

GST 2.0

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BACKGROUND

- A number of decisions were taken at the 56th GST Council Meeting.
- Changes have been notified through a series of notifications.
- The changes are effective from 22.09.2025.
- CGST Rules, 2017 have been amended.
- Notifications relevant to GSTAT have been issued.
- Notification issued to operationalize amendments by Finance Act, 2025.

GOODS

- Notification No. 9/2025 – CTR is the new rate of tax notification effective from 22.09.2025.
- The earlier notification No. 1/2017 – CTR is superseded.
- Factoring both CGST and SGST, the new slabs are structured as under:

Schedule I	5%
Schedule II	18%
Schedule III	40%
Schedule IV	3%
Schedule V	0.250%
Schedule VI	1.50%
Schedule VII	28%

GOODS

- **The 12% slab has been removed.**
- Some goods under the 28% category have moved to 18% while some have moved to 40%.
- The lower rate of tax for diamond and jewellery continues.
- The HSN is set out in Column 2 of the notification.
- Notification No. 10/2025 – CTR is the new notification for goods which are exempt from GST w.e.f. 22.09.2025.

GOODS

- Notification No. 12/2025 – CTR amends the GST rate Notification for old and used vehicles to align with the new schedule references in Notification No. 9/2025 – CTR. **No change in rate of tax.**
- Notification No. 13/2025 – CTR provides for CGST @ 2.5% w.e.f 22.09.2025 on various handicraft products by amending Notification no. 21/2018 – CTR. Old rate was 12%.
- **GST rate of 12%**
 - Despite the grand announcement of deletion of 12% slab and the actual deletion reflected through 09/2025 – CTR, there is a 12% category for goods.
 - Notification No. 14/2025 – CTR w.e.f. 22.09.2025 provides for CGST of 6% on
 - Fly ash bricks, Fly ash aggregates, Fly ash blocks,
 - Bricks of fossil meals or similar siliceous earths,
 - Building bricks
 - Earthen or roofing tiles
 - Matching SGST notifications likely
- **12% for these items is through another notification.** While the old rate was 12%, the dilemma was probably between 5% and 18% and hence, this new avatar.
- The other notification dealing with goods are 11/2025- CTR amending Notification No. 3/2017 – CTR.



GOODS - CHECKLIST

- Important to understand the new entry and schedule number applicable to goods.
- Important to identify HSN.
- Supply on or after 22.09.2025 will have to be at the new rates.
 - Provisions of section 14 of the CGST Act, 2017 will have to be taken into account to deal with change in rate of tax.
- Corrections to be made in the system for tax invoices and records including returns.
- Notifications can be accessed at <https://taxinformation.cbic.gov.in>
- Detailed presentation on rate of tax changes based on the 56th GST Council Meeting can be accessed at https://www.linkedin.com/posts/vaithilegal_deep-dive-into-the-56th-gst-council-meeting-activity-7369376667011596289-JNI9?utm_source=share&utm_medium=member_desktop&rcm=ACoAAALGj_uUBzm_yeMiOXmbB-VpgR1uzzKrZCfs

SERVICES

- Notification No. 15/2025 – CTR amends Notification No. 11/2017 – CTR, which provides for rate of tax for services w.e.f. 22.09.2025.
 - Changes to implement the elimination of 12% category.
 - Some move to 5% while some move to 18%.
 - Some services are subject to a lower rate of 5% without ITC.
 - Some definitions amended and new definitions inserted.
- Notification No. 16/2025- CTR amends Notification No. 12/2017 – CTR, which provides for exemptions in respect of services, w.e.f.22.09.2025.
- Notification No. 17/2025 – CTR amends Notification No. 17/2017 – CTR, to provide that the GST on supply of **local delivery services** shall be paid by the **e-commerce operator** except where the person supplying such service through the e-commerce operator is liable for registration.

SERVICES - CHECKLIST

- Important to understand the new entry and SAC code as well as conditions, if any, applicable to services.
- Supply on or after 22.09.2025 will have to be at the new rates.
 - Provisions of section 14 of the CGST Act, 2017 will have to be taken into account to deal with change in rate of tax.
- Corrections to be made in the system for tax invoices and records including returns.
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COMPENSATION CESS

- Compensation Cess was levied through Notification No. 1/2017 – GST Compensation Cess (Rate).
- Consequent to the introduction of a new slab of 40% (CGST 20% and SGST 20%), the items therein are no longer subject to Compensation Cess.
 - Implemented through Notification No. 02/2025 – Compensation Cess (Rate) w.e.f. 22.09.2025.
 - Compensation Cess continues for Pan Masala and other products.

ANNUAL RETURN

- Section 44 of the CGST Act provides for annual return in GSTR-9.
- Proviso empowers exemptions
- Notification No.15/2025-CT dated 17.09.2025
 - From FY 2024-2025 onwards
 - Exemption to registered persons whose aggregate turnover in any financial year is upto Rs.2 crores from filing annual return that said financial year.

GST APPELLATE TRIBUNAL

- Notification S.O. No. 4220(E) dated 17.09.2025 issued by Central Government under powers conferred by Section 112 of the CGST Act, 2017.
 - **30th June 2026** specified as the **date upto which** appeals may be filed before the Tribunal where the order sought to be appealed against has been communicated to the appellant **before 1st April 2026**.
 - Where orders have been communicated after **1st April 2026**, appeals may be filed before the Tribunal within **3 months from the date of communication of such order**.

