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Dear Professional colleague,

Key outcomes of 25th GST Council meeting – Rejigs rates on 82 items& gears up for simple return filing

The all-powerful GST Council meeting headed by the Hon'ble Finance Minister, Mr. Arun Jaitley held for the 25th time with an agenda to review the rates on basis of representation made by the Industries & Traders, take up issues pertaining to simplification of returns filing under GST & take corrective measures to restore falling revenue collection in GST.

With the conclusion of the 25th GST Council meet on January 18, 2018, the gist of the key takeaways from the meeting are as under:

Policy Changes

1. **Late fee** payable by any registered person for failure to furnish following returns has been reduced to Rs. 50/- per day [and Rs. 20/- per day in case of Nil return] from Rs. 200/- per day:
 - Form **GSTR-1** (Containing outward supply details)
 - Form **GSTR-5** (to be filed by Non-resident taxable person)
 - Form **GSTR-5A**(to be filed by provider of OIDAR services from a place outside India to an unregistered person in India)

The late fee payable for failure to furnish Form **GSTR-6** (to be filed by Input Service Distributor) shall be Rs. 50 per day.

2. **Cancellation of voluntary registration** will be permitted now even before expiry of 1 year from the effective date of registration.
3. Last date of **cancellation of registration** by migrated taxpayers in Form GST REG-29 has been extended by further 3 months till March 31, 2018.
4. The facility for generation, modification and cancellation of e-way bills is being provided on trial basis on the portal **ewaybill.nic.in**. Fully operational e-way bill system will start functioning on the portal **ewaybillgst.gov.in**.
5. Certain modifications are being made to the e-waybill rules which are to be notified nationwide for inter-state movement with effect from February 01, 2018 and for intra-state movement of goods, date shall be announced by each state separately but not later than June 01, 2018.
6. The report and recommendations submitted by the Committee on Handicrafts were also accepted by the GST Council.

Recommendation for GST Rate changes on SERVICES:

Healthcare

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Clarification has been made w.r.t. supplies made by hospitals, as under:

- Services provided by senior doctors/consultants/technicians hired by the hospitals, whether employees or not, are healthcare services which is exempt.
- The entire amount charged by hospital from the patients including the retention money and the fee/payments made to the doctors etc., towards the healthcare services provided by the hospitals to the patients are exempt from levability of GST.
- Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and not separately taxable. Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable.

Educational Institutions

Clarification has been made w.r.t. supplies made to or by Educational Institutions, as under:

- To exempt services relating to admission to, or conduct of examination provided to all educational institutions, as defined in Notification No. 12/2017- Central Tax (Rate) dated June 28, 2017
- To exempt services provided by educational institution by way of conduct of entrance examination against consideration in the form of entrance fee.
- To exempt subscription of online educational journals/periodicals by educational institutions who provide degree recognized by any law from GST.
- To exempt the service provided by way of renting of transport vehicles provided to a person providing services of transportation of students, faculty and staff to an educational institution providing education upto higher secondary or equivalent.

Leasing and Renting of movable/immovable property

- To tax renting of immovable property by government or local authority to a registered person under reverse Charge while renting of immovable property by government or local authority to an un-registered person shall continue to be taxed under forward charge
- To clarify that leasing or rental service, with or without operator, of goods, attracts same GST as supply of like goods involving transfer of title in the said goods. Therefore, the GST rate for the rental services of self-Propelled Access Equipment (Boom. Scissors/Tele-handlers) is 28%.

Tour operator service

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- To allow ITC of input services in the same line of business at the GST rate of 5% in case of tour operator service

Services provided to Government

- To amend entry 3 of Notification No. 12/2017-Central Tax (Rate) dated June 28, 2017, so as to exempt pure services provided to Govt. entity. (in relation to function entrusted to Panchayat or Municipality)
- To expand pure services exemption under S. No. 3 of Notification No. 12/2017-Central Tax (Rate) dated June 28, 2017, so as to include composite supply involving predominantly supply of services i.e. upto 25% of supply of goods.
- To exempt legal services provided to Government, Local Authority, Governmental Authority and Government Entity.

Transportation of goods

- To exempt service by way of transportation of goods from India to a place outside India by air (sunset clause upto 30th September, 2018).
- To exempt service by way of transportation of goods from India to a place outside India by sea and provide that value of such service may be excluded from the value of exempted services for the purpose of reversal of ITC (sunset clause upto 30th September, 2018).

Works Contract and Real Estate

- To exempt (a) services by government or local authority to governmental authority or government entity, by way of lease of land, and (b) supply of land or undivided share of land by way of lease or sub lease where such supply is a part of specified composite supply of construction of flats etc. and to carry out suitable amendment in the provision relating to valuation of construction service involving transfer of land or undivided share of land, so as to ensure that buyers pay the same effective rate of GST on property built on leasehold and freehold land.
- To defer the liability to pay GST in case of TDR against consideration in the form of construction service and on construction service against consideration in the form of TDR to the time when the possession or right in the property is transferred to the land owner by entering into a conveyance deed or similar instrument (eg. allotment letter). No deferment in point of taxation in respect of cash component.
- To reduce GST rate (from 18% to 12%) on the Works Contract Services (WCS) provided by sub-contractor to the main contractor providing WCS to Central Government, State Government, Union territory, a local authority, a Governmental Authority or a Government Entity, which attract GST of 12%. Likewise, WCS attracting 5% GST, their sub-contractor would also be liable @ 5%.

