



INDIRECT TAX NEWSLETTER

September, 2025





1. Special Chemicals, Organisms, Materials, Equipment and Technologies (“SCOMET”) List covering materials regulated for export has been revised^[1]

The DGFT has issued a revised SCOMET List. Per the revised list, category 7 has been declared as "certain emerging technologies and related items". The revision has been undertaken to stay updated in line with multilateral export control regimes. Further, it shall come into effect from October 23, 2025 onwards.

2. RoDTEP Scheme extended for exports till March 31, 2026^[2]

The DGFT has extended the Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme for exports made from Domestic Tariff Area, Advance Authorization holders, Special Economic Zone units, and Export Oriented Units till March 31, 2026.

3. India - European Free Trade Association Trade and Economic Partnership Agreement (India-EFTA TEPA) has been notified along with its procedures^[3]

With effect from October 1 2025, the India-EFTA TEPA has come into effect. Further, its related procedures, i.e., issuance of preferential Certificates of Origin (CoO), verification of its authenticity and other common guidelines for all importers have been notified as well.

Central Board of Indirect Taxes and Customs (“CBIC”)

4. Customs (Finalization of Provisional Assessment) Regulations 2025 have been notified^[4]

The CBIC has notified the said Regulations for speedy finalization of provisional assessments kept pending for various reasons, such as requirement of additional information, special valuation branch proceedings, etc., They have come into force with effect from March 29, 2025 and are applicable for each Bill of entry (BoE) and shipping bill (SB) which stands provisionally assessed as on date. They are also applicable for BOEs and SBs that may be provisionally assessed post enforcement of the Regulations.

A maximum time limit of 14 months has been prescribed to Customs Officers for seeking pending information and completing enquiry due to which BoEs were provisionally assessed. Further, a timeline of 2 years has been provided for finalization of provisional assessment by Customs Officers. With regard to the provisional assessments pending as on March 29, 2025, the two-year timeline should end on March 29, 2027.

Special Economic Zone (“SEZ”)

5. Operationalization of 'Jan-Sunwai' for redressal of grievances of SEZ stakeholders^[5]

To ensure speedy redressal to the grievances of units operating in SEZs, all Development Commissioners have been notified to schedule “Jan-Sunwai” through video conferencing for at least two hours in a week on working days. The time schedule of “Jan-Sunwai” will be fixed and notified to all stakeholders in advance through respective websites.

Bureau of Indian Standards

6. Import of Aerospace Grade hydrogen for non-commercial R&D applications exempted from BIS^[6]

On August 24, 2022, the Ministry of Chemicals and Fertilizers had notified Indian Standard IS 2080: 2021 that hydrogen peroxide must conform to Indian Standard IS 2080: 2021 under the Hydrogen Peroxide (Quality Control) Order, 2022. It has now been notified that the said Indian Standard does not include any categorization or specification for Aerospace Grade Hydrogen Peroxide for space R&D. Hence, import of Aerospace Grade hydrogen for non-commercial R&D applications has been exempted from BIS.

[1] Notification No. 31/2025-26 dated September 23, 2025.

[2] Notification No. 35/2025 dated September 30, 2025

[3] Trade Notice No. 13/2025-26 dated September 30, 2025

[4] Notification No. 55/2025-Customs (N.T.) and Circular No. 22/2025-Customs dated September 12, 2025



7. LG Smart watch is classifiable under Tariff Heading 8517 of the Customs Tariff Act, 1975 (“Customs Tariff”) as communication device and not under Tariff Heading 9102 as a wrist watch.^[7]

In the present matter the importer classified the LG smart watch under Tariff entry 9102 as, wrist watches to avail concessional basic customs duty. However, the Revenue suggested Tariff Entry as 8517 as communication device since the watch could be used for receiving and transmitting data unlike a regular watch that can only tell time.

The Hon’ble Supreme Court of India upheld the Hon’ble CESTAT, New Delhi’s Order and held as follows:

- Smart watches are classifiable under Tariff Heading 8517.62.90 of the Customs Tariff because they are capable of transmitting and receiving data, which brings them within the ambit of communication devices rather than mere time-keeping instruments; and
- The Hon’ble Court also held that declaration of wrong Tariff Heading does not deny the importer from claiming exemption benefit as the importer had produced a valid Certificate of Origin.

