

## Recommendations by GST Council in 31<sup>st</sup> Meeting held on 22.12.2018 on Changes in GST Rate and Exemptions

GST Council's 31<sup>st</sup> meeting which was held in New Delhi on 22.12.2018 concluded with recommendations of various key changes in GST law. These changes include from reducing tax rates, majorly from the highest 28% slab, amendments in changes in GST Annual Return Forms and due dates. Below is the gist of press release on the basis of recommendations made by GST Council in respect of rate changes, exemptions and clarifications on goods and services. To analyse the impact minutely, one may need to wait for issuance of relevant notifications which will be issued subsequently for giving the effects of these recommendations.

### 🕒 GST Council's recommendations on the Tax Rate of various goods:

Major changes in GST rates are proposed in the list attracting GST @ 28%. Details of which are given below:

#### ○ Reduction in GST rate from 28% to 18%

Sr. No.	Description of Goods
1.	Monitor and TV screen up to 32 inches
2.	Power banks of lithium ion batteries
3.	Digital cameras and video camera recorders
4.	Video game consoles and other games and sports requisites falling under HS code 9504
5.	Re-treaded or used pneumatic tyres of rubber
6.	Gear Boxes, pulleys, transmission shafts and cranks etc., falling under HS Code 8483

o **Reduction in GST rate from 28% to 5%**

Sr. No.	Description of Goods
1.	Parts and accessories for the carriages for disabled persons

o **Reduction in GST rate from 18% to 12%**

Sr. No.	Description of Goods
1.	Cork roughly squared or debagged
2.	Articles of natural cork
3.	Agglomerated cork

o **Reduction in GST rate from 18% to 5%**

Sr. No.	Description of Goods
1.	Marble Rubber

o **Reduction in GST rate from 12% to 5%**

Sr. No.	Description of Goods
1.	Natural Cork
2.	Walking Stick
3.	Fly ash Blocks

o **Reduction in GST rate from 12% to Nil**

Sr. No.	Description of Goods
1.	Music Books

o **Reduction in GST rate from 5% to Nil**

Sr. No.	Description of Goods
1.	Vegetables, (uncooked or cooked by steaming or boiling in water), frozen, branded and put in a unit Container
2.	Vegetable provisionally preserved (for example by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.

o **Other changes/reductions in tax rates of goods:**

- 5% GST rate has been prescribed on **renewable energy devices & parts** for their manufacture (biogas plant/solar power based devices, solar power generating system (SGPS) etc. falling under chapter 84, 85 or 94 of the Tariff).

Other goods or services used in these plants will continue to attract applicable GST.

- EPC contracts for setting up of solar power generation and other renewable energy plants where goods attracting GST @5% are supplied with other goods along with service of construction, then GST rate will be 5% on goods involved in such contracts will be deemed to be 70% of gross value and GST @18% will be applicable on 30% of gross value which will be deemed to be value of services.

- GST rate @ 5% or 18% on Footware is linked with the transaction value of **Footwear**.
- Applicability of Uniform GST rate of 12% on Flexible Intermediate Bulk Container (FIBC) from existing 5%/12% (depending on the value).
- **GST Council has recommended for following clarifications:**
  - Sprinkler system consisting of nozzles, lateral and other components would attract 12% GST rate.
  - Movement of Rigs, Tools & Spares and all goods on wheels on own account where such movement is not intended for further supply of such goods but for the provision of service; does not involve a supply (e.g., movement of testing equipment etc.) and is not be liable to GST.
  - The goods with description Bagasse Board [whether plain or laminated] falling under Chapter 44 attract GST at the rate of 12%.
  - Concessional GST rate of 5% will be applicable to the LPG supplied in bulk to an OMC by refiners/fractioners for bottling for further supply to household domestic consumers.
  - While animal/cattle/aquatic/poultry feed are exempt vide S. No. 102 of notification No. 2/2017-Central Tax (Rate), this exemption would not apply to their inputs such as fish meal, meat bone meal, bran, sharps, oil cakes of various oil seeds etc.
  - Polypropylene Woven and Non-Woven Bags and PP Woven and Non-Woven Bags laminated with BOPP falls under HS code 3923 and attract 18% GST rate.
  - Turbo charger is classified under heading 8414 and attracts 18% GST and not 5% GST.

- Fabric even if embroidered or has stitching of lace and tikki etc., and even if sold in three piece fabric as ladies suit set, will be classifiable as fabric and would attract 5% GST.

🕒 **GST Council's recommendations in the Tax Rate of various services:**

Current GST rates in case of restaurants are proposed to be reduced to:

- **Tax on Cinema ticket** upto Rs. 100/- brought down from 18% to 12% and above Rs. 100/- brought down from 28% to 18%.
- GST rate on **Third party insurance premium** on goods carrying vehicle reduced from 18% to 12%.
- **Exemption on Services supplied by banks to -**
  - Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY).

