to address loss of revenue on account of introduction of Goods and Services tax. The Constitution itself says that that the "Parliament shall by law on recommendations of the GST Council provide for compensation to States for loss of revenue arising on account of implementation of GST for a period of 5 years". This issue has been looked at previously when compensation aspects came into focus on account of COVID. At that time view of the Ld. AG was taken. His view was that no provision exists in Compensation Act for extending the period of 5 years for payment of compensation to the States. Even the Council in its 47th meeting in June, 2022 approved extension of levy of Compensation Cess beyond June, 2022 till entire shortfall was covered. It was a conscious call that Compensation Cess is only meant to cover up liabilities that have been created due to payment of compensation. He also stated that if we want tax incidence to not go up and want compensation as well, effectively we are asking for redistribution of tax revenue. So far compensation cess has been funded out of the fiscal space of Central Government and fiscal space of a few States which has been used to pay compensation to other States. After all when we are converting this into a regular GST structure, we are bringing it in line with fundamentals of GST which is a destination based tax. The Secretary brought out three scenarios based on available figures (i) Resource rich states collected significant amounts of cess but did not receive commensurate compensation as a substantial amount of what was collected was used to support other states (ii) States with large population collected substantial cess amount but received only half of it as compensation and (iii) In case of larger and more industrialised states it was broadly a neutral exercise. This tells us that it is an inherently inquitous arrangement and will create a distortion where we either increase the tax incidence or redistribute revenue from those States which is not in line with principles of GST. The compensation regime distorts the destination based principle under GST. Therefore, continuing the same, apart from being not currently feasible under the Constitution, as a principle is not desirable and merger of compensation levy with GST rates will restore the revenue base of every state. Fiscal spaces which were envisaged in the constitutional amendment will go back to the States and get allocated as per general principles under GST.

6.43.11 He emphasized that, as pointed out by the Hon'ble Chairperson, GST is a co-owned tax system where Government of India is as much a partner and gets revenue from here. Revenue implication will obviously be proportionately felt. This exercise may rather be looked at as reforms in GST system that will be beneficial

CHAIRMA
INITIAL

to the economy, taxpayers and to the governments on fiscal side too.

6.44 The Hon'ble Chairperson requested the Hon'ble members for comments on the Revenue Secretary's inputs.

6.45 The Hon'ble Member from Karnataka said that he has a substantial statement to make as a reaction as well as on the overall subject. He stated that lot of things have been said over the last couple of hours on post GST revenues, the fiscal implications of going forward with the proposal and revenue multiplication between 2021 and 2025. He said that a lot of talk has been on about how revenues have increased after GST. However as per Karnataka's experience, which may be true to other States also, in pre GST era the State of Karnataka used to get 3.6 % of their GSDP from the basket of supplies under GST as pre GST revenue. After 7-8 years what used to be 3.6% of GSDP has now come down to about 2.7-2.8% after introduction of GST. So for Karnataka after introduction of GST, revenues have gone down from the GST basket of supplies. He stated that he is focusing on tax revenues as a ratio of GSDP because GSDP is adjusted for COVID. If the Compound Annual Growth Rate (CAGR) numbers are taken, the unusual situation like COVID will not be factored in. In 5 years before introduction of GST, Karnataka's CAGR of revenue growth was 13%. If Karnataka's revenues had grown at the same CAGR subsequent to GST introduction, their revenues would be higher by ₹30,000 crores from present level. This being the situation, Karnataka is already in a constrained fiscal situation.

6.45.1 The Hon'ble Member from Karnataka stressed that he is not trying to blame anyone or anything for this. He is just giving facts and his analysis and it should not be treated as if he is looking to find fault; he is just explaining what has happened. He also stated that his intention is not to stall or defer any decision but he is only seeking a positive solution.

6.45.2 He stated that pre-GST the revenues at all India level were about 6.1% of GDP which has now come down to about 5.9% of GDP. He wanted an explanation as to how a net reduction in indirect taxes as a percentage of GDP can be considered a sign of buoyancy.

6.45.3 He also stated that every time we have taken rate rationalisation or rate cut the revenues have taken a hit. He referred to the statement made by Hon'ble Member from Kerala that when rate on 170 items was reduced Kerala's compensation went up from ₹2000 crores to ₹8000 crores. Compensation went up

CHAIRMAN'S INITIALS

because the revenues went down. So even if not the entire ₹6000 crores a sizeable part of it could be attributed to the rate cut. He further stated that based on some of the studies which have analysed post-GST revenue in 2024 and pre-GST revenue, it can be seen that the highest effect has been in case of Punjab with 1.6% difference between the pre-GST and post-GST revenue as a percentage of their GSDP. Second was Karnataka. Gujarat was also affected by 0.5% of their GSDP. Uttarakhand, Goa, Kerala are all in the range of 0.5%. In Madhya Pradesh, Odisha, Haryana, Himanchal Pradesh, Delhi, West Bengal also revenues have gone down as a percentage of their GSDP. When GST was initially conceived, Revenue Neutral Rate was assessed to be about 14.4%. We started from 14% and have gradually worked our way down to 11% and with this rate rationalisation it may come down to around 10%. These are all broad estimates with some minor corrections. Every time GST rates have been cut there has been a proportionate reduction in revenues even if absolute numbers may have gone up. The Revenue Secretary has shared that there may be about ₹47,000 crores of net loss but there are others who estimate it to be higher. In case of Karnataka the estimate is that it would be somewhere in the range of ₹15,000 crores per year. If other States also lose revenue similarly the estimate would be somewhere around ₹1-1.5 lakh crores. Taking Karnataka's calculation as a basis and extrapolating it to the country, it is seen that most of the States may lose or have a revenue setback of 15 -20% of their present GST revenue. States depend on GST revenue to the tune of 50% of their own tax revenues. The Centre's reliance on GST revenue is 28% and 72% of their revenue comes for other sources. Centre may say that States have leverage to mobilise resources from various other sources. But the Centre also has leverage, in fact a greater leverage, because 72% of its revenue come from multiple other sources whereas States get only 50% from other sources. The reliance of States on GST revenue is very high and by far it is the largest source of revenue to run the government.

6.45.4 He agreed that the so called loss may be for the short term. He also accepted the reasoning for the same but stressed that the reality also has to be seen. Going with argument that it is only a short-term correction, remedial measures may be required in the short term. If the revenues improve and there is buoyancy then the scenario would be accepted and he would be happy to be proven wrong. He requested there should be some adjustment mechanism in the short term and in the long-term States can come out of this situation. He quoted similar observations made by Hon'ble Member from Jammu & Kashmir that as the rate rationalisation proposal will have a major implication on the revenue collection of the States and UTs, Compensation Cess needs to be replaced by any

CHAIRMAN'S INITIALS

additional/special levy or any other alternate mechanism to stabilise the fiscal position of the States and UTs. He also agreed with the point made by Hon'ble Chief Minister of Haryana that with the proposed abolition of cesses it is important that the GST Council, Union Finance Ministry and State governments work together to build consensus and evolve a permanent solution to safeguard the fiscal stability of States while continuing to serve the larger national interest. He stressed that this is what Karnataka is also asking for. Similar points were also made by Hon'ble Member from Uttarakhand that some revenue protection should be provided. Hon'ble Chief Minister from Puduchuerry also pointed out that there is likely to be some loss to the State government and some adjustment or mechanism should be there to protect the loss. So all Karnataka is suggesting is that some mechanism may be worked out to protect the revenues. He stated that he does not disagree that the Central Government also gets affected by these decisions but in its wisdom the central government is also welcome to find ways to address these concerns. He stated that he represents a State government and is doing the job of presenting the view of his State. He added that the interest of the State is paramount, as is the interest of the Centre. All need to work together and do well. Only when both the Union and States are doing well will the country do well. He accepted that the Centre also faces many challenges even if they are not mentioned.

6.45.5 The Hon'ble Member further stated that he is seeking fiscal stability for the States because Constitution assigns majority of developmental and welfare responsibilities on the State governments. However, majority of sources of revenues are with Centre. Undoubtedly both are serving the people but if States are in a fiscally healthy situation they are in better position to deliver development and also welfare of the people as they are at the cutting edge. State Government has invested enormously in physical infrastructure development and also in human capacity building. If the State's fiscal health is destabilized it will lead to problems in the State's developmental activities and also social and human developmental activities. This would lead to not only a sub optimal and negative outcome for the States but since India is a Union of States ultimately entire country will also be negatively affected. He stressed that it is in the interest of Union that States do well and for States to discharge their constitutionally mandated responsibilities they must be in strong fiscal health. Today the situation is not so after 7-8 years. He again stressed that without blaming anyone or anything he is just stating the situation as it is. The intention of stating the situation is only to find a solution and way forward.

CHAIRMAN'S INITIALS

6.45.6 The Hon'ble Member stated that he had his own views on the legal points regarding continuation of Cess, but will not dwell on them at the moment. He suggested that, as proposed by some States, an additional levy be introduced which will replace the compensation cess above the 40% rate and that levy be devolved back to States during this transition period. The resources that an additional levy will fetch to the States will help them overcome the fiscal shock arising out of this rate rationalisation process. He also stated that this is not their proposal alone, in fact this proposal was placed by the Union Government's Secretariat in November-December, 2024 before the GoM meeting for consideration. He quoted from the proposal:- Option 1 (i) Merge the composition levy into CGST SGST and IGST Acts as an additional levy (ii) Introduce an additional levy of CGST, SGST, IGST respectively in Section 9 of the GST Acts (iii) Share the additional levy between States and Centre in the ratio of 50:50 (iv) a separate schedule can be inserted with the items being subject to additional levy (v) The upper limit of tax provided in section 9(1) will not apply to such additional levy. This proposal was then agreed to by the State of Karnataka. Their only request back then was that instead of sharing the additional levy in 50:50 ratio, the entire levy should be devolved to the States as they are in a very fiscally constrained position. He stated that today also they are seeking the same thing – introduce an additional levy and under section 9(1) create a provision to exempt these scheduled rates from the higher tax rate and devolve these revenues back to the States. In regard to the point that there is an inequity in collection and distribution of cess, he noted that the entire GST has been iniquitous to some extent as some States have had net losses. He further stated that they are not saying that the current model of cess collection should be continued. They are proposing that the additional levy be collected on the GST principle of consumption only so that inequity built into compensation mechanism is addressed and States get their due share based on the core GST principle of consumption.

6.45.7 He further stated that in case the rate rationalisation exercise delivers the buoyancy being expected and revenues do not get disrupted there would be no need of the devolution mechanism and we can move on to some other mechanism like 50:50 sharing of revenues. He stated that this is being sought as a fall back option and as a safety net. He observed that as people responsible for taking fiscal decisions we should be optimistic but at the same time also be cautious. A safety mechanism be created so that if there is any shock or loss it can be made good and State government does not suffer any instability in their fiscal structure because if that happens then the fiscal autonomy of the State itself becomes a challenging issue. In the true spirit of cooperative federalism, the concerns of

CHAIRMAN INITIALS

States should be heard and deliberated upon by the Council. The Council is there to evolve a consensus and take a decision that ultimately benefits the people and at the same time also takes care of the concerns of the States. He stated that his earlier point about additional levy is in the context of the note circulated by Government of India which makes it clear that whatever goods and services are there in the sin and luxury category, the incidence of taxation on them will be maintained at the current rate. So moving that point further, their proposal is that the space above 40% be absorbed into an additional levy and be used to safeguard the revenue interest of the States. He emphasized that they are not seeking an increase in tax rates per se. He also stated that the State is here for a decision and does not oppose the proposal placed. Though there are points to be argued, he would not argue those here because there are larger questions at stake and given the gravitas of the situation minor issues could be set side and discussed another time. Given the momentous occasion he urged that this is a small give and take in the larger interest of cooperative federalism so that everyone can happily agree on a decision. He averred that there was nothing political about it. Just because a few States are voicing it, the concerns should not be dismissed. This would not be in the spirit of cooperative federalism. He also emphasized that ultimately the benefit of these decisions should be actually passed on to the people; in the past that has not been the experience. He further stated that he would not like to go into details at the moment but will substantiate with illustrative cases at a later stage if necessary. It is very important that these do not lead to windfall gains for some companies and are not actually passed on. He stressed that his main point is that the proposal formally placed before the Council which has also been circulated by the Secretariat to all Members be accepted and concerns of the States be equally addressed.

6.45.8 In regard to the point made by the Hon'ble Member, the Secretary informed that what was presented before the GoM in the December, 2024 was a compilation of all the views expressed by the States. The Union as such had not given any preference for any particular or any of the approaches therein.

6.46 The Hon'ble Member from Jharkhand stated that he would like to assure that he would never give the Council meetings a political color. But there are certain things which are true and need to be stated in response to the statements made by the Revenue Secretary. He stated that Jharkhand is not opposing the rate rationalisation proposal in anyway. The proposal presented shows that certain goods at 12% rate are being taken to 5% and 0%. This is good. However, when we say that GST rates are being rationalised in 2025, does it mean that the concept

CHAIRMAN'S INITIALS

Shipra

of GST which was introduced in 2017 was not rational? Secondly, the condition of Jharkhand is very different and a large part of its revenue goes into controlling extremism. He brought out that it has been 25 years since State of Jharkhand was formed, however they still do not have proper irrigation facilities. GST rate rationalisation/reduction on items like milk, bread, paratha etc., will not benefit people of Jharkhand as the State is very different from the rest of the country. Per day per capita consumption of milk in Jharkhand is only 150 grams as compared to a much higher national average. The State has to get fish from outside. The people still consume mahua and wild tubers. Tribal women suffer from anemia. He stated that Jharkhand has assessed that they would incur a loss of ₹2000 Crore in automobile and cement sector alone on account of rate rationalisation. The Central Government can send a team of officers for analyzing the actual ground situation in Jharkhand and for verifying whether or not the State is incurring revenue losses. He emphasized that at the time of inception of GST in 2017, it was decided that States would be compensated from 5 years. This was done after considering that the manufacturing States would incur revenue losses. Now the Central Government needs to review the fiscal health of the States which received compensation – whether their condition has improved or deteriorated. If this assessment is not done at the level of Centre and the States continue to incur losses it would be an injustice towards the States. He proposed that a team of officers from Centre may jointly work with revenue officers from Jharkhand and verify the same. If there is revenue loss, it should be compensated and if there is no loss then Jharkhand will strive to mobilise internal sources of revenue.

6.47 The Hon'ble Member from Kerala stated that the details given by the Revenue Secretary about the expectation of the growth seem logical but the past experience has not been like that. At the time of introduction of GST also it was expected that the revenue of the States would increase however in the case of Kerala the revenues have dipped. If GST was not there, they would have received ₹51,000 Crores last year. As per the protection, the State would have earned ₹54,000 crores last year but they received only ₹32,563 crores. So, there is a reduction of about ₹22,000 crores in respect of Kerala alone. If we look at the State's GSDP in 2015-16, the State was receiving around 3% of GSDP which has now it has come down of 2.69%. The Revenue Secretary has shared that four years back the total GST collection was ₹11.3 lakh crores and now it is ₹22 lakh crores, which is almost double. At that time Kerala was getting around ₹20,000 crores, if it was indeed double Kerala would have received at least ₹40,000 crores. This shows that the theoretically expected buoyancy is not happening in practice. Earlier when rates on 178 items were reduced and RNR went down from 14.5% to

CHAIRMAN'S INITIALS

11.5% immediately the revenue loss was ₹6000 crores per annum. Now also it is feared that such losses may happen. If the interests of the States are to be protected, which in turn will benefit the country as a whole, the issue of compensation levy or special levy needs to be resolved. If the Council decides to amend the provision related to Compensation Cess there should be no difficulty. AG / Legal opinion talked about the position when the Constitution was amended at the time of introduction of GST. This is a new situation and it can be done easily if accepted by the GST Council.

6.48 He noted that the Revenue Secretary has stated that the loss due to this exercise would be less than ₹40,000 crores in the first year. However as per Kerala's calculation on four items alone i.e., automobile, cement, electronics and insurance sector the State would lose around ₹2,500 crores per year. The total annual revenue loss will be more than ₹8,000 crores for Kerala. However, if there is optimism that revenue loss will only be ₹40,000 crores for the entire country then there should not be any problem if compensation levy is continued as the issue will be resolved within one year. So, a consensus is very important as this is an issue where States are apprehending problems. They are not pessimistic but they want to have a good fiscal condition in the country. This issue therefore needs to be discussed.

6.49 The Hon'ble Member from Chhattisgarh stated that concerns of revenue loss have been pointed out by many States. In case of insurance it is being said that there will be loss of approx. ₹10,000 crores. However, if any sector is seen in the economy from a broader perspective this would not be the situation. It is important that we should look at bright spots from where growth can come. In India, the insurance penetration density is quite low. If the CAGR growth rate is high, this can lead to insurance growth in other sectors thereby generating lot of revenue. MoRTH data says that 30 - 40% vehicles are un-insured. We should target such areas and ensure compliances resulting in revenue growth. Under general insurance there are various types like fire insurance, property insurance etc., which are also growing rapidly and the scenario may change. Such spots where opportunities are there may be captured. While calculating that revenue is not growing at a particular rate, the State administration should reflect on its own economic structure as well as compliance related issues. Ways to ensure better compliance may be explored. There are some producing States which have challenges still they are achieving growth rate of 15-18% because of better compliances under GST. Further, GST as a percentage of GSDP is not a direct mathematical indicator but a complex one. If GSDP is increasing then even if GST

CHAIRMAN'S INITIALS

Shipra

is also increasing the percentage may still be low. The States are saying that revenue has decreased but this revenue has been passed on to the customer which is a win-win situation for the overall economy and cannot be called a revenue loss. We should look at this complexity. Ultimately, as the economy matures from a developing to a developed one, the direct tax capacity increases continuously and pressure of indirect taxes needs to be eased. Indirect taxes burden the poor much more. To move from a developing to developed economy we need to reduce dependency on indirect taxes and explore the expanding direct tax capacity. The direct tax including personal income tax and corporate tax collection in 2017-18 was ₹10 lakh crores which increased to ₹22 lakh crore in 2024-2025. 41% of this is also devolved to the States. So when we talk about the State's own tax revenues, we should also talk about States' total revenue because States get 41% devolution from States. As a country we are moving from developing to developed economy so these broader perspectives need to be kept in mind. The journey of GST till now has been very smooth because of everyones' cooperation. Everyone's perspective is respected but we need to take a decision so that the economy and ultimately the common man is benefitted.

6.50 The Hon'ble Member from Tamil Nadu stated that as a collective responsibility to run the economy we also need to look at the macroeconomic situation. The present global situation being faced makes any reduction in public investment capex not desirable at this point of time. This is one engine which drives economic growth. Any loss at this time which hamper the capex investments will definitely be detrimental to the interest of States. States should have financial muscle at this point to give financial subvention to targeted sectors having large employments and which are facing trade threats due to this geo-political scenario now happening around the globe. He wanted to know that if effective rates on the sin goods are to remain same then what would be the mechanism which the Government of India is considering. In this regard he suggested that the present dispensation of Cess provision may be continued through constitutional amendment or the bound rate of 40% may be increased only for sin and luxury goods through GST amendment as suggested by some of the other States. He stated that the GST Council has a proud tradition of arriving at consensus for every decision. Therefore, the views/ opinions expressed by these States may be taken in the right spirit and a broader consensus be arrived at in this Council.

6.51 The Hon'ble Member from Meghalaya stated that after hearing everyone he would like to just sum up and give four points from his side as the concluding

CHAIRMAN INITIALS

remarks. He stated that he listened to the different points being raised by the States. There are lot of concerns at everyone's level. However, statistics and numbers are areas that we can present in the way we want so that it would strengthen our stand and arguments. Therefore, if we continue to discuss on numbers and figures we will not reach any conclusion. He said this is not undermine anybody and everyone's views are very important. He further stated that the other three points emerge out of the reply given by the Revenue Secretary. The first point is that a lot of people are still feeling that this a reduction in rate whereas this a rationalisation. If rates have gone down from 12% to 5% in some products it has also gone up from 12% to 18% in some. So we need to see the balance of all these things. A lot of rationalisation and simplification is taking place. The second point is regarding the compensation. This has largely been answered by the Revenue Secretary. The States have been requesting that there should be a special provision for the compensation to continue. The fact that the rate of 28% has been increased to 40%, this 12% increase is exactly what States have been demanding as compensation. Making it a part of the GST rate of 40% is ensuring that there is no loss to that State which actually ends up giving that GST. So the suggestion of the States to put additional compensation is already incorporated in the new rate of 40%. If we look at the number of 12% due to goods moving from 28% to 40%, we can all see that the compensation part has been added into the new rate of 40%. Most of the goods subject to compensation were at net 40% only. Now we are crystallising the 40% and removing the word compensation from it. The last point is that the overall impact of any policy decision needs to be looked at from the national perspective of economic impact it has on multiple aspects. So this rate reduction, rate rationalisation and savings that take place will somewhere or the other impact the economy and spending in the overall context. The attempt is to rationalise the rates by simplification and ensuing that basic products such as food, agriculture, health which affect common people are made available at much lower prices. This is a very important meeting and a very important message for the country. In fact, the whole country is waiting for the Council Members to come out of the meeting and share this good news which is going to impact the public at large. He stated that as mentioned by Hon'ble Member from Tamil Nadu, the Council has always had the tradition of coming up with consensus except in one case. This should be continued. He appealed to all Members that they should accept this proposal. There will as always be future meetings where matters may be taken up if things do not go as per expectation.

6.52 The Hon'ble Member from Uttar Pradesh stated that he wants to add a few more points after listening to view of the other Hon'ble Members. As everyone is

CHAIRMAN'S INITIALS

Shipra

aware the country is facing international challenges, which in itself is an issue that cannot be ignored. Therefore, he requested the Hon'ble members to think about the challenge being faced by the country. He further stated that as observed by Hon'ble Member from Tamil Nadu this Council has always been united and taken decisions with consensus in the last 8 years. Today also all Members have expressed their views, observations and feelings. However, whatever is going to be done is for the future. The entire country is looking forward to the outcomes of the meeting. Everyone has made up their minds that because all decisions in the Council are made with common consensus, this time also all the entire media and citizens are expecting that these changes to happen soon. He agreed with the views of the Hon'ble Member from Chhattisgarh on tapping sources for increasing the revenue. He strongly recommended that tax should not be reduced on sin goods. Pan Masala and brick kilns should be covered under capacity based scheme to increase the revenue. It is an undisputed truth that whenever tax rates have gone down the collections have gone up. How it will go up and by how much may have a difference of opinion. However, as per past experience, the Hon'ble Prime Minister has not left any sector or region neglected. He is so compassionate that interest free loans have been given to States for 50 years without anyone even asking. It was done only on the initiative of the Hon'ble Prime Minister. He thanked the Hon'ble Chairperson that the commitment of 5 years vide compensation mechanism is successfully going to get completed in another 2 months. The Hon'ble Prime Minister's compassion and behavior is also evidenced by the fact that assistance was given to Afghanistan, without them asking after the earthquake. He would not leave any loss of the Centre or the State go unattended or ignored. He requested that decision should be taken on common consensus. Situations will be addressed collectively and no one will be left behind.

6.53 The Hon'ble Member from Andhra Pradesh stated that there has been a detailed discussion since morning and almost all States have expressed their views. He stated that the Hon'ble Chairperson has also been kind enough to let all the States intervene even more than once. He stated that States have expressed their concerns and issues regarding revenues. The Secretary explained in detailed as to what has been the experience in the last 5-6 years and how the revenues have improved. Each State has different thought processes on various issues. But this is one item, as pointed out by Hon'ble Member from Uttar Pradesh and Hon'ble Member from Tamil Nadu, where the whole nation is waiting outside with the foregone conclusion that the prices are coming down and there is a rate rationalisation that is happening. People have been postponing their purchases. It is time that a clear signal be sent to the nation that the Council is united when it

CHAIRMA
INITIAL

Shipra

comes to the nation. It has been a practice under GST that decisions are taken on consensus. He stated that there are no major differences, almost all the States have agreed to the proposal on rate rationalisation. Few states have some contention regarding impact on their revenue. Since all have agreed on the rate rationalisation it is time to move forward and send clear signal to the nation that the Council is one and is together in building the great nation again. He appealed to everyone to follow the same tradition and agree with consensus on this proposal.

6.54 The Hon'ble Chairperson then placed her observations before the Council. She stated that it is important and agreed by all that we are talking about a major step forward in reforming the indirect tax framework. On this there is no disagreement. She stated that many States like Tamil Nadu, Uttar Pradesh, Meghalaya, Mizoram, Karnataka and many others have agreed that we should rise to the occasion now as there is an expectation outside. People of the country are looking for a change in tax rates which would influence their purchasing in the coming months and later too. She observed that from the general sense of the house no one is opposed to the rate rationalisation. The worry is about what happens if in case the revenue comes down and whether it is for a short term or medium term. She stated that she would not be wrong to assume that on rate rationalisation per se there is not much of a worry. Most States see it as people friendly and a timely requirement for reducing tax burden on people particularly because the objective with which this proposal has been brought forward, as explained by the Revenue Secretary. She stated that the objective is to remove the burden from the common man for daily use items while also looking at the middle class for its aspirations. They now want to buy certain things which were earlier only a matter of dreams. She stated that some members voiced concerns as to why should rates be cut on refrigerators, TV screens, cement etc. She informed that extensive consultations have been done with stakeholders. Products like refrigerators, large screen TVs, ACs, washing machines and even dishwashers are no longer considered luxury. Middle class wants these. MSMEs want materials to be available and ITC not to be so complicated that they have to wait for refunds while their money is locked up. Even farmers have suffered burden of GST because many times it has been held that GST rate on dual use items cannot be changed. This rate rationalisation proposal will benefit the poor by reducing tax burden on daily use items, the middle class which is looking to meet their aspirations, the MSMEs by ironing out the inversion which is causing ITC complexities and most importantly farmers will directly benefit from this rate reduction. She stated that many members have very well observed that the larger economy today wants a lot more ease, that is why the systems reforms, removal of

CHAIRMAN'S INITIALS

Shipra

classification confusion are all being brought in. She stated that she was glad the Hon'ble Chief Minister of Meghalaya has appreciated the point made by the Revenue Secretary that it is not cutting down on rates but more about bringing a rationalisation in this large scheme, which was introduced in 2017 and which is based on lessons learnt during the last 8 years. She also agreed with the States that this matter does not involve politics. She stated that as pointed out in an earlier Council meeting, when we are talking about revenue and revenue generation, politics does not arise as any government run by any party wants revenue. There is no dispute in this. Everyone wants revenue to increase. A time has come when the people of the country are feeling that tax rates can come down. She stated that the concept of Revenue Neutrality has been a powerful tool based on which we can say to the people that under GST rates have really come down from pre-GST. In response to the concerns of States that their revenue pre-GST vis-a vis post-GST has fallen down, the Hon'ble Chairperson referred to an article by Shri C. Rangarajan, former RBI Governor, wherein he has elaborated that GST has actually done good in raising revenues for both the Centre and the States.

6.54.1 She stated that it was very hurtful to hear from some of the States that their revenue are being destabilized. She asserted that revenues are not being destabilized. The intention is only to simply the tax system and tell the people as to what exactly the government is doing for them. She stated that concerns about loss of revenue is not only of few States but for all the States as well as the Centre. She said that all have to work on improving the revenue. She posed the question as to what is more important the revenue loss of the Centre and the States or the tax burden on the people. She appreciated the Hon'ble Member from Karnataka for passionately voicing this 'Dharma Sankata' wherein we want that revenue should not come down to be balanced with the people having the advantage of a rate reduction. She stated that going back to economic theory, when rates come down the Laffer curve principle works. People make more purchases thereby expanding the tax base. The same person coming with ₹100 to buy a thing today will be able to buy at least 1.5 if not 2 of the same item. She stated that the conundrum i.e., revenue loss of Centre and States vs the tax burden on the common people is being discussed continuously without an answer or solution. She emphasized that we have to move one step forward and later look at how to correct it or move two steps forward and see how best we can go forward with it. She stated that this conundrum is being rightly discussed here because both the Centre and the States are equally responsible for raising revenue kitty of the State.

She asserted that observations like we are destabilizing the States should be completely avoided as we all are from the States. She posed the question as to

CHAIRMA
INITIALS

whether we should burden our citizens with more and more taxes just because we do not want to destabilize revenues. The same thing can be said for the compensation cess. Even from 2017, when it was levied, compensation money came from the people on whom tax was levied and redistributed. Compensation Cess is also a tax on people. She reiterated that the proposal of the Union government is more to simplify the process, rationalize the rates and remove double taxation which is the essential principle of GST.

6.54.2 The Hon'ble Chairperson while appreciating the Hon'ble Member from West Bengal for her work as the Finance Minister of the State and with all due respect to her, disagreed with her statement that elimination of the fiscal space of the State will happen. The Hon'ble Chairperson stated that the Union is not trying to eliminate the fiscal space of States but is focused on reducing the tax burden of our own people and hope to generate legitimate revenue from increased spending by the people. She appreciated the observation of the Hon'ble Member from West Bengal welcoming the change of rates on insurance despite her stated loss of ₹900 crore. There are several States which have said such things. She equally appreciated another observation from the Hon'ble Member from West Bengal that States have a very big role in collection of GST. There is no doubt about it. She applauded the brilliant work of State officers and their efforts in collection of GST without whom the increase in GST would not have been possible. This increase in GST from 2021 till today touching ₹2 lakh crores per month could not have been imagined without the role of State officers who ensure that there are no loop holes or leakages.

6.54.3 The Hon'ble Chairperson recalled a point made by the Hon'ble Member from Tamil Nadu that India being a fast growing economy will generate more revenue and more distribution of resources on the ground. Reduction of poverty has become one of the biggest achievements because of the emphasis given to capital expenditure. She stated that capital expenditure is still the priority of the Government of India. The facility of 50 years interest free loan for capital expenditure (SASCI), as mentioned by the Hon'ble Chief Minister of Goa, to all States will be continued. The Union Government was committed to it even when no Finance Commission advised for it.

6.54.4 She recalled what the Hon'ble Member from Mizoram had said in their conversation earlier where Hon'ble Member of Meghalaya had also made a very relevant point. We need to send a message to the people outside that we understand that it is important at this stage to reduce the tax burden on the people.

CHAIRMAN'S INITIALS

6.54.5 She stated that as recognized by the Hon'ble Member from Tamil Nadu, 99.9% of the times this Council has gone ahead with consensus. She humbly appealed that the Council rise to the occasion and meet the expectation of the people. She said that she is grateful that everyone accepted that they cannot disagree with this proposal and appreciated the fact that tax reduction would do a lot of good for the people. She again appealed that Council may accept the proposal together and send a message to the people of India that their concerns have been heard and they can now welcome the upcoming festivals with reduced taxes on items used on regular day to day basis.

6.54.6 She said that she has heard all the concerns and is not ignoring them. There are times when the Revenue Secretary reminds her that GST Council would have to do its GST related functions. She also stated that on several occasions Ministers from States meet her in a group during pre-budget consultations on Centre-State relation and on Centre-State fiscal matters. There are several occasions where matters can be discussed. But issues beyond the realm of GST may not be possibly addressed here; GST realm clearly deals with taxation related matters. With all concerns voiced and heard, the larger issues of concern will have to be discussed at an appropriate place. She stated that the entire day has been spent on a very meaningful and well-grounded discussion which has brought in different dimensions but we need to rise to the occasion now. She thanked the house for a patient hearing.

6.55 The Hon'ble Member from Karnataka stated that they had proposed in the GoM that the incidence of taxation on aerated beverages and tobacco particularly smoking tobacco should increase. This was also recommended by the GoM in its report but it is nowhere reflected in the decision making. He emphasized that he fails to understand that even though the proposal given by him to GoM was discussed and deliberated at length after considering divergent views within GoM, the GoM unanimously recommended it but the same is nowhere reflected in the proposal of Union. He wanted to know the view of the Secretariat on the recommendation of GoM which still stands, not amended but also not included in the decision making.

6.56 The Secretary clarified that there are two parts of the recommendation. One is that tax incidence under GST should remain the same. GST law today has a certain legal framework which states that the maximum rate of tax that can be put on any commodity is 40%.He stated that while some work has been done on how

CHAIRMA
INITIAL

to ensure that this tax incidence remains where it is, this is something which requires further deliberations after the GST Council takes a decision on what is the tax that is going to be levied on these commodities under GST wherein the maximum rate permissible is 40%.

6.57 The Hon'ble Member from Karnataka said that for items like pan masala which are not even in central excise list, this decision would actually lead to rate of pan masala dropping from somewhere around 88% to 40% because there is no other space to absorb that difference as per the prevailing law.

6.58 The Secretary replied that since Union has in its proposal committed that tax incidence on these sin goods will remain the same, the Union holds on to that commitment. He only requested that GST council should decide what is to be applied under the GST on those items. What has been formally committed in writing in the proposal will be implemented. He further said that the GST Council may take a decision on what is maximum feasible rate under GST which is 40%.

