

September 2025

Alert: Indirect Taxation & GST

Bhatia & Bhatia
CHARTERED ACCOUNTANTS



Rate Change Notification | September 18, 2025

The Ministry of Finance has recently issued Notification No. 9/2025-Central Tax (Rate) dated 17th September 2025, introducing significant updates to GST rates applicable across a wide range of goods.

Effective from 22nd September 2025, this notification supersedes the earlier rate notification of 2017 and provides clarity on revised tax slabs—ranging from 0.125% to 20%—across multiple categories.

In this edition of our newsletter, we bring you a simplified overview of these changes to help businesses, professionals, and stakeholders stay informed and compliant.

GST Rate Structure: Schedule-wise Breakdown

Schedule	Central Tax Rate	Total GST Rate*	Category	Key Items
Schedule I	2.50%	5%	Essential Items & Basic Necessities	<ul style="list-style-type: none"> • Live horses, milk products (yogurt, curd, lassi, butter milk) • Birds' eggs, natural honey (pre-packaged and labelled) • Cereals, pulses, dried fruits, nuts (pre-packaged and labelled) • Vegetable oils, animal fats, edible preparations • Drugs and medicines (with specified exceptions) • Fertilizers (agricultural use), organic fertilizers • Renewable energy devices and parts (solar, wind, biogas) • Electrically operated vehicles and charging stations • Agricultural machinery, tractors and parts • Medical equipment and assistive devices for disabled
Schedule II	9%	18%	Industrial Inputs & Mid-tier Goods	<ul style="list-style-type: none"> • Artificial honey, ethanol and spirits (denatured) • Marble, granite (other than blocks), cement • Various ores and concentrates, industrial chemicals • Paints, varnishes, cosmetics and toiletries • Footwear and apparel exceeding specified value thresholds • Motorcycles up to 350cc, certain vehicle parts • Plastics, rubber products, synthetic materials • Iron, steel products, non-ferrous metals • Industrial machinery and equipment • Electronic components and electrical equipment
Schedule III	20%	40%	Luxury & Sin Goods	<ul style="list-style-type: none"> • Aerated beverages containing added sugar or sweetener • Caffeinated beverages, carbonated fruit drinks • Motor cars and luxury vehicles (excluding specified categories) • Motorcycles exceeding 350cc engine capacity • Aircraft for personal use, yachts and pleasure vessels • Revolvers, pistols and firearms • Smoking pipes, cigarette holders • Specified actionable claims (betting, casinos, gambling, horse racing, lottery, online money gaming)

*Total GST includes Central Tax + State Tax (equal rates) + applicable cess

GST Rate Structure: Schedule-wise Breakdown

Schedule	Central Tax Rate	Total GST Rate*	Category	Key Items
Schedule IV	1.50%	3%	Precious Items & Jewellery	<ul style="list-style-type: none"> Natural or cultured pearls (worked or unworked) Precious and semi-precious stones Silver (unwrought or semi-manufactured forms) Gold (unwrought or semi-manufactured forms) Platinum and base metals clad with precious metals Articles of jewellery and parts thereof Goldsmiths' and silversmiths' wares Other articles of precious metals Imitation jewellery (excluding bangles of lac/shellac) Coins
Schedule V	0.13%	0.25%	Raw Diamonds & Unprocessed Stones	<ul style="list-style-type: none"> Rough diamonds (industrial and non-industrial) Simply sawn diamonds Precious stones (other than diamonds) - unworked/ungraded Semi-precious stones not strung, mounted or set Synthetic or reconstructed precious/semi-precious stones Ungraded stones temporarily strung for transport convenience
Schedule VI	0.75%	1.50%	Processed Diamonds & Worked Stones	<ul style="list-style-type: none"> Diamonds other than rough or simply sawn Synthetic or reconstructed stones other than those in Schedule V Worked or processed precious/semi-precious stones Cut and polished diamonds Stones ready for setting or mounting
Schedule VII	14%	28%	Tobacco Products & Related Items	<ul style="list-style-type: none"> Pan masala Unmanufactured tobacco and tobacco refuse Cigars, cheroots, cigarillos and cigarettes Manufactured tobacco and tobacco substitutes Homogenised or reconstituted tobacco Tobacco extracts and essences (including bidis) Products containing tobacco for inhalation without combustion Products containing nicotine substitutes for inhalation

*Total GST includes Central Tax + State Tax (equal rates) + applicable cess

Key Features of the Notification

Feature	Description
Comprehensive Coverage	The notification covers all major commodity categories with detailed tariff classifications under seven distinct rate schedules
Pre-packaged & Labelled Goods	Special provisions for goods that are pre-packed as per Legal Metrology Act, 2009, with specific labelling requirements
Vehicle Categories	Detailed classification of vehicles based on engine capacity, fuel type, and usage (personal vs. commercial)
Precious Metals & Stones	Separate treatment for different stages of processing from raw materials to finished jewellery
Essential vs. Luxury Goods	Lower rates for essential items and higher rates for luxury and sin goods

This document is a summary of GST Rate Notification No. 9/2025-Central Tax (Rate) dated September 17, 2025.