8. Concessional rate of basic customs duty can be claimed on clearance of production waste generated during manufacturing process in a MOOWR.^[8]

The Customs Authority for Advance Ruling, Mumbai (CAAR, Mumbai) has issued a ruling wherein it has been decided that the Applicant can claim benefit of IGCR notification on import of goods, parts, components etc. for use in manufacturing of mobile phones, which resulted into scrap during the manufacturing process. Other important aspects discussed in the Ruling are as follows:

Applicant has to comply with all the conditions of MOOWR along with IGCR to avail simultaneous benefits. Waste generated during the manufacturing of mobile phones under MOOWR scheme and IGCR scheme, the procedure of disposal has to be complied with Section 65(2) of the Customs Act

Concessional rate of duty (basis IGCR Notification) can be claimed on clearance of scrap from MOOWR on the following value of scrap:

- ➔ In case resultant goods exported, transaction value of the scrap at which it is being sold;
- ➔ In case resultant goods cleared in DTA, original value of the inputs, parts, components embedded in the scrap (i.e. original value of import)
- Rule 10 of IGCR Regulations, which pertains to payment of customs duties on imported goods found defective or unutilized is not applicable as it does not mention any restriction for production waste, i.e., goods imported for use in manufacturing of mobile phones and resulted into scrap during manufacturing process

[5] Instruction No.118, No. 43011/12/2025-SEZ (ADMIN.), dated February 19, 2025

[6] Instruction No. 29/2025-Customs, dated September 12, 2025

[7] M/s L.G. Electronics India Private Limited versus Commissioner of Customs, 2025 (9) TMI 1175 – Supreme Court

[8] M/s. Tata Electronics System Solutions Private Limited, CAAR/Mum/ARC/68/2025-26 dated September 3, 2025

9. Export of goods from Domestic Tariff Area (DTA) to SEZ is not leviable to export duty.^[9]

In the present case, the Petitioner, an SEZ unit, challenged levy of export duty on procurement of raw materials from the DTA. More specifically, the 5th proviso to Rule 27(1) of the SEZ Rules was challenged. The Hon'ble Court held as follows:

- Supply of goods from DTA to SEZ are titled as “export” by way of legal fiction for the purposes of SEZ Act, 2005 and does not create a charge for export duty under the Act.
- Unlike Section 30 of the SEZ Act, which specifically covers chargeability of customs duty on clearance of goods from SEZ to DTA, there is no specific section for levy of duty on supply of goods from DTA to SEZ.
- Section 55 of the SEZ Act, 2005 which envisages that Central Government may by notification make Rules for carrying out the provisions of the Act is a general delegation without guidelines. It cannot be so exercised as to bring into existence substantive rights or obligations or disabilities not contemplated by the provisions of the Act itself.

10. Metal Core Printed Circuit Boards are classifiable under Tariff Entry 8534.00.00 as printed Circuit Boards and not under Tariff Entry 9405.40.90 as parts of LED Lamps.^[10]

The present case pertains to customs classification of MCPCBs. The Hon'ble CESTAT, New Delhi observed that the Revenue had suggested Tariff Heading 9405 of the Customs Tariff as the appropriate entry basis the entries in IGST Notification. It was held that the same could not be the basis for classification and impugned goods merit classification under Tariff Entry 8534.00.00 as printed circuit boards basis their intrinsic nature and technical specifications.

11. Endorsement of Bill of Lading is essential for completion of High Sea Sales transaction.^[11]

The present case pertains to the validity of a high sea sale transaction and whether such sale is exempt from payment of market fees under the Karnataka Agricultural Produce Marketing (Regulation and Development) Act, 1966. The Hon'ble Court observed that while the petitioners produced invoices, bank statements, and copies of customs records, the crucial requirement for a valid high sea sale is the endorsement of the Bill of Lading to evidence transfer of title. Due to lack of endorsement of the Bill of Lading, the transaction was not treated as a high sea sale.