6.59 The Hon'ble Member of Karnataka requested that a schedule of rates be created under section 9(1) of GST Act which are exempt from the highest rate. The creation would be just a one-line amendment in the act which has got nothing to do with the Constitution. It will give space to address the concern of States such as the one he has raised. He stated that members are here to constructively work in the interest of the people and all that is being asked is for additional levy to be provisioned and this additional levy be devolved back to the States. He mentioned that they are not seeking to increase the rate except for the cigarettes and aerated beverages both being unhealthy. Therefore, he appealed to the whole Council to convert the current tax slab above 40% into an additional levy and give it back to the States where it is levied. He stated that the proposed change is a minor ask that they are placing before the Council and is a give and take in the larger interest of consensus. While he was rising to the occasion, he stated, that if the proposed changes are not deliberated upon, it would mean that some of States would be left with a lingering thought in their mind that their concerns were heard and dispensed with. Creating provision for an additional levy will relieve the members of their "Dharma Sankata". He further said that the situation is not impossible, but a win-win solution for both Union and States and the least that the Council can do is deliberate on it. He suggested that the matter be deliberated and then a decision be taken rather than discarding it all together. He also pointed out that if the space of sin and luxury goods is absorbed by the Union Government, the States will be left out of it. It will be unfair. There is also no sharing in this particular space and

CHAIRMAN'S INITIALS

therefore it goes out of purview of the GST Council and hence States will not be able to discuss it. This current decision would lead to net increase for the Union revenue and net negative outcome for the States. He sought a discussion on his proposal. He appealed to the council to address the concerns in a meaningful way, while reiterating that he is in favour of consensus.

6.60 The Hon'ble from West Bengal sought clarification from the Revenue Secretary as to how tax incidence of all the items being talked about will remain same, if rate of levy is 40% for the goods which are now paying much more. Some are paying 53% or 62% at present and as per proposal we cannot go beyond 40%.

6.61 The Hon'ble Member from Karnataka said that he is not seeking reintroduction of Compensation Cess in another form as it was said, perhaps outside this forum, that it is dis-incentivising tax effort. He said that he is not for any sort of absolute protection, he feels that additional levy will be directly working on the principle of GST and of consumption and it will reward tax effort.

6.62 The Hon'ble Chairperson stated that every aspect and every agenda had been discussed thoroughly and all matters have been deliberated. She averred that views of States have never been bypassed in the history of the GST council. She remarked that if any member says that no discussion happened or that their proposal has been discarded, it is not correct. In the Council meetings, no points of view have been ignored. She said that she is willing to sit for another day if required as another day is available for the Council meeting. She reiterated that fiscal space of the States is not being constricted. The rate rationalization exercise is meant to benefit our own people and should be viewed accordingly by all, rather than from the perspective of revenue alone. The Union is also concerned about its revenue. It has to meet full obligations of defence expenditure. She reminded that Union Government had met the complete expenditure for Covid vaccination. Income tax rebates was given up to ₹12 lakhs even when people were expecting it to be only upto Rs. ₹10 lakhs. The 50-year-loan for capital expenditure (SASCI) was given at the instance of Hon'ble Prime Minister even when no Finance Commission recommended it. There is a point at which one must not think only about revenue considerations. Even with such challenges, the Union does not seek any revenues from States tax items such as alcohol, petrol etc. She requested the Hon'ble Members to let her know if they wanted another day's discussion.

6.63 The Hon'ble Member from Chhattisgarh stated that every agenda has been

CHAIRMAN INITIALS

finalized based on consensus till now. However, if there is disagreement and consensus cannot been reached the matter may be decided based on voting. He again supported the rate rationalisation proposal and appealed to all the members to do the same.

6.64 The Hon'ble Member from Gujarat supported the rate rationalisation proposal and said that the reduction in rates is for people of India and therefore consensus on Union proposal be made.

6.65 The Hon'ble Member from Goa supported the rate rationalisation proposal and said that it is for promoting ease of doing business and ease of living. It will increase the happiness index of the people of the Country.

6.66 The Hon'ble Member from Haryana supported the rate rationalisation proposal stating that reduction of tax rates is for the common people and proposals will benefit the farmers.

6.67 The Hon'ble Member from Uttar Pradesh supported the rate rationalisation proposal stating that it is in the larger interest of the people.

6.68 The Hon'ble Member from Kerala stated if the proposal is to keep the tax incidence same (for items presently above 40% overall), which was already under Compensation Cess, there is nothing wrong in collecting it for compensating the States for the revenue decline. That is the only issue and there is no other argument.

6.69 The Hon'ble Member from Meghalaya stated that things are to be seen from broader perspective and not from only financial perspective and GST, as the Government is supporting States through different modes. He seconded the suggestion of the Hon'ble Member from Chhattisgarh that if consensus is not built then agendas may be decided through voting. Extending the discussion was not recommended.

6.70 The Hon'ble Member from Maharashtra stated that not only States, but Union is also foregoing revenue for the larger interest of public. When it is about larger interest of public, the Council could unanimously agree to the proposal of the Union and Maharashtra strongly supports the proposal.

HAIRMAN'S INITIALS

6.71 The Hon'ble Member from Arunachal Pradesh agreed to the proposal of the

Union as it is in the interest of the common man. He also stated that he did not wish to extend the discussion further to the next day.

6.72 The Hon'ble Member from West Bengal stated that she felt hurt of being projected as not being pro-common man. It is not that they are only concerned with their revenue. They have only pointed out the problems that will be faced by States and also that sin goods are not really for common man. No State has said that they are not with the Centre. West Bengal was the first to speak in favour of exemption on health and life insurance, which is being cleared now after being deferred.

6.73 The Hon'ble Member from Karnataka clarified that they are not opposing rate rationalisation proposal in any form or in any way. Secondly, they are not asking for any additional levy also. Nor are they asking for State's protection by any additional levy of any form. He clarified that the stability and assurance they are seeking is not by burdening people but is within the rate structure only. He stated that they just want an additional levy for rates above 40% which may be given back to the States for the time being. He further stated that they have suggested five years for achieving stability and in case the Council in its wisdom decides to review this time period, it may do so. He felt that it can be done. He stated that post GST rationalization, revenues will be go down by ₹25000-30000 crores and there will be negative revenue implication of ₹15000 crores. It would be difficult to run State Government with financial stability given this background. The matter was taken by the State to the Finance Commission wherein it was informed that these matters are to be discussed in the GST Council.

6.73.1 The Hon'ble Member from Karnataka further observed that if such concerns are not addressed by GST Council adequately then where else these concerns are to be taken? He also reiterated that, how tax incidence of 40% on pan masala shall be maintained, has still not being answered. Given that it is not within Central excise, he recalled that when the previous CM of Karnataka was presiding over GoM on rate rationalization, there was a suggestion that Compensation Cess could be replaced by Central Excise. In the spirit of consensus, the Centre has chosen not to do so. He requested that the spirit of consensus be maintained. He requested that the Council may deliberate on the proposal considering their suggestion and appropriate decision be taken.

6.74 The Hon'ble Member from Kerala suggested that perhaps the meeting can continue next day and a consensus be reached. The only issue is that of revenue from taxes above 40%.

CHAIRMAN'S INITIALS

6.75 The Hon'ble Chairperson stated that observation of the Hon'ble Member from Karnataka that imposing additional levy will not have any fiscal implication is not right. She informed that by imposing additional levy people are going to bear the burden of additional tax, however, Union with its proposal has tried to give a clean and simple solution.

6.76 The Hon'ble Member from Andhra Pradesh stated that there is unanimity of the Council as far as rate rationalisation is concerned. Further discussing the matter for another day would not result in any additional outcome. He suggested moving ahead with the proposal.

6.77 The Hon'ble Member from Chhattisgarh felt that no additional point or argument will be there the next day. If on some point consensus cannot be built, the decision may be made through voting.

6.78 The Hon'ble Member from Gujarat felt that the decision should not be delayed.

6.79 The Hon'ble Members from Meghalaya, Delhi, Puducherry, Sikkim, Rajasthan and Bihar accepted the proposal and requested for moving ahead with the current proposal only. The Chairperson requested the members to let know if they wanted voting as suggested by some members.

6.80 The Hon'ble Members from Goa and Uttar Pradesh appealed to the members for accepting the Union Proposal on rate rationalization by consensus in the traditions of the Council.

6.81 The Hon'ble Chairperson appealed to the members of Council that a positive message should be sent out to public that keeping the concerns of common people on priority, the Council has unanimously agreed to the proposal for reducing the tax burden of the people.

6.82 The Hon'ble Member from Mizoram suggested that the additional agenda proposed by the Hon'ble Members from Karnataka and Kerala could be examined and deliberated by the Group of Ministers later and the GST Council, for the moment, may arrive at a consensus on the Union Proposal.

6.83 The Hon'ble Member from Karnataka stated that he was in for consensus

CHAIRMAN'S INITIALS

and in the spirit of give and take, he was agreeable to every point of the proposal of the Union Government on rate reforms, but his only request was for an assurance in return. He was not proposing any increase in the present rate of taxation but within the prevailing rates of revenue itself, the inclusion of this small assurance would result in a win-win situation for everyone.

6.84 The Hon'ble Chairperson enquired as to how many Council Members are not in favor of sitting the next day for discussion. While many members responded by show of hands, the Hon'ble Member from Uttar Pradesh replied that there was no use of sitting the next day. Hon'ble Chairperson then enquired as to what is the position that the Council Members would like to arrive at.

6.85 The Hon'ble Member from Gujarat suggested that the GST rate rationalization proposal and other proposal may be accepted as it is with consensus by the GST Council and issues on which some of the States have difference of opinion can be taken as a separate agenda for discussion at a later stage. The celebrations of upcoming festivals like Diwali should be improved for the common people.

6.86 The Hon'ble Chairperson stated that if there is a deadlock in the Council regarding the proposal of Union on GST rate rationalization, the only option left is to go for voting. She enquired if the proposal should be taken up for vote by the Council Members.

6.87 The Hon'ble Member from Himachal Pradesh stated that as far as proposal for GST rate rationalization was concerned, there was no difference of opinion as all the Members were aligned with the proposal. Therefore, the same should be passed unanimously. But he requested the Chairperson to consider the proposal moved by the Hon'ble Member from Mizoram to create a Group of Ministers as a forum to deliberate on the issue of compensation or additional levy.

6.88 The Hon'ble Member from Jharkhand accepted the proposal of the Union on rate rationalization in the interest of consensus in the traditions of the Council.

6.89 The Hon'ble Member from Kerala reiterated that they agree with the union proposal on rate rationalization. He was concerned about the compensation issue and special rate on paper lottery which concerns only Kerala and Bengal.

6.90 The Hon'ble Chairperson stated that revenue of State is anyway increasing

CHAIRMAN'S INITIALS

by way of imposing higher rate of tax on paper lottery from 28% to 40% and States are free to use the way it wants. The Hon'ble Chairperson then placed the resolution "GST Council resolved to support the rate rationalization" for consideration of the house. She sought the support of all: This was supported by show of hands by Hon'ble Members.

6.91 The Hon'ble Member from Karnataka supported the rate rationalization proposal of the Union. However, he reiterated his disagreement on not provisioning for the additional levy proposed by them. By doing so, he submitted, he was representing the voice of his people to the best of his ability.

6.92 The Hon'ble Chairperson then informed the house that there are certain actionable steps after the rate Rationalization proposal got cleared which the Revenue Secretary would be presenting for taking instructions from the Council.

6.93 The Secretary expressed his gratitude to the Council for giving a clear direction to work forward on this issue. Naturally once the decision is taken it needs to be implemented which requires certain steps starting with notification of the rates. Systems and businesses need to be ready, for which some reasonable time needs to be given. At the same time the general expectation, as expressed by everyone, is that the decision should get implemented early especially because of the upcoming festival season and the fact that people and businesses are eagerly waiting for the decision. As discussed earlier, during presentation of the GoM on Compensation Cess, based on calculations the total amount of repayment requirement on account of compensation levy will get discharged by the end of October, 2025 considering the current rate at which compensation cess is being received. It was considered that these two decisions could be synchronised. But because of the upcoming festival season and the importance of this decision for the economy of the country, a revised date has been worked out which is, 22nd September, 2025. This being the first day of Navratri, the start of a holy period, when economic activities get a boost, it will give enough time for business, trade and consumers to take effective actions to buy and sell things. So the suggestion is to implement the decision from 22nd September, 2025 which would require simultaneous issuance of notification by Centre and the States. He requested the Hon'ble members and officers present in the meeting to cooperate and see to it that the process is expedited so that the decisions can get implemented by 22nd September, 2025. GSTN will be doing the background work and they are confident that they will be able to address it. This period will also need to be used to

CHAIRMAN'S INITIALS

encourage the industry to prepare their own ERPs etc. to incorporate these changes. Chairman and Members of CBIC will be engaging with all big industries, federations etc. to ensure that it happens.

6.93.1 He further stated that many Hon'ble Members have expressed concerns over revenue implication of the proposal. Implementing the decisions from 22nd September, 2025 will address the concerns of revenue implication as we will be able to catch the cycle of consumption and will be in full position to make fiscal use of this space too. The problem of advancement of the date of implementation would be that the amount of compensation cess that would have otherwise been collected would not be collected in totality. As everyone is aware the compensation cess as of now is getting used to repay loan and interest. The repayment has to be done because it is an obligation. So the suggestion is that if advancement of date is done, the collections will roughly be around ₹12,000-13,000 crores a month from the compensation cess which will be used to repay the loan. But advancing the date by around 40 days, earlier target being 31stOctober, 2025, will imply an additional burden of close to around ₹17,000 crores. This ₹17,000 crores will have to be repaid and therefore, the proposal is that while the decision for revised rate for all the items will be taken together, the implementation will be slightly staggered to take care of this repayment requirement. The changes in GST rate on services will be implemented in totality from 22nd September, 2025. The changes in GST rates for all goods will be implemented from 22nd September, 2025 except on pan masala, gutka, cigarettes, chewing tobacco and products like zarda, un-manufactured tobacco and bidi. During this period these products will continue to attract the current rate of GST and compensation cess at applicable rates. The objective is that the money from compensation cess on these items can be used to repay loan and interest payment obligations. As per rough estimates three extra months, that is somewhere around December, 2025 may be required for meeting entire compensation cess loan requirement. At this point the transition will happen and even these products will come under the new rate. The request is that, since this is a matter of estimate, the Council may authorise the Hon'ble Union Finance Minister and Chairperson of the GST Council to decide the actual date of transition for these commodities in to the new rate that is being approved by the GST Council. The decision on the date of transition would be exactly based on completion of liabilities on account of repayment of loan and interest. This change is required only because the date of implementation has been advanced to take care of the expectations which the entire country has for early implementation of this arrangement. He again requested that this implementation may be considered

CHAIRMAN'S INITIALS

and decided by the Council.

6.94 The Hon'ble Member from Kerala brought out the practical difficulty in case of paper lottery. They are printed and distributed for a long time ahead and whenever we are announcing a date for new rates, date of effect for lotteries will require consideration. The Revenue Secretary informed that the approach being taken is to keep things clean and transparent, including the transition. A staggered transition is meant only for repayment of existing loans. The issues of transition will be there across industries. If any issue is re-opened on that ground, it may become complicated to handle. The other grounds of implementation are being handled together. Our systems will be kept ready and we will engage with industries for transition problems so that they can also suitably prepare themselves. Hon'ble Member submitted that the practical problems brought out by him can be looked into for which they will provide details.

6.95 The Hon'ble Chairperson thanked all the members of the Council for their valuable participation and taking decision for the benefit of common people and in the interest of the country. She specially thanked all the GoM chairs - Shri Pankaj Chaudhary, Shri Samrat Chaudhary as well as all the prior GoM chairs and all the members of the GoM for their thoughtfulness and the inputs provided by them.

Decision: - The Council approved:

a) Acceptance of the Union proposal to exempt all individual life insurance policies, along with reinsurance thereof from GST as recommended by the GoM on Life and Health Insurance;

b) Acceptance of the Union proposal to exempt all individual (including family floater) health insurance policies, along with reinsurance thereof from GST as recommended by the GoM on Life and Health Insurance;

c) Grant of ex-post facto approval for extension of time for submission of the report of GoM on Restructuring Compensation Cess until August 31st, 2025 (from earlier approved time of June 30th, 2025);

d) The recommendations of GoM on Restructuring Compensation Cess to abolish the Cess on fulfilment of obligations under the Compensation Cess account. Any surplus remaining in the account at the end of transition period should be shared in the ratio of 50:50 between Centre and States and further amongst the States in the ratio of State's total GST revenues in accordance with the existing provisions of GST (Compensation to States) Act, 2017;

e) Acceptance of the Union proposal for GST Rate Rationalisation and Reform as recommended by the GoM on Rate Rationalisation. The

HAIRMAN'S INITIALS

recommendations of the GoM to (i) Maintain status quo on reduction of GST from 5% to Nil on products made by handloom weavers; and (ii) Maintain status quo on reduction in GST from 5% to Nil on raw silk and other silk weaving materials, were also approved;

f) The changes in GST rates on services will be implemented with effect from 22nd September, 2025;

g) The changes in GST rates of all goods except pan masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi, will be implemented with effect from 22nd September, 2025;

h) Pan Masala, gutkha, cigarettes, chewing tobacco products like zarda, unmanufactured tobacco and bidi will continue at the existing rates of GST and compensation cess where applicable, till loan and interest payment obligations under the compensation cess accounts are completely discharged; and

i) Based on h) above, Union Finance Minister and Chairperson of the GST Council may decide the actual date of transition to the revised rates of GST approved by the Council for the above-mentioned goods.

Agenda Item 6: Issues recommended by the Law Committee for consideration of the GST Council

7.1 The Secretary took up the agenda item on issues recommended by the Law Committee for the consideration of the GST Council. He invited Commissioner, GST Policy Wing to present the agenda.

Agenda Item 6(a): Sanction of risk-based provisional refund to facilitate refund claims on account of zero-rated supply of goods or services or both

7.2 Commissioner, GST Policy Wing, explained that Section 54(6) of the CGST Act, 2017 provides for grant of provisional refund in case of refunds arising out of zero-rated supplies of goods or services or both, subject to the condition prescribed in rule 91(1) of CGST Rules, 2017, that the person has not been prosecuted in a case of fraud exceeding ₹2.5 crores. It was observed that the disbursal of these refunds has been very low. The reason being that disbursal of these provisional refunds to the extent of 90% depends on the prima facie satisfaction of the proper officer, who generally adopts a risk-averse approach by not sanctioning provisional refund. They eventually proceed to sanction the final refund.

7.3 He further stated that the issue of provisional refund was discussed in several times in earlier GST Council meetings, including the 2nd, 14th, 21st and 22nd meetings. The intention of the Council has consistently been to encourage sanction of provisional refunds. Therefore, to make the system more efficient and to assist officers in granting refunds, it was proposed to implement a risk-based provisional refund system, wherein the officer, based on identification and evaluation of risk by the system, would make an order for sanctioning provisional refund. Accordingly, the Law Committee recommended amendment to Rule 91(2) of the CGST Rules, 2017. Later an alternate formulation to the amendment was proposed and agreed upon in the officers' meeting held on 02.09.2025.

7.4 He further stated that Law Committee also recommended issuance of notification under section 54 (6) of the CGST Act, 2017 to notify category of registered persons who shall not be sanctioned provisional refunds i.e., any person, who is engaged in the supply of Areca nuts, Pan Masala, Tobacco products and Essential Oils. This is largely in line with the exclusion notified under section 16(4) of the IGST Act, 2017, and any person who has not undergone Aadhaar authentication. The Commissioner, GST Policy Wing further stated that the risk parameters would be deliberated and decided by the Law Committee.

7.5 The Hon'ble member from Tamil Nadu stated that, the approach of an automated risk evaluation mechanism for the sanction of provisional refunds to facilitate exporters is welcome. However, he emphasized that the KYC component of the risk parameters should be carefully selected, particularly in relation to refunds and registration.

7.6 He further suggested that KYC norms, other than Aadhaar authentication such as the validation of bank accounts, should be carried out through API in order to prevent bogus claims. The risk parameters must be carefully designed and continuously improved. He also expressed interest in being part of the proposed sub-committee responsible for developing these risk parameters.

7.7 The Secretary stated that it was agreed in the officers' meeting that, for implementing the system, the refinement of risk parameters would involve participation of the States as well. The matter would be placed before the Law Committee, allowing States to share their experiences and provide insights into implementation. As a result, the parameters would be refined in a manner that is

Shipra

acceptable to all stakeholders. He also stated that the underlying objective is to simplify the process while adopting a reasonable and pragmatic approach to risk management which shall be ensured.

Decision: The Council approved the recommendations of the Law Committee to amend Rule 91(2) of CGST Rules, 2017 and issue notification under Section 54 (6) of CGST Act, 2017 to notify category of registered persons who shall not be sanctioned provisional refunds.

Agenda Item 6(b): Proposal for Risk-Based Provisional Sanction of refunds arising out of inverted duty structure

7.8 Commissioner, GST Policy Wing, stated that Section 54(3) of the CGST Act, 2017 provides for the sanction of refunds in cases where there is an inverted duty structure that is, where the rate of tax on inputs is higher than the rate of tax on output supplies. However, currently there is no provision for the sanction of provisional refunds in case of refund claims filed on account of inverted duty structure, i.e., 90% of the refund amount on a provisional basis.

7.9 The issue was examined by the Law Committee and it was observed that in more than 90% of the cases, officers ultimately sanctioned more than 90% of the claimed refund amount. Accordingly, the Law Committee recommended an amendment to Section 54(6) of the CGST Act, 2017 as well as the corresponding SGST Acts, to incorporate an enabling provision for granting refunds up to 90% of the total claimed amount on a provisional basis. It was further noted that, similar to the mechanism provided for zero-rated supply refunds, the risk parameters for this process would be deliberated and finalized by the Law Committee.

7.10 The Secretary stated that, as discussed earlier, a similar system for implementing provisional refunds under the Inverted Duty Structure (IDS) would require an amendment to the law. It was emphasized that the risk parameters for this system would also be decided by the Law Committee. He expressed the intention of the Central Government to take some steps with the approval of the Hon'ble Finance Minister.

7.11 Elaborating the same, Chairman, CBIC noted that the GST Council has recommended an amendment to Section 54(6) of the CGST Act, 2017 to enable provisional refunds in cases of inverted duty structure, similar to those allowed for zero-rated supplies. The amendment, along with the issuance of corresponding

CHAIRMAN'S INITIALS

rules and notifications, will be undertaken in due course. It was clarified that the amendment to Section 54(6) is necessary because the current legal framework does not provide for the sanction of inverted duty structure refunds on provisional basis. This amendment may take some time as it involves a change in the law. He also stated that the amendment will not alter the legal position of the quantum of refund allowable under the law rather, it will introduce a mechanism to sanction up to 90% of the refund amount provisionally, based on system-driven identification and risk evaluation. He further stated that the Hon'ble Union Finance Minister has agreed that the Central administration may implement this beneficial methodology for IDS refunds from the same date as for zero-rated supply refunds, while the legislative amendment is pending. This implementation would be carried out through executive instructions issued to CGST formations. This will ensure capital liquidity for the industry, enabling them to remain competitive and better equipped to face economic headwinds.

7.12 The Hon'ble Chairperson stated that this initiative offers a major relief for businesses and taxpayers in general. She recalled having personally suggested that such a measure could be implemented through executive action, before the legal amendments are in place. While reaffirming that the necessary legislative changes will be pursued and may take time due to the Parliamentary approval required, she emphasized that executive action in the interim reflects the government's commitment to facilitating ease of doing business.

7.13 The Chairperson also cited the positive experience of the Central Board of Direct Taxes (CBDT) in speeding up personal income tax refunds, which has been welcomed by taxpayers. In some cases, taxpayers reported receiving refunds within a day of filing their returns. Such efficiency, she noted, demonstrates how technology can effectively serve taxpayers in a timely manner. She concluded by stating that, at least for CGST, the Government should proceed with executive action to maintain momentum in the reform agenda while simultaneously accelerating the process of legislative amendment.

Decision: The Council approved the recommendation of the Law Committee to amend Section 54(6) of the CGST Act, 2017 (and corresponding SGST Acts) to enable provisional refunds up to 90% of claims under Inverted Duty Structure (IDS), similar to zero-rated supplies. Pending the amendment, the Central administration informed that they will implement the mechanism through executive instructions, based on system-driven identification and risk evaluation.

CHAIRMAN'S INITIALS

Shipra

Agenda Item 6(c): Amendment in CGST Act to provide for GST Refunds in respect of low value export consignments.

7.14 Commissioner, GST Policy Wing, stated that presently under section 54(14), refund is not sanctioned in cases where refund claimed is of an amount less than ₹1,000. As a result, many small exporters who export through postal and courier routes are unable to obtain refunds. These exporters pay duty on exports but are unable to claim refunds due to this provision.

7.15 The Law Committee examined the issue and recommended that section 54(14) of the CGST Act be amended to remove the threshold limit for sanction of refund claims in the case of goods exported out of India on payment of tax. Refunds in such cases would be sanctioned through the Customs automated route. This would require an amendment to the law.

Decision: The Council approved the recommendation of the Law committee to amend Section 54(14) of the CGST Act, 2017 to remove the ₹1,000 threshold for refund claims in respect of goods exported out of India on payment of tax. Refunds in such cases will be processed through the Customs automated route, subject to required legislative amendments.

Agenda Item 6(d): Simplified GST Registration Scheme for Small and Low-Risk Businesses

7.16 Commissioner, GST Policy Wing, stated that a concept note on GST registration based on risk assessment was placed before the GST Council in its 55th meeting held on 21.12.2024, wherein it was recommended to constitute a Group of Officers. The Group of Officers subsequently submitted its recommendations to the Law Committee.

7.17 The Law Committee recommended an automated registration process without officer intervention within three working days in the case of very low-risk applications. An optional scheme was also proposed for new and small applicants who do not wish to pass input tax credit beyond ₹2.5 lakh per month. Such applicants would be facilitated by an automated system, which would provide registration within three working days. For applicants not falling in these two categories, the existing GST registration process would continue to apply.

CHAIRMAN'S INITIALS

7.18 Furthermore, applicants under the simplified scheme wishing to shift to the regular scheme, in order to pass Input Tax Credit more than ₹2.5 lakh per month, would be allowed to do so under a system-driven mechanism based on risk parameters and weightage assigned to them as registered persons. The recommendations were broadly agreed to in the Officers' meeting.

7.19 Commissioner, GST Policy Wing informed the Council that the State of Meghalaya expressed concerns regarding the scheme. He further informed that the State of Kerala suggested that (a) the system should flag taxpayers under the simplified scheme when they cross the threshold of ₹2.5 lakh per month and (b) if taxpayers dealing with evasion-prone commodities get registration under the simplified scheme they should also be flagged by the system. Commissioner, GST Policy Wing informed that work was in progress on both these issues.

7.20 It was suggested that a study be conducted of past cases of fraudulent registration to assess the efficacy of risk parameters and to examine whether verification of registration applications, including physical verification of premises, had been conducted by officers in such cases.

7.21 The Hon'ble Member from Meghalaya stated that, while this proposal is a positive step forward and is supported in principle, the State's concern is primarily related to the large number of fraudulent registrations taking place. He stated that, since a committee is being set up and given the strength of technology today, mechanisms such as geo-tagging of shops and establishments or other technological tools could be considered to ensure effective verification. He further clarified that the State was not opposed to the overall concept, which was a welcome move, but past instances of fraudulent registrations necessitate stronger safeguards. Accordingly, he suggested that the committee could explore the use of technology as a powerful tool to verify and monitor registrations.

7.22 The Hon'ble Member from Kerala stated that the proposal was a positive step for ease of doing business. At the same time, it was emphasized that cases where input tax credit claims exceed ₹2.5 lakh should be flagged for easy identification. Reference was made to the earlier discussions on biometric verification in the Council, which were necessitated by malpractices. It was further suggested that the system should also flag taxpayers dealing in evasion-prone commodities. These two measures would strengthen the system.

CHAIRMAN'S INITIALS

Shipra

7.23 The Hon'ble Member from Tamil Nadu stated that the measure was welcome and suggested that a post-verification mechanism within one return cycle may be built into the process.

7.24 The Hon'ble Member from Uttar Pradesh welcomed the proposal and stated that the move to introduce registration within three days was commendable. However, he pointed out that verification was essential, as in many cases improper verification had led to bogus companies claiming ITC, against whom action had to be taken subsequently. He therefore suggested that available technology be utilized to ensure verification prior to granting registration.

7.25 The Hon'ble Member from Goa welcomed the simplification of GST registrations, as it would be beneficial for more than 90% of small businesses in terms of ease of doing business. He observed that this would be one of the most significant reforms in GST.

7.26 The Hon'ble Member from Jammu and Kashmir stated that the measure was viewed as an important step towards ease of doing business. Endorsing the views of the Member from Meghalaya regarding the use of technology, it was observed that some individuals registered only to avail input tax credit and subsequently disappeared, making it difficult to track and prosecute them. He suggested that safeguards be built in to ensure that registration was granted only to bona fide and verified entities.

7.27 The Hon'ble Member from Punjab stated that the step to complete registration within three days was appreciated. However, it was pointed out that in cases of bogus ITC claims, while registrations were suspended, there was no provision for cancellation, and such cases often remained pending for long periods. He suggested that a clear mechanism may be put in place to cancel registrations in such cases so as to simplify the process to effectively address fraudulent ITC claims.

7.28 The Hon'ble Member from Rajasthan stated that the registration scheme was wholeheartedly welcomed, as it would greatly benefit small traders. He observed that bogus registrations were generally not associated with small traders. To further strengthen the system, he suggested that random verification could be incorporated.

7.29 The Secretary requested Chairman, CBIC to clarify issues raised by the

CHAIRMAN'S INITIALS

Hon'ble Members on how risk side of the proposal would be managed.

7.30 Chairman, CBIC explained that under the simplified registration process, two categories of applicants would be granted registration within three working days. The first category included entities with negligible risk. These would be identified using robust risk management techniques and granted automatic registration. The second category consisted of applicants who, on the basis of self-determination, opted that they would not issue B2B invoices involving tax amount in the form of CGST, SGST or IGST of more than ₹2.5 lakh per month. In such cases, registration would also be granted within three working days, as these applicants were considered low risk given that they cannot pass on ITC of more ₹2.5 lakh per month. Chairman, CBIC noted that fraudulent entities typically passed on large amounts of ITC right from the outset.

7.31 It was further clarified that this scheme was intended primarily for entities engaged in B2C transactions, such as retailers of goods or service providers to ultimate consumers. The Chairman added that, as suggested by Members, incorporating technology such as Geo-tagging could be looked into by GSTN. In line with the suggestion from the Hon'ble Member from Kerala, a provision would be made by GSTN to block taxpayers in this category from passing on ITC exceeding ₹2.5 lakh per month. Should such taxpayers wish to exceed this threshold, they would transition to the normal registration scheme, with risk analysis which will also include their behavior during the simplified registration period.

7.32 The Hon'ble Member from Uttar Pradesh submitted that, while framing rules, it must be ensured that no scope for misuse was left. He stated that in Uttar Pradesh, 20 FIRs had been filed in the previous month alone. The Member stressed that verification should be made mandatory, even if it required a week for implementation, to avoid the risk of fake entities claiming ITC and disappearing.

7.33 The Hon'ble Member from Meghalaya stated that the views of the Member from Uttar Pradesh and the Chairman, CBIC summed up lot of concerns regarding simplified registration scheme. He observed that effective use of technology, including flagging of passing on ITC above ₹2.5 lakh in a month, would make a significant difference. He further stated that Punjab's suggestion regarding de-registration in fraudulent cases was crucial. He therefore proposed that technology integration, flagging of ITC passed on, a simplified de-registration process, and strict measures against fraudulent cases be implemented, which would benefit

CHAIRMAN'S INITIALS

common traders and businesses at the grassroots level.

Decision: The Council approved the recommendation of the Law Committee to introduce an automated registration process without officer intervention within three working days for certain low-risk categories of applications. The Council also approved the recommendation of the Law Committee to introduce an optional scheme for new and small applicants who do not wish to pass input tax credit beyond ₹2.5 lakh per month. Such applicants would be facilitated by an automated system, which would provide registration within three working days. For applicants not falling in these two categories, the existing GST registration process would continue to apply. The Council further agreed that persons registered under the simplified scheme, wishing to pass input tax credit more than ₹2.5 lakh per month, would be allowed to do so under a system-driven mechanism based on risk parameters as per existing registration process and weightage assigned to them as registered persons.

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Agenda Item 6(e): Amendment in place of supply provisions for intermediary services under section 13(8) of the IGST Act.

7.34 Commissioner, GST Policy Wing informed that, in the last GST Council meeting, a proposal was placed before the Hon'ble Council for amendment of the Place of Supply provisions for intermediary services. The Council had recommended the constitution of a Group of Officers to examine the matter. The Group of Officers subsequently submitted its recommendations to the Law Committee, which deliberated on the issue and recommended that Section 13(8)(b) of the IGST Act, 2017 may be omitted prospectively. By virtue of this omission, the Place of Supply for intermediary services would henceforth be determined as per the default provision under Section 13(2), i.e., the location of the recipient of such service. This recommendation was deliberated in the Officers' Committee meeting and was agreed upon.

7.35 He further stated that Karnataka had submitted that their proposal to amend the GST return forms, both monthly and annual, to capture additional details relating to the import of intermediary services may be taken up with the proposal. It was clarified that this matter was already under deliberation by the Law

CHAIRMAN'S INITIALS

Committee. Kerala agreed to the proposal in principle but requested that an exception be made for providers of intermediary services in the education sector.

