

Frequently Asked Questions- 2

Q1. Is it required to recall and re-label MRP on medicines already in the supply chain before 22nd September,2025? How will the re-labelling be implemented?

Answer: The National Pharmaceutical Pricing Authority (NPPA) vide OM's dated 12.9.2025 and 13.9.2025 have clarified the following:

- All manufacturers/ marketing companies selling drugs/ formulations shall revise the Maximum Retail Price (MRP) of drugs/formulations (including medical devices).
- The manufacturers/ marketing companies shall issue revised price list or supplementary price list, in Form V/VI, to dealers and retailers for display to consumers, and to State Drug Controllers and the Government, reflecting the revised GST rates and revised MRP.
- Recalling, re-labelling, or re-stickering on the label of container or pack of stocks released in the market prior to 22nd September, 2025 is not mandatory, if manufacturer/ marketing companies are able to ensure price compliance at the retailer level.

The OM's are available in the website of the National Pharmaceutical Pricing Authority (NPPA) under Department of Pharmaceuticals:

<https://nppa.gov.in/uploads/tender/01da3cf0cd3d17c68c9a63fe23878260.pdf> and <https://nppa.gov.in/uploads/tender/12fbbb0cb337f1d2d70afb3fbc57f39.pdf>

Q2. Unmanned aircrafts (Drones) attracted 5%,18% and 28% GST rate. 56th GST Council had recommended 5% GST rate on drones. Whether this 5% GST rate will apply to all types of drones?

Answer: Earlier unmanned aircrafts for personal use attracted 28% GST, unmanned aircrafts with digital camera/video camera recorders attracted 18% GST rate and all other unmanned aircrafts apart from aforementioned categories attracted 5% GST.

The GST council in its 56th meeting held on 03.09.2025 has recommended uniform GST rate of 5% on all the drones.

Q3. What is the current GST rate on bricks?

Answer: A Special Composition Scheme on supply of the bricks (other than sand lime bricks) was implemented w.e.f 1st April,2022 based on the Report of the Group of Ministers on Capacity Based Taxation and Special Composition Scheme which was accepted by GST Council in its 45th meeting held on 17th Sep 2021. Under the scheme, bricks attract GST of 6% without ITC and 12% with ITC with threshold limit for bricks at Rs. 20 lakhs instead of Rs.40 lakhs as is applicable to goods. The GST council in its 56th meeting held on 3rd September, 2025 did not recommend any change on the special composition scheme rates except on sand lime bricks on

which GST rate has been recommended to be reduced from 12% to 5%. Hence, 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 Rs. 20 lakhs.

Q4. What are the insurance services covered within the ambit of the exemption granted to individual life and health insurance?

Answer: Services of individual health and life insurance business provided by insurers to the insured, where the insured is not a group, are included within the ambit of the exemption. When these services are provided to an individual, or to an individual with his/her family, the same will be exempted.

Q5. In addition to exempting services of individual health and life insurance supplied by insurers, will any input services of insurers be also exempted?

Answer: At present, insurers are availing ITC on many inputs and input services such as commissions, brokerage and reinsurance, etc. Out of these input services, reinsurance services will be exempted. Input Tax Credit of other inputs or input services is to be reversed because the output services will be exempted.

Q6. Do hotels which supply units of accommodation having value less than or equal to Rs 7500/- per unit day have the option of supplying such units at 18% with ITC?

Answer: Suppliers of hotel accommodation service where the value of a unit of accommodation is less than or equal to Rs 7500/- per unit per day, shall have to charge GST at 5% without ITC on such units. It is a mandatory rate prescribed for such services, and the option to pay GST at the rate of 18% with ITC is not available for such units.

Q7. Will hotels supplying units of accommodation having value less than or equal to Rs 7500/- per unit per day be able to avail ITC in relation to such units?

Answer: The hotels supplying units of accommodation which have value less than or equal to Rs 7500/- per unit per day, shall not be able to avail ITC on such units, as the GST rate prescribed for such supplies is 5% without ITC.

Q8. Is the 5% without ITC rate on beauty and physical well-being services mandatory? Can service providers charge 18% with ITC?

Answer: The 5% without ITC rate on beauty and physical well-being services is mandatory. Service providers do not have the option to charge 18% with ITC on these services.

Q9. How should a service provider deal with input tax credit (ITC) in cases where GST is payable at a rate of 5% without ITC?

Answer: In such cases,

- (a) Credit of input tax charged on goods or services used exclusively in supplying such services shall not be taken by the service provider; and
- (b) Credit of input tax charged on goods or services used partly for supplying such services and partly for supplying other taxable supplies shall be reversed by the service provider as if the supply leviable to 5% without ITC is an exempt supply. Consequently, proportionate ITC shall be required to be reversed by the service provider as per Section 17(2) of the CGST Act, 2017 and the rules made thereunder.

