

GST 2.0 notifications and other indirect tax developments

19 September 2025

Introduction

The 56th meeting of the GST Council, convened on 3 September 2025 in New Delhi, marked a transformative milestone in India's indirect tax journey. The changes recommended by the Council have now been notified and will come into effect from 22 September 2025. Businesses must assess the implications on pricing, supply chain management, accounting systems, and commercial arrangements, and take proactive steps to ensure a smooth transition. This ERGO covers the notifications and circulars issued on the GST and Customs laws, outlining the key changes, their potential impact, and practical considerations for implementation by the business.

Changes in CGST Rules

Notification No. 13/2025-Central Tax dated 17 September 2025 has been issued to carry out certain amendments to the Central Goods and Services Tax Rules, 2017 (CGST Rules) with effect from 22 September 2025. The important changes are summarised hereunder:

- Rule 31A prescribes the value of supply of lottery, betting, gambling and horse racing. Rule 31A(2) is amended to prescribe the value of a lottery supply at 100/128 of the lottery ticket's face value or the price notified by the Organising State, whichever is higher.
- Rule 39 prescribes the procedure for distribution of input tax credit (ITC) by Input Service Distributor. Rule 39(1A) is amended to give reference to Section 5(3) and Section 5(4) of the Integrated Goods and Services Tax Act, 2017 (IGST Act) which provides for payment of Integrated Tax on inter-state supply of goods or services or both under reverse charge mechanism.
- Rule 91 prescribes for grant of provisional refund. Rule 91(2) is substituted prospectively with effect from 01 October 2025. Earlier, the officer granted provisional refund after scrutinizing documents and being prima facie satisfied, with no option to deny it. Now while reference to Section 54(6) of the Central Goods and Services Tax Act, 2017 (CGST Act) has been removed, refunds are based on system-driven risk evaluation, and the officer may, with recorded reasons, skip provisional refund and proceed with issuance of final order under Rule 92.
- A new Form APL-02A has been introduced for issuance of provisional acknowledgement in Part-A and final acknowledgement in Part-B of the Form, as contemplated under Rules 110 and 111, for submission of appeal/application before the Goods and Services Tax Appellate Tribunal (GSTAT). The option for manual filing of appeals and cross objections has been done away with.
- A new Rule 110A has been introduced to prescribe the procedure for the appeals to be heard by a Single Member Bench in cases where the appeal does not involve a question of law.
- A new Form GST APL-04A has been introduced to indicate the final amount of demand as confirmed by the GSTAT and Rule 113(2) has been amended to that effect.

Implementation of various provisions of the Finance Act, 2025

The following provisions of the [Finance Act, 2025](#) have been notified with effect **from 01 October 2025** vide Notification No. 16/2025-Central Tax dated 17 September 2025.

- Section 121(ii) of the Finance Act, 2025 which amended the definition of 'local authority' under Section 2(69) of the CGST Act and Section 121(iii) of the Finance Act, 2025 which introduced the definition of 'unique identification marking' under Section 2(116A) of the CGST Act.
- Section 12(4) and Section 13(4) of the CGST Act which provided the time of supply of vouchers has been omitted by virtue of Section 122 and Section 123 of the Finance Act, 2025, respectively.
- The amendment to Section 17(5)(d) of the CGST Act which substituted the words 'plant or machinery' with the words 'plant and machinery' and the 'Explanation-2' thereto have been notified retrospectively with effect from 01 July 2017 by virtue of Section 124 of the Finance Act, 2025.
- The other amendments to Section 34 of the CGST Act dealing with reduction in the output tax liability, Section 38 of the CGST Act regarding communication of details of inward supply and ITC, Section 39 of the CGST Act regarding furnishing of returns, Section 107 of the CGST Act dealing with appeals of appellate authorities, Section 112 of the CGST Act dealing with appeals to GSTAT as provided under Sections 126 to Section 130 of the Finance Act, 2025 have been notified.
- Section 122B and Section 148A of the CGST Act for implementation of track and trace mechanism for certain goods as introduced by Section 131 and Section 132 of the Finance Act, 2025 have been notified.
- Para 8(aa) relating to the supply of goods warehoused in Special Economic Zones (SEZs) or Free Trade Warehousing Zones (FTWZs), together with 'Explanation-3' under Schedule III of the CGST Act, and the restriction on claiming refund of tax collected before their introduction, have been notified under Section 133 and Section 134 of the Finance Act, 2025.