7.36 The Hon'ble Member from Kerala stated that the State accepts the proposal in principle but emphasized that intermediary services in the nature of education consultancy should be carved out as a special category. The intention is export promotion; when we manufacture something we are getting some benefits but here a large number of students were going abroad and that, while this could not be prevented, agencies facilitating such services were earning revenue both from students and from foreign universities. It was suggested that this category be specifically recognized so that something in this regard could be done in the future.

7.37 The Secretary stated that Karnataka had raised the issue of synchronizing the timing of the legislative change with corresponding changes in the return forms in the officers' meeting. This had been agreed to. With respect to the concern raised by Kerala, the Secretary clarified that the approach in GST had consistently been to keep the framework simple and avoid unnecessary classifications, as these often resulted in interpretation-related issues and misuse by taxpayers seeking arbitrage. It was therefore emphasized that creating sub-categories within intermediary services would complicate the system, and the proposal may be maintained in its current form.

Decision: The Council approved the recommendation of the Law Committee to omit Section 13(8)(b) of the IGST Act prospectively. Consequently, the Place of Supply for intermediary services will be determined under Section 13(2) of IGST Act, 2017 i.e., the location of the recipient of services.

It was further agreed that appropriate amendments to GST return forms to capture details of imported intermediary services would be taken up with legislative changes as suggested by Karnataka.

Agenda Item 6(f) (i): Amendment of section 15 and section 34 of CGST Act, 2017 in respect of Post Sale Discount.

7.38 Commissioner, GST Policy Wing stated that taxpayers are presently facing challenges in offering post-sale discounts, particularly in establishing such discounts in terms of an agreement entered into before or at the time of supply, and in specifically linking such discounts to relevant invoices. These two conditions are prescribed under Section 15(3)(b)(i) of the CGST and SGST Acts.

CHAIRMAN'S INITIALS

Shipra

7.39 It was highlighted that suppliers are often unaware at the time of supply that a discount may be required in the future, for example, due to a competitor introducing a discount scheme or sluggish sales of a product. Such scenarios cannot be anticipated and incorporated in agreements at the time of supply. Further, the requirement of linking discounts with specific invoices also posed difficulties. It was noted that, in 2019, the requirement for specific invoice-linking had already been done away with in the context of GST credit notes issued under Section 34.

7.40 The Law Committee examined the matter and recommended simplifying the process for post-sale discounts. It recommended:

- To omit section 15(3)(b)(i) of CGST Act, 2017 thereby omitting the requirement of establishing the discount in terms of an agreement entered into before or at the time of such supply and specifically linking of the same with relevant invoices.

- To amend section 15(3)(b) of CGST Act, 2017 to provide that discount should be granted through a credit note issued under section 34 of the CGST Act and to correspondingly amend section 34 to include a reference to section 15(3)(b), so as to provide for reversal of Input tax credit by the recipient in case where a post-sale discount is given and value of supply is reduced through GST Credit note.

7.41 It was further informed that the Finance Act, 2025, introduced a provision under Section 34 to permit reduction in value only where the recipient reverses the corresponding ITC. This amendment would come into effect from 1st October 2025. Consequently, the requirement for submission of a Chartered Accountant or Cost and Management Accountant certificate, or self-declaration for taxpayers with turnover below ₹5 crore, would no longer be necessary. Therefore, the circular No.212/6/2024-GST dated 26th June 2024 which provided a mechanism ensuring compliance of conditions of section 15(3)(b)(ii) of the CGST Act, 2017 by the suppliers would be withdrawn with effect from 1st October 2025.

7.42 The proposal was deliberated in the Officers' Committee meeting and was agreed upon.

CHAIRMAN'S INITIALS

Decision: The Council approved recommendation of the Law Committee to amend Section 15 and Section 34 of CGST Act, 2017 The Council also approved the recommendation of the Law Committee to rescind circular No. 212/6/2024-GST dated 26.06.2024 with effect from 1st October, 2025.

Agenda Item 6(f) (ii): Clarification of certain issues pertaining to Post Sale Discount.

7.43 Commissioner, GST Policy Wing presented the next issue regarding clarifications on issues related to post-sale discounts. Three specific issues were identified by Law Committee.

7.44 The first issue is whether recipient is liable to reverse the input tax credit of discount provided through financial/commercial credit notes issued by supplier. It was explained that many times suppliers issue financial or commercial credit notes to provide discounts. In such cases, the value of supply under GST is not reduced, and tax already paid remains unchanged. The Law Committee recommended to clarify that, since these financial/commercial credit notes do not reduce the value of supply, the recipient is not required to reverse ITC.

7.45 The second issue is whether post-sale discounts offered by manufacturers to their dealers/distributors should be treated as consideration paid by the manufacturer to the dealer for the dealer's supply of the same goods to the end customer as monetary value of the inducement of supply of such goods supplied to the end customer. The Law Committee recommended to clarify that, where there is no agreement between the manufacturer and the end customer and such discounts offered to enable dealers to sell such goods at lower prices to customers, then such a discount cannot be included in consideration as the monetary value of the inducement of further supply of these goods. However, where there is a specific agreement between the manufacturer and the end customer to supply goods at a discounted price, the manufacturer may issue commercial or financial credit notes to the dealer, enabling such dealer to provide the goods at the agreed discounted rate to the end consumer , then such a post-sale discount, given by the manufacturer to the dealer for supplying goods to the end customer at a discounted rate, should be included in the overall consideration as it is an inducement towards the supply of goods by the dealer to the end customer.

CHAIRMAN'S INITIALS

7.46 The third issue is whether post-sale discounts extended by manufacturers to dealers in the context of promotional schemes (e.g., during festive seasons) could be treated as consideration for services provided by the dealer. Law Committee recommended that such post-sale discounts should primarily be regarded as reducing the price of goods and not as consideration for an independent service, and therefore would not be exigible to GST. However, GST would be leviable in cases where a dealer undertakes specific sales promotional activities, such as advertising campaigns, co-branding, customization services, special sales drives, exhibition arrangements, or customer support services, etc., only when such services are explicitly stated in the agreement with a clearly defined consideration payable for such a supply.

7.47 The clarifications were discussed in the Officers' Committee meeting and were agreed.

Decision: The Council approved the recommendation of the Law Committee to issue clarifications as discussed above.

Agenda Item 6(g): Insertion of a new Rule 31D in CGST Rules, 2017 to provide retail sale price based valuation for Pan Masala, Cigarettes and Chewing tobacco.

7.48 Commissioner, GST Policy Wing, stated that the Fitment Committee has recommended RSP-based valuation for certain tobacco products. Under GST, Section 15(1) provides for transaction value as the basis of valuation for supply between unrelated persons. However, Section 15(5) empowers the Government to prescribe a special valuation mechanism for specified commodities. Accordingly, the Law Committee, based on the recommendation of the Fitment Committee, proposed the introduction of a new Rule 31D in the CGST Rules, 2017 to provide for RSP-based valuation of the specified tobacco products,

7.49 He further stated that Rule 86B presently requires 1% of the tax liability to be paid in cash. Therefore, an amendment is proposed to first proviso to Rule 86B of CGST Rules, 2017 to exclude sellers (other than manufacturers) dealing in such goods, , from the 1% cash payment requirement. Further, a notification under Section 15(5) would be required to notify the specified products for application of RSP-based valuation (Annexure A). These proposals, along with an alternate formulation under the rules, were discussed and agreed upon in the Officers'

CHAIRMA
INITIAL

Committee meeting. It was also proposed that a track-and-trace mechanism for evasion-prone commodities may be introduced to monitor their movement. In this regard, it was informed that such a mechanism would require amendments in the Act, which have already been carried out under the Finance Act, 2025 in the CGST Act. The system would be operational after the corresponding amendments are carried out in the SGST Acts.

Decision: The Council approved the recommendation of Law Committee to introduce RSP-based valuation for specified tobacco products through insertion of Rule 31D in the CGST Rules along with amendment of Rule 86B to exempt suppliers of these products (other than manufacturers) from the 1% cash payment requirement. It was also decided to notify these products under Section 15(5). It was further recommended that a track and trace mechanism needs to be implemented for such products after the corresponding SGST amendments.

Agenda Item 6(h): Notifying Annual Return in FORM GSTR-09 for Financial Year 2024-25 and extending exemption from filing FORM GSTR-09 for taxpayers with turnover up to ₹ 2 crore.

7.50 Commissioner, GST Policy Wing stated that every year an extension is being granted to small taxpayers with turnover up to ₹2 crore from filing GSTR-9. The Law Committee examined the issue and recommended that, since this practice has been followed from the initial years, this exemption may be made a permanent feature. Accordingly, taxpayers with annual turnover less than ₹2 crore in the relevant financial year would be exempted from filing GSTR-9 on a permanent basis instead of extending the exemption every year.

7.51 Further, corresponding amendments in GSTR-9 were suggested to provide better clarity and improve data gathering, thereby assisting taxpayers in properly accounting for mismatches. Amendments in Forms GSTR-9 and GSTR-9C were also proposed to allow additional tax liability to be paid either through input tax credit (ITC) or cash. This matter was discussed in the Officers' Committee meeting and was agreed upon.

Decision: The Council approved the recommendation of the Law Committee to exempt taxpayers with annual turnover up to ₹2 crore from filing GSTR-9 till further recommendations. The Council also approved amendments in GSTR-9 and GSTR-9C to enhance clarity, improve data gathering, and allow

CHAIRMAN'S INITIALS

payment of additional tax liability through either ITC or cash.

Agendas pertaining to Goods and Services Tax Appellate Tribunal

Agenda item 6(i): Miscellaneous issues related to the Goods and Services Tax Appellate Tribunal

7.52 The Secretary invited Joint Secretary, Department of Revenue (DoR) to present the next Agenda on Miscellaneous issues related to the Goods and Services Tax Appellate Tribunal (GSTAT).

7.53 Joint Secretary, DoR presenting the current status of appointments to the GST Appellate Tribunal stated that 97 vacancies were to be filled by appointment through a Selection Committee assisted by the Centre, of which, 87 positions had been filled, and the appointed Members had started taking charge in the first week of September. For Technical Member (States), which are to be appointed by the local selection committees assisted by the respective State Governments, appointments had been completed by 7 States and another 4 States were in the process of completing them. However, for the remaining 20 States the proposals had not yet been received. Therefore, he urged the States to accord this matter the highest priority in coordination with the State Selection Committees headed by the Chief Justice of the respective High Courts.

7.54 He stated that for appointment of staff to the GST Appellate Tribunal, in case of 499 posts related to deputation-based recruitment, 113 posts had been filled, and advertisements had been issued for the remaining 386 posts, for which, over 700 applications had already been received. These appointments were expected to be finalized by the end of September, 2025. In case of direct recruitment for filling 454 posts at lower levels, the process for hiring temporary staff through the GeM portal had been initiated and was expected to conclude by the end of September, 2025.

7.55 He further stated that so far as the I.T. infrastructure for GSTAT was concerned, the IT application software project was being managed by GSTN and software development has been completed by NIC. The software had been tested by the President and Registrar of GSTAT, and it was currently undergoing load and concurrency testing. It was expected that the software would be fully rolled out before the end of September, enabling the acceptance of appeals electronically. Since the GSTAT was envisioned to be an e-court from the outset, the necessary

CHAIRMAN'S INITIALS

hardware was also being procured and it was expected to be ready within the next two months.

7.56 Regarding preparedness of the physical infrastructure, he stated that approvals for hiring buildings and executing interior works had been granted, and 30 locations had confirmed readiness by February 2026, with 21 expected to be ready by November, 2025. He requested the States to provide temporary office accommodations for members and assist in the appointment process through their zonal and state units.

Issue 1: Notifying a date of limitation for filing appeals in GSTAT

7.57 Joint Secretary, DoR stated that since the GSTAT was expected to be ready to accept appeals by the end of September, 2025, a suitable limitation date for filing backlog Appeals was required to be notified. This issue had been discussed in the Law Committee as well as in the Officers' Committee on 02.09.2025. To ensure a smooth transition and to allow adequate time for taxpayers and for the IT system to stabilize, it was proposed that 30.06.2026 be specified as the limitation date for filing appeals in respect of orders passed before 1st April, 2026.

7.57.1 Further elaborating on this issue, he explained that while the I.T application system would start accepting appeals from taxpayers before the end of September 2025. The taxpayer will be given sufficient time to file the appeal. To avoid overload on the system, the process of filing appeals would be staggered based on the date of order of the First Appellate Authority. For filing appeals in respect of orders passed by the First appellate Authority till 31st March, 2026, the limitation date would be notified as 30th June, 2026. Further, for orders passed **on or after 1st April, 2026,** the standard limitation of three months would apply.

7.57.2 The Secretary added that as per the provisions of GST law, an appeal against the order passed by the First Appellate Authority needs to be filed within a period of three months. However, since the necessary mechanism had not been put in place, therefore this limitation period of three months would be applicable only in respect of orders passed on or after 1st April, 2026. In case of orders passed till 31.03.2026, the taxpayers would be allowed to file their online appeals till 30th June, 2026 in a staggered manner to be decided by President of GSTAT. This was being done to ensure a smooth transition as well as to ensure that the

CHAIRMAN'S INITIALS

delay in operationalizing the Tribunal does not adversely impact the taxpayers.

7.58 The Hon'ble Member from Uttar Pradesh observed that while the Tribunal bench had been established in the State since 1st August 2025, its operations had not yet commenced. The Hon'ble Member requested that proceedings of the Tribunal may be started at the earliest.

7.59 Joint Secretary, DoR stated that the process of acceptance of appeals would commence by the end of September, and that the actual hearings by the Tribunal Benches was expected to commence before the end of the calendar year. In State of Uttar Pradesh, the Technical Members (Centre) and Judicial Members had been appointed recently and would be assuming charge during the current month. After an initial training period of three to four weeks, the Tribunal would begin hearing of cases.

Decision: The Council recommended issuance of a notification to notify 30.06.2026 as the last date for filing appeals in GST Appellate Tribunal where the limitation period of three months have expired.

Issue 2: Cases to be heard only by the Principal Member Bench of the GSTAT

7.60 The Joint Secretary, DoR stated that the Principal Bench is empowered to hear disputes related to the place of supply involving two or more States. In addition, proviso to Section 109 of the CGST Act empowers the Government to notify such cases or class of cases that can be heard only by the Principal Bench.

7.61 He stated that in view of the legal provisions, it was recommended by the Law Committee that three such categories of cases may be notified was the decision of the Council. First category included cases where, in opinion of the President, one or more issues of a similar nature arise in appeals pending in respect of two or more establishments of distinct persons. This proposal was discussed in the Officers' Meeting on 02.09.2025 which had in-principle recommended the proposal, however, based on suggestions from States of Tamil Nadu and Karnataka, the proposal had been revised to cover only identical questions of Law in respect of distinct persons. This would further require the application to be filed by the parties to appeal, and the President would rule on such application which may be covered in the Tribunal Procedure Rules. The draft of notification to this effect would again be deliberated by the Law Committee and notified.

CHAIRMAN'S INITIALS

Shipra

7.61.1 The second category included cases where one or more issues involved is covered by Section 14 or section 14A of the IGST Act, 2017. Cases related to OIDAR and offshore online gaming, particularly those under Section 14A, which are centralized in a zone in Bengaluru, are proposed to be heard by the Principal Bench.

7.61.2 The third category included cases where one or more issues involved is covered by section 20 of the CGST Act. Issues involving cross-state distribution of common input tax credits by a centralized unit were proposed to be handled by the Principal Bench.

7.61.3 He stated that in-principle approval of the Council for the proposal was being sought and that the draft notification shall be vetted by the Law Committee before notification.

Decision: The Council granted approval for notifying such category of cases which shall only be heard by the Principal Bench of GST Appellate Tribunal. The Council directed that the draft for notification be finalized by the Law Committee

Issue 3: Prescribing conditions regarding the cases to be heard only by the Single Member Bench of the GSTAT

7.62 Joint Secretary, DoR stated that provisions of GST Law required that the appeals not involving question of law where the tax or input tax credit involved or the amount of fine, fee or penalty determined in any order appealed against, does not exceed fifty lakh rupees can be heard by a Single Member subject to Conditions that may be prescribed. In this regard, Law Committee had recommended insertion of new Rule 110A in CGST Rules to prescribe the conditions, subject to which appeals can be heard by the Single Member Bench. The draft of the rule as recommended was discussed in the Officers' Committee on 02.09.2025. He added that Sub-rule (3) of proposed Rule 110A prescribes that in respect of the same taxable person within a State where the same issue for the same or a different tax period, has already been heard or decided by a Bench comprising a Technical Member and a Judicial Member, the appeal shall be heard only by a Bench comprising a Technical Member and a Judicial Member. This condition had been formulated in consultation with the GSTAT President and had also been discussed in the Officers' Meeting held on 02.09.2025 which had

CHAIRMAN'S INITIALS

Shipra

recommended insertion of new Rules, subject to legal vetting.

Decision: The Council recommended the insertion of new Rule 110A to the Central Goods and Services Tax Rules, 2017 to prescribe conditions, subject to which appeals can be heard appeals can be heard by the Single Member Bench of GSTAT.

Agenda item 6 (j): Amendment in CGST Act, 2017 to empower an existing Authority, including the Appellate Tribunal, to function as National Appellate Authority for Advance Ruling

7.63 The Joint Secretary stated that the National Appellate Authority for Advance Ruling (NAAAR) was constituted in 2019 but had not been activated. In light of divergence in Advance Rulings across States, it was necessary to establish NAAAR to ensure uniform and consistent view across the country. He stated that the eligibility criteria for the President and the Members of the NAAAR is very similar to the eligibility criteria of the President and Members of the GSTAT, the eligibility criteria and the procedure for the latter being stricter. The procedure for appointing the Members of NAAAR is also similar to the procedure for appointing the President of the GSTAT. It was, therefore, proposed that the Principal Bench of GSTAT may be entrusted with the additional responsibility of functioning as National Appellate Authority for Advance Ruling (NAAAR).

7.64 He added that for this purpose, the Law Committee had recommended amendment in sub-section (1) of section 101A of the CGST Act. The proposal was discussed in the Officers' Committee on 02.09.2025 and based on the discussions, the proposed amendment to section 101A has been revised to not include an "existing Authority" within its scope. The revised text of amended provision was agreed upon in the Officers' Meeting.

7.65 He further stated that the proposed amendment to section 101A of CGST Act would require a legislative amendment, which could be included in the Finance Act of 2026 and that the said provision can be made effective from **01.04.2026**. Since State GST law on this subject refer to the Central Act, therefore, no separate amendment in State laws would be necessary for making this provision effective.

Decision : The Council recommended amendment to sub-section (1) of section 101A of the CGST Act, 2017 to empower the Appellate Tribunal, to function as National Appellate Authority for Advance Ruling w.e.f. 01.04.2026

CHAIRMAN'S INITIALS

Agenda item 6(k): Amendments to CGST Rules, 2017, for facilitating the processing of application filed before GSTAT

7.66 Joint Secretary, DoR stated that the earlier GST Rules and Forms relating to the filing of appeals, allowed for manual filing of appeals. However, following a comprehensive review by the GSTAT President, and as per the GSTAT Procedure Rules which regulate the procedure for functioning of the GSTAT, it was observed that the GSTAT Procedure Rules allowed only electronic filing of appeals, with manual filing being allowed only in certain extreme circumstances and with the approval of President of GSTAT. Therefore, it is proposed to amend the relevant Rules and Forms in GST Rules to incorporate the GSTAT appeal filing process finalised in consultation with GSTAT and to conform to the provisions of GSTAT Procedure Rules which had been notified after approval of the Council in the earlier meeting. He further added that these proposed amendments had also been agreed upon in the Officers' Meeting held on 02.09.2025.

Decision: The Council recommended amendments to the Central Goods and Services Tax Rules, 2017 along with GST Forms, for facilitating the processing of application filed before GSTAT

Agenda item 6 (l): Concept Note on Simplified GST Registration Compliance for small suppliers making supplies through Electronic Commerce Operators who are required to collect tax at source under section 52 of the CGST Act, 2017

7.67 Commissioner, GST Policy Wing stated that several representations had been received highlighting the challenges faced by small taxpayers due to registration requirements for making supplies of goods through Electronic Commerce Operators (ECOs). These challenges become especially significant with increasing emphasis being made by the ECOs for speedy delivery of goods to the consumers and for this purpose, they required their suppliers to store goods in the warehouses of the ECOs in various States. As in these cases, final supply of goods is made from the warehouse of ECO located in various States, under the provisions of GST law, such suppliers are required to take registration in the said State also, in addition to the registration in their home State. For the purpose of registration in different States, the supplier is required to declare a Principal Place of Business in each State. Establishing a principal place of business entails a full

CHAIRMAN'S INITIALS

office set-up, including infrastructure, deploying of staff, maintenance of records and accounting which creates operational compliance and financial burdens for small businesses.

7.68 The Law Committee had examined the issue and had agreed in principle to provide an option to suppliers, who are supplying goods through ECOs across multiple States, to obtain registration in other States as 'Additional Place of Business'. Accordingly, the Law Committee had recommended that a concept note be placed before the GST Council with certain safeguards applicable to sellers and ECOs. One such safeguard for sellers is the requirement of confirmation from the ECO that the seller has been on-boarded onto the platform. Additionally, the seller would have to undergo biometric-based Aadhaar authentication and physical verification of premises in their home state. Furthermore, the seller would be required to obtain registration in each State and file mandated statements or returns in those States.

7.69 He stated that the only benefit proposed is that the principal place of business declared in the seller's home State, can be used to obtain registration in other States. The warehouse addresses of ECOs across multiple States would be declared as Additional Places of Business in the GST registration certificate. Supplies can be made through the ECO using this registration, or through stock transfer to the seller's own distinct registration under the same PAN. However, non-ECO supplies cannot be made using this registration under this optional scheme. For non-ECO supplies, the seller would be required to maintain a principal place of business and obtain a separate registration in those respective States.

7.70 He added that certain additional compliances were also proposed to be imposed on the part of ECOs. These included observance of due diligence while verifying the PAN, Aadhaar and bank account details of each seller. Each ECO would be required to appoint a single point of contact in every State for liaising with tax administrations and to initiate procedures for delisting delinquent suppliers upon notification by the concerned authorities. ECOs would also need to provide information relevant to recovery proceedings under Section 79 of the CGST Act and respond to requests under Sections 52 and 12 of the Act by proper officers. Additional compliances and guardrails for the ECOs may be deliberated further.

7.71 Commissioner, GST Policy Wing stated that the optional scheme was being proposed only for sellers making supplies of goods through ECOs since in this case every transaction by the seller is routed through the ECO, which maintains detailed records. Under the GST legal framework, ECOs are already obligated to

CHAIRMAN'S INITIALS

file a return in FORM GSTR-8 each month, reporting supplies made through their platforms and deducting Tax Collected at Source (TCS) at 1%. Sellers, in turn, declare these supplies in their returns in FORM GSTR-1 under Table 14 of the said return. There are provisions for comparing the declarations made by the sellers and ECOs, and any mismatch triggers a communication to both the parties. If discrepancies are not resolved, the mis-matched amount is added to the supplier's liability. These provisions may be further strengthened for system-level monitoring.

7.72 He stated that during the discussions in the Officers Meeting held on 02.09.2025, it was noted that small sellers making supplies of goods through ECOs across multiple States encounter significant practical challenges, particularly the additional cost burden of maintaining a principal places of business in each State as mandated by the current GST framework, which discourages their participation in marketplaces in multiple States. In light of these difficulties, the matter was being placed before the GST Council for approval on whether a simplified GST registration scheme may be considered for such suppliers, making supplies through ECOs with a view to easing compliance and facilitating their participation in e-commerce across States. If the GST Council accorded its in-principle approval, the detailed modalities for operationalizing the proposed scheme including aspects such as turnover thresholds, necessary safeguards for suppliers and ECOs, legal framework and other implementation parameters would be subsequently deliberated and finalized by the Law Committee.

7.73 The Secretary then requested Chairman, CBIC to explain the vision behind the proposal and how it would help small businesses. He added that the current agenda was placed before the GST Council only for its in-principle approval to the proposal and that the specific changes to laws or rules would be brought before the Council subsequently for its recommendations.

7.74 Chairman, CBIC stated that e-commerce is increasingly used by businesses for selling through online platforms. The GST Council had earlier allowed small taxpayers, which were below the threshold limit of annual turnover, to be on boarded by ECOs for intra-State sales. However, for inter-State sales, even if a business's turnover is below ₹40 lakh, they are required to be registered under GST. This requirement had hindered small businesses from expanding inter-State through ECOs. Since ECOs maintain their goods inventory in fulfilment centres across various States, therefore, the seller is required to obtain registration in the State where the ECO has stored the goods in his warehouse.

CHAIRMAN'S INITIALS

7.75 He added that under the current GST framework, a principal place of

business must be declared for each such registration in a State, and the ECO's fulfilment centre is shown as an additional place of business. For each principal place of business, the seller must rent an office, employ staff, and maintain records which is a burden for small businesses with turnover below ₹40 lakh. Thus, the existing legal framework is a barrier to inter-State e-commerce by small businesses. It was, therefore, proposed to introduce a simplified GST registration framework that would allow small businesses to make inter State sales through ECOs while maintaining their principal place of business in their home State and declaring the ECO's warehouse as an additional place of business in other States.

7.76 He stated that importantly, this proposal would not dilute the jurisdiction of State administrations. Sellers would still need to obtain registration in each state where they sell goods, however, their principal place of business in their home state would suffice for registration purposes. This facility was proposed only in the context of sales via ECOs because, in such cases, the entire transaction was conducted through the ECO. ECOs are mandated to issue invoices, store goods, make deliveries, and receive payments on behalf of sellers, before remitting the amount to the seller post-TCS deduction. Entire transaction data is stored in the ECO's IT system. Consequently, the scope for fraud by small businesses was limited.

7.77 He added that the concept note also proposed certain obligations on part of ECOs, such as, providing transaction data and records for reconciliation which would ensure protection of revenue of such States where the sellers would obtain GST registration declaring the ECO warehouse as an additional place of business. The proposal had been placed before the GST Council for in-principle approval so that the necessary framework may be created subsequently by including the necessary safeguards for ECOs and sellers to mitigate any potential risk. The intent of the proposal was to help small businesses scale-up and make sales across States via e-commerce without being overburdened by statutory compliances.

7.78 The Hon'ble Member from Tamil Nadu observed that grant of registration based on an additional place of business may trigger similar requests from other sectors. Therefore, the legal provisions need to be drafted carefully to limit its application to this specific category of taxpayers. Furthermore, he raised concern over the effectiveness of proposal of issuance of a circular requiring ECOs to submit periodic data of such sellers who have discontinued business with them. He recommended that instead such obligations on part of the ECOs must be incorporated into the provisions of GST rules. He added that during the Officers

CHAIRMAN'S INITIALS

Meeting it was suggested that a turnover threshold for eligibility under the proposed scheme may be considered. Accordingly, he requested that the agenda may be again examined by the Law Committee.

7.79 The Secretary observed that the comments of the Hon'ble Member from Tamil Nadu had been noted and once the in principle approval is accorded to the concept note, the Law Committee would conduct detailed deliberations on all the issues and make further recommendations to the Council with a detailed framework.

Decision: The Council accorded in-principle approval to the proposed framework for Simplified GST Registration Compliance for small suppliers making supplies through Electronic Commerce Operators who are required to collect tax at source under section 52 of the CGST Act, 2017 and recommended that Law Committee may deliberate on the detailed guidelines and parameters as well as requirement of amendment in GST Act and Rules for further recommendations to the Council.

7. **Agenda Item 7: Recommendations of the Fitment Committee for the consideration of the GST Council.**

8.1 The Secretary introduced the agenda item relating to the recommendations of the Fitment Committee and requested Joint Secretary, TRU-I, to present the agenda item 7(a) regarding recommendations made by the Fitment Committee for making changes in GST rates or for issuing clarifications in relation to goods.

8.2 Joint Secretary, TRU-I stated that the Fitment Committee had made recommendations on three agenda items, of which, two pertained to goods and one to services.

8.3 She presented the agenda pertaining to the recommendations of the Fitment Committee for making changes in GST rates or for issuing clarifications in relation to goods.

8.4 The first item presented for discussion was adoption of Retail Sale Price (RSP) based levy on Cigarettes, Pan Masala and all Tobacco products except bidis. She stated that the Fitment Committee had recommended for the adoption of Retail Sale Price (RSP) based GST levy on Cigarettes, Pan Masala and all tobacco products such as Pan Masala, Gutkha & Chewing Tobacco Zarda, Scented Tobacco and Unmanufactured tobacco other than Bidis.

CHAIRMAN'S INITIALS

8.5. She stated that during the discussions in Officers' Meeting on 02.09.2025, several States had given their inputs. The State of Tamil Nadu had agreed with the proposal but expressed its concern about tracking goods after a manufacturer supplies them. The State of Uttar Pradesh had also agreed with the proposal but had raised concerns regarding misuse of accumulated ITC by distributors/retailers. Further, the State of Maharashtra, while agreeing with the proposal, had suggested that a mechanism to enhance MRP periodically needs to be put in place. She added that the State of West Bengal, while agreeing with the proposal had sought clarification in respect of the credit mechanism and sought details of the checks & balances mechanism that would be put in place in view of the large amounts of unauthorised supplies of these goods from other states. The State of Haryana had broadly supported the proposal as it would result in an increase in revenue but had expressed its concern about counterfeit goods which were selling in the market and due to which the industry was already suffering. It had also agreed with the suggestion of the State of Maharashtra about a suitable mechanism being devised to ensure increases in MRP from time to time.

8.6 She stated that in respect of concerns raised by the States for a Track and Trace mechanism, it was clarified during the Officers' Meeting that CGST Act had been amended vide the Finance Act, 2025 to insert an enabling provision through section 148A of the CGST Act, 2017 to empower the Government to enforce a Track and Trace mechanism for specified evasion prone commodities. This provides a legal framework for implementing a mechanism for tracing specified commodities throughout the supply chain. However, the above provision has not yet been brought into force as many State legislatures have still not enacted corresponding amendments in the respective State Acts. Regarding concerns raised by States about potential misuse of accumulated ITC by distributors/retailers, it was clarified that this was an enforcement related issue which was not unique to the mode of levy, whether on RSP or transaction value. Further, to devise a mechanism to enhance MRP, it was clarified that MRP for those products were market determined and therefore, it was up to the manufacturer to decide whether to absorb the tax burden or to pass it on to the consumer in the form of a higher MRP.

8.7 The Hon'ble Member from Uttar Pradesh stated that they have also suggested in writing and mentioned in the officer's meeting that for adoption of

CHAIRMA
INITIALS

Retail Sale price (RSP) based levy, the ITC should be restricted only to the same line of business to ensure that there is no misuse. He expressed his concern over the possibility of issuance of fake invoices by distributors or retailors for utilization of accumulated ITC.

8.8 The Secretary requested Joint Secretary, TRU-I to explain the issue through an illustration by presenting the existing scenario as well as the scenario after implementation of RSP based levy.

8.9 Joint Secretary, TRU-I explained existing scenario as well as the scenario with a simple illustrations. She also mentioned that the increase in the tax has been demonstrated in the case of Compensation Cess where an RSP linked levy was introduced in 2022 based on recommendations of GoM on special Composition Scheme leading to enhanced collection of about ₹3000 Crore on Pan Masala. That experience has emboldened us to take this step to ensure that there are no leakages.

8.10 Chairman, CBIC further explained that RSP based levy was imposed on the basis of the report of the GoM on special Composition Scheme to prevent the tax evasion. After implementation of RSP based levy on these products, the taxes, which were earlier being collected at the stages of retailer, would instead be collected at the stage of manufacturer. This reduces the chances of revenue loss on account of evasion. For the cases where the sale of the product take place in other States, the IGST collected for that transaction would be transferred to the concerned States. The purpose of this exercise was to check the revenue leakage in respect of evasion prone commodities.

8.11 The Hon'ble Member from Uttar Pradesh further clarifying his suggestion stated that the ITC on Pan Masala should be restricted only to the supply of the same product and should not be utilized for other products by the retailer. When the retailers deal with other products also, there is a fear that they may show higher turnover for other products and utilize such ITC there.

8.12 Chairman, CBIC explained that this matter would fall within the ambit of enforcement as, ideally, there would be no accumulation of ITC with retailer/ distributor as the GST rate was same on the inward as well as outward supply of the product. The GST collected at manufacturing stage would, get reflected in the accounts of subsequent stages such as the retailer and he would be required to

CHAIRMAN'S INITIALS

Shipra

issue sale invoices for this purpose. He added that if a retailer had cleared the goods without issuance of invoices this would require enforcement action by the Central and State tax authorities. He further explained that the arrangement of ITC in GST was kept broad-based to ensure the ease of doing business. Regarding restriction of ITC, he stated that One-to-one linking of ITC to a particular commodity could impact this objective adversely as it would require maintenance of separate records of ITC for separate products.

Decision: The Council approved the recommendation of the Fitment Committee to adopt Retail Sale price (RSP) based levy on all tobacco products such as Cigarettes, Pan Masala, Gutkha Chewing Tobacco, unmanufactured tobacco except bidis.