Q10. What is the GST rate applicable on job work services in relation to bus body building?

Answer: Job work services in relation to bus body building are taxable at a GST rate of 18% with Input Tax Credit (ITC). Earlier, these services were covered under a specific entry [erstwhile Entry (ic) of Heading 9988] and attracted 18% with ITC. In the recent rate rationalization exercise, all residual job work services or other manufacturing services have been aligned to 18% with ITC, thereby subsuming the specific entry for bus body building.

Q11. What is the GST rate applicable on job work services in relation to bricks?

Answer: Job-work services in relation to those bricks that will attract GST @5% (E.g. sand lime bricks) will be taxable at the rate of 5% with ITC.

Q12. What is the GST rate applicable on multimodal transport of goods?

Answer: Multimodal transport of goods (where at least two different modes are used by a multimodal transporter) will be taxable as follows:

- (a) 5% with restricted input tax credit — i.e. ITC allowed only on input services of transportation of goods limited to 5% of the value; when no leg of transport of goods is by air.
- (b) 18%, with full input tax credit; when at least one leg of the transport is by air.

Q13. Can ITC be taken on multimodal transport services, where no leg of transport is by air and the applicable rate is 5%?

Answer. Input services of goods transportation limited to 5% of the value will be allowed even if supplier of such services has charged a higher rate of tax. ITC will not be allowed for other inputs or input services.

Example: 'A' engages 'B' (multimodal transporter) for transport of goods from New Delhi to Gaya for Rs. 1200, without involving any transportation through air. B' hires GTA 'C' for Rs. 600 who charges tax @18% and Container Transport Operator 'D' for Rs. 400 who charges tax @5%.

GST Rate applicable for the service provided by 'B': 5%

ITC available to 'B':

- (a) GTA input: Rs. 30 (5% of Rs. 600), not Rs. 108 (18% of 600)
- (b) CTO input: Rs. 20 (5% of Rs. 400).

Q14. What is the tax treatment if multimodal transportation involves transport of goods through air also?

Answer: If at least one leg of transport is through air, the applicable GST rate will be 18%. In such cases entire ITC of inputs or input services is allowed.

Example: 'A' engages 'B' (multimodal transporter) for transport of goods from New Delhi to Gaya for Rs. 1200, which involves transportation through air. B' engages a service provider 'C' providing services of transport of goods through air for Rs 800 and a GTA 'D' for Rs. 200 who charges tax @18%.

GST rate applicable on the service provided by B: 18%

ITC available to 'B':

- (a) GTA input: Rs 36 (18% of Rs. 200)
- (b) Input on the services of goods transportation by air: Rs 144 (18% of Rs. 800).

Q15. Who is liable to pay GST for Local Delivery Services provided through ECO?

Answer: Services by way of local delivery provided through an e-commerce operator (ECO) where the person supplying such services is not liable to register under Section 22(1) will be covered under Section 9(5) of the CGST Act. In such cases, the liability to pay GST will be on the ECO.

Q16. At what rate are local delivery services taxable?

Answer: The services of local delivery are taxable at 18%.

If such services of local delivery are supplied directly by a registered person: GST @ 18% payable by that person.

If such services of local delivery are supplied through ECO by a person who is not liable to be registered: GST @ 18% payable by the ECO under section 9(5).

If such services of local delivery are supplied through ECO by a registered person: GST@18% is payable by the supplier of the local delivery service, i.e., the registered person supplying through ECO.

Q17. Whether an ECO providing the local delivery services are covered within the scope of GTA? What will be the effect if the local delivery services are provided through an ECO?

Answer: “Goods Transport Agency” (GTA) will not include:

- (a) *“electronic commerce operator by whom the services of local delivery are provided,”*
and
- (b) *“electronic commerce operator through whom the services of local delivery are provided.”*

Q18. What is tax treatment for leasing or renting services without operator?

Answer: Majority of leasing or rental services without operator are taxed at the same rate of tax as applicable on supply of like goods. No change is proposed in this regard. The tax rate on such services will continue to be equal to the tax rate applicable on supply of like goods. For example, if cars or machines are taxed at 18% then the rate of 18% will be applicable for leasing or renting (without operator) of such cars or machines. Similarly, if supply of any motor vehicle is taxed at 40% or 5% then the leasing or renting services (without operator) will also be taxed at 40% or 5% respectively.

Q19. What is the applicable tax rate on leasing/renting a car with operator?

Answer: Supplier of services of leasing/renting a car with operator (for example, driver) will now have the option of charging 5% with ITC of input services in same line of business or 18% with full ITC.