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- To reduce GST rate on construction of metro and monorail projects (construction, erection, commissioning or installation of original works) from 18% to 12%.
- To extend the concessional rate of GST on houses constructed/ acquired under the Credit Linked Subsidy Scheme for Economically Weaker Section (EWS) / Lower Income Group (LIG) / Middle Income Group-1 (MIG-1) / Middle Income Group-2 (MIG-2) under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana (Urban) and low-cost houses up to a carpet area of 60 square metres per house in a housing project which has been given infrastructure status, as proposed by Ministry of Housing & Urban Affairs, under the same concessional rate.
- To levy concessional GST @12% on the services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of building used for providing (for instance, centralized cooking or distributing) mid-day meal scheme by an entity registered under section 12AA of IT Act.

Household services

- To levy GST on the small housekeeping service providers, notified under section 9 (5) of GST Act, who provide housekeeping service through ECO, @ 5% without ITC.
- To reduce GST rate on tailoring service from 18% to 5%.

Entertainment, Events and Amusements

- To reduce GST rate on services by way of admission to theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet, from 28% to 18%.
- To increase threshold limit for exemption under entry No. 80 of Notification No. 12/2017-C.T. (Rate) for all the theatrical performances like Music, Dance, Drama, Orchestra, Folk or Classical Arts and all other such activities in any Indian language in theatre GST from Rs.250 to 500 per person and to also extend the threshold exemption to services by way of admission to a planetarium.
- To clarify that elephant/ camel joy rides are not classified as transportation services and attract GST @ 18% with threshold exemption to small services providers.
- To exempt services provided by and to Fédération Internationale de Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-20 World Cup in case the said event is hosted by India.

Services by Resident Welfare Association

- To enhance the exemption limit of Rs 5000/- per month per member to Rs 7500/- in respect of services provided by Resident Welfare Association (unincorporated or non-profit entity) to its members against their individual contribution.

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Financial Services

- To provide in CGST rules that value of exempt supply under sub-section (2) of section 17, shall not include the value of deposits, loans or advances on which interest or discount is earned (not to apply to banks/FIs/NBFCs)
- To exempt dollar denominated services provided by financial intermediaries located in IFSC SEZ, which have been deemed to be outside India under the various regulations by RBI, IRDAI, SEBI or any financial regulatory authority, to a person outside India.

Insurance

- To enhance the limit to Rs 2 lakh against Sl. No. 36 of exemption notification No. 12/2017-C.T. (Rate) which exempts services of life insurance business provided under life micro insurance product approved by IRDAI upto maximum amount of cover of Rs. 50,000
- To exempt reinsurance services in respect of insurance schemes exempted under S. Nos. 35 and 36 of notification No. 12/2017-CT (Rate).
- To define insurance agent in the reverse charge notification to have the same meaning as assigned to it in clause (10) of section 2 of the Insurance Act, 1938, so that corporate agents get excluded from reverse charge.
- To exempt services provided by the Naval Insurance Group Fund by way of Life Insurance to personnel of Coast Guard under the Group Insurance Scheme of the Central Government retrospectively w.e.f. 1.7.2017.

Petroleum products

- To exempt government's share of profit petroleum from GST and to clarify that cost petroleum is not taxable per se.
- To reduce GST to 12% in respect of mining or exploration services of petroleum crude and natural gas and for drilling services in respect of the said goods.
- To reduce GST rate on transportation of petroleum crude and petroleum products (MS, HSD, ATF) from 18% to 5% without ITC and 12% with ITC.

Job Work on leather goods and footwear

- To reduce job work services rate for manufacture of leather goods (Chapter 42) and footwear (Chapter 64) to 5%.

Lottery, betting and gambling

- To clarify that, services by way of:

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- ❖ Admission to entertainment events or access to amusement facilities including casinos, race-course
- ❖ Ancillary services provided by casinos and race-course in relation to such admission.
- ❖ Services given by race-course by way of totalisator (if given through some other person or charged separately as fees for using totalisator for purpose of betting,

are taxable at 28%. Services given by race-course by way of license to bookmaker which is not a service by way of betting and gambling, is taxable at 18%.

- To insert a provision in GST Rules under section 15 of GST Act that the value of lottery shall be 100/112 or 100/128 of the price of lottery ticket notified in the Gazette
- To add, in the GST rate schedule for goods at 28%, actionable claim in the form of chance to win in betting and gambling including horse racing.
- To insert in GST rules under section 15 of GST Act,-

Notwithstanding anything contained in this chapter, value of supply of Betting & Gambling shall be 100 % of the face value of the bet or the amount paid into the totalizator.