8.13 Joint Secretary, TRU-I then presented the next agenda item. She stated that a request had been received from the Secretariat of the President of India for grant of Ad hoc exemption from IGST and Compensation Cess for one new armoured Sedan Car procured by the Secretariat in replacement of the earlier one which was purchased in 2011. The Fitment Committee recommended for the grant of ad hoc exemption which was further agreed to in the Officers' Meeting held on 02.09.2025.

Decision: The Council approved the recommendation of the Fitment Committee to grant ad hoc IGST and Compensation Cess exemption on new armoured Sedan Car procured by the Secretariat of the President of India.

8.14. Joint Secretary, TRU-II presented the agenda item pertaining to services as mentioned in Annexure-IV of the Agenda item no. 7(b) of Volume-II.

8.15 The only item presented for discussion in Annexure-IV of the Agenda item 7(b) of Volume-II was to insert explanations in the definition of 'specified premises' in the Notification No. 11/2017-CTR dated 28.06.2017. The Fitment Committee had recommended that two explanations may be inserted in the definition of specified premises to make sure that the revised definition of 'specified premises' did not leave scope for any interpretation beyond the original intent of the Council. These explanations would be inserted under provisions of section 11(3) of the GST Act, to give effect as if it had always been the part of the revised definition of 'specified premises' introduced vide Notification No. 5/2025 CTR dated 16.01.2025 given effect from 01.04.2025.

CHAIRMAN'S INITIALS

8.16 He stated that the proposal was discussed in Officers' Meeting on 02.09.2025 and was largely agreed upon by all members. However, the State of Kerala and Union Territory of Jammu & Kashmir had raised a related issue regarding delinking of rates of GST applicable on restaurants located in hotels from the value of supply of accommodation in such hotels.

8.17 The Hon'ble Member from Puducherry stated that in the previous Meeting of the Council, Puducherry had requested for delinking of rates of GST applicable on restaurants located in hotels from the value of supply of accommodation in such hotels since the rates change very frequently. He also requested the Council to consider past cases of payment of GST by restaurants on this issue on 'as is where is' basis.

8.18 The Secretary clarified that issue of 'as is where is' basis would be taken up in due course as, in the present Meeting the proposal is to settle the issue of clarifying the definition of 'specified premises'. On the issue of delinking of the rate of GST applicable on restaurants located in hotels, which is a different issue, that could be taken up for discussion later.

Decision: The Council approved the recommendation of the Fitment Committee to insert the proposed explanations in the definition of 'specified premises' in terms of section 11(3) of the GST Act.

8.19 The Secretary brought out the last agenda item which was to be presented after decision of the Council on rate rationalisation proposal as it is subject to GST Council's approval to recommendations of the GoM on rate rationalisation. He invited Joint Secretary, TRU-II to present this agenda.

8.20 Joint Secretary, TRU-II stated that this agenda is regarding amending Rule 31A(2) of the CGST Rules, 2017. This rule provides a valuation mechanism for lottery. The rule states that the value of supply of lottery shall be deemed to be 100/128 of the face value of tickets or of the price as notified in the official gazette by the organising States, whichever is higher. At present, since the rate is 28% therefore, this valuation is done as 100/128. Since the Council has recommended the rate to be increased from 28% to 40%, hence the valuation rule has to be amended and has to become 100/140 in terms of revised rate for the taxation of lottery. The rule has to be amended accordingly. The agenda was discussed in the Officers' meeting wherein it was agreed that the GST Council may decide on the

HAIRMAN'S INITIALS

Shipra

same.

8.21 The Hon'ble Member from Kerala sought further explanation on this agenda. The Secretary explained that a proposal for rate rationalisation is placed before the Council for decision. The proposal also includes taking the GST rate on lottery from 28% to 40%. The current valuation rule says that value of supply of lottery would be deemed to be 100/128. In view of the decision of the Council recommending 40% rate on supply of lottery, 128 will undergo a change. This is being done in view of the Council decision on overall rate rationalisation proposal.

Decision: The Council approved the proposal to amend Rule 31A(2) of CGST Rules, 2017, in view of the recommendations of the GST Council on the rate applicable to lottery, as part of the rate rationalisation proposals.

9. Agenda Item 8: Review of revenue position under Goods and Services Tax

9.1 The Secretary invited Joint Secretary, DoR to present the agenda item which was review of revenue position under the Goods and Services tax for consideration of the GST Council.

9.2 Joint Secretary, DoR stated that the GST Council is updated about the GST revenue position during every council meeting. Currently, the data being presented is for the period from April, 2025 to August, 2025. He presented the revenue comparison vis-à-vis the previous year up to August, 2025 and also shared the cumulative position of revenue. Based on this cumulative position, there is a growth of 9.9% in gross collection and 8.9% in net collection. For August, 2025, the growth in net collection is 10.7% year-on-year.

9.3 Joint Secretary, DoR further stated that on the IGST settlement issue, as pointed out in the earlier agenda by the State of Tamil Nadu, the position remains a matter of concern which needs to be addressed. This year ₹46,000 crore has been recovered from all the States which had accumulated negative balance during the past two years. However, as of August, 2025, even after recovery, a balance of only ₹170 crore remains. Joint Secretary, DoR emphasised that this requires immediate action and assured that the urgency and directions of the GST Council have been noted. He further assured that the Officers' Committee will act on this quickly and implement the necessary changes.

9.4 The Hon'ble Chairperson observed that during the earlier agenda discussion, it had been mentioned that the Officers' Group was working on this issue and would likely come up with rules soon. She noted that IGST has been a festering problem for some time now. While appreciating the progress, the Hon'ble

CHAIRMAN'S INITIALS

Chairperson stated that the Council would be happy to hear a clear cut commitment on the timeline required.

9.5 Joint Secretary, DoR submitted that the work would be completed by end of September 2025. He also informed that DoR has come up with a SOP and GSTN has worked out the modalities. This was presented to the Officers' Committee last week. Certain directions have been issued as the earlier draft did not take care of some corner cases. The data points required to be addressed for the annual returns due in November 2025 have already been shared with the States. The States can look at them and may address them at their own level. Joint Secretary, DoR assured that the necessary system changes would be finalised by September 2025 and put in place within a couple of months. Before the end of the next quarter, that is, December, 2025 the changes required on the IGST side will be done.

9.6 The Hon'ble Chairperson sought confirmation from the Joint Secretary, DoR, as to whether from the December quarter onwards, the system would be in place with no further issues. The Hon'ble Chairperson sought specific assurance that by September 2025, the SOP would be finalised and integrated into the framework so that from the third quarter that is, December, 2025 onwards the mechanism would run smoothly. Joint Secretary, DoR assured the Council on the same.

9.7 Joint Secretary, DoR stated that from 55th GST Council meeting onwards the sector-wise revenue growth data of the top 30 sectors at the national level has been presented. He clarified that this was for information of the States and that, in the next stage, a state-level analysis would also be taken up. Joint Secretary, DoR invited comments from Hon'ble Members on the same, which has been placed as an agenda item.

9.8 The Hon'ble Member from Karnataka made a request, which was also made in the previous Council meeting in Rajasthan, that Karnataka has an interest in the revenue analysis exercise and may be included in the Revenue Analysis Committee (distinct from the IGST Settlement Committee). He urged that the request be approved in the present meeting itself instead of waiting till the next council meeting for formal placement and acceptance. He further stated that Karnataka has an academic as well as practical interest in the matter.

9 . 9 The Hon'ble Chairperson accepted the request made by the Hon'ble Member from Karnataka.

9.10 The Hon'ble Members from West Bengal, Telangana and Uttar Pradesh also requested for inclusion in the Revenue Analysis exercise.

Decision: The GST Council took note of the revenue position under GST.

CHAIRMAN'S INITIALS

10. Agenda Item 9: Recommendations of the 23rd and 24th meeting of the Information Technology Grievance Redressal Committee (ITGRC) for approval and decision of the GST council

10.1 Joint Secretary, GSTCS informed the Council that a SOP for correcting technical issues requiring data fixes through back end utilities was approved in the 45th GST Council Meeting. Accordingly, as per the SOP, GSTN had presented the listed issues for consideration of the ITGRC.

10.2 In the 23rd meeting of the ITGRC, held on 31st January, 2025, a total of 20 issues were received out of which 16 issues had no financial implication whereas 4 issues had financial implications. The committee took note of the data fixes and in certain cases recommended further analysis and the need to develop permanent solutions.

10.3 In the 24th meeting of the ITGRC held on 16th July, 2025, 43 issues were reviewed - 34 of them had no financial implications, 7 had financial implications. These included cases of inability to file CMP-8 returns for certain taxpayers; inability to file GSTR-07 and GSTR-08 returns for TDS and TCS users. One issue emanated from a court order which allowed filing of ITC-01 return. One issue related to multiple credit entries made in the liability ledger.

10.4 The committee took note of these data fixes and recommended to GSTN to re-examine certain issues in consultation with the GST Policy Wing (GSTPW).

Decision: The GST Council approved the recommendations made by the ITGRC during its 23rd and 24th meetings and took note of the data fixes carried out by GSTN.

11. Agenda Item 10: Quarterly Performance Reports of Anti-Profiteering authorities, received from the Goods & Services Tax Appellate Tribunal (GSTAT), State-level Screening Committee (SLSC), Standing Committee (SC) and DG Anti (Profiteering) for the 3rd quarter (October to December, 2024) and 4th quarter (January to March, 2025) of Financial Year 2024-2025, and for the 1st quarter (April to June, 2025) of the current Financial Year, i.e. 2025-

CHAIRMA
INITIAL

Shipra

2026

11.1 Joint Secretary, GSTCS presented the Quarterly Performance Reports of Anti-Profiteering authorities, received from the Goods & Services Tax Appellate Tribunal (GSTAT), State-level Screening Committee (SLSC), Standing Committee (SC) and DG (Anti-Profiteering) for the 3rd quarter (October to December, 2024) and 4th quarter (January to March, 2025) of Financial Year 2024-2025, and for the 1st quarter (April to June, 2025) of the current Financial Year, i.e. 2025-2026.

Decision: The Council took note of the Quarterly Performance Reports of the anti-profiteering authorities.

12. Agenda Item 11: Review of all State's legislations to map amendments in CGST Act 2017

12.1 Joint Secretary, GSTCS presented an update on the review of State legislations to map amendments made in State legislations consequent to amendments in the CGST Act, 2017. A status report in the form of a Table was presented to the Council for information, in which the States, where the progress to make changes as per Finance Act, 2025, was underway, were highlighted.

12.2 The Secretary apprised the Council that the matter was discussed in the Officers' Meeting and some of the amendments were made in March, 2025 and a request was made to the States to expedite the process of enactment of corresponding amendments at the State level so that notifications for making them operational could be taken up.

12.3 It was informed that some of them were fairly important amendments including those related to *"Track and Trace"* facilities to be implemented. In the officers meeting it was agreed to fix the date of 1st October, 2025, as the date for notification and States can work accordingly to see to it that the respective amendments are enacted in their jurisdictions before that. In this background, permission of the Council was sought for taking this date [1st of October 2025], as the date for notifications to be worked upon.

12.4 The Hon'ble Chairperson requested States who have amendments awaited

CHAIRMAN'S INITIALS

for the past years as well to give attention to these so that all the amendments are aligned.

12.5 The Hon'ble Member from Odisha submitted that pending amendment corresponding to the Finance Act, 2025 will be taken up in the forthcoming Monson Session of the State Legislative Assembly.

Decision: The Council approved 1st October, 2025 as the date to notify amendments in State legislations consequent to amendments made in the CGST Act, 2017.

13. Agenda Item 12: Ad-hoc Exemption Orders issued under section 25(2) of the Customs Act, 1962 to be placed before the Council for information

13.1 Joint Secretary, GSTCS informed the Council that one ad-hoc exemption order had been issued since last meeting of the GST Council. The Order No. 01 of 2025 dated 02.04.2025 pertained to a request from Ministry of External Affairs for exemption of Customs duty for import of guns/equipment from Sri Lanka He further stated that this order is being placed before the Council for information.

Decision: The Council took note of the ad-hoc exemption order issued.

14. The Secretary thanked the Hon'ble Chairperson and all the Hon'ble Members for a very fruitful discussion on the agenda items.

CHAIRMA
INITIAL

Annexure 1

List of Hon'ble Members/Ministers from the States/UTs who participated in the 56th Meeting of the GST Council held on 03.09.25

S. No.	Name of States	Name of Hon'ble Ministers/Member of GST Council	Designation
1	Government of India	Smt. Nirmala Sitharaman	Union Finance Minister
2	Government of India	Shri Pankaj Chaudhary	Minister of State for Finance
3	Andhra Pradesh	Shri Payyavula Keshav	Minister for Finance, Planning, Commercial Taxes and Legislative Affairs
4	Arunachal Pradesh	Shri Chowna Mein	Deputy Chief Minister and Finance Minister
5	Assam	Smt. Ajanta Neog	Minister for Finance
6	Bihar	Shri Samrat Choudhary	Deputy Chief Minister
7	Chhattisgarh	Shri O.P. Choudhary	Minister for Finance and Commercial Tax
8	Delhi	Ms. Rekha Gupta	Chief Minister/Minister for Finance
9	Goa	Dr. Pramod Sawant	Chief Minister/Finance Minister
10	Gujarat	Shri Kanubhai Desai	Minister for Finance
11	Haryana	Shri Nayab Singh	Chief Minister
12	Himachal Pradesh	Shri Rajesh Dharmani	Technial Education Minister
13	Jammu & Kashmir	Shri Omar Abdullah	Chief Minister
14	Jharkhand	Shri Radha Krishna Kishore	Minister for Finance
15	Karnataka	Shri Krishna Byre Gowda	Minister for Revenue Department
16	Kerala	Shri K.N. Balagopal	Minister for Finance
17	Madhya Pradesh	Shri Jagdish Devda	Deputy Chief Minister, Minister for Finance, Commercial Tax, Planning, Economics and Statistics
18	Maharashtra	Ms. Aditi Tatkare	Minister for Women and Child development
19	Manipur	Shri Ajay Kumar Bhalla	Governor
20	Meghalaya	Shri Conrad K. Sangma	Chief Minister
21	Mizoram	Dr. Vanlalthlana	Education Minister
22	Nagaland	Shri K. G. Kenye	Minister for Power and Parliamentary Affairs
23	Odisha	Shri Mohan Charan Majhi	Chief Minister
24	Puducherry	Shri K. Lakshmi Narayanan	Minister for Public Works
25	Punjab	Shri Harpal Singh Cheema	Minister for Finance
26	Rajasthan	Shri Krishan Kumar Vishnoi	Minister for Industry, Commerce, Sports & Youth Affairs, Skill & Employment & Entrepreneurship, Policy Planning
27	Sikkim	Shri G.T. Dhungel	Minister for Health & Family Welfare Department and Culture Department
28	Tamil Nadu	Thiru Thangam Thennarasu	Minister for Finance and Environment Climate Change
29	Telangana	Shri Bhatti Vikramarka Mallu	Deputy Chief Minister
30	Tripura	Shri Pranajit Singha Roy	Finance Minister
31	Uttarakhand	Shri Subodh Uniyal	Forest, Bhasa, Election and Tech Education Minister
32	Uttar Pradesh	Shri Suresh Kumar Khanna	Minister for Finance
33	West Bengal	Smt. Chandrima Bhattacharya	Minister for Finance

CHAIRMAN'S INITIALS

Shipra

CHAIRMA
INITIALS

Annexure -2

List of officers from Centre and the States/UTs who participated in the 56th GST Council meeting held on 03.09.2025

S.No.	Name of Organisation	Name of the Officer	Designation
1	DoR	Shri Arvind Shrivastava	Revenue Secretary
2	CBIC	Shri Sanjay Kumar Agarwal	Chairman, CBIC
3	CBIC	Shri Shashank Priya	Member (GST, Tax Policy & Legal)
4	CBIC	Shri Mohan Kumar Singh	Member (Complaince Management)
5	GST Council Secretariat	Shri Pankaj Kumar Singh	Additional Secretary (GST Council Secretariat)
6	GSTN	Shri Manish Kumar Sinha	CEO
7	Government of India	Shri S. S. Nakul	PS to FM
8	Government of India	Shri Anirudh Sravan Pulipaka	PS to FM (Corporate Affaris)
9	Government of India	Shri Chandrashekhar Nayaka	OSD to FM
10	Government of India	Shri Ankit Jalan	Additional PS to FM
11	Government of India	Shri Sernya Bhutia	Assistant PS to FM
12	Government of India	Shri. Rishirendra Kumar	PS to MoS
13	Government of India	Shri Alkesh Uttam	OSD to MoS
14	DoR	Shri Deepak Kapoor	OSD to RS
15	DoR	Shri Balasubramanian Krishnamurthy	Joint Secretary
16	TRU	Ms. Limatula Yaden	Joint Secretary
17	TRU	Shri Sachin Jain	Joint Secretary
18	GSTN	Shri Alok Kumar	EVP (Services)
19	GST Policy Wing	Shri Gaurav Singh	Commissioner
20	GST Council Secretariat	Shri Devi Prasad Misra	Joint Secretary
21	PIB	Ms. Nanu Bhasin	Addl. Director General
22	GST Council Secretariat	Dr. Shaifali G. Singh	Director
23	TRU	Shri Ravinder Kumar	Director

CHAIRMAN'S INITIALS

24	TRU	Dr. Puneeta Bedi	Director
25	GST Policy Wing	Ms. Shrunkhala Kangale	Additional Commissioner
26	TRU	Ms. Amreeta Titus	Director
27	DoR	Shri Vikash Kumar	Deputy Secretary, State Taxes Division
28	TRU	Shri Satvik Dev	OSD
29	GST Policy Wing	Shri Shraiy Suri	Joint Commissioner
30	GST Policy Wing	Ms. Anshika Agrawal	Deputy Secretary
31	GST Council Secretariat	Ms. Smita Roy	Deputy Secretary
32	GSTN	Shri Naveen Agrawal	OSD to CEO
33	CBIC	Aditya Bhardwaj	OSD to Chairman
34	DoR	Shri Muthuraman. C	Under Secretary, State Tax - II
35	TRU	Shri Adil Ashraf	Under Secretary
36	GST Policy Wing	Ms. Saumya Gupta	Deputy Commissioner
37	GST Policy Wing	Shri Prashant Sharma	Deputy Commissioner
38	TRU	Shri Ananya Kumar Singh	Technical Officer
39	TRU	Ms. Anna Sosa Thomas	OSD
40	TRU	Dr. Debjyoti Burman	Technical Officer
41	TRU	Shri Dheeraj Sharma	Under Secretary
42	TRU	Shri Kumar Vivek	Under Secretary
43	TRU	Shri Mohamed Javed	OSD
44	TRU	Shri Saahil Khare	Technical Officer
45	TRU	Ms. Sanjala Sharma	Technical Officer
46	TRU	Shri Sourav Belani	OSD
47	TRU	Shri Stanzin Wangyal	OSD
48	TRU	Ms. Tanvi Soni	OSD
49	TRU	Shri Vishal Singh	Technical Officer
50	PIB	Shri Kush Mohan Nahar	Assistant Director
51	TRU	Shri Ashok	Superintendent

CHAIRMA
INITIALS

52	Andhra Pradesh	Shri Jayakrishna M	OSD to Finance Minister
53		Shri Peeyush Kumar	Principal Secretary,
54		Shri Babu.A	Chief Commissioner(ST)
55		Shri Sekhar.S	Additional CST(IT)
56		Shri K.Madhu Babu	Joint Commissioner(ST)
57	Arunachal Pradesh	Shri Ajay Saring	PRO to Deputy Chief Minister
58		Smt. Y. W. Ringu	Commissioner (Finance / Tax,
59		Shri Lobsang Tsering	Tax, Excise &
60	Assam	Shri Jayant Narlikar	Commissioner & Secretary ,
61		Shri Virendra Mittal	Commissioner & Secretary,
62		Shri Jitu Doley	Pr. Commissioner of State Tax
63		Shri Prikshit Thoudam	Special Commissioner of Taxes
64		Shri Momshad Dinory	Assistant Commissioner
65	Bihar	Shri Sanjay Kumar Singh	Commissioner-Cum-Secretary,
66		Shri Ranjit Kumar	OSD to Commercial Taxes
67		Shri Kamlesh Kumar Prakash	Deputy Commissioner State Tax
68	Chhattisgarh	Shri Mukesh Bansal	Secretary, Finance and
69		Shri Pushpendra Kumar	Commissioner, State Tax
70		Shri Deepak Giri	Joint Commissioner
71	Delhi	Shri Bipul Pathak	Additional Chief Secretary
72		Ms. Nandini Paliwal	Commissioner, State Tax
73		Shri Suneel Anchipaka	Special Commissioner
74	Goa	Shri Tushar Kumar Joshi	OSD to CM
75		Shri Gaurish Kalangutkar	OSD to Chief Minister
76		Shri Sanket Arsekar	Joint Secretary
77		Shri S.S.Gill	Commissioner of State Tax
78		Shri Vishant S.N.Gaunekar	Additional Commissioner of
79	Gujarat	Dr. T. Natarajan	Principal Secretary,
80		Shri Rajeev Topno	Chief Commissioner of State
81		Shri K.D.Shukla	Additional Commissioner
82		Shri Atul Mehta	Additional Commissioner
83		Shri Ajitsinh Vanol	Deputy Commissioner
84		Shri Bhavesh Patel	Assistant Commissioner
85	Haryana	Smt. Ashima Brar	Commissioner & Secretary
86		Shri Vinay Pratap Singh	Excise & Taxation
87		Dr. Hemant Kumar	Additional Excise and Taxation
88	Himachal Pradesh	Shri Devesh Kumar	Principal Secretary Finance
89		Dr. Yunus	Commissioner State Taxes
90		Shri Ravinder Kumar	Additional Commissioner
91		Shri Kulbhushan Gautam	Joint Commissioner
92		Shri Naveen Garg	Project Manager
93	Jammu & Kashmir	Shri Deeraj Gupta	Additional Chief Secretary to
94		Shri Reyaz Ahmad Wani	OSD to Chief Minister
95		Shri Santosh D. Vaidya	Principal Secretary
96		Shri. P.K Bhat	Commissioner State Taxes
97	Jharkhand	Shri Anirban Aich	PS to Minister for Finance
98		Shri Narendra Kumar	PS to Minister for Finance
99		Shri Ameet Kumar	Commissioner Commercial Tax
100		Shri Brajesh Kumar	Assistant Commissioner

CHAIRMAN'S INITIALS

Shipra

101	Karnataka	Shri Ritesh Kumar Singh	Principal Secretary (Finance)
102		Shri Vipul Bansal	Commissioner of Commercial
103		Shri Mohammad Ikramulla	Joint Secretary
104		Shri R. D. Meghannavar	Additional Commissioner
105		Shri B. Nagaraja Rao	Joint Commissioner
106		Shri H. D. Ramesh	Deputy Commissioner
107	Kerala	Shri Patil Ajit Bhagwatrao	Commissioner of State Tax
108		Smt. Sreelakshmi R	Additional Commissioner
109		Shri Mohd. Shafiq	Additional Commissioner
110		Ms. Smitha Sasi	Deputy Commissioner (Policy
111		Dr. Shyjan D	Private Secretary to Minister for
112	Madhya Pradesh	Shri Rupesh Kumar Pathwar	Special Assistant to Deputy CM
113		Shri Dhanaraju S.	Commissioner Commercial
114		Shri Manoj Kumar Choubey	Additional Commissioner
115	Maharashtra	Shri O. P. Gupta	Additional Chief Secretary,
116		Shri Asheesh Sharma	Commissioner Commercial
117		Shri B. Gore	OSD to Commissioner
118		Shri Rahul Desai	PA to Minister
119		Shri Anup Jadhav	Deputy Commissioner
120	Manipur	Shri Vivek Kumar Dewangan	Additional Chief Secretary,
121		Smt. Mercina R. Panmei	Commissioner of Taxes
122		Shri Yumnam Indrakumar	Joint Commissioner
123	Meghalaya	Shri Jagdish Chelani	Commissioner of Taxes
124		Shri Mardasien Pariat	Assistant Commissioner
125	Mizoram	Shri H.K. Lalhawngliana	Commissioner of State Tax
126	Nagaland	Shri Y. Mhathung Murry	Special Commissioner, State
127		Smt. Tokatoli Sohe	Deputy Commissioner
128	Odisha	Shri Saswat Mishra	Principal Secretary to Chief
129		Shri Sanjeeb Kumar Mishra	Principal Secretary (Finance)
130		Shri Manoj Sahoo	PS to Chief Minister
131		Ms. Yamini Sarangi	Commissioner Commercial
132	Puducherry	Shri Choudhary Mohammed	Secretary-cum-Commissioner of
133		Shri M. Adharsh	Deputy Commissioner
134		Smt. S. Rewathi	Assistant Commissioner (A&I)
135	Punjab	Shri Ajit Balaji Joshi	Administrative Secretary
136		Shri Jitendra Jorwal	Commissioner of State Tax
137		Smt. Harsimrat Kaur	Joint Commissioner
138		Smt. Amritdeep Kaur	Assistant Commissioner
139		Shri Bharat Sharma	State Tax Officer cum OSD to
140	Rajasthan	Shri Kumar Pal Gautam	Chief Commissioner State Tax
141		Shri Kuldeep Kumar Singh	Special Commissioner (BIU)
142	Sikkim	Shri Pawan Kumar Awasthy	Principal Director, Finance
143		Shri Manoj Rai	Commissioner (Commercial
144	Tamil Nadu	Thiru T. Udhayachandran	Principal Secretary,
145		Thiru Brajendra Navnit	Principal Secretary, Information
146		Thiru S. Nagarajan	Commissioner Commercial
147		Thiru S. Subash Chandra Bose	Additional Commissioner
148		Thiru S. Gnanakumar	Additional Commissioner (Tax

CHAIRMAN INITIALS

149	Telangana	Shri S.A.M. Rizvi	Principal Secretary, Revenue
150		Smt. K. Haritha	Commissioner Commercial
151		Shri Ch. Raja Krishna	Joint Commissioner
152	Tripura	Dr. Akinchan Sarkar	Chief Commissioner of State
153		Shri Ashin Barman	Assistant Commissioner
154	Uttarakhand	Shri Dilip Jawalker	Secretary, Finance
155		Smt. Sonika	Commissioner State Taxes
156		Shri Anurag Mishra	Joint Commissioner
157		Shri Ranjit Negi	Assistant Commissioner
158	Uttar Pradesh	Shri Amit Pandey	PS to Minister for Finance
159		Shri M. Devraj	Principal Secretary, State Tax
160		Dr. Nitin Bansal	Commissioner Commercial
161		Shri Arvind Kumar Baliyan	Joint Commissioner
162	West Bengal	Shri Prabhat Kumar Mishra	Additional Chief Secretary
163		Dr Uma Sankar S.	Commissioner of State Tax
164		Shri Rajib Sankar Sengupta	Additional Commissioner of
165		Shri Shantanu Naha	OSD to Minister

CHAIRMAN'S INITIALS

Shipra

CHAIRMA
INITIALS

Shipra

Presentation before GST Council on Recommendations of GoM on Life and Health Insurance

3-SEPTEMBER-2025
NEW DELHI

RECOMMENDATIONS MADE FOR LIFE INSURANCE IN FIRST REPORT

1. Exempting individual term life insurance policies, along with reinsurance thereof.

2. It was noted that some States requested including group term life in this exemption, but it was agreed that this could be considered at a later stage.

Revenue implication: Rs. 1,360 crores

As per 2023-24 data

HAIRMAN'S
NITIALS

Shipra

RECOMMENDATIONS FOR HEALTH INSURANCE IN FIRST REPORT

1. Exempting individual health insurance policies for senior citizens, along with reinsurance thereof.
2. Exempting individual health insurance policies providing coverage up to Rs 5 lakh, along with reinsurance thereof. The limit may be revised upwards later.
3. The issue of GST rate on health insurance for Persons with Mental Illness (PMI) to be examined by the Fitment Committee, with instructions to seek recommendations from the Department of Financial Services.

Revenue implication: Rs. 2,345 crores

As per 2023-24 data

Union proposal

1. Exemption for all individual life insurance policies, along with reinsurance thereof.

Revenue implication: Rs. 5,794 crores

2. Exemption for all individual (including family floater) health insurance policies, along with reinsurance thereof.

Revenue implication: Rs. 4,163 crores

As per 2023-24 data

The proposed exemption at (2) above will obviate the requirement of a separate exemption for individual health insurance policies purchased for people with mental illness (PMI).

CHAIRMAN INITIALS

Health Insurance : Impact of Union's proposal

- Present rate is 18%*

As per data for FY 2023-24

	Number of insured	Share	Number of policies	Share
Senior citizens	17,62,728	1 %	21,51,949	8 %
Individual up to Rs. 5 lakh coverage	43,74,678	1 %	69,18,104	26 %
Individual more than Rs. 5 lakh coverage	38,20,266	1%		
Family floater policies upto Rs. 5 lakh coverage	2,17,64,646	7%	69,73,368	26%
Family floater policies more than Rs. 5 lakh coverage	2,41,34,682	8%	70,55,579	26%
Individual policies (total)	5,58,57,000	18%	2,30,99,000	86%
Group policies (total)	25,59,09,000	82%	37,29,000	14 %
Grand Total	**31,17,66,000**		**2,68,28,000**	

**Government sponsored insurance policies are exempt e.g. Ayushman Bharat.*

Life Insurance: Impact of Union's proposal

- Present rate is 18%

As per data for FY 2023-24

	Number of insured	Share	Number of policies	Share
Individual Pure Term	51,62,539	1 %	55,76,499	2 %
Individual (other than pure term)	21,99,25,505	38 %	30,67,69,639	97 %
Individual Total	**22,50,88,044**	**39%**	**31,23,46,138**	**99%**
Group (Other than pure term)	6,99,23,695	12 %	1,58,865	0 %
Group Pure Term*	28,41,27,721	49 %	18,86,081	1 %
Group Total	**35,40,51,416**	**61%**	**20,44,946**	**1%**
TOTAL	**57,91,39,460**		**31,43,91,084**	

**The number of PM Jeevan Jyoti Bima Yojana policies is included in the "Group Pure Term" category in the above table. The number of insured individuals under this scheme as on March 19, 2025 was 23.36 crore.*

Government sponsored insurance policies are exempt e.g., Varishtha Pension Bima Yojana.

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COMPARISON OF COVERAGE AND REVENUE IMPLICATION

As per FY 2023-24 data	Health Insurance		Life Insurance	
	Proposal after the 1st GoM Meeting	Union's Proposal	Proposal after the 1st GoM Meeting	Union's Proposal
Covered persons / Total insured	2,79,02,052/ 31,17,66,000 (9%)	5,58,57,000/ 31,17,66,000 (18%)	51,62,539/ 57,91,39,460 (1%)	22,50,88,044/ 57,91,39,460 (39%)
Covered policies / Total policies	1,29,61,520/ 2,68,28,000 (48%)	2,30,99,000/ 2,68,28,000 (86%)	55,76,499/ 31,43,91,084 (2%)	31,23,46,138/ 31,43,91,084 (99%)
Revenue Implication (Rs. Crores)	1,360	4,163	2,345	5,794

Views of Members (1/2)

- All the members have agreed, in principle, with the Union's proposals of giving exemption to all individual life insurance and health insurance policies.
- Few members emphasized that the proposed exemption can be considered favorably provided the benefits of the exemption are passed on to the customers.
- A few States have also raised an issue that the insurance companies should not make windfall gains by not passing the benefits of this exemption to the policy holders, in view of the fact that the regulator, i.e. IRDAI, has not expressly assured the same.

CHAIRMAN'S INITIALS

Views of Members (2/2)

- These States were of the view that the primary beneficiaries of the exemption should be the policy holders and not the insurance companies.
- A few States expressed their support to the earlier recommendation made by this GoM on 18.12.2024.
- A few members have also expressed concerns about the manner in which it will be ensured that the benefit of the exemption will be passed on to the policy holders.
- Some members also stated that the anticipated revenue loss must be adequately offset through suitable compensatory measures.

Final Recommendation of the GoM

- The GoM recommended that:

1. The GST Council may take a final decision on the Union's proposal; and
2. The views expressed by various States may be brought to the notice of the GST Council.

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Agenda 2: Ratification of Notifications, Circulars etc.

[Vol. I Pg. 183-188]

Act/ Rules	Notifications/ Circulars to implement decisions taken in 55th meeting of GST Council & decisions taken by GIC.
CGST Act/ Rules	1. Eleven (11) Central Tax Notifications issued (No. 01/2025 to 12/2025) 2. Eight (08) Central Tax (rate) Notifications issued (No. 01/2025-CT (rate) to 08/2025 -CT (rate)) 3. Nine (09) Circulars issued (No. 240/34/2024-GST to 248/05/2025-GST)
IGST Act/ Rules	Eight (08) Integrated Tax (rate) Notifications issued (No. 01/2025 to 08/2025)
UTGST Act/ Rules	Eight (08) Union Territory Tax (rate) Notifications issued (No. 01/2025 to 08/2025)
Compensation Cess Act/ Rules	One (01) Compensation Cess (rate) Notification issued (No. 01/2025)

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Recommendations of the 23rd and 24th meeting of the ITGRC for approval/decision of the GST Council

An SoP for correcting technical issues requiring data fixes through backend utilities was approved in the 45th GST Council Meeting. Accordingly, as per the SoP, GSTN presented the following issues for consideration of the ITGRC:

23rd Meeting of the ITGRC

(31st January, 2025)

Total Issues Reviewed: 20

Issues with no financial implication: 16 [1,79,548 cases]

The issues included cases of casual taxpayers unable to respond to notices; inability to file GSTR-1 returns for older return periods for some taxpayers; certain taxpayers blocked from generating EWBs.