Goods and Services Tax Appellate Tribunal

- **Notification S.O. 4220(E).** - Central Tax dated 17 September 2025 has notified the deadlines and timelines for filing an appeal before the GSTAT. The timelines are summarised hereunder:
 - For all orders which are communicated to the person filing appeal before 01 April 2026, the deadline for filing the appeal against the said order has been extended to 30 June 2026.
 - For order communicated to the person filing the appeal after 01 April 2026, appeal has to be filed within three months from the date of communication of such order.
- **Notification S.O. 4219(E).** - Central Tax dated 17 September 2025 issued by the Ministry of Finance has notified the classes of cases for appeal before the Principal Bench of the GSTAT as follows:
 - Appeals involving cases pending before two or more State Benches where an identical question of law arises.
 - Appeals concerning one or more issues under Section 14 which prescribes special provision for payment of tax by a supplier of online information and database access or retrieval services or Section 14A which prescribes special provision for specified actionable claims supplied by a person located outside taxable territory of the IGST Act.
 - Appeals concerning one or more issues under Section 20 of the CGST Act which prescribes the manner of distribution of credit by Input Service Distributor.Such appeals shall lie exclusively before the Principal Bench at New Delhi.

Provisional Refund

Notification No. 14/2025-Central Tax dated 17 September 2025 has notified the category of registered persons who shall not be eligible for refund on a provisional basis¹ with effect from 01 October 2025. Any person who has not completed Aadhaar authentication under Rule 10B of the CGST Rules as well as persons

¹ A refund on a provisional basis under GST refers to a temporary or preliminary refund of up to 90% of the claimed amount, granted primarily to exporters and businesses making zero-rated supplies, before the final verification of the refund claim is completed. This mechanism is designed to provide fast cash flow relief to exporters and such businesses due to the typically longer processing times for full refund verification under GST.

engaged in the supply of Areca nuts, Pan masala, Essential oils, and Tobacco or manufactured tobacco substitutes, will be restricted from availing provisional refund from the said date.

Annual Returns

Notification No. 15/2025 - Central Tax dated 17 September 2024 has notified that a registered person whose aggregate turnover in any financial year does not exceed INR 2,00,00,000 (Two Crores Rupees) is exempt from filing annual return for that financial year effective from Financial Year 2024-25 onwards.

Clarification on Treatment of Secondary or Post-Sale Discounts

CBIC has issued a circular on secondary/post-sale discounts (Circular No. 251/08/2025-GST dated 12.09.2025). Based on the clarification provided in the Circular, the following key points are to be noted:

- No ITC reversal required when suppliers issue financial/commercial credit notes, since tax liability and transaction value remain unaffected.
- Dealer discounts for competitive pricing are not inducements and hence not treated as consideration. Where a manufacturer agrees with an end-customer for discounted pricing, related dealer credit notes form part of the overall consideration.
- Discounts alone are not taxable as services. But promotional activities like advertising, co-branding, exhibitions with defined consideration will attract GST.

Relabelling of Pre-packaged Commodities

The Ministry of Consumer Affairs, via Notification (I-10/14/2020-W&M dated 18 September 2025), has relaxed provisions under Rule 18(3) of the Legal Metrology (Packaged Commodities) Rules, 2011:

- The manufacturers, packers, importers and their representatives are allowed to send circulars to wholesale dealers, retailers, etc. about the revised prices with copies thereof endorsed to the Director of Legal Metrology to ensure price compliance at the retailer level.
- The mandate to advertise the revised prices in the newspapers or to affix additional revised price sticker has been done away with.
- Packing material/wrappers unused before GST revision may be used until 31 March 2026 or exhaustion, with MRP corrected through stamping, stickers, or online printing, whichever is earlier.

Changes in Rate of Tax for Goods and Services

The following notifications have been issued prescribing GST rates on supply of goods and services based on the recommendations of the 56th GST Council meeting held on 03 September 2025:

- **Taxable Goods:** The earlier CGST rate notification [Notification No. 01/2017-Central Tax (Rate) dated 28 June 2017] prescribing rate of tax on intra-state supply of goods has been superseded by a new CGST rate notification - Notification No. 09/2025-Central Tax (Rate) dated 17 September 2025, read with Corrigendum dated 18 September 2025. Similarly, Notification No. 01/2017-Integrated Tax (Rate) dated 28 June 2017 prescribing rate of tax on inter-state supply of goods has been superseded by the new IGST rate notification - Notification No. 09/2025-Integrated Tax (Rate) dated 17 September 2025. These changes are made effective from 22 September 2025.