Other Services

- To clarify that exemption of Rs 1000/- per day or equivalent (declared tariff) is available in respect of accommodation service in hostels.
- To extend GST exemption on Viability Gap Funding (VGF) for a period of 3 years from the date of commencement of RCS airport from the present period of one year.
- To tax time charter services at GST rate of 5%, that is at the same rate as applicable to voyage charter or bare boat charter, with the same conditions.
- To exempt supply of services by way of providing information under RTI Act, 2005 from GST.
- To exempt IGST payable under section 5(1) of the IGST Act, 2017 on supply of services covered by item 5(c) of Schedule II of the CGST Act, 2017 to the extent of aggregate of the duties and taxes leviable under section 3(7) of the Customs Tariff Act, 1975 read with sections 5 & 7 of IGST Act, 2017 on part of consideration declared under section 14(1) of the Customs Act, 1962 towards royalty and license fee includible in transaction value as specified under Rule 10 (c) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007.

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- To reduce GST on Common Effluent Treatment Plants services of treatment of effluents, from 18% to 12%.
- To exempt services by way of fumigation in a warehouse of agricultural produce.
- To clarify that fee paid by litigants in the Consumer Disputes Commissions and any penalty imposed by these Commissions, will not attract GST.

Recommendation for GST Rate changes on GOODS:

The GST Council has recommended revising or clarifying the applicability of GST rates on 29 products. Few major recommendations are as under:

List of goods on which GST rate recommended to be reduced:

Chapter/Heading/Sub-heading/Tariff item	Existing rate (%)	Recommended Rate (%)	Condition
87- old and used motor vehicle (Medium and large cars and SUVs) on the margin of the supplier	28	18	No ITC of ED/ VAT/ GST paid on such vehicle has been availed
8702 – Buses for use in public transport which exclusively run on bio-fuels			--
87- old and used motor vehicle (other than Medium and large cars and SUVs) on the margin of the supplier	28	12	No ITC of ED/ VAT/ GST paid on such vehicle has been availed
1704- Sugar boiled confectionary	18	12	--
2201- Drinking water packed in 20 liters bottles			
2809- Fertilizer grade Phosphoric acid			
29 or 38- Bio-diesel			
38- Specified bio-pesticides			
4418- Bamboo wood building joinery			
8424- Drip irrigation System			
8424- Mechanical sprayer			
13- Tamarind Kernel Powder	18	5	--
1404/3305- Mehendi paste in cones			
2711- LPG supplied for supply to household domestic consumers by private LPG distributors			
88 or any other chapter – Scientific and technical instruments etc., required for launch vehicles and satellites and payloads			

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4601, 4602 containing articles of straw, of esparto or of other plaiting materials; basketware and wickerwork	12	5	--
58013720-Velvet fabric	12	5	No refund of Unutilised ITC
7102-Diamond and precious stones	3	0.25	--

List of goods on which GST rate recommended to be increased:

Chapter/Heading/Sub-heading/Tariff item	Description	Existing rate (%)	Recommend rate (%)
56012200	Cigarette filter rods	12	18
2302	Rice bran (other than de-oiled rice bran)	NIL	5

Proposed NIL rate items:

- (I). Vibhuti
- (II). Parts and accessories for manufacture of hearing aids.
- (III). De-oiled rice bran

Changes in Compensation cess rate on certain goods:

S. No	Chapter/Heading/Sub-heading/Tariff item	Description	Present Compensation Cess Rate	Compensation Cess Rate Recommended
1.	8702	Motor vehicles [falling under heading 8702, as it was in excise regime] cleared as ambulances, duly fitted with all fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such vehicles.10-13 seater buses	15%	Nil

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		and ambulances, subject to specified conditions.		
2.	87	Old and used motor vehicles [medium and large cars and SUVs], on the margin of the supplier, subject to the condition that no input tax credit of central excise duty/value added tax or GST paid on such vehicles has been availed by him.	Applicable rate	Nil
3.	87	All types of old and used motors vehicles [other than medium and large cars and SUVs] on the margin of the supplier of subject to the conditions that no input tax credit of central excise duty /value added tax or GST paid on such vehicles has been availed by him.	Applicable rate	Nil

Apparently, the GST Council in its 25th meeting has made significant revamp of GST framework. This meeting of the GST Council was particularly crucial as this was the last meet before the Union Budget 2018. Though a final decision is yet to be taken on the revamp of the return filing process, the GST Council is thinking of doing away with forms such as GSTR 2, dealing with purchases, and GSTR 3, a comprehensive return. Instead, the existing simpler summary return form GSTR 3B will continue, which will be supplemented with details from invoices to be uploaded by suppliers on GSTN. This will enable invoice matching and check tax evasion. Bringing Petroleum and Real estate under GST is one of the major issues which have been making lot of news in recent times, but GST council has not reached at any conclusion regarding these products.

The GST council may meet within next ten days via video conferencing to finalise simplification of return filing process.

Video Recording on Key outcomes of 25th GST Council meeting by Mr. Bimal Jain

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To access the video on key recommendations of 25th GST Council Meeting, please access the following link: <https://www.youtube.com/watch?v=7WqjBVEbzK8>

Hope the information will assist you in your Professional endeavours. In case of any query/information, please do not hesitate to write back to us.

Thanks & Best Regards,

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