Issues having a financial implication: 4

The issues discussed included cases of double application of late fees; refunds for late filing of GSTR3B due to a system reset etc.

The Committee took note of the data fixes and in certain cases, recommended further analysis and the need to develop permanent solutions.

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24th Meeting of the ITGRC

(16th July, 2025)

Total Issues Reviewed: 43

Issues with no financial implication: 34 [30,919 cases]

The issues included cases of mismatches in Annual Aggregate Turnover (AATO) for certain taxpayers, inability to file ITC-01 return.

Issues having a financial implication: 7

The issues discussed included cases of inability to file CMP-08 return for certain taxpayers; inability to file GSTR-7/8 returns for TDS/TCS users.

1 issue related to a Court order allowing filing of ITC-01

1 issue relating to multiple credit entries in liability ledger

The Committee took note of the data fixes and recommended GSTN to re-examine certain issues in consultation with GST Policy Wing

Thank you!

CHAIRMAN'S INITIALS

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Annexure - I

Sr. No.	Name of the State/UT	Finance Act, 2018	CGST Amendment Act, 2018	Finance Act (No.2), 2019	Finance Act, 2020	Taxation and other laws (Relaxation of other provisions) Ordinance, 2020	Finance Act, 2021	Finance Act, 2022	Finance Act, 2023	CGST Amendment Act, 2023	CGST (Second) Amendment Act, 2023	Finance Act, 2024	Finance Act(No.2), 2024	Finance Act, 2025
1	Assam													
2	Andhra Pradesh													
3	Arunachal Pradesh													
4	Bihar													
5	Chattisgarh													
6	Delhi													
7	Goa													
8	Gujarat													
9	Haryana													
10	Himachal Pradesh													
11	Jammu & Kashmir													
12	Jharkhand													
13	Karnataka													
14	Kerala													
15	Madhya Pradesh													
16	Maharashtra													

* The Central Goods and Service Tax (extension to Jammu & Kashmir) Act, 2017 has amended the CGST Act, 2017 only. The same amendments may not be required in the corresponding SGST acts of other states.

Enacted	
Under Process	
Not required to be enacted in State GST Act	

Sr. No.	Name of the State/UT	Finance Act, 2018	CGST Amendment Act, 2018	Finance Act (No.2), 2019	Finance Act, 2020	Taxation and other laws (Relaxation of other provisions) Ordinance, 2020	Finance Act, 2021	Finance Act, 2022	Finance Act, 2023	CGST Amendment Act, 2023	CGST (Second) Amendment Act, 2023	Finance Act, 2024	Finance Act(No.2), 2024	Finance Act, 2025
17	Manipur													
18	Meghalaya													
19	Mizoram													
20	Nagaland													
21	Odisha													
22	Punjab													
23	Puducherry													
24	Rajasthan													
25	Sikkim													
26	Tripura													
27	Tamil Nadu													
28	Telangana													
29	Uttar Pradesh													
30	Uttarakhand													
31	West Bengal													

* The Central Goods and Service Tax (extension to Jammu & Kashmir) Act, 2017 has amended the CGST Act, 2017 only. The same amendments may not be required in the corresponding SGST acts of other states.

Enacted	
Under Process	
Not required to be enacted in State GST Act	

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56th GST Council Meeting

Agenda Item 7

Recommendations of Fitment Committee on Goods and Services

3rd and 4th September, 2025

Agenda Items

- **Total 3 issues examined:**

  Goods - 2
  Services 1

  ➢ Recommendations for making changes in GST rates/ issuing clarifications- **3**

CHAIRMAN'S INITIALS

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Goods

- **Total 2 issues examined**

  - Recommendations for making changes in GST rate/mode of levy - **2**

    (Vol-II: Agenda 7(a): Annexure-I :pages 118 to 119)

Services

- **Total 1 issue examined**

  - Recommendations for making changes in GST rates/ issuing clarifications- **1**

    (Vol-II: Agenda 7(b): Annexure-IV: pages 120 to 123)

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Recommendations of the Fitment Committee:

Goods

Goods- Change in GST rate/mode of levy recommended (2) :

Agenda No.	Issue/Proposal	Status after officers' meeting
Agenda 7 (a) (Annexure-I) S. No. 1 Vol-II: Page No. 118	**Issue** ➢ To adopt Retail Sale Price (RSP) based levy on Cigarettes, Pan Masala, and tobacco products **Fitment Committee recommended** : ➢ To adopt Retail Sale Price (RSP) based GST levy on Cigarettes, Pan Masala and all tobacco products such as Pan Masala Gutkha & Chewing Tobacco, Zarda Scented Tobacco, Unmanufactured tobacco	**(i) Tamil Nadu:** Agreed with the proposal but expressed concern about tracking goods after manufacturer supplies them (track and trace) **(ii) Uttar Pradesh:** Agreed with the proposal but raised concern regarding misuse of accumulated ITC by distributors/ retailers **(iii) Maharashtra:** Agreed with the proposal but suggested that a mechanism to enhance MRP. **(iv) West Bengal:** Agreed with the proposal but asked that credit mechanism be clarified. Asked how checks & balances will be put as there are large amounts of unauthorised supplies from other states. **(v) Haryana:** Broadly supported the proposal because of increase in revenue but expressed concern about duplicates selling in the market and that the industry is already suffering from it. Agreed with Maharashtra that some mechanism should be there to ensure MRP increases

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Goods- Change in GST rate/mode of levy recommended (2) :

Agenda No.	Issue/Proposal	Status after officers' meeting
Agenda 7 (a) (Annexure-I) S. No. 1 Vol-II: Page No. 118	**Issue** ➢ To adopt Retail Sale Price (RSP) based levy on Cigarettes, Pan Masala, and all tobacco products **Fitment Committee recommended** : ➢ To adopt Retail Sale Price (RSP) based GST levy on Cigarettes, Pan Masala and all tobacco products such as Pan Masala Gutkha & Chewing Tobacco, Zarda Scented Tobacco, Unmanufactured tobacco	**Track and Trace.** • CGST Act amended vide Finance Act 2025 to insert an enabling provision through section 148A to empower Govt to enforce Track and Trace mechanism for specified evasion prone commodities. • This provides a legal framework for implementing a mechanism for tracing specified commodities throughout the supply chain. • However, the above provision has not been brought into force as many State legislatures have still not enacted corresponding amendments in the State Acts **Concern regarding misuse of accumulated ITC by distributors/ retailers** • This is an enforcement issue which is not unique to the mode of levy **Mechanism to enhance MRP** • MRP for these products are market determined • It is upto the manufacturer to absorb the tax or pass on as higher MRP

Goods- Change in GST rate/mode of levy recommended (2):

Agenda No.	Issue/Proposal	Status after officers' meeting
Agenda 7 (a) (Annexure-I) S. No. 2 Vol-II: Page Nos. 118-119	**Issue** ➢ To extend Adhoc IGST and Compensation Cess exemption on new Armoured Sedan Car procured by the President's Secretariat for the President of India **Fitment Committee recommended :** ➢ To grant adhoc IGST and Compensation Cess exemption to the Armoured Sedan Car.	**Agreed**

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Services- Change recommended/ issue clarification (1) :

Agenda No.	Issue/Proposal	Status after officers' meeting
Agenda 7 (B) (Annexure-IV) S. No. 1 Vol-II: Page Nos. 120-123	**Issue** ➢ To insert explanations in the definition of 'specified premises' in the notification No. 11/2017-CTR dated 28.06.2017 **Fitment Committee recommended** ➢ To make sure that the revised definition of 'specified premises' does not leave scope for any interpretation beyond the original intent of the Council, it is proposed that two explanations may be inserted in the definition of specified premises. ➢ The explanations may be inserted under section 11(3) of the CGST Act, to give effect as if it had always been the part of the revised definition of 'specified premises' introduced vide notification No. 5/2025 CTR dated 16.01.2025 given effect from 01.04.2025.	**Agreed.** Kerala and Jammu & Kashmir raised a related issue regarding delinking of rates of GST applicable on restaurants located in hotels with the value of supply of accommodation in such hotels.

THANK YOU

CHAIRMAN'S INITIALS

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Vol II: Agenda 7(a) (Annexure-I): Changes in GST rate/ mode of levy (pages118-119)

1. **To Adopt Retail Sale Price (RSP) based levy on Cigarettes, Pan Masala, tobacco products** (Page 118)

- Currently, levy of GST on Cigarettes, Pan Masala, Pan Masala Gutkha & Chewing Tobacco/Zarda Scented tobacco is on transaction value.
- In Council in its 49th GST meeting 18th February 2023, accepted the recommendation of the GoM on Capacity Based Taxation and Special Composition Scheme to revise compensation cess levy from *ad valorem* tax to specific tax-based levy linked to RSP.
- In its Report GoM observed there exist greater leakages in revenue at later stages of supply chain (distributor/retailer) of tobacco products.
- Although threshold exemption is not applicable for suppliers of pan masala, tobacco and manufactured tobacco substitutes, it is possible that many end retailers are not paying tax causing leakages in revenue.

11

Vol II: Agenda 7(a) (Annexure-I): Changes in GST rate/ mode of levy(pages118-119)

(Agenda 1 continued)

Fitment Committee recommendation:-

To adopt Retail Sale Price (RSP) based GST levy on Cigarettes, Pan Masala and all tobacco products such as Pan Masala Gutkha & Chewing Tobacco/Zarda Scented Tobacco, Unmanufactured tobacco

12

CHAIRMA
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Vol II: Agenda 7 (a) (Annexure-I): Changes in GST rate/ mode of levy (pages118-119)

2. Request for Adhoc IGST and compensation cess exemption on new Armoured Sedan Car procured by the President's Secretariat for the President of India (Pages 118-119)

- The Secretariat of Her Excellency, the President of India has placed order for 1 Armoured Sedan Car for the President of India in replacement of the existing Mercedes Benz S600 Pullman Limousine of 2011 vintage.
- As per President's Secretariat, cost of the vehicle is Rs. 3.66 crore (approx.) (excluding insurance and freight charges). They have requested for exemption from customs duty along with IGST & Compensation Cess on the import of the said vehicle.
- Basic customs duty exemption is available for cars imported by the President of India under Circular No. 3(3) – Cus. IV/50 dated 08.08.1950. However, no IGST and compensation cess exemption is available.
- Currently, this segment of car attracts 28% GST + 20% compensation Cess.

Fitment Committee recommendation:

To grant adhoc IGST and compensation cess exemption to the Armoured Sedan Car.

Recommendations of the Fitment Committee: Services

HAIRMAN'S INITIALS

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Vol II: Agenda 7(b)(Annexure-IV): Changes in GST rates/ issuing clarification (Pages 120-123)

1. **To insert explanations in the definition of 'specified premises' in the notification No. 11/2017-CTR dated 28.06.2017** (Pages 120-123)

- In the 55th GST Council meeting held on 21.12.2024, it was recommended to revise the definition of 'specified premises' and the same has been notified to come into effect from 01.04.2025.
- FAQs were also issued to clarify the different issues related to amendment in the definition and the procedure prescribed.
- In the feedback received, concerns were raised about the following issues:
    1. An opt-in declaration can be filed specifying a 'stand-alone' restaurant as a 'specified premises'
    2. The definition does not provide for filing an opt-in declaration at the time of registering an additional place of business during the financial year.

Fitment Committee recommendation:

- To make sure that the revised definition of 'specified premises' does not leave scope for any interpretation beyond the original intent of the Council, it is proposed that two explanations may be inserted in the definition of specified premises.
- The explanations may be inserted under section 11(3) of the CGST Act, to give effect as if it had always been the part of the revised definition of 'specified premises' introduced vide notification No. 5/2025 CTR dated 16.01.2025 given effect from 01.04.2025.

THANK YOU

CHAIRMAN'S INITIALS

Vol II: Agenda 7(a) (Annexure-I): Changes in GST rate/ mode of levy (page 118)

- Illustration of RSP levy

Current

Assuming a pouch of Pan Masala [HS 2106 90 20] with RSP of Rs. 5

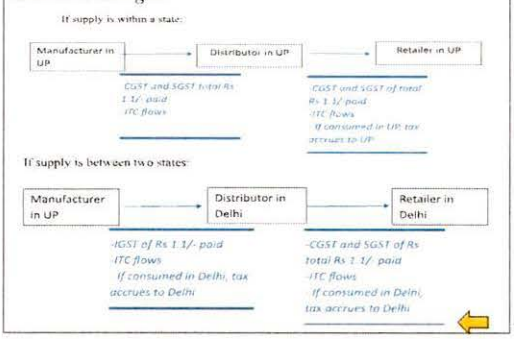
i. RSP= Rs 5/-
ii. Assuming distributor margin is 10% of RSP = Rs 0.5
iii. Assuming retailer margin is 10% =Rs 0.5
iv. Tax amount on the above margin of both (ii) and (iii) at 28%= Rs 0.28
v. Factory gate price including manufacturer margin= (i)- (ii +iii+ iv) = Rs 3.72
vi. Manufacturer margin= Factory gate price/1.28= Rs 2.91
vii. Manufacturer pays GST on his margin i.e 28%*2.91 =Rs 0.81
viii. Tax liability of distributor = 28%* distributor margin = Rs 0.14
ix. Tax liability of retailer= 28%* retailer margin =Rs 0.14
x. Total tax=(vii)+(viii)+ (ix)= Rs **1.09**

Manufacturer pays Rs 0.81/- GST. This is available as credit for the distributor. The distributor's GST liability is 0.14/-. This is available as credit to the retailer. The retailer's GST liability is 0.14/-. The total tax collected at each stage is 0.81+0.14+0.14= Rs 1.09/-

Proposed

RSP (incl. of GST) = Rs 5
Manufacturer pays GST of RSP*0.28/1.28= 0.22*RSP = Rs 1.1

This is available as credit for the next supplier (distributor/retailer) whose GST liability is also Rs 1.1 if MRP remains unchanged.



Vol II: Agenda 7(a) (Annexure-I): Changes in GST rate/ mode of levy (page 118)

- Illustration of RSP levy

Current

Assuming a pack of Cigarettes [HS 2402] with Retail Sale Price of Rs. 17 per stick

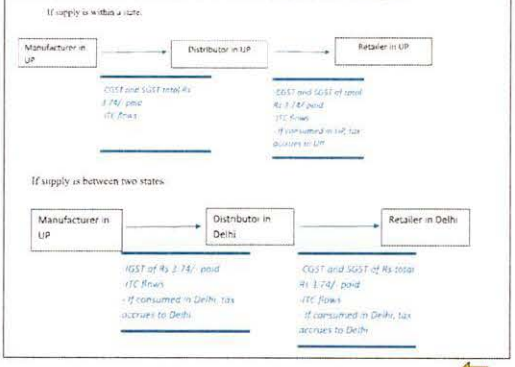
i. RSP= Rs 17/- per stick
ii. Notified Basic Excise Duty (BED) is Rs 0.01 per stick, NCCD is Rs 0.85 per stick
iii. Assuming distributor margin is 20% of RSP = Rs 3.4
iv. GST on the above margin of (iii) at 28%= Rs 0.95
v. Factory gate = (i)- (iii+ iv) = Rs 12.65
vi. Manufacturer margin= Factory Gate price- BED - NCCD – 0.28*(manufacturer margin +BED+ NCCD) =9.02
vii. Manufacturer pays 28% GST on value of his margin and central excise duty =Rs 2.77
viii. Total GST=(iv)+(vii) =Rs **3.72**

Manufacturer pays Rs 2.77 GST. This is available as credit for the distributor. The distributor's GST liability is 0.95/-. The total tax collected at each stage is 2.77+0.95= Rs 3.72/-

Proposed

RSP (incl. of GST) = Rs 17 per stick
Manufacturer pays GST of RSP*0.28/1.28= 0.22*RSP = Rs **3.74**

This is available as credit for the next supplier whose GST liability is also Rs 3.74 if MRP remains unchanged.



CHAIRMAN'S INITIALS

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Summary of discussions on Agendas recommended by the Law Committee, in Officers' Meeting held on 02nd September 2025

CHAIRMAN'S INITIALS

Agenda No	Issue/Proposal	Status during Officers Meeting
6(e) [Vol. II- Pg. 17]	**Amendment in place of supply provisions for intermediary services under section 13(8) of the IGST Act** **Agenda on issues arising out of ambiguity in interpretation of scope of "intermediary" & "intermediary services", and the place of supply provisions under section 13(8)(b) of IGST Act, 2017 in respect of the said services was placed before the GST Council in its 55th meeting held on 21.12.2024, with a recommendation to amend the place of supply provisions for intermediary services. The GST Council recommended to constitute a Group of Officers to review the said provision which submitted its report to the Law Committee for further deliberations.** **The Law Committee recommended:** ▪ Clause (b) may be omitted from **section 13(8) of IGST Act, 2017** prospectively. ▪ The place of supply for "intermediary services" will accordingly be determined as per the default provision under section 13(2) of IGST Act, 2017 i.e. the location of the recipient of such services.	1) Agreed. 2) Karnataka submitted that consideration of the proposed amendment to the place of supply provisions be taken up simultaneously with their request to capture additional details related to the import of intermediary services in the returns. It was noted that this matter is already being deliberated by the Law Committee. 3) Kerala agreed to the proposal in principle, but placed on record their request to make exception for the providers of intermediary services in education sector.

Agenda No	Issue/Proposal	Status during Officers Meeting
6(f)(I) [Vol. II- Pg. 18-19]	**Amendment of section 15(3)(b) and section 34 of CGST Act to resolve issues related to post-sale discount** **The Law Committee recommended:** ▪ To **omit the section 15 (3) (b) (i) of CGST Act** thereby omitting the requirement of establishing the discount in terms of an agreement entered at or before the time of such supply and specifically linking of the same with relevant invoices, ▪ To **amend section 15 (3) (b) of CGST Act** to provide that discount should be through a credit note issued under section 34 of the CGST Act and correspondingly amend section 34 to include a reference to section 15 (3)(b). ▪ To **rescind circular No.212/6/2024-GST dated 26.06.2024** which provided for submission of CA/CMA certificate/self declaration as evidence of compliance of conditions of section 15(3)(b)(ii) of the CGST Act by the suppliers, from the date the amendment in section 34 through Finance Act 2025 comes into force.	Agreed

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Agenda No	Issue/Proposal	Status during Officers Meeting
6(f)(II) [Vol. II- Pg. 20-26]	**Clarifications on other issues related to post sale discount (1/2)** **Issue I -Whether the recipient is liable to reverse the Input Tax Credit on account of discount provided through financial/commercial credit notes issued by their supplier?** **The Law Committee recommended to clarify through a Circular that:** ▪ The recipient will not be required to reverse the Input Tax Credit attributable to the discount provided on the basis of financial/ commercial Credit notes issued by the supplier, as there is no reduction in the original transaction value of the supply and accordingly, the corresponding tax liability would also not get reduced. **Issue II - Whether a post-sale discount offered by a manufacturer to its dealer/distributor would be treated as an additional consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer, as monetary value for the inducement to supply of such goods manufactured by him to the end customer?** **The Law Committee recommended to clarify through a Circular that:** ▪ Where there is no agreement between the manufacturer and the end customer, the post-sale discount offered by a manufacturer to its dealer/distributor cannot be included in the consideration as the monetary value of the inducement of further supply of these goods by the dealer to the end customer.	Agreed

Agenda No	Issue/Proposal	Status during Officers Meeting
6(f)(II) [Vol. II- Pg. 20-26]	**Clarifications on other issues related to post sale discount (2/2)** **Issue-II** ▪ Where there is an agreement between the end customer and the manufacturer to supply goods at a discounted price, and the manufacturer issues credit notes to enable the dealer to sell goods at a lower price to the said end customer, then the amount of such post-sale discount would get included in the overall consideration, and hence liable to GST. **Issue III - Whether a post-sale discount extended by the manufacturer to the dealer can be treated as a consideration in lieu of the activities performed to promote the sale of the goods?** **The Law Committee recommended to clarify through a Circular that:** ▪ In such cases post-sale discount merely reduces the sale price of goods and is not linked to any independent service rendered by the dealer. Such post sale discounts shall not be treated as consideration for a separate transaction of supply of services. ▪ However, where dealer undertakes promotional activities, which are explicitly stated in the agreement with the manufacurer, with clearly defined consideration payable for the same, then GST would be leviable on such a supply of services of promotional activities.	Agreed

CHAIRMAN'S INITIALS

Agenda No 1) Agreed. 2)	Issue/Proposal	Status during Officers Meeting
6(g) [Vol. II-Pg. 27-32]	**Retail Sale Price based valuation in CGST Rules for Pan Masala, Gutkha, Cigarettes, Chewing Tobacco, Zarda , Scented tobacco and Unmanufactured tobacco.** **The Law Committee recommended:** ▪ To insert a new **Rule 31D in the CGST Rules**, to provide for retail selling price-based valuation for **Pan Masala, Gutkha, Cigarettes, Chewing Tobacco, Zarda, Scented tobacco and Unmanufactured tobacco.** ▪ Amendment in **the first proviso to Rule 86B of the CGST Rules** (providing for discharge of 1% liability through electronic cash ledger), to exclude such suppliers of goods from the said rule except for manufacturers of these goods. ▪ Amendment in **notification No. 49/2023–Central Tax dated 29.09.2023** issued under **section 15(5) of CGST Act, 2017** to include supply of Pan Masala, Cigarettes, Gutkha , Chewing Tobacco, Zarda, Scented tobacco and Unmanufactured Tobacco. on the package of which retail sale price is declared.	1) Agreed. 2) Alternate formulation of the proposed amendment in rule 86B of CGST Rules, as below, was agreed. *"(f) the registered person other than a manufacturer shall be exempted from the provisions of this rule only in respect of goods specified under Rule 31D on which tax has been paid on the basis of Retail Sale Price;"* 3) A Track and Trace mechanism for evasion-prone commodities has been introduced in the CGST Act, 2017 through the Finance Act, 2025. The implementation of this mechanism shall be undertaken once the corresponding amendments are carried out in the respective SGST Acts.

Agenda No	Issue/Proposal	Status during Officers Meeting
6(h) [Vol. II-Pg. 33-72]	**Notifying Annual Return in FORM GSTR-09 for Financial Year 2024-25 and extending exemption from filing FORM GSTR-09 for taxpayers with turnover up to Rs. 2 crore** **The Law Committee inter-alia recommended** ▪ To exempt the filing of annual return for the FY 2024-25 onwards, for taxpayers having aggregate annual turnover upto Rs. 2 crore in the concerned financial year. ▪ Amendments in FORM GSTR-9 regarding details regarding ITC availment, to provide better clarity. ▪ Amendments in FORM GSTR-9 and FORM GSTR-9C, to provide that additional tax liability declared therein could be discharged both through e-cash ledger and e-credit ledger.	Agreed

CHAIRMAN'S INITIALS

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Agenda No	Issue/Proposal	Status during Officers Meeting
6(I) [Add. Vol. II-Pg. 4-8]	**Simplified GST Registration Compliance for small suppliers making supplies through Electronic Commerce Operators (ECOs) (1/2)** **The Law Committee recommended** ▪ The Law Committee in principle agreed to the proposal to provide an option to suppliers who are supplying goods through ECOs across multiple States to obtain registration in other States by declaring ECOs' warehouse located in these States as 'Additional Place of Business'. ▪ A similar mechanism is prescribed for the ECOs who are required to collect tax at source already exists under rule 12(1A) of CGST Rules. ▪ Suppliers registered under this scheme will: ✓ Require confirmation from ECOs ✓ Mandatorily undergo Biometric based Aadhar authentication and physical verification of premises in the home State. ✓ File mandated statements, returns, etc. in each State where such registration is obtained. ✓ Can make supplies only through ECOs or stock transfer to distinct person having the same PAN. ✓ For non-ECO supplies, he will have to maintain PPoB and obtain separate registration in those States.	1) It is noted that small suppliers making supplies through E-Commerce Operators across multiple States encounter significant practical challenges, particularly the additional cost burden of maintaining a principal place of business in each State as mandated by the current GST framework, which discourages their participation in marketplaces in multiple States. 2) In light of these difficulties, the matter is being placed before the GST Council for approval on whether a simplified GST registration scheme may be considered for such suppliers, making supplies through ECOs with a view to easing compliance and facilitating their participation in e-commerce across States. 3) If approved, the detailed modalities for operationalizing the proposed scheme including aspects such as turnover thresholds, necessary safeguards for suppliers and ECOs, legal framework and other implementation parameters may be subsequently deliberated and finalized by the Law Committee.

Agenda No	Issue/Proposal	Status during Officers Meeting
6(I) [Add.Vol. II-Pg. 4-8]	**Simplified GST Registration Compliance for small suppliers making supplies through Electronic Commerce Operators (ECOs) (2/2)** ▪ ECOs under this scheme will have to comply with the following: ✓ Due diligence while allowing suppliers on their platform ✓ Appointing single point of contact in such State. ✓ Initiate procedure for delisting delinquent supplier. ✓ ECOs to provide information in connection with recovery proceedings under section 79 ✓ Additional compliances/guardrails for the ECOs may be deliberated further. ▪ Monitoring mechanism for reporting by suppliers: ✓ TCS is being collected under section 52 by the ECOs and the same is being reported in FORM GSTR-8. ✓ Details of supplies made by supplier through ECOs are also reported by the suppliers in Table 14(a) of FORM GSTR-1 ✓ Reconciliation of these statements/returns furnished by the suppliers and the ECOs, as provided under sections 52(9), 52(10) and 52(11) of CGST Act, may further be strengthened. ▪ Subsequently, concerns along with an alternate option to allow the supplier to declare ECO's warehouse as PPoB, were communicated by a Member State of the Law Committee	

CHAIRMAN'S INITIALS

Shipra

THANK YOU

Agenda 6(l): Simplified GST Registration Compliance for small suppliers making supplies through Electronic Commerce Operators (ECOs) (1/1) **[Add.Vol. II- Pg. 4-8]**

Issue:

- Several representations have been received highlighting the challenges being faced by small suppliers due to registration requirements for making supply of goods through ECOs who collect tax at source under section 52 of CGST Act, 2017.
- Storage of goods in ECO warehouses across different States require registration in such States.
- Small suppliers have to bear additional financial and administrative overheads for maintining principal place of business in each such State.

Proposal

- The Law Committee in principle agreed to provide an option to such suppliers to obtain registration in other States by declaring ECOs' warehouse as 'Additional Place of Business'
- Recommended to present a concept note to the Council as is provided in rule 12(1A) of CGST Rules.
- Threshold for such suppliers may be deliberated.
- Compliance for Sellers and ECOs may be delienated.
- Existing provision for monitoring mechanism through reconciliation of retunrs.
- System based compliance may further be developed.

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Presentation on DoR Agenda (6-i, j & k in Vol 2)

Department of Revenue
Ministry of Finance
Government of India

56th GST Council Meeting

DEPARTMENT OF REVENUE

Flow of the Presentation

Agendas on Status of operationalization and other issues related to the GST Appellate Tribunal:

1. GSTAT Status
2. Issues for decision of the Council for operationalization of GSTAT:
   A. Notification of date of filing of Appeals
   B. Notification of cases that can be heard only by the Principal Bench
   C. Amendments in GST Rules related to Single Member Bench
3. Operationalizing the National Appellate Authority for Advance Ruling
4. Amendments in GST Rules / Forms related to filing of Appeals in GSTAT

CHAIRMAN'S INITIALS

Shipra

1. GSTAT Status - Appointments (1/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

Process led by Centre (97 Vacancies)

Status	States
President	Appointed
Judicial Members for Principal and State Benches	53 appointed as against vacancy of 63
Technical Member (Centre) for Principal and State Benches	32 appointed as against vacancy of 32
Technical Member (State) for Principal Bench	1 appointed against vacancy of 1

Process led by States

Status	States
Completed: 7/31	*UP-3, Bihar-1, Gujarat-2, Odisha-1*
In process: 4/31	*Maharashtra - 3, HP - 1*
Pending: 20/31	*Andhra Pradesh-1, Chhattisgarh-1, Delhi-1, Haryana-1, Jammu and Kashmir-1, Jharkhand-1, Karnataka-2, Kerala-1, MP-1, Punjab-1, Rajasthan-2, Tamil Nadu-2, Telangana-1, Uttarakhand-1, West Bengal -2, Assam-1*

1. GSTAT Status - Appointments (2/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

Status of Staff Appointments

- By Deputation (499):
  - Completed: **113** (96 joined, 7 orders issued & Vigilance pending for 10).
  - Vacancy Circular on 14.08.2025 issued for **386** posts - applications received from **700 candidates** - Appointments will be made before end September.

Status of Staff Appointments

- By Direct Recruitment (454):
  - Posted:**1** & **8** being diverted from Settlement Commission.
  - Process for hiring temporary staff through GeM has been initiated. Expected to be completed by September.

CHAIRMAN'S INITIALS

Shipra

1. GSTAT Status - Infrastructure (3/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

- **Status of IT Infrastructure:**
  - **Software:**
    - NIC has been tasked with preparing the IT application required for the filing, processing, hearing and disposal of appeals filed before the GSTAT.
    - The software for e-filing by taxpayers and the Case Information System for use by the Registry and the Court has been developed and tested and is ready for deployment.
    - In order to ensure a seamless and smooth experience, efforts are on to distribute the filing & processing load. It is being tested currently for load and concurrency.
  - **Hardware:**
    - MSP for setting-up the hybrid Courts has been identified for provision of the IT hardware and Infra services for functioning of the hybrid Courts where all filing and processing would be online but hearings can be conducted in virtual or physical mode.

03.09.2025 New Delhi 56th GST Council Meeting 4 DEPARTMENT OF REVENUE

1. GSTAT Status - Infrastructure (4/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

- **Status of Physical Infrastructure:**
  - Expected September/October 2025 (12)- **Thane, Bhopal, Kolkata, Coimbatore, Puducherry, Cuttack, Vishakhapatnam, Srinagar, Guwahati, Agra, Jaipur, Mumbai.**
  - Expected by November 2025 (9)- **Gurugram, Panaji, Pune, Surat, Rajkot, Chandigarh, Ghaziabad, Vijaywada, Kohima**
  - Expected by January/February 2026 (9)- **Hyderabad, Jammu, Ranchi, Ernakulam, Nagpur, Aurangabad, Jalandhar, Chennai, Patna**
  - **Request to States**- Temporary accommodation for the Benches for a period of 6 months including Premises, Temporary staff and personal staff, Car etc.
  - **GSTN to arrange** temporary operationalization of the IT infrastructure at these locations while the actual locations are under preparation

03.09.2025 New Delhi 56th GST Council Meeting 5 DEPARTMENT OF REVENUE

CHAIRMAN INITIALS

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2A. Notification of Limitation for appeals (1/2)

Volume No: 2
Agenda No: 6(i)
Page No: 76

- **Notification of date of limitation for filing of Appeals:**
  - Software application for accepting appeals has been developed by GSTN and NIC. It is being tested currently for load and concurrency.
  - **Proposal**: Software application may be opened to public once the testing is complete from GSTN/NIC/GSTAT. In order to provide sufficient time, it is proposed that time may be given till 30.06.2026 for filing of backlog appeals.
  - **Rationale**: Given the considerable backlog of Appeals, 30.06.2026 would provide sufficient time for appellants to file appeal and also for the IT system to stabilize.
  - **Recommendation**: **Issuance of notification under sub-section (1) of section 112 of the CGST Act to specify 30.06.2026 as limitation date for filing backlog Appeals.**

2A. Notification of Limitation for appeals (2/2)

Volume No: 2
Agenda No: 6(i)
Page No: 76

Deliberations in the Officers' Committee

Sl. No.	Decision Point	Officers' Committee recommendation
1.	Notification specifying limitation date for filing of backlog appeals	Date of 30.06.2026 for limitation for filing of backlog appeals agreed in the Officer's Meeting. There will be staggered filing of appeals. Filing of appeals will be enabled before end of September and commencement of hearing of appeals before December 2025.

CHAIRMAN'S INITIALS

Shipra

2B. Cases to be heard by Principal Bench (1/2)

Volume No: 2
Agenda No: 6(i)
Page No: 76

- Notification of cases that can be heard only by the Principal Bench:
  - **Legal position**: Section 109 enables notification of cases or classes of cases that can be heard by the Principal Bench.
  - **Proposal**: It has been proposed that cases with issues involving more than 2 States be heard by the Principal Bench, e.g. OIDAR issues (section 14 or 14A of IGST Act), ISD related issues (section 20 of CGST Act), or where distinct establishments of a taxpayer in 2 different States have Appeals on similar issues
  - **Recommendation**: **Issuance of notification under third proviso to sub-section (5) of section 109 of the CGST Act to specify class of cases that can be heard only by the Principal Bench**

03.09.2025 New Delhi 56th GST Council Meeting 8 DEPARTMENT OF REVENUE

2B. Cases to be heard by Principal Bench (2/2)

Volume No: 2
Agenda No: 6(i)
Page No: 76

Draft Notification as per LC agenda	Discussion in officer's meeting
i) Cases where, in the opinion of the President, one or more issues of a similar nature arise in appeals pending in respect of one or more establishments of distinct persons; or	Recommended in principle subject to redrafting by LC: (a) Application to be filed by parties to appeal (b) President will rule on the application. (c) Only identical Questions of Law in respect of distinct persons to be covered.
ii) Cases where one or more issues involved is covered by section 14 or section 14A of Integrated Goods and Services Tax Act, 2017(13 of 2017); or	Recommended without any change.
iii) Cases where one or more issues involved is covered under section 20 of the Central Goods and Services Tax Act, 2017(12 of 2017).	Recommended without any change.