The goods are covered under Schedule I to VII, with the following GST rates:

Schedule	GST Rate	Nature/Category of goods
I	5%	516 entries (essentials, medicines, basic food items)
II	18%	640 entries (industrial goods, processed goods)
III	40%	13 entries (luxury vehicles, beverages, actionable claims)
IV	3%	15 entries (precious metals, jewellery)

Schedule	GST Rate	Nature/Category of goods
V	0.25%	3 entries (rough diamonds, precious stones)
VI	1.5%	2 entries (cut diamonds)
VII	28%	6 entries (tobacco products)

- **Exempt Goods:** The earlier CGST exemption notification [Notification No. 02/2017-Central Tax (Rate) dated 28 June 2017] prescribing exemption on intra-state supply of goods has been superseded by Notification No. 10/2025-Central Tax (Rate) dated 17 September 2025, read with Corrigendum dated 18 September 2025. Similarly, Notification No. 02/2017-Integrated Tax (Rate) dated 28 June 2017 prescribing exemption on inter-state supply of goods has been superseded by Notification No. 10/2025-Integrated Tax (Rate) dated 17 September 2025. These changes are made effective from 22 September 2025.
- **Taxable Services:** The earlier CGST rate notification [Notification No. 11/2017-Central Tax (Rate) dated 28 June 2017] prescribing rate of tax on intra-state supply of services has been amended by Notification No. 15/2025-Central Tax (Rate) dated 17 September 2025. Similarly, Notification No. 08/2017-Integrated Tax (Rate) dated 28 June 2017 prescribing rate of tax on inter-state supply of services has been amended by Notification No. 15/2025-Integrated Tax (Rate) dated 17 September 2025. Pursuant to the recommendations of the 56th GST Council meeting, certain service entries earlier taxed at 12% have now been revised to either **5% or 18%**. These changes are made effective from 22 September 2025.
Note 1: Multimodal transport of goods is taxed at 5% with restricted ITC or 18% with full ITC. When no leg of the transport is by air, ITC is restricted only to input services of goods transportation, capped at 5% of their value. However, when at least one leg of the journey is by air, the applicable rate is 18% and full ITC can be claimed.
Note 2: Hotels supplying **accommodation units** valued at INR 7,500 or less per unit per day, as well as providers of **beauty and physical well-being services**, cannot opt to pay GST at the rate of 18% to avail ITC. Instead, they are mandatorily taxed at the rate of 5% without the ability of claiming ITC, with no option to pay a higher rate.
- **Exempt Services- Insurance:** Notification No. 12/2017-Central Tax (Rate) dated 28 June 2017, prescribing exemption on intra-State supply of services, has been amended by Notification No. 16/2025-Central Tax (Rate) dated 17 September 2025. Similarly, Notification No. 09/2017-Integrated Tax (Rate) dated 28 June 2017 prescribing exemption on inter-state supply of services has been amended by Notification No. 16/2025-Integrated Tax (Rate) dated 17 September 2025. The individual **health and life insurance policies**, which are not part of a group scheme and that are provided to individuals, are exempt from GST. Policies taken by individuals to cover their family members are also exempt from tax. In addition, ITC on reinsurance will be exempt, while ITC on other input services will have to be reversed. These changes are made effective from 22 September 2025.
- **Compensation Cess:** Notification No. 01/2017-Compensation Cess (Rate) dated 28 June 2017 has been amended by Notification No. 02/2025-Compensation Cess (Rate) dated 17 September 2025, whereby certain goods such as **pan masala and other tobacco products** continue to be subjected to cess with effect from 22 September 2025.
- **GST on certain petroleum operations:**
 - Notification No. 11/2025-Central Tax (Rate) dated 17 September 2025 amends Notification No. 03/2017-Central Tax (Rate) dated 28 June 2017 to increase the rate of tax on intra-State supplies in respect of certain petroleum operations from 6% to 9%. The applicable rate of GST on inter-State supplies is subject to tax at the rate of **18%** in terms of Notification No. 11/2025-Integrated Tax (Rate) dated 17 September 2025. These changes are made effective from 22 September 2025.
 - Notification No. 50/2017-Customs dated 30 June 2017 has also been amended by Notification No. 36/2025-Customs dated 17 September 2025 to revise the rate of Integrated Tax on import of specified petroleum exploration goods from 12% to **18%**, effective from 22 September 2025. The petroleum goods such as **Drilling bits for earth boring and rock drilling tools, High Temp Valve, Fire fighting vehicles, Oil tanker, Radioactive residues, Software for petroleum operation** amongst other will also be taxed at 18%.
- **GST on old and used motor vehicles:** Notification No. 12/2025-Central Tax (Rate) dated 17 September 2025 amends Notification No. 08/2018-Central Tax (Rate) dated 25 January 2018 to give reference to Schedule II and III of the new Notification No. 09/2025-Central Tax (Rate) dated 17 September 2025 instead of Schedule IV of the old Notification No. 1/2017-Central Tax (Rate) dated 28 June 2017. The

applicable rate of GST on inter-State supply of old and used motor vehicles continues at the rate of **18%** in terms of Notification No. 12/2025-Integrated Tax (Rate) dated 17 September 2025.

