

The 37<sup>th</sup> GST council meeting which was held on 20.09.2019 made recommendations keeping view the slow down in Economy. The following are the recommendations made:

### **LAW & PROCEDURE RECOMMENDATIONS**

#### **Annual Return related recommendations (FY 2017-18 to FY 2018-19)**

- Filing of Annual Return, GSTR 9 for taxpayers who are required to file the said return but have aggregate turnover up to Rs. 2 crores made optional for the said tax periods.
- Filing of Annual Return, GSTR-9A for Composition Taxpayers has been waived for the said tax periods.
- A lot of taxpayers are still facing hardships while filing Annual Return GSTR-9 and Reconciliation Statement GSTR-9C. A Committee of Officers shall now be constituted to examine the simplification of Forms for Annual Return and reconciliation statement.

#### **Appeal related recommendations**

- Currently, an appeal before the GST Appellate Tribunal is to be made within 3 months from the date of communication of order against which appeal is to be made. However, as the Appellate tribunal is yet to be formed the time limit for filing appeal shall also be extended.

#### **Return related recommendations**

- In order to ensure timely filing of details of Outward Supplies by the supplier, the government shall imposition restrictions on availment of input tax credit by the recipients. The recipient should thus check the creditability of its supplier under GST to avoid loss of input tax credits.
- The new return system which was proposed to be implemented from October'19 onwards shall now be delayed to April'2020. Until then GSTR-1 and GSTR-3b shall continue.

#### **Refund related recommendations**

- Circular to be issued in relation to procedure to claim refund in **FORM GST RFD-01A** subsequent to favourable order in appeal.
- In case any person had filed a NIL refund return in FORM GST RFD-01A, such persons shall now be able to refile the return for such period.
- There shall now be a single authority for disbursement of refund under GST.

- There might be mandatory requirement of stating Aadhar number while making refund application.

#### **Circular related recommendation**

- Circular No. 107/26/2019-GST dated 18.07.2019 was issued to provide clarity in regard to supply of Information Technology enabled Services (ITeS services). A fresh circular shall now be issued superseding the said circular.
- Rescinding of Circular No.105/24/2019-GST dated 28.06.2019, *ab-initio*, which was issued in respect of post-sales discount.

#### **Article 370 related recommendations**

- With the removal of Article 370, Ladakh and Jammu and Kashmir are now Union territories. Suitable amendments in CGST Act, UTGST Act shall be made considering the same.

#### **Registration related recommendations**

- Mandatory Aadhar card linking with GST registration shall come into force.

#### **Input Tax Credit related recommendations**

- Taxpayers having risky profiles including new risky taxpayers shall be able to pass on credits after reasonable restrictions.

### **RECOMMENDATION ON GST RATE CHANGE ON SERVICES**

It is proposed to issue notifications giving effect to these recommendations of the Council on 1st October, 2019.

#### **Reduction in GST Rates**

- **Hotel Accommodation:** To reduce the rate of GST on hotel accommodation service to below rates: -

Transaction Value per Unit (Rs) per day	Recommended
Rs 1000 and less	NIL
Rs 1001 to Rs 7500	12%
Rs 7501 and more	18%

- **Outdoor catering :** To reduce rate of GST on outdoor catering services other than in premises having daily tariff of unit of accommodation of Rs 7501 from present 18% with ITC to 5% without ITC. The rate shall be mandatory for all kinds of catering. Catering in premises with daily tariff of unit of accommodation is Rs 7501 and above shall remain at 18% with ITC.
- **Job work service:**
  - (i) To reduce rate of GST from 5% to 1.5% on supply of job work services in relation to **diamonds**.
  - (ii) To reduce rate of GST from 18% to 12% on supply of **machine job work such as in engineering industry**, except supply of job work in relation to bus body building which would remain at 18%.

#### **Exemption sector wise:**

- **Warehousing:** To exempt **prospectively** services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, rice, coffee and tea.
- **Transportation by Air or vessel:** Services by way of transportation of goods by a vessel / aircraft from customs station of clearance in India to a place outside India is to be extended till 30.09.2020 as against earlier 30.09.19.
- **Insurance:**
  - (i) To exempt “BANGLA SHASYA BIMA” (BSB) crop insurance scheme of West Bengal Government.
  - (ii) To exempt services of life insurance business provided or agreed to be provided by the Central Armed Paramilitary Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the respective Group Insurance Schemes of these Central Armed Paramilitary forces.
- **Export services:**
  - (i) Where an intermediary is residing in India and providing services to a supplier of goods or recipient of goods when both the supplier and recipient are located outside the taxable territory, then services provided by such intermediary shall be exempt.
  - (ii) Certain R&D services provided by Indian Pharma companies to foreign service recipients shall be exempt if the place of effective use and enjoyment is outside India.
- **FIFA 2020 :** To exempt services related to FIFA Under-17 Women's World Cup 2020 similar to existing exemption given to FIFA U17 World Cup 2017.