***GSC Comments:***

Air travel of pilgrims by non-scheduled/charter operations, for religious pilgrimage facilitated by the Government of India under bilateral arrangements shall attract the same rate of GST as applicable to similar flights in Economy class (i.e. 5% with ITC of input services).

**Changes in tax rates will be applicable upon issuance of relevant notifications.**

🕒 **Exemption from IGST/GST in certain specified cases:**

- Gold supplied by nominated agencies to exporters of article of gold jewellery.
- Services supplied by rehabilitation professionals- recognised under Rehabilitation Council of India Act, 1992 at-
  - medical establishments,

- educational institutions,
- rehabilitation centers established by Central Government / State Government or Union Territories or entity registered under section 12AA of the Income-tax Act.
- o Services provided by Goods Transport Agency to Government departments/local authorities which have taken registration for the deduction of tax at source<sup>1</sup>, shall be excluded from the payment of tax under RCM and same shall be exempted.
- o Services provided by Central or State Government or Union Territory Government to- their undertakings or PSUs by way of guaranteeing loans taken by them from financial institutions is being extended to guaranteeing of such loans taken from banks.
- o Degrees/ diploma awarded by IIMs under IIM Act, 2017 will be exempt from GST with effect from 31<sup>st</sup> January, 2018.
- o Clarification to West Bengal that services provided by Council/ Board of Primary/ Secondary/ Higher Secondary Education for conduct of examination to its students are exempt.
- o Services provided by International Finance Corporation and Asian Development Bank in terms of provisions of IFC Act, 1958 and ADB Act, 1966, are exempt from GST.
- o Exemption provided to animal/cattle/aquatic/poultry feed<sup>2</sup>, would not apply to their inputs such as fish meal, meat bone meal, bran, sharps, oil cakes of various oil seeds etc.
- o Manure of determination of classification of vitamins, provitamins etc. as animal feed supplements.
- o Sattu or Chattua falling under HS code 1106 will attract the applicable GST rate.

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<sup>1</sup> Under Section 51 of CGST Act, 2017

<sup>2</sup> Vide S. No. 102 of notification No. 2/2017-Central Tax (Rate)

- 18% GST is applicable on wood logs including the wood in rough/log used for pulping.
- Scope of concessional rate of 5% GST rate for specified equipment for waste to energy plant.
- Extension of same tax treatment with regard to payment of tax under RCM to Parliament and State Legislatures, as is available with Central and State Government.
- Security services (supply of security personnel) provided to a registered person, except Government Departments which have taken registration for TDS and entities registered under composition scheme, shall be put under RCM.
- Services provided by unregistered Business Facilitator (BF) to a bank and agent of Business correspondent (BC) to a BC shall be put under RCM.
- Clarification provided that “printing of pictures” falls under service code “998386: *Photographic and videographic processing services*” of the scheme of classification of services will attract GST at the rate of 18% and not under HSC Code “998912 i.e. *Printing and reproduction services of recorded media, on a fee or contract basis*” which attracts GST at the rate of 12%.
- It is clarified that- Leasing of pumps and reservoirs by the OMCs to petrol pump dealers **is a mixed supply** and the Licence Fee Recovery (LFR) charged for the same shall be leviable to GST @ 28%, the rate applicable to pumps.

Leasing of land and buildings along with equipment shall fall under heading HSN Code 9972 (real estate services) and attract GST rate of 18%.

- Incentive paid by RBI to Banks under “*Currency Distribution and Exchange Scheme*” (CDES) are taxable.
- Scope of entry for multi-modal transport with GST rate of 12% to be inserted w.e.f. date 26.07.2018, covers only transport of goods from a place in India to another place in India, i.e. only domestic multi-modal transport.

- Clarification made that Nature of business establishment making supply of food, drinks and other articles for human consumption will not determine whether the supply by such establishments is a supply of goods or services. It will rather depend on the constituents of each individual supply and whether same satisfies the conditions / ingredients of a 'composite supply' or 'mixed supply'.
- GST is exempt on supply of food and drinks by an educational institution when provided by the institution itself to its students, faculty and staff and is liable to GST at the rate of 5% when provided by any other person based on a contractual arrangement with such institutions.
- Banking company is liable to pay GST on the entire value of service charge or fee charged to customers whether or not received via business facilitator or the business correspondent.
- Suggestion provide to issue clarification to Food Corporation of India (FCI) that- Service provided by godown owner in case of lease with services, where the godown owner, besides leasing the warehouse, undertakes to carry out activities of storage and preservation of stored food grains, is the service of storage and warehousing of agricultural produce and the same is exempt.

**Abbreviations used:**

<b>GST</b>	: Goods and Services tax
<b>CGST Act</b>	: Central Goods and Services tax Act, 2017
<b>IGST Act</b>	: Integrated Goods and Services tax Act, 2017
<b>CGST</b>	: Central Goods and Services tax
<b>ITC</b>	: Input Tax Credit
<b>HSN</b>	: Harmonized System of Nomenclature

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