GST 2.0 Insights

September 10, 2025

GST 2.0 – Anti profiteering

The 56th GST Council Meeting has ushered in a landmark reform by proposing a major rate rationalization, streamlining GST into three slabs: 5% for merit goods, 18% as the standard rate, and 40% for sin and luxury goods. This comprehensive restructuring is expected to make a broad range of goods more affordable, stimulate consumption, and places an expectation on industry to pass on the benefits of these reductions to consumers.

Sunset on Anti-Profiteering Authority Provisions

- As per Notification[1], the National Anti-Profiteering Authority ('NAA') will cease to accept new requests for examining profiteering scenarios starting from 01.04.2025. This marks the end of the NAA's role in examining anti-profiteering provisions.

Industry expected to transfer the benefit

- During the post-Council meeting press briefing, the Revenue Secretary emphasized that the benefits of rate reductions should be passed on to consumers, placing trust in industry to comply.
- News reports indicate that some companies have already announced their intention to pass on the benefits of the rate reduction.
- However, with no administrative authority currently in place, it remains to be seen how the Government will implement checks to ensure compliance. Possible alternatives include leveraging other laws such as the Consumer Protection Act or Legal Metrology Act. Some News reports also suggest the Government remains open to reintroducing a formal statutory framework to address profiteering if needed.

Key Considerations

- While the rate change is yet to be notified, businesses should proactively prepare to ensure that the benefits of GST rate reductions are effectively passed on to consumers. The following points can be taken into consideration:
  - **Holistic Assessment**: The recent rationalization of GST rates has resulted in substantial reductions across the supply chain, encompassing reduced GST rates in both inward and outward supplies. While the overall direction is favourable, certain scenarios may lead to increase in input costs, for example :
    - Omission of compensation cess may give rise to accumulation of cess credits, which may crystallize as a cost.
    - Where specified services become exempt or goods are nil rated, ITC may be blocked, leading to embedded tax costs.
    - Abolition of cess on coal and an increase in GST rate from 5% to 18%, may lead to possibility into higher electricity costs.
    - Increase in the GST rate for GTA services from 12% to 18% (with ITC) may raise logistics costs.

[1] 19/2024- Central Tax dated 30.09.2024

Accordingly, a holistic approach that considers all these factors should be kept in mind when assessing the benefit to be passed on to consumers.

- **Learning from past practice:** One of the significant challenges from previous anti-profiteering investigations was the absence of a uniform methodology for determining whether benefits have been passed on to consumers. The NAA has historically varied its approach, some investigations have focused on SKU or variant-level prices, others have aggregated at the registration or company-wide level, and methodologies have often shifted depending on the sector or even the specific case. In the FMCG sector, for example, the "base price comparison" method was commonly used, comparing prices before and after a GST rate reduction.

  Given these inconsistencies and the resulting disputes, it is now essential for each company to proactively strategize and determine which methodology which is most appropriate for their business when assessing the impact of GST rate reductions.

- **Maintain Detailed Documentation and Audit Trails:** It is essential for businesses to maintain comprehensive documentation and audit trails. This includes detailed working papers on how rate reductions benefits were computed and transmitted, records of pricing decisions, and evidence of communications with supply chain partners and customers.

- **Current market dynamics:** With the GST rate changes scheduled to take effect from September 22, there has been a noticeable slowdown in consumer demand, particularly in sectors such as electronics and automobiles. In response, many companies have proactively introduced discounts and promotional offers to stimulate sales ahead of the rate change. As a result, there has already been a reduction in effective prices prior to the implementation date. This situation raises an important question for businesses that how the computation of benefits to be passed on to consumers be approached when revising prices post-September 22. Should the pre-rate-change discounts and price reductions also be factored into the anti-profiteering calculation.

- **Regulatory Updates and Compliance Considerations:** It is important to note that regulatory authorities are also responding to the upcoming GST rate changes. For instance, the Legal Metrology Department, vide its Letter dated September 9, 2025, has outlined the requirements for declaring revised MRP following recent GST rate changes. Given these developments, businesses must ensure that all price adjustments are fully compliant with both GST and Legal Metrology regulations.

  Businesses should promptly update all price lists, MRPs, packaging materials, and in-store displays to reflect the revised GST rates. These operational adjustments are critical, as they provide clear evidence that the benefits of GST rate reductions are being passed on to consumers.

- **Contract Review and Renegotiation:** Companies should reassess existing contracts to identify GST pass through or adjustment clauses and evaluate their applicability under the revised rate structure. The impact will vary depending on whether contracts are tax-inclusive or tax-exclusive. Based on the input and output rate changes, businesses should revisit pricing arrangements. The contract review and renegotiation to be adopted both on the input and output stream depending on the case to case basis.

- **Benchmark against international practice:** Other Countries (e.g., Australia, Malaysia) have implemented more formula-based approaches. While India may not prescribe one, internal benchmarking to such frameworks can strengthen the reasonableness and audit-readiness.

Dhruva Comments

As GST 2.0 ushers in a new era of rate rationalization and the sunset of the anti-profiteering authority, the onus is now on industry to ensure that the intended benefits reach the end consumer. In the absence of a standardized methodology and with evolving regulatory expectations, businesses must adopt a proactive, transparent, and well-documented approach to compliance.

Looking ahead, while it is imperative for the policymakers to provide greater clarity, at the same time, industry should embrace the spirit of the law, balancing commercial realities with consumer welfare. Open dialogue between stakeholders, continuous monitoring of regulatory developments, and a commitment to transparency will be key to ensuring that GST reforms achieve their intended objectives fostering trust, compliance, and ease of doing business in India.

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