

Tax alert: 37th GST Council meeting updates

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Summary

The GST Council, in its 37th meeting held on 20 September 2019, has recommended changes in the GST rates for certain goods and services, ITC eligibility criteria, exemptions and clarifications on connected issues. Relevant notifications/circulars shall be issued by the government to give effect to the recommendations, which will be implemented from 1 October 2019.

Key recommendations

1. Changes in GST law and procedure related changes

- Waiver of requirement of filing Form GSTR-9A for composition taxpayers for FY 2017-18 and FY 2018-19.
- Filing of Form GSTR-9 for taxpayers having an aggregate turnover up to INR 2 crore made optional for FY 2017-18 and FY 2018-19.
- Extension of the last date for filing of appeals against orders of Appellate Authority before the GST Appellate Tribunal as the Appellate Tribunals are yet not functional.
- New return system now to be introduced from April 2020 (earlier proposed from October 2019) in order to give ample opportunity to the taxpayers as well as the system to adapt and accordingly specify the due date for furnishing of return in Form GSTR-3B and details of outward supplies in Form GSTR-1 for the period October 2019 – March 2020.
- Linking of Aadhaar with the registration of taxpayers under GST, and examination of the possibility of making Aadhaar mandatory for claiming refunds.
- Prescribe reasonable restrictions on the passing of credit by risky taxpayers including risky new taxpayers to tackle the menace of fake invoices and fraudulent refunds.

2. Changes in GST rates for services

Service	Old rate	New rate
Hotel accommodation services (tariffs INR 7,501 and above)	28%	18%
Hotel accommodation services (tariffs INR 1,000 up to INR 7,500)	18%	12%
Outdoor catering other than in premises having daily tariff of unit of accommodation of INR 7,501 and above	18% with ITC	5% without ITC
Job work services in relation to diamond	5%	1.5%
Machine job work such as in engineering industry except bus body building	18%	12%

3. Changes in GST rates for goods

Goods	Old rate	New rate
Slide fasteners	18%	12%
Marine fuel	18%	5%
Wet grinders (consisting stone grinders)	12%	5%
Dried tamarind	5%	Nil
Plates and cups made up of leaves/flowers/bark	5%	Nil
Cut and polished semi-precious stones	3%	0.25%

Good falling under chapter 86 of tariff like railway wagons, coaches, rolling stock (without refund of accumulated ITC)	5%	12%
Caffeinated beverages	18%	28% + 12% compensation cess

4. Exemptions for certain services

- **Warehousing:** Prospective exemption for 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 and jute, indigo, unmanufactured tobacco, betel leaves, tendu leaves, rice, coffee and tea.
- **Transportation:** Validity of conditional exemption of GST on export freight by air or sea to be increased by another year, ie, till 30 September 2020.
- **Insurance:** Exemption to the Bangla Shasya Bima (BSB) crop insurance scheme of West Bengal Government.
- **Insurance:** Exemption for services of life insurance businesses 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 promotion:** Exemption for services provided by an intermediary to a supplier of goods or recipient of goods when both the supplier and recipient are located outside the taxable territory.

5. Exemptions for certain goods:

- Imports of specified defence goods not being manufactured indigenously (up to 2024).

- Supply of goods and services to FIFA and other specified persons for organising 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.
- Import of silver/platinum by specified nominated agencies.
- Supply of silver/platinum by specified nominated agency to exporters for exports of jewellery.

6. GST concessions

- Exemption to fishmeal for the period 1 July 2017 to 30 September 2019.
- 12% GST during the period 1 July 2017 to 31 December 2018 on pulley, wheels and other parts (falling under heading 8483) and used as parts of agricultural machinery.
- Reduction in compensation cess from 15% to 1% for petrol and 3% for diesel passenger vehicles of engine capacity 1500 cc in case of diesel and 1200 cc in case of petrol vehicles, with length not exceeding 4,000 mm and designed for carrying more than 10 persons but up to 13 persons.

7. Rationalisation/trade facilitation measures

- To allow payment of GST on securities lending service under the reverse charge mechanism (RCM) at 18%.
- To allow RCM to suppliers paying GST at 5% on renting of vehicles from a registered person other than a body corporate (LLP, proprietorship) when services are provided to body corporate entities.

8. Other miscellaneous changes

- Aerated drink manufacturers to be excluded from the composition scheme.
- Option to pay GST at the rate of 18% on transaction value at the time of disposal of specified goods for petroleum operations (on

which concessional GST rate of 5% was paid at the time of original supply) provided that the goods are certified by Director General of Hydrocarbon (DGH) as non-serviceable.

- Restriction on refund of compensation cess on tobacco products (in case of inverted duty structure).

Our comments

The GST rate concessions for goods/services in specified sectors like hospitality, warehousing and exports are a welcome step. The recommendation for waiver of filing of annual return for composition taxpayers and making annual return optional for taxpayers having aggregate turnover up to INR 2 crore for FY 2017-18 and FY 2018-19 will provide much-awaited relief to the taxpayers at large.

The deferment of introduction of the new return system to April 2020 (as against from October 2019 proposed earlier) is another welcome move which will provide ample opportunity to everyone to adapt to the new system and ensure a smooth transition.

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