



GST Council Clears Two-Tier Tax Slabs; ₹48,000 Crore Revenue Impact Expected



Introduction to GST Council's Tax Slab Restructuring

The GST Council approved restructuring the tax slabs from four tiers to two standard rates: 5% for essentials and 18% for non-essentials, with a special 40% slab for sin goods. This reform simplifies compliance, reduces disputes, and fosters economic growth, effective from September 22, 2025.



GST Council's Tax Slab Restructuring



Historic Diwali Gift for the Nation

NEXT-GEN GST REFORM

for Ease of Living & to build *Aatmanirbhar Bharat*

From farmers to enterprises, from households to businesses,
the Next-Gen GST brings happiness for all!

Save Big on Daily Essentials

Items	From	To
Hair Oil, Shampoo, Toothpaste, Toilet Soap Bar, Tooth Brushes, Shaving Cream	18%	5%
Butter, Ghee, Cheese & Dairy Spreads	12%	5%
Pre-packaged Namkeens, Bhujia & Mixtures	12%	5%
Utensils	12%	5%
Feeding Bottles, Napkins for Babies & Clinical Diapers	12%	5%
Sewing Machines & Parts	12%	5%

Uplifting Farmers & Agriculture

Items	From	To
Tractor Tyres & Parts	18%	5%
Tractors	12%	5%
Specified Bio-Pesticides, Micro-Nutrients	12%	5%
Drip Irrigation System & Sprinklers	12%	5%
Agricultural, Horticultural or Forestry Machines for Soil Preparation, Cultivation, Harvesting & Threshing	12%	5%

Relief in Healthcare Sector

Items	From	To
Individual Health & Life Insurance	18%	Nil
Thermometer	18%	5%
Medical Grade Oxygen	12%	5%
All Diagnostic Kits & Reagents	12%	5%
Glucometer & Test Strips	12%	5%
Corrective Spectacles	12%	5%

Automobiles made affordable

Items	From	To
Petrol & Petrol Hybrid, LPG, CNG Cars (not exceeding - 1200 cc & 4000mm)	28%	18%
Diesel & Diesel Hybrid Cars (not exceeding - 1500 cc & 4000mm)	28%	18%
3 Wheeled Vehicles	28%	18%
Motor Cycles (350 cc & below)	28%	18%
Motor Vehicles for transport of goods	28%	18%

Affordable Education

Items	From	To
Maps, Charts & Globes	12%	Nil
Pencils, Sharpeners, Crayons & Pastels	12%	Nil
Exercise Books & Notebooks	12%	Nil
Eraser	5%	Nil

Save on Electronic Appliances

Items	From	To
Air Conditioners	28%	18%
Television (above 32") (including LED & LCD TVs)	28%	18%
Monitors & Projectors	28%	18%
Dish Washing Machines	28%	18%

Registration

Automatic registration within 3 working days for applicants:
• Identified by the system based on data analysis
• Who determines that he would not pass Input Tax Credit exceeding ₹2.5 Lakh per month and opts for the Scheme

PROCESS REFORMS

Refund

Sanction of Provisional Refunds by proper officer, through system based risk evaluation for:
• Zero Rated Supplies
• Supplies with Inverted Duty Structure



Prime Minister

Much awaited reforms and
counter-mechanism for US tariffs

Details of the New GST Tax Slabs



Reduced 5% GST on Essentials

Essential goods like life-saving drugs, dairy products, and staple foods are taxed at a reduced 5% rate, providing financial relief to consumers.



Standard 18% GST on Non-Essentials

Most non-essential items including vehicles under 350 cc, construction materials, and consumer electronics are taxed at 18%, balancing revenue and compliance.



High 40% GST on Sin Goods

Sin goods such as tobacco, luxury cars over ₹50 lakh, and carbonated drinks attract a 40% GST to discourage consumption and support public health.

Net Revenue Implications of the New Framework

Revenue Impact of New GST Framework

The new two-tier GST tax structure is expected to impact net revenue by approximately ₹48,000 crore based on 2023–2024 consumption data, representing an investment in economic growth rather than a traditional loss.

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Boost to Economic Activity

GST rate rationalization aims to stimulate economic activity by making goods more affordable, enhancing compliance, and increasing consumer spending, potentially adding up to 120 basis points to GDP growth and reducing inflation by 1.1 percentage points.