- **GST on Handicraft:** As per Notification No. 13/2025-Central Tax (Rate) dated 17 September 2025 various handicrafts that were subject to GST on intra-state supplies at the rate of 6% would be taxable at the rate of 2.5% from 22 September 2025. The applicable rate of GST on inter-State supplies is subject to tax at the rate of **5%** in terms of Notification No. 13/2025-Integrated Tax (Rate) dated 17 September 2025. These changes are made effective from 22 September 2025.
- **GST on fly ash bricks, etc.:** Notification No. 14/2025-Central Tax (Rate) dated 17 September 2025 provides that intra-State supplies of fly ash bricks, fossil meal bricks, building bricks, and earthen/roofing tiles will be subject to tax at the rate of 6%. The applicable rate of GST on inter-State supplies is subject to tax at the rate of **12%** in terms of Notification No. 14/2025-Integrated Tax (Rate) dated 17 September 2025. All kinds of bricks except sand lime bricks continue to attract GST of 6% without ITC and 12% with ITC, with a threshold limit of INR 20 lakhs. Sand lime bricks will be taxed at a GST rate reduced from 12% to 5%. These changes are made effective from 22 September 2025.
- **RCM on Local Delivery Charges:** Notification No. 17/2025-Central Tax (Rate) dated 17 September 2025 amends Notification No. 17/2017-Central Tax (Rate) dated 28 June 2017 to provide that GST on supply of service by unregistered persons by way of local delivery through Electronic Commerce Operator (ECO), will be paid by the ECO under Section 9(5) of the CGST Act, with effect from 22 September 2025.
It may be noted that ECO by whom/through whom local delivery are provided will not be considered a Good Transport Agency – this may require a rethinking/tweaking of certain GST positions currently being adopted by some of the players in the local delivery space.
- **Exemption on Defence Procurements:** Notification No. 37/2025-Customs dated 17 September 2025 has amended Notification No. 19/2019-Customs dated 06 July 2019 to exempt certain specified defence equipment and their parts when imported into India from Basic Customs Duty and Integrated Tax, with effect from 22 September 2025. The products notified include, inter alia, **flight motion simulators, deep submergence rescue vessels, high performance batteries for drones and specialised equipment, ship launched missiles, and sonobuoys for naval air assets** imported by Ministry of Defence, Defence Forces, or Defence PSUs.
- **Artwork and antiques:** Notification No. 38/2025-Customs dated 17 September 2025 has amended Notification No. 29/2025-Customs dated 9 May 2025 to exempt works of art and antiques, which were already exempted from Basic Customs Duty, from Integrated Tax as well. Import of some of the key categories of works of art such as **statuary and pictures displayed in museum galleries, memorials in public places** are now exempt from both Basic Customs Duty and Integrated Tax. These changes are made effective from 22 September 2025.

Customs (Finalisation of Provisional Assessment) Regulations, 2025

- Notification No. 55/2025-Customs (N.T.) dated 17 September 2025 has introduced the Customs (Finalisation of Provisional Assessment) Regulations, 2025, replacing the 2018 regulations. The new framework, applicable to both pending and future cases under the Customs Act, 1962, prescribes timelines and procedure for finalisation of provisional assessment under the Customs Act 1962. Proper officers must call for missing documents within fifteen days, to be furnished by the importer/exporter within two months, extendable up to fourteen months. Provisional assessments must be finalised within three months of receiving documents or completing enquiry, extendable up to three years in total. Duties paid provisionally will be adjusted, refunds allowed under Section 18(4) and (5) of the Customs Act 1962, and deficiencies recovered through a speaking order. Non-compliance attracts penalty under Section 158(2)(ii) of the Customs Act 1962.
- Given the absence of strict consequences for delays in finalising assessments in ongoing DRI, SIIB, and SVB investigations, it remains uncertain whether the new framework will ensure timely resolution and trade facilitation.

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