03.09.2025 New Delhi 56th GST Council Meeting 9 DEPARTMENT OF REVENUE

CHAIRMAN'S INITIALS

Shipra

2C. Conditions for hearing by Single Member (1/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

- Amendments in GST Rules related to Single Member Bench:
  - **Proposal**: To provide the condition that the President / Vice-President would scrutinize the appeal and allot only appropriate Appeals to the Single member benches, based on appropriate jurisdiction within the concerned State.
  - **Rationale**: GST Law requires that the appeals, where the tax or input tax credit involved or the amount of fine, fee or penalty determined in any order appealed against, does not exceed fifty lakh rupees can be heard by a Single Member subject to Conditions that may be prescribed.
  - **Recommendation**: Insertion of new Rule 110A in CGST Rules under sub-section (8) of section 109 of the CGST Act to prescribe the conditions, subject to which appeals can be heard by the Single Member Bench

2C. Conditions for hearing by Single Member (2/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

"110A. Conditions for the Appeals to be heard by a Single Member Bench.-(1) The President, or the Vice-President if so authorised by the President in respect of any State Bench, as the case may be, may either on his own motion or an application filed by the parties to the appeal, scrutinize the Appeal and allot such Appeal to any Single Member Bench within the respective State if the Appeal does not involve a question of law.

(2) In case the Single Member Bench, while hearing the Appeal allotted under sub-rule (1), comes to a conclusion that the Appeal may involve a question of law, the Appeal shall be sent back to the President or the Vice-President, as the case may be, for reconsideration.

CHAIRMAN'S INITIALS

Shipra

2C. Conditions for hearing by Single Member (3/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

"110A. Conditions for the Appeals to be heard by a Single Member Bench

(3) During the scrutiny of appeals under sub-section (1), or the reconsideration of appeals under sub-section (2), the fact whether , in respect of the same taxable person within a State, the same issue for the same or a different tax period, has already been heard or decided by a Bench comprising a Technical Member and a Judicial Member, shall be taken into consideration and where such a matter exists, the appeal shall be heard only by a Bench comprising a Technical Member and a Judicial Member.

(4) For the purpose of reckoning the amount of fifty lakh rupees under sub-section (8) of section 109, the cumulative tax or input tax credit involved, or the amount of fine, fee or penalty, shall be determined with reference to all issues and all tax periods covered in the order appealed against."

2C. Conditions for hearing by Single Member (4/4)

Volume No: 2
Agenda No: 6(i)
Page No: 76

Deliberations in the Officers' Committee

Sl. No.	Decision Point	Officers' Committee recommendation
1.	Insertion of new Rules to prescribe cases that would be heard by a Single Member Bench	Recommended by the Officers' Committee, subject to legal vetting.

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3. Operationalizing the NAAAR (1/4)

Volume No: 2
Agenda No: 6(j)
Page No: 82

- **Purpose of NAAAR:** To address conflicting rulings issued by 2 or more States' Appellate Authority for advance Rulings on the same matter in multiple States. Section 101A was introduced in 2019.
- Difficulty for the taxpayer as the Advance Ruling orders are binding on the taxpayer
- **Proposal:** Principal Bench of GSTAT may be entrusted with the additional responsibility of functioning as National Appellate Authority for Advance Ruling (NAAAR).
- **Rationale:**
  - To ensure uniform and consistent view across the country, NAAAR is required to be established.
  - Eligibility criteria for the President and the Members of the NAAAR is either similar to or lesser than the eligibility criteria of the President and Members of the GSTAT
  - Procedure for appointing the Members of NAAAR is quite similar to the procedure for appointing the President of the GSTAT.

3. Operationalizing the NAAAR (2/4)

Volume No: 2
Agenda No: 6(j)
Page No: 82

- **Recommendation of LC:** To empower an Authority, including an Appellate Tribunal for hearing appeals against the order of State Appellate Authority for Advance Ruling:
  - It is proposed to amend sub-section (1) of section 101A of the CGST Act.

    "The Government shall, on the recommendations of the Council, by notification, constitute, with effect from such date as may be specified therein, an Authority known as the National Appellate Authority for Advance Ruling, or empower an existing Authority, including the Appellate Tribunal, for hearing appeals made under section 101B."
  - Further, it is proposed to insert new sub-section (1A) to section 101A of the CGST Act.

    "(1A) Where an existing authority is empowered under sub-section (1), the provisions of sub-sections (2) to (13) shall not be applicable."

CHAIRMAN'S INITIALS

Shipra

3. Operationalizing the NAAAR (3/4)

Volume No: 2
Agenda No: 6(j)
Page No: 82

- Based on the discussion in the Officer's Meeting, revised draft amendment is as follows:
  - It is proposed to amend sub-section (1) of section 101A of the CGST Act.

    "The Government shall, on the recommendations of the Council, by notification, constitute, with effect from such date as may be specified therein, an Authority known as the National Appellate Authority for Advance Ruling, or empower ~~an existing Authority, including~~ the Appellate Tribunal, for hearing appeals made under section 101B."
  - Further, it is proposed to insert new sub-section (1A) to section 101A of the CGST Act.

    "(1A) Where ~~an existing authority~~ the Appellate Tribunal is empowered under sub-section (1), the provisions of sub-sections (2) to (13) shall not be applicable."

3. Operationalizing the NAAAR (4/4)

Volume No: 2
Agenda No: 6(j)
Page No: 82

Deliberations in the Officers' Committee

Sl. No.	Decision Point	Officers' Committee recommendation
1.	Operationalizing the National Appellate Authority for Advance Ruling	Recommended by the Officers' Committee, with minor amendments in the draft as highlighted. The provision will be effective from 01.04.2026.

CHAIRMA
INITIALS

Shipra

4. System related amendments in GST Rules and Forms (1/3)

Volume No: 2
Agenda No: 6(k)
Page No: 84

- **Proposal:** The relevant Rules and Forms in GST Rules are proposed to be changed to incorporate the GSTAT appeal filing process finalised in consultation with GSTAT.
- **Rationale:** The GSTAT Appeal filing process has been designed and built to be completely automated.
- **Recommendation:**
  - Amendment in rule 110(1) and 110 (4) of the CGST Rules FORM GST APL-02A to allow for electronic provisional and final acknowledgement of Appeals filed;
  - Omit the proviso to rule 110(1) and proviso to rule 110(2) and amendments in rule 111(1), rule 111(2), and rule 111(4) of the CGST Rules to do away with the facility of manual filing of appeals;

4. System related amendments in GST Rules and Forms (2/3)

Volume No: 2
Agenda No: 6(k)
Page No: 84

- Recommendation:
  - Substitution of rule 113(2) of the CGST Rules by the following to incorporate the provision for uploading GSTAT orders on the portal;
  - Insertion of new FORM GST APL-02A and new FORM GST APL-04A;
  - Substitution of the existing FORM GST APL-05.

HAIRMAN'S
INITIALS

Shipra

4. System related amendments in GST Rules and Forms (3/3)

Volume No: 2
Agenda No: 6(k)
Page No: 84

Deliberations in the Officers' Committee

Sl. No.	Decision Point	Officers' Committee recommendation
1.	System related amendments in GST Rules and Forms	Recommended by the Officers' Committee

Thank you !

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2B. Cases to be heard by Principal Bench

Volume No: 2
Agenda No: 6(i)
Page No: 76

- Draft Notification (to be vetted by Law Committee before notification)

  i) Cases where, on an application made by the parties to an appeal, the President is satisfied that identical questions of law arise for determination in relation to appeals pending before one or more Benches of the Appellate Tribunal in respect of one or more establishments of distinct persons; or

  ii) Cases where one or more issues involved is covered by section 14 or section 14A of Integrated Goods and Services Tax Act, 2017(13 of 2017); or

  iii) Cases where one or more issues involved is covered under section 20 of the Central Goods and Services Tax Act, 2017(12 of 2017).

CHAIRMAN'S INITIALS

Shipra

Presentation on DoR Agenda (item no 8 - Vol 2)

Department of Revenue
Ministry of Finance
Government of India

56th GST Council Meeting

DEPARTMENT OF REVENUE

Agenda 8 - Revenue Position

CHAIRMAN'S INITIALS

Revenue Position

Volume No: 2
Agenda No: 8
Page No: 124-132

GST Collection	Apr'25	May'25	Jun'25	Jul'25	Aug' 25	FY 25-26 (till Aug)	FY 24-25 (till Aug)	YoY Growth %
CGST	48,634	35,434	34,558	35,470	34,076	1,72,130	1,88,171	9.3%
SGST	59,372	43,902	43,268	44,059	42,854	2,13,219	2,33,456	9.5%
IGST	1,15,258	1,08,836	93,280	1,03,536	97,186	4,64,782	5,18,097	11.5%
Domestic	*69,504*	*58,767*	*48,680*	*51,910*	*48,639*	*2,50,999*	*2,77,501*	10.6%
Imports	*45,754*	*50,070*	*44,600*	*51,626*	*48,546*	*2,13,783*	*2,40,596*	12.5%
Comp Cess	13,452	12,879	13,491	12,670	12,199	63,725	64,690	1.5%
Domestic	*12,293*	*11,683*	*12,400*	*11,584*	*11,392*	*58,691*	*59,351*	1.1%
Imports	*1,159*	*1,196*	*1,091*	*1,086*	*807*	*5,034*	*5,339*	6.1%
Gross Collection	2,36,716	2,01,050	1,84,597	1,95,735	1,86,315	9,13,855	10,04,414	9.9%
YoY Growth	13%	16%	6%	8%	6%			
Less - Refunds	27,341	27,210	25,491	27,147	19,359	1,07,605	1,26,318	17.4%
Net Collection	2,09,375	1,73,840	1,59,106	1,68,588	1,66,956	8,06,250	8,78,076	8.9%
YoY Growth	9.2%	20.4%	3.4%	1.7%	10.7%			

Revenue - Settlement

Volume No: 2
Agenda No: 8
Page No: 124-132

#	Particulars	2024-25	2025-26 (till August 2025)
1	Collections (+)	11,19,935	4,94,015
2	Recovery from IGST Ad-hoc apportionment (+)	-	46,000#
3	Refunds (-)	1,73,757	88,396
4	Settlement (-)	9,86,640	4,51,449
	i. CGST	5,29,234	2,42,871
	ii. SGST	4,57,406	2,08,578
5	Ad-hoc Settlement (-)	-	-
	i. CGST ad hoc	-	-
	ii. SGST ad hoc	-	-
6	Net (1+2-3-4-5)	-40,462	170

46,000#: The said recovery was made in April, 2025 with 23,000 crores recovery made from Centre and 23,000 crores from the States (recovery among States was in the ratio of their base year revenues).

CHAIRMAN'S INITIALS

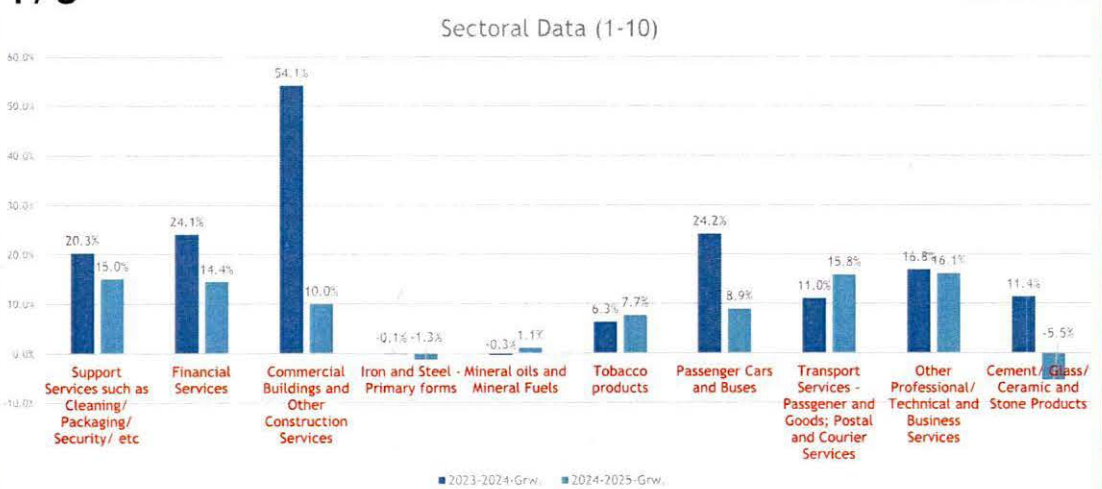
Shipra

Deliberations in the Officers' Committee

Sl. No.	Discussion	Officers' Committee recommendation
1.	Deliberations in the Committee of Officers on IGST is to be concluded and implemented at the earliest.	This should be completed by end September 2025.

Revenue - Sector Growth (FY 25 vs FY 24) 1/3

Volume No: 2
Agenda No: 8
Page No: 124-132

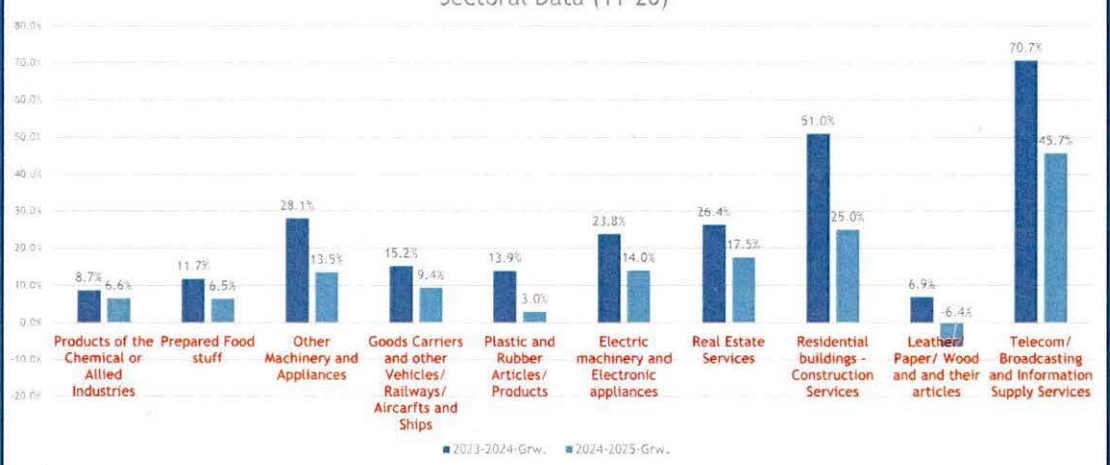


CHAIRMAN'S INITIALS

Shipra

Revenue - Sector Growth (FY 25 vs FY 24) 2/3

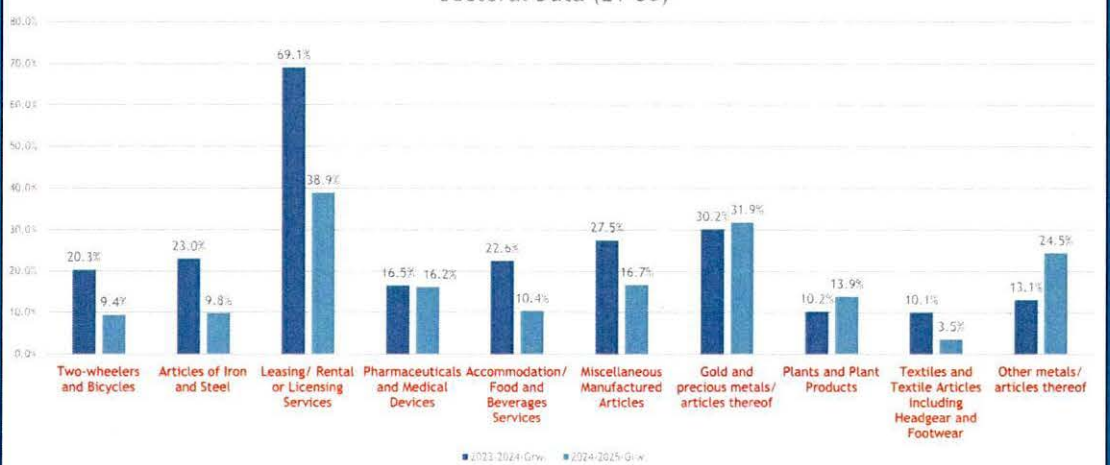
Volume No: 2
Agenda No: 8
Page No: 124-132



03.09.2025 New Delhi 56th GST Council Meeting 6

Revenue - Sector Growth (FY 25 vs FY 24) 3/3

Volume No: 2
Agenda No: 8
Page No: 124-132



03.09.2025 New Delhi 56th GST Council Meeting 7

CHAIRMAN'S INITIALS

Shipra

Revenue - Sector Contribution (FY 25 vs FY 24) - 1/2

Volume No: 2
Agenda No: 8
Page No: 124-132

Relative Contribution in Cash Collection

Sectors (1-15)	FY 23-24	FY 24-25
Support Services such as Cleaning/ Packaging/ Security/ etc.	6.9%	7.2%
Financial Services	6.1%	6.5%
Commercial Buildings and Other Construction Services	5.7%	5.7%
Iron and Steel - Primary forms	5.8%	5.2%
Mineral oils and Mineral Fuels	5.6%	5.1%
Tobacco products	4.8%	4.7%
Passenger Cars and Buses	4.7%	4.7%
Transport Services - Passenger and Goods; Postal and Courier Services	4.4%	4.7%
Other Professional/ Technical and Business Services	4.2%	4.5%
Cement/ Glass/ Ceramic and Stone Products	4.9%	4.2%
Products of the Chemical or Allied Industries	4.1%	4.0%
Prepared Food stuff	3.9%	3.7%
Other Machinery and Appliances	3.4%	3.5%
Goods Carriers and other Vehicles/ Railways/ Aircrafts and Ships	3.3%	3.3%
Plastic and Rubber Articles/ Products	3.3%	3.1%

Revenue - Sector Contribution (FY 25 vs FY 24) - 2/2

Volume No: 2
Agenda No: 8
Page No: 124-132

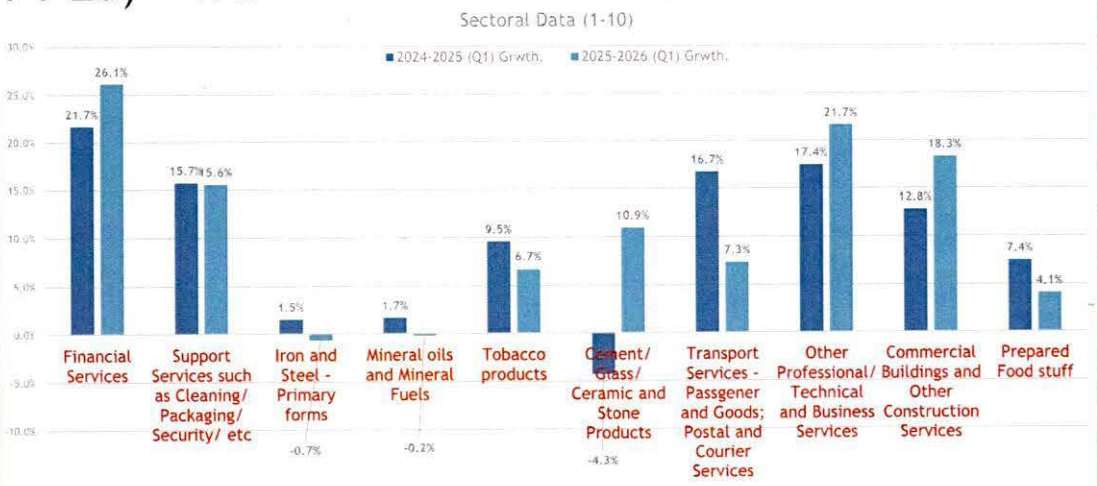
Relative Contribution in Cash Collection

Sectors (16-30)	FY 23-24	FY 24-25
Electric machinery and Electronic appliances	2.6%	2.7%
Real Estate Services	2.4%	2.6%
Residential buildings - Construction Services	1.4%	1.5%
Leather/ Paper/ Wood and their articles	1.8%	1.5%
Telecom/ Broadcasting and Information Supply Services	1.1%	1.4%
Two-wheelers and Bicycles	1.4%	1.4%
Articles of Iron and Steel	1.4%	1.4%
Leasing/ Rental or Licensing Services	1.0%	1.3%
Pharmaceuticals and Medical Devices	1.2%	1.3%
Accommodation/ Food and Beverages Services	1.2%	1.2%
Miscellaneous Manufactured Articles	1.1%	1.2%
Gold and precious metals/ articles thereof	1.0%	1.2%
Plants and Plant Products	1.1%	1.1%
Textiles and Textile Articles including Headgear and Footwear	1.1%	1.1%
Other metals/ articles thereof	0.9%	1.1%

CHAIRMAN INITIALS

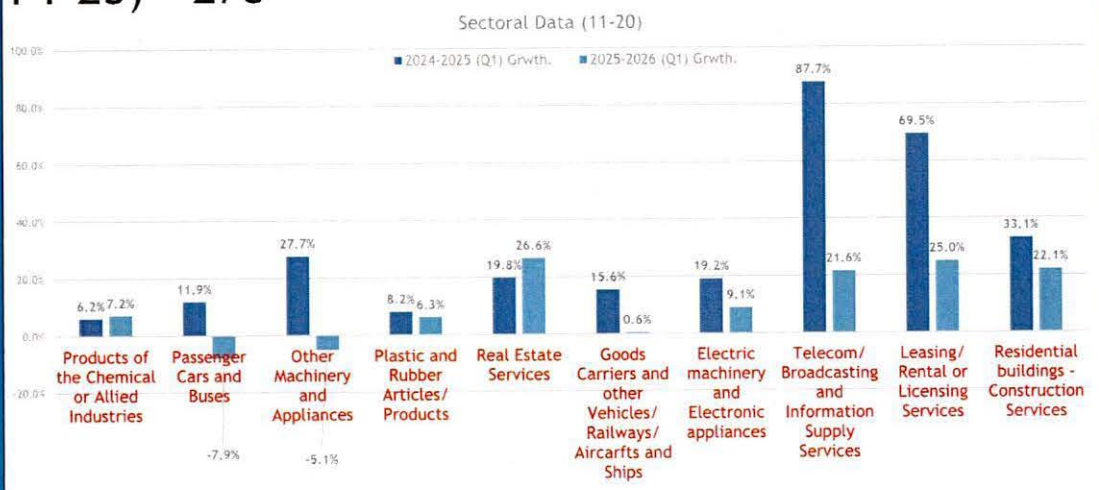
Revenue - Sector Growth (Q1 FY 26 vs Q1 FY 25) - 1/3

Volume No: 2
Agenda No: 8
Page No: 124-132



Revenue - Sector Growth (Q1 FY 26 vs Q1 FY 25) - 2/3

Volume No: 2
Agenda No: 8
Page No: 124-132

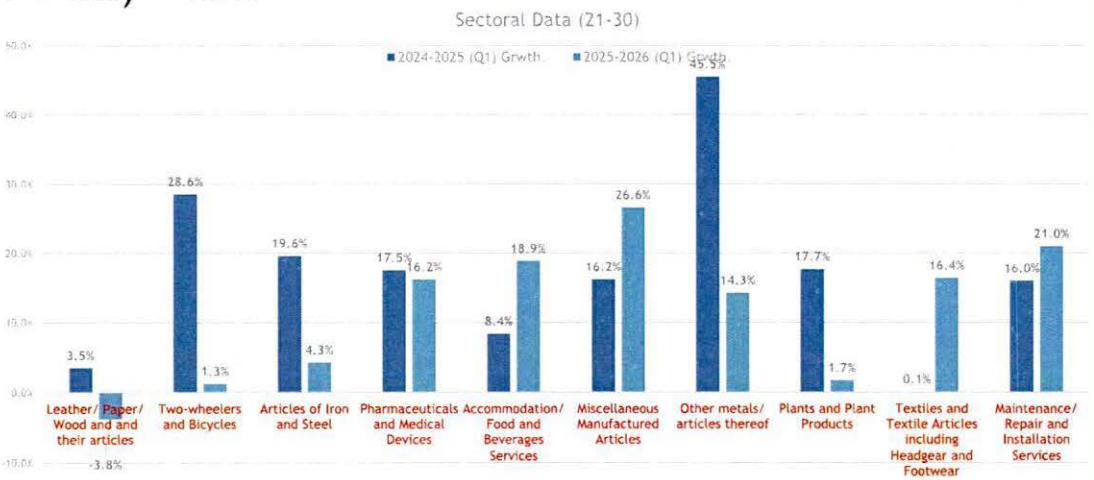


CHAIRMAN'S INITIALS

Shipra

Revenue - Sector Growth (Q1 FY 26 vs Q1 FY 25) - 3/3

Volume No: 2
Agenda No: 8
Page No: 124-132



Revenue - Sector Contribution (Q1 FY 26 vs Q1 FY 25) - 1/2

Volume No: 2
Agenda No: 8
Page No: 124-132

Relative Contribution in Cash Collection

Sectors (1-15)	FY 23-24 (Q1)	FY 24-25 (Q1)
Financial Services	6.6%	7.6%
Support Services such as Cleaning/ Packaging/ Security/ etc	6.7%	7.1%
Iron and Steel - Primary forms	5.6%	5.1%
Mineral oils and Mineral Fuels	5.5%	5.0%
Tobacco products	5.0%	4.8%
Cement/ Glass/ Ceramic and Stone Products	4.6%	4.7%
Transport Services - Passgener and Goods; Postal and Courier Services	4.8%	4.7%
Other Professional/ Technical and Business Services	4.0%	4.4%
Commercial Buildings and Other Construction Services	4.1%	4.4%
Prepared Food stuff	4.5%	4.3%
Products of the Chemical or Allied Industries	4.3%	4.2%
Passenger Cars and Buses	4.4%	3.7%
Other Machinery and Appliances	4.0%	3.5%
Plastic and Rubber Articles/ Products	3.4%	3.3%
Real Estate Services	2.6%	3.1%

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Revenue - Sector Contribution (Q1 FY 26 vs Q1 FY 25) - 2/2

Volume No: 2
Agenda No: 8
Page No: 124-132

Relative Contribution in Cash Collection		
Sectors (16-30)	FY 23-24 (Q1)	**FY 24-25 (Q1)**
Goods Carriers and other Vehicles/ Railways/ Aircarfts and Ships	3.1%	**2.9%**
Electric machinery and Electronic appliances	2.6%	**2.6%**
Telecom/ Broadcasting and Information Supply Services	1.5%	**1.6%**
Leasing/ Rental or Licensing Services	1.4%	**1.5%**
Residential buildings - Construction Services	1.4%	**1.5%**
Leather/ Paper/ Wood and and their articles	1.7%	**1.5%**
Two-wheelers and Bicycles	1.5%	**1.4%**
Articles of Iron and Steel	1.4%	**1.3%**
Pharmaceuticals and Medical Devices	1.2%	**1.3%**
Accommodation/ Food and Beverages Services	1.2%	**1.3%**
Miscellaneous Manufactured Articles	1.1%	**1.2%**
Other metals/ articles thereof	1.1%	**1.2%**
Plants and Plant Products	1.2%	**1.1%**
Textiles and Textile Articles including Headgear and Footwear	0.9%	**1.0%**
Maintenance/ Repair and Installation Services	0.9%	**1.0%**

Thank you !

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Presentation on DoR Agenda (item no 4 in Vol 1)

Department of Revenue
Ministry of Finance
Government of India

56th GST Council Meeting

DEPARTMENT OF REVENUE

Agenda – 4: Final Report - GoM on Restructuring Compensation Cess

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Financial Projections

Volume No: 1
Agenda No: 4
Page No: 213-227

Particulars	Amount
Balance in Compensation Fund account (net of CFI adjustments)	18,660
Estimated collections in FY 2025-26 (upto Oct 2025)*	88,000
Excess compensation to be recovered from States	290
Total Amount Available (A)	1,06,950
Loan outstanding as of March 31, 2025	67,500
Interest on Loan to be absorbed in FY 2025-26	36,470
Estimated Compensation payable in FY 2025-26	1,100
Total of Outgoings (B)	1,05,070
Projected surplus as of Oct 2025 (C= A-B)*	1,880

** Flash figures of GST Compensation cess collection till the month of August, 2025 is Rs.62,177 crores. Extrapolating the same till October, 2025 gives an estimated collection of approx. Rs. 88,000 crores*

Summary of Recommendations (1/2)

Volume No: 1
Agenda No: 4
Page No: 213-227

- Seek ex-post facto approval of the GST Council for extension of time until August 31, 2025 (from earlier approved time of June 30, 2025).
- Surplus remaining in the Compensation cess account at the end of the transition period would be shared:
  - in the ratio of 50:50 between Centre and States and
  - further amongst the states in the ratio of States' total GST revenues.
- The levy of compensation cess should be ended by October 31, 2025.
  - ***Some states expressed their concerns on this issue. It was recommended to place the same for discussion before the GST Council.***

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Summary of Recommendations (2/2)

Volume No: 1
Agenda No: 4
Page No: 213-227

- Regarding the issue of taxation proposal for replacement of the Cess after its abolition, 2 options were discussed:
  - Merge the items which are currently subject to compensation Cess in the GST framework and the matter of fixation of rate may be addressed by the Group of Ministers on Rate Rationalisation.
  - Continue the levy of Cess in the form of an additional levy and must be used to compensate states which are losing revenue arising from the implementation of GST.
  - Since consensus could not be reached, **both the options may be placed for discussion before the GST Council.**

Proposal of 8 States

Annexure to
Agenda No: 4
(Addendum)

V. Conclusion

16. The Goods and Services Tax is a shared fiscal framework between the Centre and the States, built on the principle of consensus and cooperative federalism. Simplification and rationalisation of rates are desirable objectives, but they should not be pursued at the expense of the fiscal stability of States. The present proposal, if implemented without compensation, will cause severe damage to State revenues, widen fiscal imbalances and thus is unacceptable in the current form.

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Proposal of States

Annexure to
Agenda No: 4
(Addendum)

V. Conclusion

17. Therefore, it is the considered recommendation of the States that rate rationalisation should be supported by a robust revenue protection framework, a supplementary levy on sin and luxury goods, and a guaranteed compensation mechanism for at least five years. Only such a balanced approach will protect the fiscal autonomy of States while advancing the objectives of GST reform in the true spirit of cooperative federalism.

Thank you !

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56th GST Council Meeting

3rd &4th September,2025, New Delhi

Agenda

Report of the GoM on Rate Rationalisation containing Union Proposal on Broad-based GST Rate Rationalisation & Reform.

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GST So Far

- The Goods and Services Tax (GST) completed eight years on 1st July 2025
- Objective of '*One Nation, One Tax*' achieved
- Tax payer base increased from 66.50 lakh in 2017 to 1.51 crore in 2025
- Gross GST collections have doubled in the span of 4 years i.e. from ₹11.37 lakh crore in FY 2020-21 to ₹22.08 lakh crore in FY 2024-25 registering a CAGR of 18.06%.

3 Pillars

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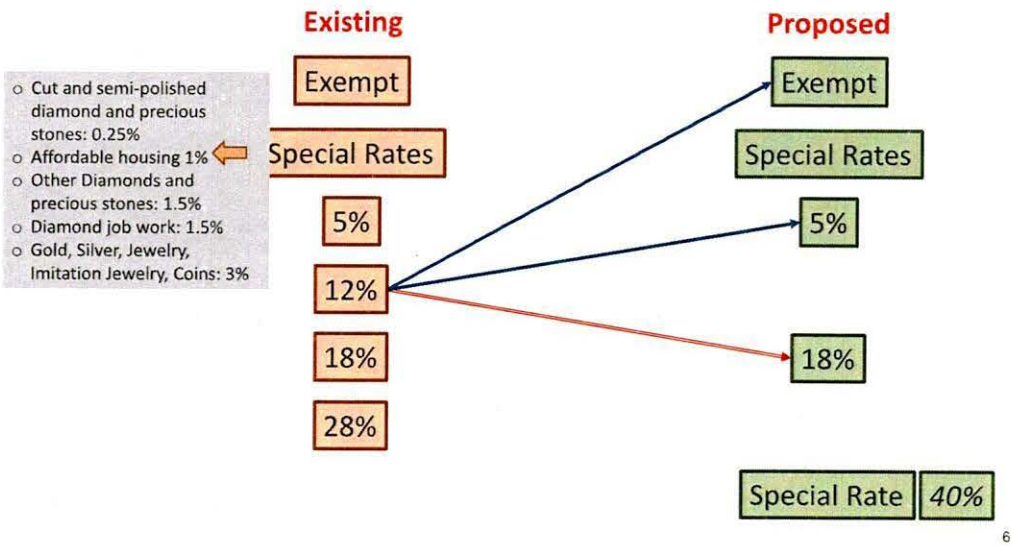
Key Focus Areas

- Enhancing ease of living for the common man & the aspirational middle class
- Strengthening core economic sectors
- Keeping the interest of all stakeholders as also of the overall economy of the country at the forefront.