12. LED Monitors are classifiable under Tariff Entry 8528.52.00 of Customs Tariff as monitors for Automatic Data Processing (ADP) machines and not under Tariff Entry 8528.59.00 of Customs Tariff as other monitors.^[12]

The present case pertains to customs classification of LED Monitor tiles. The Hon'ble CESTAT, Chennai observed that the Revenue had argued for classification under Tariff Entry 8528.59.00 on the ground that the goods were not ADP monitors and hence not eligible for exemption under Notification No. 24/2005-cus., dated 1-3-2005. It was held that the imported LED Monitor tiles are capable of being directly connected to data processing machines and require such connection for functioning. Hence, they were held classifiable under Tariff Entry 8528.52.00 of Customs Tariff and exemption benefit was allowed.

[9] M/s. TUF Metallurgical Private limited versus Union of India and others 2025(9) TMI 1171 – Andhra Pradesh High Court

[10] Principal Commissioner, Customs – New Delhi (Prev) versus Havells India Ltd., 2025 (1) TMI 269 – CESTAT New Delhi

[11] M/s. Parisons Milling Co Private Limited Versus State of Karnataka, The Secretary, The Agricultural Produce Market Committee, Mangalore, The Agricultural Produce Market Committee Kannada. 2025(9) TMI 1226- Karnataka High Court

[12] Samsung India Electronics Pvt. Ltd. Versus Commissioner of customs, Chennai (2025) 34 Centax (Tri.Mad)



1. GST Amendments introduced vide the Finance Budget 2025 have now been notified

The Government has notified October 01, 2025 as the effective date for the amendments introduced vide Finance Budget 2025. Below are the key amendments enforced:

- The definition of Input Service Distributor has been amended to include inter-state supplies on which tax has been paid under RCM for distribution of credit (effective from April 01, 2025);
- Section 20(1) and Section 20(2) has been amended to explicitly provide for distribution of input tax credit by the Input Service Distributor in respect of inter-state supplies, on which tax has to be paid on reverse charge basis (effective from April 01, 2025);
- Section 17(5) of the CGST Act, 2017 has been amended to substitute the words "plant or machinery" with words "plant and machinery". This has been made effective retrospectively;
- Section 34(2) is amended to explicitly provide for requirement of reversal of corresponding input tax credit in respect of a credit-note issued by the supplier;
- Section 107(6) and Section 112(8) has been amended to provide for 10% mandatory pre-deposit of penalty amount for appeals before Appellate Authority or Appellate Tribunal in cases involving only demand of penalty without any demand for tax;
- New section 148A has been inserted to implement "Track and Trace Mechanism" for certain goods to be specified; and
- Amendment in Schedule III to include the supply of goods warehoused in a Special Economic Zone or in a Free Trade Warehousing Zone to any person before clearance for exports or to the Domestic Tariff Area shall be treated neither as supply of goods nor as supply of services.

2. Updates on Annual Return (GSTR 9 & GSTR 9C) ^[13]

Changes have been introduced in annual return forms (GSTR 9 and GSTR 9C) for FY 2024-25 . Below is the summary of the key amendments introduced:

GSTR 9

- Earlier GSTR 9 used to capture the total ITC availed by the Company during the financial year. Now, the Government has specifically excluded the ITC of preceding financial year availed in the financial year. Accordingly, only net ITC of the financial year shall be compared with GSTR 2A;
- A separate column has been added to report ITC availed through ITC-01, ITC 02 and ITC-02A;
- A separate column has been introduced for reporting the reversal of ITC under Sections 37A and 38;
- A specific tab has been inserted to include "IGST Credit availed on Import of goods in next financial year." This amendment aims to reconcile the tax paid by the Company in the financial year on imports with the corresponding ITC availed in both the current and subsequent financial years for import;
- From FY 2024-25 onwards, details of supplies or tax increased through invoices, debit notes, or upward amendments pertaining to the financial year, but furnished in FORM GSTR-1 of April to October of the next FY must be declared.
- For FY 2024-25, the Company shall have an option to not fill "HSN Wise Summary of Inward supplies".

