

POLICY CHANGES

Following are the major policy changes recommended by the GST Council in their 25th Meeting held today:

- **Late Fee** payable will be reduced to Rs. **50** per day (other than NIL return) / Rs. **20** per day (NIL return) for failure to furnish:
 - Form GSTR 1 (supply details)
 - Form GSTR 5 (Non resident taxable person)
 - Form GSTR 6 (Input Service Distributors)
- **Cancellation of voluntary registration** will be **permitted now** even before expiry of 1 year from the effective date of registration
- **Cancellation of registration for migrated taxpayers** in Form GST REG-29 has been extended by 3 months **till 31st March, 2018**
- Generation, modification and cancellation of e-waybill has been provided on **trial** basis on **ewaybill.nic.in**. Fully operational system will start functioning on **ewaybillgst.gov.in**
- Certain **modifications** are being made to the **e-waybill rules** which are to be notified nationwide for **inter-state movement** with effect from **01/02/2018** and **intra state movement** with effect from a date **not later than 01/06/2018**

RECOMMENDATION ON GST RATE CHANGE ON SERVICES

Following are the industry wise recommendations made on the GST rate changes on services proposed to be effective from 25th January, 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%.
- 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%.

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.

Educational Institutions

- To exempt services relating to admission to, or conduct of examination provided to all educational institutions, as defined in the notification
- To exempt services 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.

Healthcare

- To clarify that Services provided by senior doctors/consultants/technicians hired by the hospitals, whether employees or not, are healthcare services which is exempt.
- Hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt.
- 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 is taxable.

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 un-registered person shall continue 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/Telehandlers) is 28%.
- To clarify that exemption of Rs 1000/- per day or equivalent (declared tariff) is available in respect of accommodation service in hostels.

Tour operator service

- 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 to Government

- To amend entry 3 of notification No. 12/2017-CT(R) 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 12/2017-C.T. (Rate) so as to include composite supply involving predominantly supply of services i.e. upto 25% of supply of goods. (in relation to function entrusted to Panchayat or Municipality)
- 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)

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 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.

- To clarify that elephant/ camel joy rides are not classified as transportation services and attract GST @ 18% with threshold exemption to small services providers.

Financial Services

- To provide inCGST 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.

Lottery, betting and gambling

- To clarify that services by way of,-
 1. admission to entertainment events or access to amusement facilities including casinos, race-course
 2. ancillary services provided by casinos and race-course in relation to such admission.
 3. 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

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%.

Other Services

- 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.

- 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.
- 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.

RECOMMENDATIONS FOR GST CHANGES ON GOODS

Following are the major recommendations made on the GST rate changes on goods proposed to be effective from 25th January, 2018:

- Reduction in GST rate from 28% to 18% for:
 - old and used motor vehicles (medium and large cars and SUVs) if no ITC on such vehicles was availed earlier
 - Buses, for use in public transport, which exclusively run on bio-fuels.
- Reduction in GST rate from 28% to 12% for all types of old and used motors vehicles [other than medium and large cars and SUVs] on which no ITC was availed
- Reduction in GST rate from 18% to 12% for sugar boiled confectionary, drinking water packed in 20 litres bottles, fertilizer grade phosphoric acid, bio-diesel etc.
- Reduction in GST rate from 18% to 5% for tamarind kernel powder, LPG supplied to household consumers etc.
- Reduction in GST rate from 12% to 5% for articles of straw etc.
- Increase from 12% to 18% for cigarette filter rods
- Reduction from 12% to 5% with no refund of ITC for velvet fabric
- Reduction from 3% to 0.25% for diamond and precious stones

- NIL GST rate for vibhuti, parts and accessories for manufacture of hearing aid, de-oiled rice bran
- Increase to 5% for rice bran (other than de-oiled)
- Change in compensation cess for certain motor vehicles
- Change in IGST rate recommended on certain goods like satellites to 5%
- Modification in definition and clarification have been inserted for rate of certain goods

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