Approach of Rate Rationalization (1)



6

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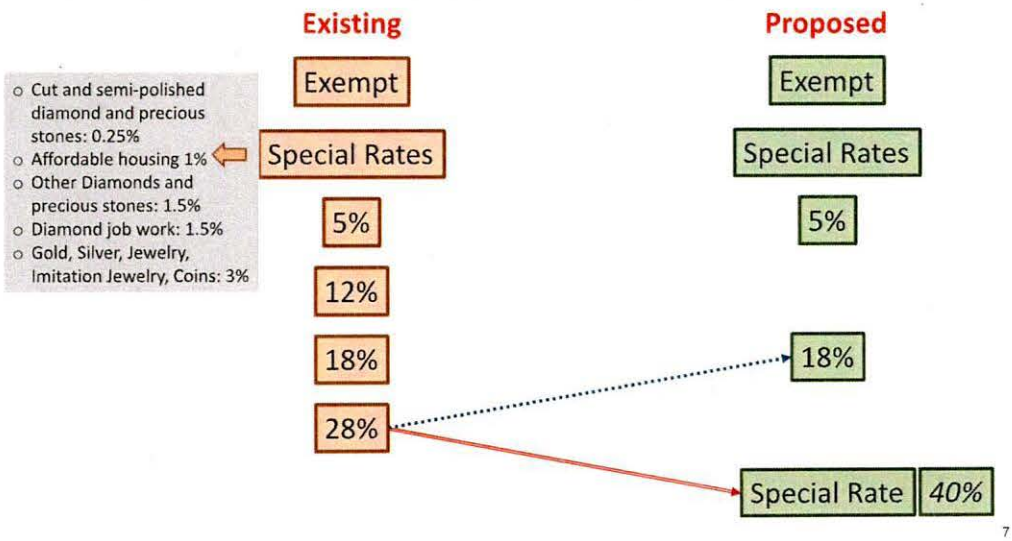
Approach of rate rationalization (2)



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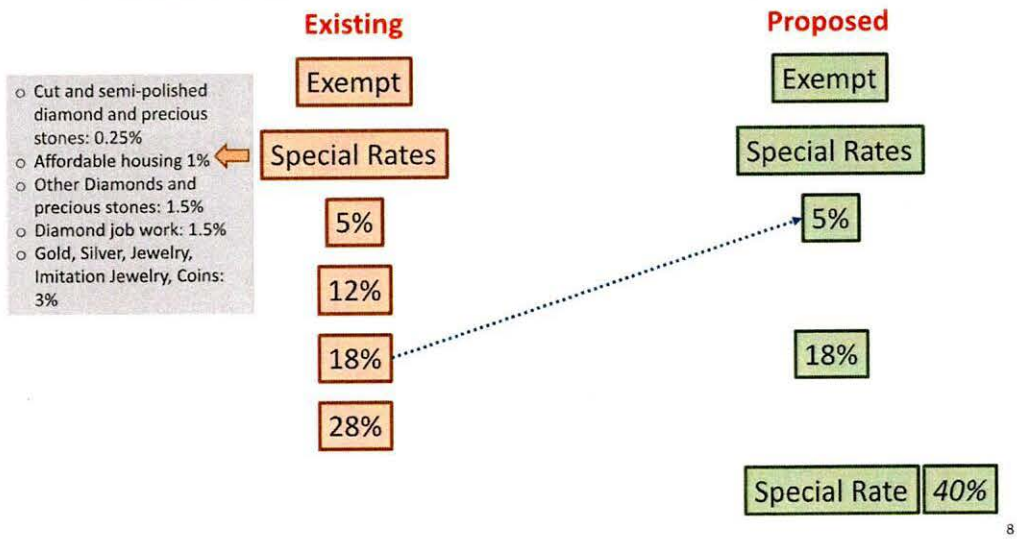
Approach of rate rationalization (3)



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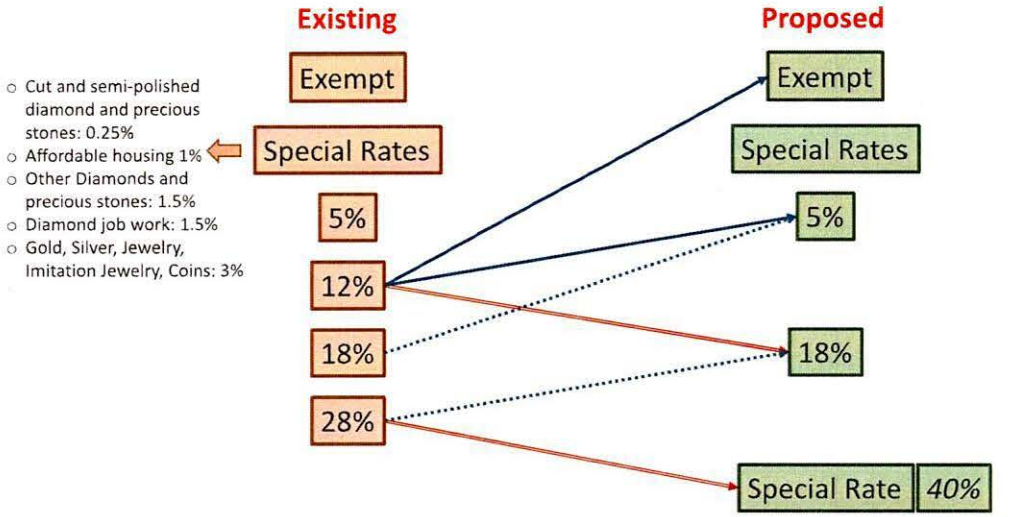
Approach of rate rationalization



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Slab-wise Revenue Contribution- Estimated on FY 23-24

	Present		Post- rate rationalization	
Rate Slab	Share in		Share in	
	Taxable value	Tax	Taxable value	Tax
Special rates	7%	1%	7%	1%
5%	20%	7%	26%	9%
12%	8%	5%	-	
18%	57%	65%	61%	70%
28%	8%	11%	-	
Special rate 40%	-		6%	16%
Cess		7%	-	
Other		4%		4%
Gross				

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Incidence Based on Share of Taxable Value
B2C supplies estimated on FY 23-24

GST Rates	Present	Post- rate rationalization
Special rates	12%	10%
5%	27%	40%
12%	11%	-
18%	39%	41%
28%	11%	-
Special Rate (40%)	-	9%

Major themes

1. **Food**
2. Common Man's Items
3. Farmer and Agriculture
4. Health related
5. Labour oriented sectors
6. Other Economic Sectors
7. Special Rate for Luxury and Sin Goods/ Services

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Food- Proposed Changes

12% to 5%	18% to 5%
▪ Cheese ▪ Butter and other fats (i.e. ghee, butter oil, etc.) and oils derived from milk; dairy spreads ▪ Animal fats	▪ Margarine ▪ Kendu leaves
▪ Jam, Jellies, marmalades ▪ Prepared or preserved vegetables, fruits, nuts ▪ Other roasted nuts and seeds ▪ Dried nuts, dates, dried citrus fruits ▪ Sugar boiled confectionary ▪ Namkeens pre-packaged and labelled; Extruded or expanded products, savoury or salted ▪ Texturised vegetable proteins (soya bari), Bari made of pulses including mungodi and batters	▪ Malt extract; Malt, whether or not roasted ▪ Sugar syrups, sugar cubes, caramel; Sugar confectionery, cocoa powder, chocolates and food products containing cocoa ▪ Food preparations of flour, groats, meal, starch or malt extract ▪ All goods i.e. Corn flakes, bulgar wheat, prepared foods obtained from cereal flakes
▪ Sausages, prepared or preserved meat, fish or crustaceans ▪ Pasta such as Spaghetti, Noodles, couscous, whether or not prepared ▪ Yeasts, baking powders ▪ Sauces, mixed condiments, mixed seasonings ▪ Diabetic foods	▪ Soups and broths ▪ Pastry , cakes, biscuits and other bakers' wares; rice papers ▪ Ice cream, other edible ice ▪ **Food preparations not elsewhere specified**

Food- Proposed changes

12% to 5%	18% to 5%
▪ Starches, inulin	▪ Dextrins and other modified starches
▪ Beverages containing milk; Soya milk drinks ▪ Drinking waters packed in 20-liter bottles; Tender coconut water prepackaged and labelled ▪ Fruit pulp or fruit juice-based drinks; Fruit and nut juices ▪ Roasted chicory and other roasted coffee substitutes and extracts, essences and concentrates thereof	▪ Extracts and essences and concentrates of coffee/tea or mate ▪ Waters, including natural or artificial mineral waters and aerated waters (including 1/2-liter bottles), not containing added sugar or other sweetening matter nor flavored ▪ Plant-based milk drinks, ready for direct consumption as beverages
	▪ Vegetable saps and extracts; pectic substances, pectinates and pectates; agar-agar and other mucilages and thickeners, whether or not modified, derived from vegetable products ▪ Vegetable waxes, beeswax, other insect waxes and spermaceti; Degras, residues resulting from the treatment of fatty substances or animal or vegetable waxes ▪ Gelatin (including gelatin in rectangular (including square) sheets, whether or not surface-worked or coloured) and gelatin derivatives; isinglass; other glues of animal origin, excluding casein glues of heading 3501 ▪ Glycerol crude; glycerol waters and glycerol lyes

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Food- Proposed changes

5% to exempt	18% to Exempt
• Khakhra, Plain chapatti or roti • Pizza bread • Ultra High Temperature (UHT) milk • Paneer or chena pre-packaged and labelled	• Paratha, parotta and other Indian breads by any name called

Comparison of similar items

Exempt	12% proposed to be taken to 5%
Brazil nuts, fresh, whether or not shelled or peeled	Brazil nuts dried whether or not shelled or peeled
Other nuts, fresh such as Almonds, Hazelnuts or filberts(Corylus spp.), walnuts, Chestnuts (Castanea spp.), Pistachios, Macadamia nuts, Kola nuts (Cola spp.), Areca nuts, Pine nuts, fresh, whether or not shelled or peeled	Other nuts, dried, whether or not shelled or peeled, such as Almonds, Hazelnuts or filberts (Corylus spp.), Chestnuts (Castaneaspp.), Pistachios, Macadamia nuts, Kola nuts (Cola spp.), Pine nuts
Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh.	Dates (soft or hard), figs, pineapples, avocados, guavas, mangoes (other than mangoes sliced, dried) and mangosteens, dried
Citrus fruit, such as Oranges, Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids, Grapefruit, including pomelos, Lemons (Citrus limon, Citrus limonum) and limes (Citrus aurantifolia, Citrus latifolia), fresh.	Citrus fruit, such as Oranges, Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids, Grapefruit, including pomelos, Lemons (Citrus limon, Citrus limonum) and limes (Citrus aurantifolia, Citrus latifolia), dried
Tender coconut water other than pre-packaged and labelled	Tender coconut water pre-packaged and labelled

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Comparison of Similar Items

5%	12% proposed to be taken to 5%
Milk and cream, concentrated or containing added sugar or other sweetening matter, including skimmed milk powder, milk food for babies	Condensed milk
Namkeens, bhujia, mixture, chabena and similar edible preparations in ready for consumption form, other than those pre-packaged and labelled	Namkeens, bhujia, mixture, chabena and similar edible preparations in ready for consumption form (other than roasted gram) pre-packaged and labelled Extruded or expanded products, savoury or salted
Edible oils	Butter and other fats (i.e. ghee, butter oil, etc.) and oils derived from milk; dairy spreads
Seviyan (vermicelli)	Pasta, whether or not cooked or stuffed (with meat or other substances) or otherwise prepared, such as spaghetti, macaroni, noodles, lasagne, gnocchi, ravioli, cannelloni; couscous, whether or not prepared

17

Food- Beverages

Beverages @40%	GST Rate	CC Rate	GST + CC Rate	Proposed GST Rate
Aerated Waters with added sugar	28%	12%	**40%**	**40%**
Caffeinated Beverages	28%	12%	**40%**	**40%**
Carbonated beverages of fruit drink / carbonated beverages with fruit juice	28%	12%	**40%**	**40%**

Beverages @18%	Change
Other non-alcoholic beverages *(to avoid likelihood of arbitrage with carbonated beverages and classification disputes at the margins)*	**18% to Special Rate (40%)**

18

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Major themes

1. Food
2. **Common Man's Items**
3. Farmer and Agriculture
4. Health related
5. Labour oriented sectors
6. Other Economic Sectors
7. Special Rate for Luxury and Sin Goods/ Services

Common Man Items

12% to 0%	12% to 5%	18% to 5%
▪ Pencil sharpener; ▪ Pencils (including propelling or sliding pencils), Crayons, pastels, drawing charcoals and tailor's chalk; ▪ Exercise books, Graph books, Laboratory notebook and notebooks;	▪ Umbrellas and sun umbrellas(including walking stick umbrellas, garden umbrellas and similar umbrellas) and their parts and accessories; ▪ Toys like tricycles, scooters, pedal cars etc.(including parts and accessories thereof)[other than electronic toys]; ▪ Feeding Bottle and nipples of feeding bottles; ▪ Tooth Powder; ▪ Tableware & kitchenware of wood; ▪ Table, Kitchen or other household articles of aluminum, copper, iron & steel; Utensils; ▪ Sewing thread of manmade filaments, whether or not put up for retail sale; ▪ Sewing thread of man-made staple fibers; Sewing needle; ▪ Candles; tapers and the like; ▪ Paper splint for matches whether or not waxed; Asphaltic roofing sheets; Safety Matches; ▪ Sewing machines, other than book-sewing machine; furniture, bases and covers specially designed for sewing machines; sewing machines needles and parts of sewing machines; ▪ Hurricane lanterns, Kerosene lamp / pressure lantern, petromax, glass chimney, and parts thereof ▪ Combs, hair-slides and the like; hairpins, curling pins, curling grips, hair-curlers and the like, other than those of heading 8516, and parts thereof	▪ Talcum Powder, Face Powder; ▪ Shampoo; ▪ Hair Oil; ▪ Toothpaste, dental floss; ▪ Toothbrush including dental plate brushes; ▪ Shaving Cream, shaving lotion, aftershave lotion;

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Common Man Items

12% to 0%	12% to 5%	18% to 5%
▪ Maps and hydrographic or similar charts of all kinds including atlases, wall maps, topographical plans, globes printed; ▪ Uncoated paper and paperboard used for textbook, notebook; ▪ Erasers *(5% to 0%);*	▪ Handbags and shopping bags of cotton; ▪ Handbags and shopping bags of Jute; ▪ Bicycles and other cycles (including delivery tricycles), not motorised; ▪ Parts and accessories of bicycles and other cycles (including delivery tricycles), not motorised, of 8712; ▪ Mathematical boxes, geometry boxes and colour boxes; ▪ Spectacles, corrective [including goggles for correcting vision]; ▪ Tableware, kitchenware, other household articles and toilet articles, of porcelain or china; ▪ Tableware, kitchenware, other household articles and toilet articles, other than of porcelain or china; ▪ Kerosene burners, kerosene stoves and wood burning stoves of iron or steel; ▪ Brass Kerosene Pressure Stove; ▪ Napkins and napkin liners for babies, clinical diapers	▪ Soap (other than industrial soap) in the form of bars, cakes, moulded pieces or shapes; ▪ Paper bags/paper sacks ▪ Bio degradable bags

21

Miscellaneous Goods

12% to 5%
▪ Plastic Beads; Playing cards, chess board, carom board and other board games, like ludo, etc. [other than Video game consoles and Machines]; ▪ Contact lenses; Spectacle lenses, Frames and mountings for spectacles, goggles or the like, and parts thereof; ▪ Products wholly made of quilted textile material not exceeding Rs. 2500 per piece; [Products wholly made of quilted textile material exceeding Rs. 2500 per piece- 12% to 18%]; ▪ Wood wool, Wood flour; Paper pulp molded trays; Cartons, boxes and cases of Corrugated paper or paper boards; or Non-corrugated paper or paper board; ▪ Cement Bonded Particle Board; Jute Particle Board; Rice Husk Board; Glass-fiber Reinforced Gypsum Board (GRG) ; Sisal-fiber Boards; Bagasse Board; Cotton Stalk Particle Board; Particle/fiber board manufactured from agricultural crop residues; Bamboo flooring; ▪ Packing cases, boxes, crates, drums & similar packings, of wood; cable drums of wood; pallets, box pallets and other load boards, of wood; pallet collars of wood; ▪ Casks, barrels, vats, tubs and other coopers' products and parts thereof, of wood, including staves; ▪ Gloves specially designed for use in sports; Sports goods other than articles and equipment for general physical exercise; ▪ Hand operated rubber roller; ▪ Coir products [except coir mattresses]; ▪ Slide fasteners and parts thereof; ▪ Globes for lamps and lanterns, Founts for kerosene wick lamps, Glass chimneys for lamps and lanterns; Milk cans made of Iron, Steel, or Aluminium; Animal shoe nails; ▪ Textile Caps, Hats (knitted/crocheted) or made up from lace or other textile fabrics;

22

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Miscellaneous Goods

12% to 5%

- Hoopwood; split poles; piles, pickets and stakes of wood, pointed but not sawn lengthwise; wooden sticks, roughly trimmed but not turned, bent or otherwise worked, suitable for the manufacture of walking-sticks, umbrellas, tool handles or the like;
- Sheets for veneering (including those obtained by slicing laminated wood), for plywood or for similar laminated wood and other wood, sawn lengthwise, sliced or peeled, whether or not planed, sanded, spliced or end-jointed, of a thickness not exceeding 6 mm [for match splints];
- Tools, tool bodies, tool handles, broom or brush bodies and handles, of wood; boot or shoe lasts and trees, of wood;
- Bamboo wood building joinery; Wood marquetry and inlaid wood; caskets and cases for jewellery or cutlery, and similar articles, of wood; statuettes and other ornaments, of wood; wooden articles of furniture not falling in Chapter 94;
- Other articles of wood; such as clothes hangers, Spools, cops, bobbins, sewing thread reels and the like of turned wood for various textile machinery, Match splints, Pencil slats, Parts of wood, namely oars, paddles and rudders for ships, boats and other similar floating structures, Parts of domestic decorative articles used as tableware and kitchenware [other than Wood paving blocks, articles of densified wood not elsewhere included or specified, Parts of domestic decorative articles used as tableware and kitchenware];
- Natural cork, debacked or roughly squared, or in rectangular (including square) blocks, plates, sheets or strip (including sharp-edged blanks for corks or stoppers);
- Latex Rubber Thread; Rubber bands; whips, riding-crops and the like; Pots, jars and similar articles of a kind used for the conveyance and packing of goods of ceramic; Glasses for corrective spectacles and flint buttons;
- All dutiable articles intended for personal use *(28% to 18%)*

Miscellaneous Goods

12% to 5%

- Indian katha
- Potassium iodate; steam
- Photographic plates and film for x-ray for medical use; Photographic plates and films, exposed and developed, other than cinematographic film; Photographic plates and films, exposed and developed, whether or not incorporating sound track or consisting only of sound track, other than feature films;
- Articles of natural cork such as Corks and Stoppers, Shuttlecock cork bottom; Agglomerated cork (with or without a binding substance) and articles of agglomerated cork;
- Railway or tramway sleepers (cross-ties) of wood;
- Collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, paleontological, ethnographic or numismatic interest [other than numismatic coins];
- Antiques of an age exceeding one hundred years;
- Fishing rods, and other line fishing tackle; fish landing nets, butterfly nets and similar nets; decoy "birds" (other than those of heading 9208 or 9705) and similar hunting or shooting requisites;
- Two-way radio (Walkie talkie) used by defence, police & paramilitary forces etc.;
- Tanks and other armoured fighting vehicles motorised whether or not fitted with weapons and parts of such vehicles.
- Sand lime bricks or stone inlay work
- Boxes, pouches, wallets and writing compendiums, of paper or paperboard, containing an assortment of paper stationery

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Miscellaneous Goods

12% to 5%	12% to 18%
• Natural menthol • Following goods from natural menthol namely: i. Menthol and menthol crystals ii. Peppermint (Mentha oil) iii. Fractionated/ de-terpinated mentha oil (DTMO) iv. De-mentholised oil(DMO) v. Spearmint oil vi. Mentha piperita oil	• Other than Natural menthol • Following goods from other than natural menthol namely: i. Menthol and menthol crystals ii. Peppermint (Mentha oil) iii. Fractionated/ de-terpinated mentha oil (DTMO) iv. De-mentholised oil(DMO) v. Spearmint oil vi. Mentha piperita oil

Miscellaneous Goods

12% to 18%
▪ Odoriferous preparations which operate by burning (*other than agarbattis, lobhan, dhoop batti, dhoop, sambhrani)* ▪ Biodiesel *(other than biodiesel supplied to Oil Marketing Companies for blending with High Speed Diesel)*

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White Goods

28% to 18%
• 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; • Dish washing machines, household [8422 11 00] and other [8422 19 00]; • Television sets (including LCD and LED television); Monitors and projectors, not incorporating television reception apparatus; reception apparatus for television, whether or not incorporating radio-broadcast receiver or sound or video recording or reproducing apparatus, set top box for television and Television set (including LCD and LED television).

Household Consumption Expenditure Survey (23-24)

21% of total consumption is spent on Services

Service	Share in Services Consumption
Consumer services	27%
Rent	21%
Education	20%
Conveyance	13%
Entertainment	7%
Medical (non-hospitalization)	6%
Medical (hospitalization)	5%

Tax bracket	Share in Services Consumption
Exempt or 5% rate	67%
18% rate	33%

Top services attracting 18% rate	
Fixed and mobile telephony, internet access, broadcasting services, Cable TV/DTH/set top box	ITC utilization is very high and any lowering of rate will lead to inversion.
Beauty salons, hairdressing and barber shops, health clubs, gyms, fitness centers, yoga studios, cosmetic and other beauty treatments	Proposed at 5% without ITC
Commercial training and coaching services	Lowering may have Education sector nuance

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Major themes

1. Food
2. Common Man's Items
3. **Farmer and Agriculture**
4. Health related
5. Labour oriented sectors
6. Other Economic Sectors
7. Special Rate for Luxury and Sin Goods/ Services

Tractors and Agricultural Equipment-12% to 5%

- Tractors (except road tractors for semi-trailers of engine capacity >1800 cc);
- Self-loading or self-unloading trailers for agricultural purposes;
- Hand propelled vehicles (e.g. hand carts, rickshaws and the like); animal drawn vehicles;
- Fixed Speed Diesel Engines of power not exceeding 15HP
- Sprinklers; drip irrigation system including laterals; mechanical sprayers;
- Nozzles for drip irrigation equipment or nozzles for sprinklers;
- Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers; Parts [8432 90];
- Other hand pumps;
- Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers; parts thereof;
- Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders; parts thereof;
- Composting Machines;

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Tractors and Agricultural Equipment-18% to 5%

- Rear tractor tyres and rear tractor tyre tubes; Tube for tractor tyres;
- Agricultural Diesel Engine of cylinder capacity exceeding 250 cc for Tractor; Hydraulic Pumps for Tractors;
- Rear Tractor wheel rim, tractor centre housing, tractor housing transmission, tractor support front axle;
- Bumpers and parts thereof for tractors; Brakes assembly and its parts thereof for tractors;
- Gear boxes and parts thereof for tractors;Transaxles and its parts thereof for tractors;
- Road wheels and parts and accessories thereof for tractors;
- Radiator assembly for tractors and parts thereof, Cooling system for tractor engine and parts thereof;
- Silencer assembly for tractors and parts thereof; Clutch assembly and its parts thereof for tractors;
- Steering wheels and its parts thereof for tractor;
- Hydraulic and its parts thereof for tractors;
- Fender, Hood, wrapper, Grill, Side Panel, Extension Plates, Fuel Tank and parts thereof for tractors.

Correction of Inverted Duty Structure -Fertilizers

Raw materials

Ammonia,
Sulphuric Acid,
Nitric Acid, } 18%

Phosphoric Acid (Fertilizer grade) → 5%

→ Fertilizers 5%

Total refunds for fertilizers ~ Rs. 5,000 Cr per year- will improve liquidity

CHAIRMAN'S INITIALS

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Correct inverted Duty Structure - Fertilizer

- **Standing Committee on Chemicals & Fertilizers** in its 43rd and 52nd Reports recommended to place the issue of lowering GST rate on raw materials of fertilisers like Sulphuric Acid and Ammonia before the GST Council.
- As per the Reports:
  - About 20% of domestic requirement of Urea is imported.
  - About 50-60% Di Ammonium Phosphate (DAP) of domestic requirement is imported.
  - 100% is imported in case of Muriate of Potash (MOP),
  - 8-10% of Nitrogen, Phosphorus, and Potassium (NPK) is imported.
- In its 53rd meeting, the **GST Council referred the issue to the GoM** on Rate Rationalization to take a holistic view.

33

Fertilizer

Goods	Existing	Proposed
Fertilizers	5%	No change
Ammonia, Sulphuric Acid, Nitric Acid	18% 18% 18%	5% 5% 5%
Micro-Nutrients covered by Fertilizer Control Order 1985,	12%	5%
Gibberellic Acid	12%	5%
12 Specified Bio pesticides	12%	5%
Pesticides and insecticides	18%	No change

34

CHAIRMA
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Major themes

1. Food
2. Common Man's Items
3. Farmer and Agriculture
4. **Health related**
5. Labour oriented sectors
6. Other Economic Sectors
7. Special Rate for Luxury and Sin Goods/ Services

Health Related Sectors

All Drugs, Medicines and Medical Equipment at 12% will be taken to 5%. IGST on 36 Drugs to Nil

Drugs/ Medicines 12% to 5%	Medical devices/equipment 12% to 5%	Medical devices/equipment 18% to 5%
▪ Glands and other organs for organo-therapeutic uses; heparin and its salts ▪ Animal blood prepared for therapeutic, prophylactic or diagnostic uses; antisera and other blood fractions ▪ Medicaments consisting of two or more constituents which have been mixed together for therapeutic or prophylactic uses, whether or not put up in measured doses or in forms or packings for retail sale, including Ayurvedic, Unani, Siddha, homoeopathic or Bio-chemic systems medicaments	▪ Sterile surgical catgut, similar sterile suture materials; ▪ Wadding, gauze, bandages and similar articles, impregnated or coated with pharmaceutical substances; ▪ Blood glucose monitoring system (Glucometer) and test strips; ▪ Patent Ductus Arteriousus / Atrial Septal Defect occlusion device; ▪ Spectacles, corrective [including goggles for correcting vision]; ▪ Instruments and appliances used in medical, surgical, dental or veterinary sciences, including scintigraphic apparatus, other electro-medical apparatus and sight-testing instrument; ▪ Surgical rubber gloves or medical examination rubber gloves	▪ Thermometer for medical, surgical, dental or veterinary uses ▪ Instruments and apparatus for medical, surgical, dental or veterinary uses for physical or chemical analysis

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Health Related Sectors

Drugs/ Medicines 12% to 5%	Medical devices/equipment 12% to 5%	Medical devices/equipment 18% to 5%
▪ Medical grade oxygen ▪ Anaesthetics ▪ Iodine ▪ Medicinal grade hydrogen peroxide ▪ All Drugs and medicines including: 1. Fluticasone Furoate + Umeclidinium + Vilanterol FF/UMEC/VI 2. Brentuximab Vedotin 3. Ocrelizumab 4. Pertuzumab 5. Pertuzumab + trastuzumab 6. Faricimab	▪ Mechano-therapy appliances; massage apparatus; psychological aptitude-testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus; ▪ Other breathing appliances and gas masks, excluding protective masks having neither mechanical parts nor replaceable filters; ▪ 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; ▪ Other Drugs and medicines intended for personal use	

Health related sectors

GST on Drugs/ Medicines 5% to nil	GST on Drugs/ Medicines 12% to nil	
1. Agalsidase Beta 2. Imiglucerase 3. Eptacog alfa activated recombinant coagulation factor VIIa	1. Onasemnogene abeparvovec 2. Asciminib 3. Mepolizumab 4. Pegylated Liposomal Irinotecan 5. Daratumumab 6. Daratumumab subcutaneous 7. Teclistamab 8. Amivantamab 9. Alectinib 10. Risdiplam 11. Obinutuzumab 12. Polatuzumab vedotin 13. Entrectinib 14. Atezolizumab 15. Spesolimab 16. Velaglucerase Alpha 17. Agalsidase Alfa 18. Rurioctocog Alpha Pegol 19. Idursulphatase	20. Alglucosidase Alfa 21. Laronidase 22. Olipudase Alfa 23. Tepotinib 24. Avelumab 25. Emicizumab 26. Belumosudil 27. Miglustat 28. Velmanase Alfa 29. Alirocumab 30. Evolocumab 31. Cystamine Bitartrate 32. CI-Inhibitor injection 33. Inclisiran

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Insurance related Group of Ministers (GoM)

- To **examine and review** the present tax structure of GST on life and medical insurance; and to **suggest GST rates** on:
  - **health / medical insurance** of different types and for various categories
  - **life insurance** of various types whether individual or group; and
  - **Re-insurance** of the above
- Earlier Recommendation

Life Insurance	Health Insurance
• Exempting **individual term life insurance policies**, along with reinsurance. • To consider some States' request for including **group term life** in this exemption, **at a later stage**.	• Exempting **individual health insurance policies for senior citizens,** along with reinsurance. • Exempting **individual health insurance policies with coverage up to Rs 5 lakh,** along with reinsurance. The limit may be revised upwards later. • Fitment Committee may **re-examine** issue of rate on **health insurance for Persons with Mental Illness** after consulting DFS.

Union proposal

1. Exemption for all individual life insurance policies, along with reinsurance thereof.
2. Exemption for all individual (including family floater) health insurance policies, along with reinsurance thereof.

The proposed exemption at (2) above will obviate the requirement of a separate exemption for individual health insurance policies purchased for people with mental illness (PMI).