GSTR 9C

- Previously, GSTR 9C reconciled tax paid in GSTR 9 instead of the correct 'tax payable' as per GSTR 9. Appropriate changes have been made to reconcile 'tax payable as per GSTR 9' with GSTR 9C
- An additional table has been introduced for reporting of 'Late fee' paid by the Company.

[13] Notification No. 13/2025- Central Tax dated September 17, 2025



3. GST Implications on Secondary and Post-Sale Discounts:^[14]

Clarifications have been issued on the GST treatment related to secondary or post-sale discounts.

According to circular the key clarifications provided are as follows:

i. Input Tax Credit (ITC): ITC will not be required to be reversed by the recipient if post sale discounts are provided through financial/ commercial credit notes issued by the supplier, since there is no reduction in the original taxable value or GST liability on account of issuance of financial/commercial credit notes.

ii. Post-Sale Discounts – Treatment as Consideration:

- In cases where there is no direct agreement between the manufacturer and the end customer, discounts given by manufacturers to dealers/distributors for competitive pricing are not to be treated as consideration for further supplies, as transactions operate on a principal-to-principal basis.
- However, if a manufacturer has an agreement with the end customer for discounted pricing and issues credit notes to the dealer to enable such supply, such discounts will form part of consideration as they act as an inducement for supply.

iii. Promotional Activities:

- General post-sale discounts offered by manufacturers to dealers shall not be treated as consideration for a separate transaction of supply of services, as it is not linked to any independent service rendered to the manufacturer and is related to increasing the dealer's revenue.
- For specific promotional activities, such as advertising, co-branding, special sales drives, customer support, GST will apply considering distinct services provided by the dealer to the supplier.

• [14] Circular No. 251/08/2025 dated September 12, 2025

D. Developments on the GST Portal:

1. Invoice Management System (IMS):^[15] Changes have been introduced in the Invoice Management System (IMS) with effect from the October 2025 tax period.

According to advisory the key changes are as follows:

i. Pending Action for Specified Record:

- Taxpayers can now keep certain records pending for one tax period (monthly/quarterly, as applicable).
- This applies to Credit notes i.e., upward amendment/ downward amendment of Credit notes (where original invoice was rejected), downward amendment of invoice/debit (where original invoice already accepted and GSTR-3B filed) and ECO-document downward amendment (where original accepted and GSTR-3B filed).

ii. Declaring ITC Reduction Amount

- No reversal of ITC is required if ITC has not availed by the recipient.
- If ITC was partially availed, reversal will be limited only to the extent availed.
- IMS now provides a facility to declare ITC availed and reverse it fully or partially, as applicable.
- This also covers cases where reversal has already been made earlier.

iii. Option to Save Remarks (to be rolled out shortly)

- Taxpayers can add optional remarks while rejecting or keeping records pending.
- Remarks will be visible in GSTR-2B and to suppliers in the Outward Supplies dashboard for corrective actions.

E. GST Rate Amendments

The Government has made transformative announcements to stimulate consumption and drive ease of doing business further in the 56th Meeting of the GST Council. Broadly the following changes have been introduced:

- Shift from a 4-tiered tax rate structure (5%, 12%, 18% and 28%) to a 2 – tiered tax rate structure (5% and 18%)
- Rate changes on goods and services impacting sectors such as Auto, aviation, consumer electronics, medical, health, etc., refer enclosed annexure.
- Legislative changes, which include, operationalization of Goods and Services Tax Appellate Tribunal (GSTAT). The tribunal will start accepting Appeals by end of September 2025 and commence hearing from December 2025. Also, the GST Council has recommended the last date as Jun 30, 2026 for filing of backlog appeals.
- Permitting up to 90% risk-based refund claims filed on account of zero-rated supplies, inverted duty structure, etc.,
- In case of Intermediary services, the place of supply shall be the location of recipient and not supplier location (earlier provision). It would enable intermediary services to be treated as export of services provided the other conditions related to export have been fulfilled.
- Simplification of registration scheme for small and low risk businesses. Small suppliers operating through electronic commerce operators will also benefit thoroughly.

We have circulated the **GST Update Flyer** dated September 04, 2025 which provides a concise overview of the updates and their potential implications for businesses.

• [15] GST Advisory dated July 19, 2025



Thank You

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