GST APPELLATE TRIBUNAL

- Notification S.O. No. 4219(E) dated 17.09.2025 issued by Central Government under powers conferred by third proviso to Section 109(5) of the CGST Act, 2017.
- Appeals to be heard only by the **Principal Bench** in respect of a case or class of cases
 - Pending before 2 or more State Benches where the President is satisfied that an identical question of law is involved;
 - Where one or more issues involved therein covered under Section 14 (*OIDAR by a person located in non-taxable territory and received by non-taxable online recipient*) or Section 14A (*Specified actionable claims by person located outside India*) of the IGST Act, 2017; and
 - Where one or more issues involved therein is covered under Section 20 of the CGST Act, 2017 (*Input Service Distributor*).

GST APPELLATE TRIBUNAL

- Various amendments made to CGST Rules, 2017 in connection with appeals to GSTAT.
 - Provisional acknowledgement in Part A of Form GST APL -02A.
 - Final acknowledgement in Part B of Form GST APL -02A.
 - Option of manual filing removed.
 - Summary of order by the Tribunal in Form GST APL-04A.
 - Appeal format in Form GST APL-05 substituted.
 - Cross objections format in Form GST APL -06 substituted.
 - Form GST APL -07 substituted.
 - Insertion of Rule 110A dealing with procedure for appeals to be heard by a Single Member.

AMENDMENTS TO CGST RULES

- Valuation in respect of lottery under Rule 31A(2) – 100/140 of the face value as against 100/128.
- Rule 39(1A) amended w.e.f. 01.04.2025 to cover distribution of IGST RCM.
- Rule 91(2) dealing with grant of provisional refund amended w.e.f. 01.10.2025.
 - Provisional refund not available to persons / products specified in Notification No.14/2025-CT dated 17.09.2025 w.e.f. 01.10.2025.
- Amendments to Form GSTR- 9.
- Amendments to Form GSTR-9C

CUSTOMS

- Notification No.36/2025-Cus. w.e.f. 22.09.2025 amends Notification No.50/2017 whereby IGST is substituted at 18% for Serial No.404.
 - Consequent to rate change from 12% to 18%, the exemption Entry is modified.
- Notification No.37/2025-Cus. amends Notification No.19/2019 w.e.f. 22.09.2025 adding various items to the list of goods
 - Import by Ministry of Defence.
- Notification No.38/2025-Cus. amends Notification No.29/2025
 - Exemption from IGST in respect of import of works of art and antiques subject to conditions.

FINANCE ACT, 2025

- Finance Act, 2025 made various changes to the CGST Act.
- Some of the amendments were awaiting an effective date.
- Notification No. 16/2025 – CT dated 17.09.2025 has specified **01.10.2025** as the effective date for the following amendments.
 - Amendment to Section 2(61) and 2(69) of the CGST Act, 2017.
 - Insertion of Section 2(116A) of the CGST Act, 2017 – *Unique Identification Marking for Section 148A.*
 - Amendment to Section 12 and 13 of the CGST Act, 2017 – *Time of Supply.*
 - Amendment to Section 17 of the CGST Act, 2017 – *retrospective amendment to get over **Safari Retreats.***
 - **Amendment to Section 34 – *substitution of proviso – credit notes and reversal of ITC by the recipient.***
 - Amendment to Section 38 and 39 – *Invoice Management System (IMS).*
 - Amendment to Section 107 and 112 – *pre-deposit of penalty when penalty alone is in dispute.*
 - *Insertion of new Section 122B – Penalty for failure to comply with track and trace mechanism.*
 - **Insertion of new Section 148A – *Track and trace mechanism for certain goods.***

CIRCULAR - DISCOUNT

- ***Circular No. 251/08/2025-GST dated 12.09.2025-Clarification on various doubts related to treatment of secondary or post-sale discounts under GST***
 - No reversal of ITC is necessary when a discount is 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.
 - In cases where there is an agreement between the manufacturer and the end customer to supply at a discounted price and the manufacturer issues a commercial or financial credit note to enable the dealer to provide the goods at the agreed discounted rate to the end customer, then such post-sale discount given by the manufacturer to the dealer should be included in the consideration of goods by the dealer to the end customer.
 - Where there is no such agreement, the transactions are two independent sales and the discounts are simply given for competitive pricing to push sales and merely reduce the sale price and not link to any independent activity rendered to the manufacturer. Discount cannot be included in the consideration.
 - Post sale discounts merely reduces the sale price of goods and not linked to any independent service and cannot be treated as consideration for a separate transaction of supply of services.
 - Where dealer undertakes specific sales promotion activities such as advertising campaigns, co-branding, customization, special sales drives, exhibition arrangements, customer support, and such services are explicitly stated in the agreement with clearly defined consideration, then there is a service by the dealer to the supplier attracting GST.

PARTING THOUGHTS

POSITIVE

- Significant reduction in GST rates for a majority of commodities
- Increase in consumption and related growth.
- Lower taxes lead to higher collections.
- Few slab rates will reduce classification disputes.
- Provisional refund for exports is timely.
- GSTAT is finally getting traction.

NEGATIVE

- Loss of revenue and related impact
- Some sectors are likely to face inverted duty challenges.
- Lower rate without ITC goes against the GST design.
- Accumulation of ITC when the output rate is low.
- Auto sector faces challenges on account of compensation cess accumulation.



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