For complete details and legal interpretation, refer to the original notification published in the Gazette of India



Key Changes and Highlights

▶ Rate Structure Rationalization

Previous Structure	New Structure	Impact
7-tier structure (0%, 0.25%, 3%, 5%, 12%, 18%, 28%)	Simplified structure with focus on 5% and 18%	Reduced complexity
Multiple rates for similar goods	Consolidated approach	Better compliance

▶ Major Item Categories and HSN Codes

Schedule I (5% GST) - Essential Items		
Category	Key HSN Codes	Examples
Food & Agriculture	0101-0410, 0713-0814	Live animals, dairy products, cereals, spices
Medicines & Healthcare	30, 3001-3006	All drugs, medical equipment, diagnostic kits
Fertilizers	3101-3105	Organic and chemical fertilizers
Renewable Energy	84, 85	Solar panels, biogas plants, wind energy devices
Textiles (Basic)	5001-6310	Handloom products, cotton fabrics, basic clothing ≤₹2500

Key Changes and Highlights

Schedule II (18% GST) - Standard Items		
Category	Key HSN Codes	Examples
Industrial Goods	72-83	Iron, steel, aluminum, copper, industrial machinery
Chemicals	28, 29, 38-39	Industrial chemicals, plastics, rubber products
Electronics	84-85	Electrical equipment, electronics, appliances
Automobiles	8701-8708	Commercial vehicles, auto parts (except luxury cars)
Textiles (Premium)	61-63	Branded clothing >₹2500, made-up textiles

Schedule III (40% GST) - Demerit Items		
Category	Key HSN Codes	Examples
Luxury Vehicles	8703	Premium cars, motorcycles >350cc, personal aircraft
Sin Goods	2202	Aerated drinks, carbonated beverages
Gaming	Any Chapter	Online gaming, betting, casinos, lottery

Key Changes and Highlights

Schedule VII (28% GST) - Tobacco Products		
Category	Key HSN Codes	Examples
Tobacco Products	2401-2404	Cigarettes, bidis, pan masala, tobacco

Implementation Timeline

Date	Action	Status
September 3-4, 2025*	56th GST Council Meeting held	✓ Completed
September 17, 2025*	Official notification issued	✓ Completed
September 22, 2025*	New rates effective	✓ Implemented



Special Provisions and Exemptions

▶ Pre-packaged and Labelled Goods

- Items \leq 25 kg or 25 litre with proper labeling under Legal Metrology Act
- Many agricultural and food items require pre-packaging for GST applicability

▶ Value-based Classifications

Item Category	Threshold	Rate
Textiles & Clothing	\leq ₹2500 per piece	5%
	$>$ ₹2500 per piece	18%
Footwear	\leq ₹2500 per pair	5%
	$>$ ₹2500 per pair	18%

▶ Vehicle Classifications

Vehicle Type	Engine/Specifications	Rate
Small cars	Petrol/CNG/LPG \leq 1200cc, Diesel \leq 1500cc, Length \leq 4000mm	18%
Large cars	Above small car specifications	40%
Electric vehicles	All types	5%
Motorcycles	\leq 350cc	18%
	$>$ 350cc	40%

Impact Analysis

► Benefits

- Simplified Structure: Reduction from 7-tier to primarily 2-tier structure (5% and 18%)
- Essential Items Relief: Lower rates on food, medicines, and basic necessities
- Administrative Efficiency: Reduced compliance burden and disputes
- Economic Growth: Support for manufacturing and essential sectors

► Revenue Neutral Approach

- The Council decided that the changes in GST rates may be implemented keeping revenue neutrality in view
- The revised GST rates will come into effect from 22-09-2025. Tobacco product rates will be notified separately due to pending cess issues



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CHARTERED ACCOUNTANTS

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Founded in 1981, our firm is dedicated to providing unparalleled financial services to our clients and assisting in navigating the business landscape. With a commitment to deliver exceptional services while upholding the highest ethical standards, our team of over 125+ professionals, led by 11 experienced partners, brings a diverse range of expertise to the table. This allows us to act as your trusted advisor for all aspects of your financial needs, including Audit & Assurance, Taxation (both domestic and cross-border), Valuations, Mergers & Acquisitions and Corporate Finance. We operate as a progressive and well-structured full-service firm with a Pan India presence and a network of various international forums, groups & chambers. We deliver end-to-end business solutions through a dedicated panel of experts, maintaining long-term trust and reliance from our clients.

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