Impact on Essential Goods, Sin Goods, and Middle-Class Consumption Items



Reduced GST on Essential Goods

Essential daily items like milk, paneer, roti, and paratha remain zero-rated, while other food and personal care products have GST reduced to 5%, significantly lowering household expenses.



High Taxation on Sin Goods

Sin goods such as tobacco products, aerated drinks, and luxury vehicles are taxed at a high rate of 40%, aiming to curb consumption and protect public health while ensuring stable government revenue.



Impact on Middle-Class Consumption

GST reductions on essential and consumer goods boost middle-class purchasing power, stimulating consumption and supporting economic growth, while high sin goods taxes discourage harmful spending.

Exemptions and Benefits for Insurance and Healthcare Sectors



GST Exemption on Insurance

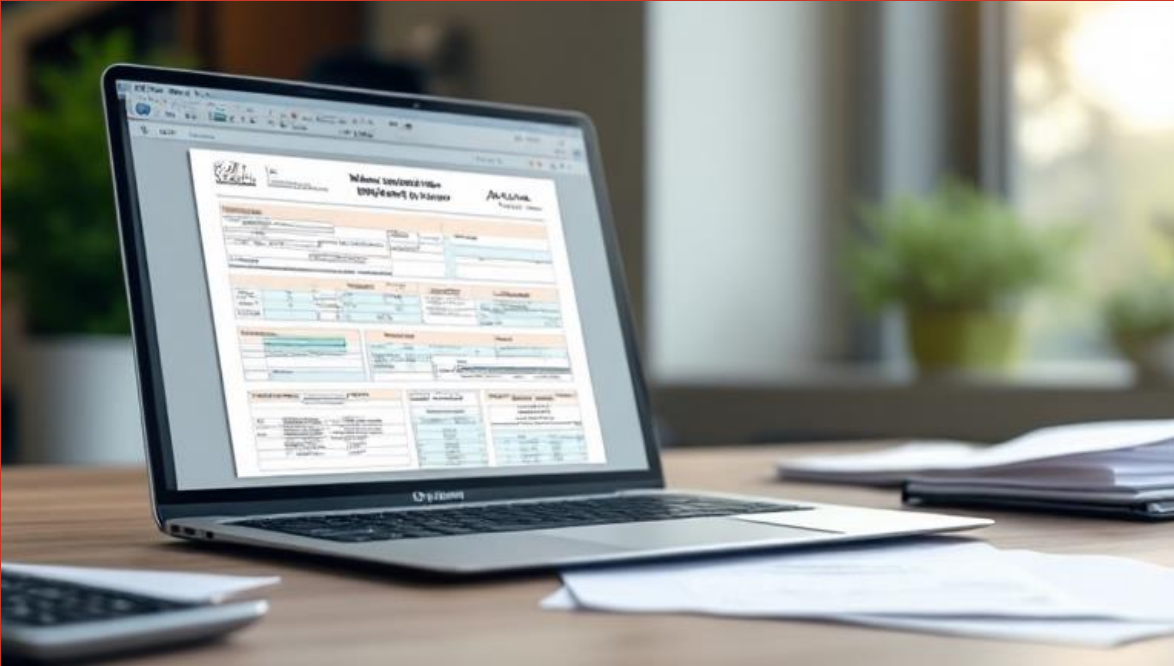
Individual life and health insurance premiums are fully exempt from GST, reducing costs and promoting insurance penetration across income groups.



Zero GST on Life-Saving Medicines

Select critical medicines and medical supplies now attract zero or reduced GST rates, easing financial burdens on patients and healthcare providers.

Broader Implications on India's Tax and Revenue System



Simplified Compliance

The GST reform consolidates multiple tax rates into fewer slabs, easing compliance for businesses and reducing consumer confusion significantly.



Enhanced Transparency

Rationalizing tax slabs increases predictability and reduces classification disputes, fostering a transparent and stable tax environment.



FAQs and Next Steps

Implementation Date and Scope

The revised two-tier GST tax structure will be effective from September 22, 2025, covering most goods and services except certain tobacco products. GST exemptions on life and health insurance policies will also commence from this date. Tax applicability for supplies before the change depends on payment or invoice dates, with Input Tax Credit provisions maintained.

Revenue Impact and Economic Outlook

The new GST framework is expected to impact revenue by approximately ₹48,000 crore initially, but aims to stimulate economic activity, expand the tax base, and improve compliance. Experts foresee increased domestic consumption and positive effects on GDP growth, with further implementation discussions planned for September 4, 2025.



Thank You

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