### Other recommendations

- **Liquor licence:** Clarification has been given regarding grant of liquor licence by State Governments against payment of license fee as shall be treated as “no supply”.
- **Royalty:** Currently GST on royalty is paid by publishers under RCM. Now a registered author shall have an option to pay GST on royalty charged from publishers under forward charge and observe regular GST compliance.
- **Security lending services:** - Although security is kept out of the definition of Goods under GST, GST shall be payable @18% on security lending services. GST is to be paid under FCM till notification date and on RCM from then onwards. IGST shall be payable on payment for such services and in cases where CGST/SGST/UTGST have been paid, such taxpayers will not be required to pay tax again.
- **RCM renting of vehicles:-** GST is payable under RCM @5% by body corporates in case of renting of vehicles from **registered person other than body corporate** (LLP, proprietorship).
- **Petroleum and Natural Gas services:-** Clarification is to be provided with respect to scope of the entry “services of exploration, mining or drilling of petroleum crude or natural gas or both”.
- **Passenger Service Fee (PSF) and User Development Fee (UDF):-** Clarification is to be provided with respect to Passenger Service Fee (PSF) and User Development Fee (UDF) levied by airport operators.

### RECOMMENDATION ON GST RATE CHANGE ON GOODS

The rate changes shall be made effective with effect from 1st October 2019.

#### **A. Decrease in rates**

- 18% to 12% on parts of **Slide Fasteners**
- 18% to 5% on **Marine Fuel 0.5% (FO)**
- 12% to 5% on **Wet Grinders** (consisting stone as a grinder)
- 5% to Nil on: -
  - (i) **Dried tamarind**
  - (ii) **Plates and cups made up of leaves/ flowers/bark**
- 3% to 0.25% on **cut and polished semi- precious stones**
- Applicable rate to 5% on specified goods for petroleum operations undertaken under Hydrocarbon Exploration Licensing Policy (**HELP**)

**B. Increase in rates**

- 5% to 12% on goods, falling under **chapter 86 of tariff** like railway wagons, coaches, rolling stock (without refund of accumulated ITC). This is to address the concern of ITC accumulation with suppliers of these goods.
- 18% to 28% +12% compensation cess on **caffeinated Beverages**

**C. Change in rates:-**

- A uniform GST rate of 12% on **Polypropylene/Polyethylene Woven and Non- Woven Bags and sacks**, whether or not laminated, of a kind used for packing of goods (from present rates of 5%/12%/18%)

**D. Exemptions from GST/IGST on: -**

- imports of specified **defence goods** not being manufactured indigenously (upto 2024)
- **supply of goods and services to FIFA** and other specified persons for organizing the Under-17 Women's Football World Cup in India.
- supply of goods and services to **Food and Agriculture Organisation (FAO)** for specified projects in India.

**E. GST concession in certain cases for specific period: -**

- Exemption to **Fishmeal** for the period 01.07.17 to 30.09.19
- 12% GST during the period 1.07.2017 to 31.12.2018, on **pulley, wheels and other parts (falling under Heading 8483) and used as parts of agricultural machinery.**

- F. Reduction in cess: -** Passenger vehicles of engine capacity 1500 cc in case of diesel, 1200 cc in case of petrol and length not exceeding 4000mm designed for carrying upto 9 persons attract compensation cess of 1% for petrol and 3% for diesel vehicle. Council recommended same compensation cess rate for vehicles having these specifications (length and engine capacity) but designed for carrying more than 10 persons but upto 13 persons. (Presently these vehicles attract compensation cess at the rate of 15%)

**Measures for Export Promotion**

- **Exemption from GST/IGST: -**
  - (i) at the time of import on Silver/Platinum by specified nominated agencies
  - (ii) supply of Silver/Platinum by specified nominated agency to exporters for exports of Jewellery

- **Diamond India Limited (DIL)**: Inclusion of Diamond India Limited (DIL) in the list of nominated agencies eligible for IGST exemption on imports of Gold/ Silver/Platinum so as to supply at Nil GST to Jewellery exporters.

#### **Other recommendations**

- Aerated drink manufacturers shall be excluded from composition scheme.

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OFFICE : MOOKERJEE HOUSE,  
17, BRABOURNE ROAD, 2<sup>ND</sup> FLOOR,  
KOLKATA - 700001

PHONE NO : 03340687062, +919831912725

EMAIL ID : [info@cakhaitan.com](mailto:info@cakhaitan.com)  
[shubham@cakhaitan.com](mailto:shubham@cakhaitan.com)

WEBSITE : [www.cakhaitan.com](http://www.cakhaitan.com)