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Health Insurance

- Present rate is 18%*

As per data for FY 2023-24

	Number of insured	Share	Number of policies	Share
Senior citizens	17,62,728	1 %	21,51,949	8 %
Individual up to Rs. 5 lakh coverage	43,74,678	1 %	69,18,104	26 %
Individual more than Rs. 5 lakh coverage	38,20,266	1%		
Family floater policies	4,58,99,328	15%	1,40,28,947	52 %
Group policies	25,59,09,000	82%	37,29,000	14 %
Total	**31,17,66,000**		**2,68,28,000**	

18%

86%

**Government sponsored insurance policies are exempt e.g. Ayushman Bharat.*

41

Life Insurance

- Present rate is 18%*

As per data for FY 2023-24

	Number of insured	Share	Number of policies	Share
Individual Pure Term	51,62,539	1 %	55,76,499	2 %
Individual (other than pure term)	21,99,25,505	38 %	30,67,69,639	97 %
Group (Other than pure term)	6,99,23,695	12 %	1,58,865	0 %
Group Pure Term	28,41,27,721	49 %	18,86,081	1 %
TOTAL	**57,91,39,460**		**31,43,91,084**	

- *Government sponsored insurance policies are exempt e.g., Varishtha Pension Bima Yojana.*
- *However, the number of PM Jeevan Jyoti Bima Yojana policies is included in the "Group Pure Term" category in the above table. The number of insured individuals under this scheme as on March 19, 2025 was 23.36 crore.*

42

CHAIRMAN INITIALS

Shipra

Major themes

1. Food
2. Common Man's Items
3. Farmer and Agriculture
4. Health related
5. **Labour oriented sectors**
6. Other Economic Sectors
7. Special Rate for Luxury and Sin Goods/ Services

43

Handicraft Items 12% to 5%

- Idols of wood, stone [including marble] and metals [other than those made of precious metals]
- Statues, statuettes, pedestals; high or low reliefs, crosses, figures of animals, bowls, vases, cups, cachou boxes, writing sets, ashtrays, paper weights, artificial fruit and foliage, etc.; other ornamental goods essentially of stone
- Statues and other ornamental articles; Ganjifa card
- Worked ivory, bone, tortoise shell, horn, antlers, mother of pearl, and other animal carving material and articles of these materials, articles of coral (including articles obtained by moulding)
- Paintings, drawings and pastels, executed entirely by hand, other than drawings of heading 4906 and other than hand-painted or hand-decorated manufactured articles; collages, mosaics and similar decorative plaques
- Original engravings, prints and lithographs; Original sculptures and statuary, in any material
- Collections and collectors' pieces of zoological, botanical, mineralogical, anatomical, historical, archaeological, paleontological, ethnographic or numismatic interest [other than numismatic coins]
- Antiques of an age exceeding one hundred years
- Handcrafted candles; Handbags including pouches and purses; jewellery box
- Carved wood products, art ware/decorative articles of wood (including inlay work, casks, barrel, vats)
- Wooden frames for painting, photographs, mirrors etc
- Dolls or other toys made of wood or metal or textile material [incl wooden toys of sawantwadi, Channapatna toys, Thanjavur doll)
- Hand paintings drawings and pastels(incl Mysore painting, Rajasthan painting, Tanjore painting, Palm leaf painting, basoli etc)
- Original sculptures and statuary, in metal, stone or any material

44

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Handicraft Items 12% to 5%

- Statuettes & other ornaments of wood, wood marquetry & inlaid, jewellery box, wood lathe and lacquer work [including lathe and lacquer work, ambadi sisal craft]
- Art ware of cork [including articles of sholapith]
- Handmade/hand embroidered shawls
- Handmade Paper and paperboard
- Carved stone products (e.g., statues, statuettes, figures of animals, writing sets, ashtray, candle stand)
- Stone art ware, stone inlay work
- Tableware and kitchenware of clay and terracotta, other clay articles
- Statuettes & other ornamental ceramic articles (incl blue potteries)
- Ornamental framed mirrors
- Glass statues [other than those of crystal]; Glass art ware [incl. pots, jars, votive, cask, cake cover, tulip bottle, vase]
- Art ware of iron; Art ware of brass, copper/ copper alloys, electro plated with nickel/silver; Aluminium art ware
- Bells, gongs and like, non-electric, of base metal; statuettes, and other ornaments, of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal; (including Bidriware, Panchloga artware, idol, Swamimalai bronze icons, dhokra jaali)
- Handcrafted lamps (including panchloga lamp); Furniture of bamboo, rattan and cane
- Worked articles of ivory, bone, tortoise shell, horn, antlers, coral,mother of pearl, seashell, other animal carving material
- Worked vegetable or mineral carving, articles thereof, articles of wax, of stearin, of natural gums or natural resins or of modelling pastes etc, (including articles of lac, shellac)

45

Man Made Fibre (MMF) Textile Sector

Item	Existing	Proposed
Polyester Fibre	18%	5%
Polyester yarn	12%	5%
Nylon Fibre	18%	5%
Nylon yarn	12%	5%
Rayon fibre	18%	5%
Rayon yarn	12%	5%
Waste of manmade fibres	18%	5%

- This will lead to correction of inverted duty structure for textile sector; ~44,000 textile units (spinning, knitting, processing/ dyeing) claim refund of ~Rs. 8,300 crore
- Inversion would be pushed backward for Polyester , Nylon and Viscose/Rayon fiber. Only ~ 1000 petrochemical units would need to claim refund of ~Rs.2,300 crore

46

CHAIRMAN'S INITIALS

Textile Sector

12% to 5%
• Sewing thread of manmade filaments, whether or not put up for retail sale, Sewing thread of manmade staple fibres • Wadding of textile materials and articles thereof; such as absorbent cotton wool (except cigarette filter rods) • Felt, whether or not impregnate, coated, covered or laminated • Nonwovens, whether or not impregnated, coated, covered or laminated • Rubber thread and cord, textile covered; textile yarn, and strip and the like of heading 5404 or 5405, impregnated, coated, covered or sheathed with rubber or plastics • Metallised yarn, whether or not gimped, being textile yarn or strip or the like of heading 5404 or 5405, combined with metal in the form of thread, strip or powder or covered with metal • Gimped yarn, and strip and the like of heading 5404 or 5405, gimped; chenille yarn (including flock chenille yarn); loop wale-yarn • Twine, cordage, ropes and cables, whether or not plaited or braided and whether or not impregnated, coated, covered or sheathed with rubber or plastics (other than jute twine, coir cordage or ropes) • Articles of yarn, strip or the like of heading 5404 or 5405, twine, cordage, rope or cables, not elsewhere specified or included (other than products of coir) • Carpets and other textile floor coverings, knotted, whether or not made up • Carpets and other textile floor coverings, woven, not tufted or flocked, whether or not made up, including "Kelem", "Schumacks", "Karamanie" and similar hand-woven rugs • Carpets and other textile floor coverings (including Turf), tufted, whether or not made up; Carpets and other textile floor coverings, of felt, not tufted or flocked, whether or not made up

Textile Sector

12% to 5%
• Other carpets and other textile floor coverings, whether or not made up; such as Mats and mattings including Bath Mats, where cotton predominates by weight, of Handloom, Cotton Rugs of handloom • Terry towelling and similar woven terry fabrics, other than narrow fabrics of heading 5806; tufted textile fabrics, other than products of heading 5703 • Gauze, other than narrow fabrics of heading 5806 • Tulles and other net fabrics, not including woven, knitted or crocheted fabrics; lace in the piece, in strips or in motifs, other than fabrics of headings 6002 to 6006 • Hand-woven tapestries of the type Gobelins, Flanders, Aubusson, Beauvais and the like, and needle-worked tapestries (for example, petit point, cross stitch), whether or not made up • Labels, badges and similar articles of textile materials, in the piece, in strips or cut to shape or size, not embroidered • Braids in the piece; ornamental trimmings in the piece, without embroidery, other than knitted or crocheted; tassels, pompons and similar articles (other than saree fall) • Woven fabrics of metal thread and woven fabrics of metallised yarn of heading 5605, of a kind used in apparel, as furnishing fabrics or for similar purposes, not elsewhere specified or included; such as Zari borders (other than embroidery or zari articles) • Embroidery in the piece, in strips or in motifs, Embroidered badges, motifs and the like • Quilted textile products in the piece, composed of one or more layers of textile materials assembled with padding by stitching or otherwise, other than embroidery of heading 5810

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Textile Sector

12% to 5%
• Textile fabrics coated with gum or amylaceous substances, of a kind used for the outer covers of books or the like; tracing cloth; prepared painting canvas; buckram and similar stiffened textile fabrics of a kind used for hat foundations • Tyre cord fabric of high tenacity yarn of nylon or other polyamides, polyesters or viscose rayon • Textile fabrics impregnated, coated, covered or laminated with plastics, other than those of heading 5902 • Linoleum, whether or not cut to shape; floor coverings consisting of a coating or covering applied on a textile backing, whether or not cut to shape; Textile wall coverings; Rubberised textile fabrics, other than those of heading 5902 • Textile fabrics otherwise impregnated, coated or covered; painted canvas being theatrical scenery, studio back-cloths or the like; Textile wicks, woven, plaited or knitted , for lamps, stoves, lighters, candles or the like; incandescent gas mantles and tubular knitted gas mantle fabric therefor, whether or not impregnated • Textile hose piping and similar textile tubing, with or without lining, armour or accessories of other materials • Transmission or conveyor belts or belting, of textile material, whether or not impregnated, coated, covered or laminated with plastics, or reinforced with metal or other material • Textile products and articles, for technical uses, specified in Note 7 to Chapter 59; such as Textile fabrics, felt and felt-lined woven fabrics, coated, covered or laminated with rubber, leather or other material, of a kind used for card clothing, and similar fabrics of a kind used for other technical purposes, including narrow fabrics made of velvet impregnated with rubber, for covering weaving spindles (weaving beams); Bolting cloth, whether or Not made up; Felt for cotton textile industries, woven; Woven textiles felt, whether or not impregnated or coated, of a kind commonly used in other machines, Cotton fabrics and articles used in machinery and plant, Jute fabrics and articles used in machinery or plant, Textile fabrics of metallised yarn of a kind commonly used in paper making or other machinery, Straining cloth of a kind used in oil presses or the like, including that of human hair, Paper maker's felt, woven, Gaskets, washers, polishing discs and other machinery parts of textile articles

Leather Sector

Description	Current	Proposed
Raw material: Raw hides and skin, Tanned or crust hides and skins	5%	No Change
Intermediate products: Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 4114	12%	5%
Leather further prepared after tanning or crusting, including parchment-dressed leather, of sheep or lamb, without wool on, whether or not split, other than leather of heading 4114		
Leather further prepared after tanning or crusting, including parchment-dressed leather, of other animals, without wool or hair on, whether or not split, other than leather of heading 4114		
Chamois (including combination chamois) leather; patent leather and patent laminated leather; metallised leather		
Composition leather with a basis of leather or leather fibre, in slabs, sheets or strip, whether or not in rolls; parings and other waste of leather or of composition leather, not suitable for the manufacture of leather articles; leather dust, powder and flour		
Skins and other parts of birds with their feathers or down, feathers, parts of feathers, down and articles thereof (other than goods of heading 0505 and worked quills and scapes)		
Finished products:		
Articles of leather such as trunks, suitcase, brief cases, spectacle cases of leather or composition leather, footwear with outer soles of leather; Articles of apparels and clothing accessories of leather or of composition leather; Other articles of leather or composition leather	18%	No Change

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Marble and Granite Sector

Description	Current	Proposed
Raw material: Marble and other calcareous stone, basalt, sandstone and other monumental or building stone, crude or roughly trimmed;	5%	No Change
Intermediate products: Marble and Travertine blocks; Granite Blocks	12%	5%
Finished products: Marble (Other than blocks); Granite (Other than blocks)	18%	No Change

Mass Consumption Items – Footwear, Apparels

Items	Existing Rate Structure		Proposed Rate Structure	
Apparel	5%	<Rs. 1000/piece *(77 % of total consumption)*	5%	<Rs. 2500/piece
	12%	>Rs. 1000/piece	18%	>Rs. 2500/piece
Other made-up textile articles	5%	<Rs. 1000/piece	5%	<Rs. 2500/piece
	12%	>Rs. 1000/piece	18%	>Rs. 2500/piece
Footwear	12%	<Rs. 1000/pair *(62% of total consumption)*	5%	<Rs. 2500/pair
	18%	>Rs. 1000/pair	18%	>Rs. 2500/pair

HAIRMAN'S INITIALS

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Supply of Job Work- Present Rate Structure

1.5%	5%	12%	18%
Diamonds falling under Chapter 71	Other goods under Chapter 71	Manufacture of umbrella	Supply of Job Work in relation to bus body building.
	Food products	Printing of all goods falling under Chapter 48 or 49, which attract GST @12%	Supply of Job Work in relation to manufacture of alcoholic liquor for human consumption.
	Textiles	Manufacture of tanned or crust hides and skins	
	Handicraft goods	Manufacture of bricks	
	Printing of all goods falling under Chapter 48 or 49, which attract GST @5%	Manufacture of pharmaceutical products	
	Tailoring Services	Job-work not elsewhere covered (residual entry-chemicals and metals)	

Supply of Job Work- proposed rate structure

1.5%	5%		18%
Diamonds falling under Chapter 71	Other goods under Chapter 71	Manufacture of umbrella	Supply of Job Work in relation to bus body building.
	Food products	Printing of all goods falling under Chapter 48 or 49, which attract GST @12%	Supply of Job Work in relation to manufacture of alcoholic liquor for human consumption.
	Textiles	Manufacture of tanned or crust hides and skins	Job-work not elsewhere covered (residual entry-chemicals and metals)
	Handicraft goods	Manufacture of bricks	
	Printing of all goods falling under Chapter 48 or 49, which attract GST @5%	Manufacture of pharmaceutical products	
	Tailoring Services		

CHAIRMAN INITIALS

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Major themes

1. Food
2. Common Man's Items
3. Farmer and Agriculture
4. Health related
5. Labour oriented sectors
6. **Other Economic Sectors**
7. Special Rate for Luxury and Sin Goods/ Services

Paper Industry

	Wood based Pulp	Agro Based (Bagasse, Bamboo etc.) pulp	Waste Paper based pulp	Total
Production (Mn Tons)	4.32	1.31	16.80	22.43
No of Mills	18	21	499	538
Share in production	19%	6%	75%	
GST on Raw Material	12%	5%	5%	-

Proposal:

1. Reduce GST rate on wood pulp for paper other than dissolving grades from 12% to 5%
2. Increase other wood pulp including Dissolving Grade Wood pulp from 12% to 18%
3. Pulps of fibres derived from recovered (waste and scrap) paper or paperboard or of other fibrous cellulosic material from 12% to 5%

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Paper Sector Proposal

Particulars		Present Rate	Proposed Rate	Share in cost
Raw Materials	Pulp Waste Paper	**12%** 5%	**5% and 18%** 5%	**40%**
	Chemicals	18%	18%	**15%**
	Packaging Materials like BoPET Sheet/Coated sheet	18%	18%	**5%**
Other operating Costs	Capital Goods & Repairs	18%	18%	**5%**
	Power & Fuel	Non -GST		**12%**
Miscellaneous Costs & Margin	Employee & Finance Cost	NA		**12-15%**
	Margin			**7-10%**
Final product	**(Writing & Printing Paper)**	**12%**	**18% and exempt**	**100%**

57

Paper

12% to 18%
• Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non-perforated punch-cards and punch tape paper; [*other than Uncoated paper and paperboard for notebook, exercise book, graph books, laboratory notebook only*] • Uncoated kraft paper and paperboard; • Greaseproof papers, Glassine papers; • Composite paper and paperboard (made by sticking flat layers of paper or paperboard together with an adhesive), not surface-coated or impregnated, whether or not internally reinforced; • Paper and paperboard, corrugated (with or without glued flat surface sheets), creped, crinkled, embossed or perforated; • Paper and paperboard, coated on one or both sides with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating, whether or not surface-coloured, surface-decorated or printed, in rolls or rectangular (including square) sheets of any size

58

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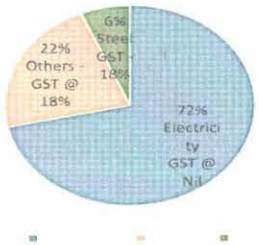
Renewable Energy Devices

12% to 5%
▪ Following renewable energy devices and parts for their manufacture: i. Bio gas plant ii. Solar power based devices iii. Solar power generators iv. Wind mills, Wind operated Electricity Generator (WOEG) v. Waste to energy plant/ devices vi. Solar lantern/ Solar Lamp vii. Ocean waves/Tidal waves energy devices/plants viii. Photovoltaic cells whether or not assembled in modules or made into panels ▪ Solar cookers, Solar Water heater system ▪ Fuel Cell Motor Vehicles including hydrogen vehicles based on fuel cell technology

Coal

	GST Rate	CC Rate	GST + Compensation Cess Rate	Proposed GST Rate
Coal/Lignite/Peat	5%	Rs.400/ton	16.8%	18%

Revenue from compensation cess from Coal (Rs. Crore)							
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
20,793	30,264	30,222	27,842	31,416	35,747	38,763	40,389



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Cement

- Cement currently attract 28%
- Constitutes ~ 11% of the total input cost for construction projects
- All building input materials are at 18%
- Reducing GST rate to 18% will
  - increase the capacity utilization & per capita cement consumption
  - decrease in construction costs
  - boost demand for cement

Goods Transport and Delivery- Present Rate Structure

18% with Full ITC	12% with Full ITC	5% with No ITC (including 5% under RCM)	5% with Restricted ITC
	By road by Goods transport Agency (GTA)	By road by Goods transport Agency (GTA)	
	By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)	By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)	
	By Container transport Operator (CTOs) by Rail		
	By multimodal (domestic)		
Local Delivery Services			
By air (domestic) By air (export freight) Courier and Postal Services			By vessel (coastal) By vessel (export and import freight) By Rail By Ropeway

CHAIRMA
INITIALS

Goods Transport and delivery-Proposed Rate (1)

18% with Full ITC	~~12% with Full ITC~~	5% with No ITC (including 5% under RCM)	5% with Restricted ITC
By road by Goods transport Agency (GTA)		By road by Goods transport Agency (GTA)	
By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)		By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)	
	By Container transport Operator (CTOs) by Rail		
	By multimodal (domestic)		
Local Delivery Services			
By air (domestic) By air (export freight) Courier and Postal Services			By vessel (coastal) By vessel (export and import freight) By Rail By Ropeway

Goods Transport and delivery-proposed rate (2)

18% with Full ITC	~~12% with Full ITC~~	5% with No ITC (including 5% under RCM)	5% with Restricted ITC
By road by Goods transport Agency (GTA)		By road by Goods transport Agency (GTA)	
By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)		By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)	
By Container transport Operator (CTOs) by Rail		By Container transport Operator (CTOs) by Rail	
By multimodal (domestic)			By multimodal (domestic) where no leg of transport is by Air
Local Delivery Services			
By air (domestic) By air (export freight) Courier and Postal Services			By vessel (coastal) By vessel (export and import freight) By Rail By Ropeway

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Goods Transport and delivery-proposed rate (3)

18% with Full ITC	5% with No ITC (including 5% under RCM)	5% with Restricted ITC
By road by Goods transport Agency (GTA)	By road by Goods transport Agency (GTA)	
By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)	By pipeline (Of Natural Gas, Petroleum Crude, Motor Spirit, HSD, ATF)	
By Container transport Operator (CTOs) by Rail	By Container transport Operator (CTOs) by Rail	
By multimodal (domestic)		By multimodal (domestic) where no leg of transport is by Air
Local Delivery Services		
By air (domestic) By air (export freight) Courier and Postal Services		By vessel (coastal) By vessel (export and import freight) By Rail By Ropeway

65

Goods Transport and delivery-proposed rate (4)

18% with Full ITC	5% with No ITC (including 5% under RCM)	5% with Restricted ITC
Local Delivery Services*		

**All Local Delivery services (whether provided through ECO or otherwise) continue to be taxed at 18%.*

**Services by way of local delivery where the person supplying such services through electronic commerce operator is not liable for registration under GST to be notified under section 9(5).*

**Such services (provided through ECO) are to be excluded from the scope of GTA services to resolve disputes.*

66

CHAIRMAN INITIALS

Passenger Transport and Renting of Motor Vehicle

Mode	Service	Current Rate	Proposed Rate
Passenger Transport and Renting of Motor Vehicle			
By Road	Passenger transport by any motor vehicle where fuel cost is included	5% with restricted ITC OR 12% with full ITC	5% with restricted ITC OR 18% with full ITC
	Renting of motor vehicle designed to carry passengers, where fuel cost is included.	5% with restricted ITC OR 12% with Full ITC	5% with restricted ITC OR 18% with full ITC
	Supply of renting of goods carriage where fuel cost is included in consideration	12% with full ITC	5% with restricted ITC OR 18% with full ITC
By Air	Passenger transport (Other than Economy Class)	12% with Full ITC	18% with Full ITC

Other Transport related

28% to 18%
• Petrol, Liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm; • Diesel driven motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm; • Motor vehicles with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm; • Motor vehicles with both compression-ignition internal combustion piston engine [diesel-or semi diesel] and electric motor as motors for propulsion, of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm; • Motor vehicles for the transport of ten or more persons, including the driver [other than buses for use in public transport, which exclusively run on Bio-fuels]; • 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;

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Other Transport related

28% to 18%
• Road tractors for semi-trailers of engine capacity more than 1800 cc; • Three wheeled vehicles; • Motor vehicles for the transport of goods [*other than Refrigerated motor vehicles which is already at 18%*]; • Chassis fitted with engines, for the motor vehicles; Bodies (including cabs), for the motor vehicles; • Parts and accessories of the motor vehicles [other than specified parts of tractors]; • Motorcycles of engine capacity not exceeding 350 cc (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; • 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]; • Parts and accessories of motorcycles; Seats of a kind used for motor vehicles; • Rowing boats and canoes

Third Party Insurance of Goods Carriage

Services	Current Rate	Proposal
Third-party insurance of "goods carriage"	12% with ITC	5% with ITC

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Tourism, Mass Entertainment & Environmental Support Services

Service	Present rate	Proposed rate
Entry to Cinemas (ticket price =< Rs. 100)	12%	5% (with ITC)
CETP (Common Effluent Treatment Plant) and Biomedical Waste Treatment Plant		
Hotel accommodation (=<Rs. 7500/day)		5% (w/o ITC)

Petroleum Exploration Related Services

Service	Current Rate	Proposed Rate
Other professional, technical and business services relating to exploration, mining or drilling of petroleum crude or natural gas or both;	12% with full ITC	18% with full ITC
Support services to exploration, mining or drilling of petroleum crude or natural gas or both.	12% with Full ITC	18% with full ITC

To avoid Inverted Tax Structure, Standard rate of 18% is proposed.

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Goods for Petroleum Operations

12% to 18%
▪ Specified goods required in connection with i. Petroleum operations undertaken under petroleum exploration licenses or mining leases, granted by the Government of India or any State Government to the Oil and Natural Gas Corporation or Oil India Limited on nomination basis, or ii. Petroleum operations undertaken under specified contracts, or iii. Petroleum operations undertaken under specified contracts under the New Exploration Licensing Policy, or iv. Petroleum operations undertaken under specified contracts under the Marginal Field Policy (MFP), or v. Coal bed methane operations undertaken under specified contracts under the Coal Bed Methane Policy vi. Petroleum operations or coal bed methane operations undertaken under specified contracts under the Hydrocarbon Exploration Licensing Policy (HELP) or Open Acreage Licensing Policy (OALP)

73

Construction Sector- works contract

Service	Current Rate	Proposed Rate
Composite supply of works contract and associated services, in respect of offshore works contract relating to oil and gas exploration and production in offshore area	12% with full ITC	18% with full ITC
Composite supply of works contract involving predominantly earth work (that is, constituting more than 75per cent. of the value of the works contract) provided to Government	12 % with full ITC	18% with full ITC
Composite supply of works contract provided by a sub-contractor to the main contractor providing services above to the Central Government, State Government, Union territory or a local authority	12 % with full ITC	18% with full ITC

All works contract will now be at 18%

74

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Machinery Related

12% to 5%
• Fuel elements (cartridges), non-irradiated, for nuclear reactors
28% to 18%
• Spark-ignition reciprocating or rotary internal combustion piston engine [other than aircraft engines]; • Compression-ignition internal combustion piston engines (diesel or semi-diesel engines); • Parts suitable for use solely or principally with the engines ; • Pumps for dispensing fuel or lubricants of the type used in filling stations or garages, Fuel, lubricating or cooling medium pumps for internal combustion piston engines; • 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; • 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.

Major themes

1. Food
2. Common Man's Items
3. Farmer and Agriculture
4. Health related
5. Labour oriented sectors
6. Other Economic Sectors
7. **Special Rate for Luxury and Sin Goods/ Services**

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Proposal (1) for Special rate 40%

Goods	GST Rate	CC Rate	GST + CC Rate	Proposed GST Rate
Aerated Waters with added sugar	28%	12%	**40%**	**40%**
Caffeinated Beverages	28%	12%	**40%**	**40%**
Carbonated beverages of fruit drink / carbonated beverages with fruit juice	28%	12%	**40%**	**40%**
Pan Masala	28%	60%	88%	40%
Beedis	28%	-	28%	18%
Unmanufactured Tobacco	28%	61%-70%	89% -98%	**40%**
Manufactured Tobacco	28%	11% -290%	39%- 318%	**40%**
Cigarettes, cigars, cheroots, cigarillos	28%	5%-36% and/ up to Rs 4170/000	33% -64%	**40%**

Proposal (2) for Special Rate 40%

Goods	GST Rate	CC Rate	GST + CC Rate	Proposed GST Rate
Mid-Size Cars (Petrol >1200cc ; Diesel>1500cc)	28%	17%	**45%**	**40%**
Luxury Cars	28%	20%	**48%**	**40%**
SUV's >1500cc, >170mm ground clearance	28%	22%	**50%**	**40%**
Motor cycles>350CC	28%	3%	**31%**	**40%**
Yacht	28%	3%	**31%**	**40%**
Aircrafts for personal use	28%	3%	**31%**	**40%**

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Proposal (4) Services from 28% to Special Rate 40%

- Admission to casinos, race clubs, or sporting events like the IPL

  (*However, it will be specified that Government and National Federation sponsored/recognized sporting events are excluded)*

- Services by a race club for licensing of bookmakers within the club.
- Leasing or rental services, without operator, of good which attract 40% GST
- Specified Actionable Claims (betting, casinos, gambling, horse racing, lottery, online money gaming)

GoM Report - Recommendations

1. To maintain status quo on reduction of GST from 5% to Nil on products made by handloom weavers.
2. To maintain status quo on reduction in GST from 5% to Nil on raw silk and other silk weaving materials
3. To place the Final Report which contains the Union proposal for consideration of the Council
4. To bring to the notice of the Council the views expressed by various States

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Kerala (1/2)

- Expressed concern that the deliberations of the GOM till date are being replaced in totality by the Union proposal. He acknowledged the rationale of the Union proposal for boosting the economy and benefitting the common man. However, as per past experience, the benefits of tax cuts rarely get passed on to the common man. He emphasized that the benefits of lower tax rates are passed on to the common man as intended.
- He requested the Secretariat to provide a detailed study on the revenue impact of the proposed changes so that the states can be adequately informed. It also appears that there may be additional costs associated with the possibility of inverted duty structure in some sectors. These may also be factored in while computing the revenue impact.
- In the absence of a revenue impact study, Hon'ble Minister of Kerala expressed grave concerns about the revenue loss to the state and the centre. On the basis of the consumption pattern of Kerala, it is observed that the goods and services that belong to higher tax rate slabs contribute a higher revenue share and a proposal for broad-based change in tax rates at the higher tax slabs may lead to considerably higher revenue erosion to Kerala relative to other states. This was reflected in the higher compensation released to the state of Kerala due to the revenue gap in the subsequent years after the previous broad-based change in tax rates in November 2017.

Kerala (2/2)

- Hon'ble Minister of Kerala also expressed concern about widening revenue shortfall due to the falling average tax rate relative to the Revenue Neutral Rate (RNR) at the time of introduction of GST. Without a suitable mechanism to fully compensate the State and protect its revenue, the State may be unable to run its wide social commitments and existing welfare programmes for the poor and vulnerable citizens.
- He reiterated that suitable measures for protecting states' revenue may be explored like compensation as in the past to be met from the continuation of the compensation cess or any such suitable mechanism. The possibility of allowing imposition of state-specific cess and a revenue sharing ratio of 60:40 in favour of the states may also be considered. In addition the Hon'ble Finance Minister of Kerala highlighted the concerns of the State of Kerala regarding the proposal to raise the tax rate of the state run paper lottery, from the existing 28% 10 to 40%.
- In addition to the contribution to revenue, the lottery sector in Kerala provides direct employment to around 2 Lakh people, including ticket sellers and distributors. Unlike corporate enterprises, State-run lotteries are designed to percolate profits to these individuals rather than concentrate them. In this context, a proposed increase in the tax rate from the existing 28% to 40% would substantially raise expenses and would lead to a decline in sales volume, thereby adversely affecting the livelihoods of those dependent on this sector. Hence the State of Kerala requested that the proposed hike in the tax rate of state run paper lottery may be reconsidered.

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West Bengal

- Stated that overall rationalisation of GST rates is likely to benefit the economy in the long term and therefore is a welcome move. However, full dividend of above reforms will accrue only if the resulting benefit is passed on to the consumers. Necessary checks and balances may be needed to make it happen. However, she also added that in the short and medium term the proposed changes in GST rates for various goods will adversely impact state finances which in turn will hit common man since there will be limited resources available for pro-people schemes which various states including West Bengal are implementing.
- One way to handle this is to adequately pass on the benefit of compensation cess to states. Compensation cess was imposed for a specific purpose and will therefore need to be removed as has been rightly proposed. However, it needs to be continued in some other form to compensate states for the likely revenue loss. Compensation Cess is levied mostly on sin/demerit and luxury goods. Post its abolition, equivalent amount of Cess should continue to be levied on these goods as an additional levy of GST. This may be done by way of amending section 9 of the CGST/SGST Act and section 5 of the IGST Act so that the upper limits of tax rate provided in the aforesaid provisions do not apply to such additional levy. The revenue from the said additional levy may be shared between the Centre and the States in 50:50 ratio

All Members

- All the members of the GoM on Rate Rationalization and Hon'ble Ministers of Special Invitee States expressed an support on the Union proposal keeping in mind the larger interest of common man.
- While supporting the Union proposal, Hon'ble Minister of Karnataka mentioned that GST is not only about rates but maintaining fiscal health of States and Union.
- Hon'ble Minister of Tamil Nadu has submitted that any proposal for simplification and reduction of the GST rates is welcome by one and all, while at the same time, the public finances of the States have to be taken into account.
- Hon'ble Ministers of Punjab, Telangana, Karnataka and West Bengal stated that while they have no objection to the Union's proposal in principle, there is a large revenue loss that has not been factored by the Union proposal. The Union's proposal is silent on how the states would be compensated for this huge revenue loss. These states argued that without a suitable mechanism for fully compensating the states, the rate rationalization will become financially unsustainable for them and will have adverse impact on the implementation of welfare schemes of the states meant for poorer sections and middle classes, besides effecting the infrastructure projects. They urged that the mechanism like compensation cess through a suitable levy should be envisaged or some other mechanism should be established, concurrently with rate rationalization to ensure full revenue protection for the states.

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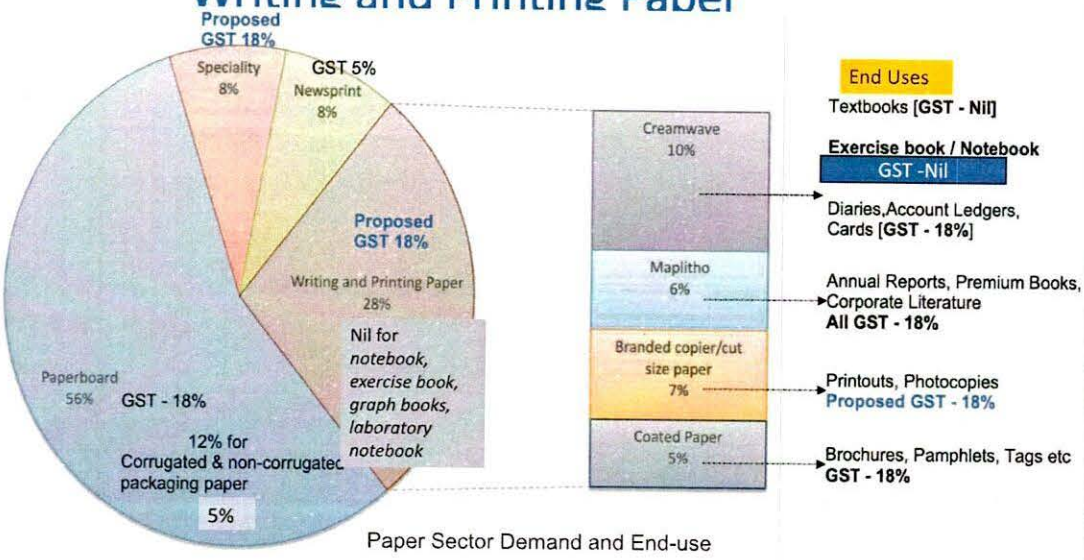
Thank you

Writing and Printing Paper



Paper Sector Demand and End-use

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28% to 40%

Transport Related and Miscellaneous Items
• Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 8702), including station wagons and racing cars, other than those reduced to 18%
• Motor vehicles with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion, of engine capacity exceeding 1200cc or of length exceeding 4000 mm
• Motor vehicles with both compression-ignition internal combustion piston engine [diesel-or semi diesel] and electric motor as motors for propulsion, of engine capacity exceeding 1500cc or of length exceeding 4000 mm
• Motor cycles of engine capacity exceeding 350 cc
• Aircraft (for example, helicopters, aeroplanes), for personal use
• Yacht and other vessels for pleasure or sports
• Revolvers and pistols, other than those of heading 9303 or 9304
• Smoking pipes (including pipe bowls) and cigar or cigarette holders, and parts thereof

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IGST- to NIL

- Technical documentation in respect of goods exempted under notification No. 19/ 2019-Customs dated 06.07.2019.
- Natural Cut and Polished Diamonds up to 25 cents (1/4 carats) imported under Diamond Imprest Authorization Scheme
- Works of art and antiques
- Flight Motion Simulator and its parts; Target Motion Simulator and its parts
- Parts, sub-assemblies of HACFS
- Low noise amplifier (Hermetic sealed), vent guide assembly-Return, vent guide assembly-supply, vent guide assembly-NBC for MRSAM system
- Parts and sub-assemblies of IADWS
- Military transport aircraft (C-130, C-295MW); Deep Submergence Rescue Vessel
- Unmanned Underwater vessels/platforms; Ejection Seats for fighter aircrafts
- High performance batteries for drones and specialised equipment
- Communication devices including software defined radios with component and accessories
- Air diving, rebreather sets, diving systems, components and accessories
- Sonobuoys for naval air assets; Ship launched missiles
- Rockets with calibre more than 100mm; RPA (Remote Piloted Aircraft) for military use
- Parts, sub-assemblies, spares, accessories, tools, testing equipment, literature for goods like artillery weapons, rifles, aircrafts etc. except for 12.7mm SRCG, 155mm/45 Cal. Dhanush, L-70 Gun, 84mm RL Mk-III, AK-630 Naval Gun, Light machine gun, MAG Gun.
- Unmanned aircrafts with camera

GST 28%/18% to 5%

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Agenda placed before GST Council consequent to recommendations of GoM on Rate Rationalisation

Agenda Item 7(c)
(Addendum to Agenda Volume-II of the 56th Meeting of the GST Council)

- **Proposal for amending Rule 31A(2) of CGST Rules, 2017 subject to GST Council's approval to recommendation of GoM on Rate Rationalisation regarding specified actionable claims** *(page 10)*

Ø The final report of the GoM on Rate Rationalisation has been presented before the 56th GST Council wherein it is proposed to increase GST rate from 28% to 40% on specified actionable claims (including lotteries). [Page 289 of Agenda (Volume I)]

Ø Clause (2) of Rule 31A of CGST Rules, 2017 reads below:
(2) The value of supply of lottery shall be deemed to be 100/128 of the face value of ticket or of the price as notified in the Official Gazette by the Organising State, whichever is higher.

Ø Accordingly, an amendment to Rule31A(2) would be required to align the valuation rule in respect of lotteries, with the GST rate approved by the GST Council.

Ø Proposal:

Ø Necessary amendments to be made to Rule 31A(2) of the CGST Rules, 2017 to align the valuation rule with the GST rate approved by GST Council in respect of lotteries.

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