

A decorative graphic consisting of three blue circles of varying sizes and two thin blue lines. One line starts from the top left and goes towards the top circle. Another line starts from the top left and goes towards the middle circle. A third line starts from the top right and goes towards the bottom circle. The circles are semi-transparent blue.

Recommendations by the 25th GST Council Meeting

C N K & Associates LLP

Recommendations made by the 25th GST Council Meeting held on 18th January, 2018

The Council has recommended many relief measures regarding GST rates on goods and services covering many sectors and commodities. The Council has also recommended issuance of certain clarifications on issues relating to GST rates and taxability of certain goods and services.

Synopsis of recommendations of the Council is given below. **Notifications giving effect to these recommendations will be issued on 25th January 2018.**

1. Services

a) Exemptions have been granted to the following -

Sr. No	Particulars
1.	Supply of services by way of providing information under RTI Act, 2005.
2.	Legal services provided to Government, Local Authority, Governmental Authority and Government Entity.
3.	a) Service by way of transportation of goods from India to a place outside India by air; b) 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.
The above exemptions may be granted with a sunset clause upto 30thSeptember 2018.	
4.	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 st July 2017
5.	Exemption limit of Rs. 5,000 per month per member enhanced to Rs. 7,500 in respect of services provided by Resident Welfare Association (unincorporated or nonprofit entity) to its members against their individual contribution.
6.	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.
7.	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

Sr. No	Particulars
	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.
8.	a) Services relating to admission to, or conduct of examination provided to all educational institutions. b) Services by educational institution by way of conduct of entrance examination against consideration in the form of entrance fee.
9.	Exemption limit enhanced 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.
10.	Reinsurance services in respect of insurance schemes exempted under Sl. Nos. 35 and 36 of notification No. 12/2017-CT (Rate).
11.	Threshold limit for exemption under entry No. 80 of Notification No. 12/2017-C.T. (Rate) increased 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 from Rs.250 to 500 per person and to also extend the threshold exemption to services by way of admission to a planetarium.
12.	Services by way of fumigation in a warehouse of agricultural produce.
13.	Subscription of online educational journals/periodicals by educational institutions which provide degree recognized by any law.
14.	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.
15.	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.
16.	Exemption to services provided to the Central Government, by way of transport of passengers with or without accompanied belongings, by air, embarking from or terminating at a regional connectivity scheme airport, against consideration in the form of viability gap funding extended to 3 years

Sr. No	Particulars
17.	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
18.	Government's share of profit petroleum

b) Changes in GST Rates / Input Tax Credit (ITC) Eligibility Criteria:

Sr. No	Particulars	From	To
1.	Construction of metro and monorail projects (construction, erection, commissioning or installation of original works).	18%	12%
2.	Small housekeeping service providers, notified under Section 9 (5) of GST Act, who provide housekeeping service through ECO.	18%	5%*
3.	Tailoring service.	18%	5%
4.	Services by way of admission to theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet.	28%	18%
5.	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%.	18%	12%
6.	Works Contract services as stated above if provided by the main contractor at 5%.	18%	5%
7.	Transportation of petroleum crude and petroleum products (MS, HSD, ATF) with availment of ITC.	18%	12%
8.	Transportation of petroleum crude and petroleum products.	18%	5%*
9.	Job work services for manufacture of leather goods (Chapter 42) and footwear (Chapter 64).	18%	5%
10.	Common Effluent Treatment Plants services of treatment of effluents.	18%	12%

Sr. No	Particulars	From	To
11.	Mining or exploration services of petroleum crude and natural gas and for drilling services in respect of the said goods.	18%	12%
12.	Time charter services shall be taxable at the same rate as applicable to voyage charter or bare boat charter, with the same conditions.	18%	5%*
13.	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.	18%	12%

* refers to without availing any input tax credits.

c) Rationalization of GST Provisions.

Sr. No	Particulars
1.	Amendment of CGST rules to exclude the value of interest or discounts earned on deposits, loans or advances for the purpose of sub-section (2) of Section 17. This shall not apply to a banking company and a financial institution including a non-banking financial company engaged in providing services by way of extending deposits, loans or advances.
2.	Deferment of liability under GST in case of Transferable Development Rights (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 (e.g. allotment letter). No deferment in point of taxation in respect of cash component.
3.	Reverse Charge Mechanism for renting of immovable property by government or local authority to a registered person while renting of immovable property by government or local authority to an un-registered person shall continue to be taxed under forward charge.
4.	Define Insurance agent in the reverse charge notification to have <i>“the same meaning as assigned to it in clause (10) of section 2 of the Insurance Act, 1938”</i> , so

that corporate agents get excluded from reverse charge.

5. Insertion of provision in GST Rules under Section 15 of CGST Act that the value of lottery shall be 100/112 or 100/128 of the price of lottery ticket notified in the Gazette (the same is currently notified in the rate notification).

 6. Addition to the GST rate schedule of actionable claim in the form of chance to win in betting and gambling including horse racing under 28% tax rate.

 7. Insertion of the following provision to Section 15 of CGST Act,2017 :
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.

 8. Expansion of 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. up to 25% of supply of goods.

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

 10. 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 meters 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.
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d) Clarifications:

Sr. No.	Particulars
1.	Exemption of Rs 1,000 per day or equivalent (declared tariff) is available in respect of accommodation service in hostels.
2.	Fee paid by litigants in the Consumer Disputes Commissions and any penalty imposed by these Commissions, will not attract GST.
3.	Elephant/ camel joy rides are not classified as transportation services and attract GST @ 18% with threshold exemption to small services providers.
4.	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%.

Sr. No.	Particulars
5.	<p>a) Services provided by senior doctors/consultants/technicians hired by the hospitals, whether employees or not, are healthcare services which is exempt.</p> <p>b) 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.</p> <p>c) 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.</p>

2. Goods

a) Changes in GST Rates / Input Tax Credit (ITC) Eligibility Criteria:

Sr. No	HSN	Description	From	To
1.	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.	28%	18%
2.	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.	28%	12%
3.	8702	Buses, for use in public transport, which exclusively run on bio-fuels.	28%	18%
4.	2201	Drinking water packed in 20 liters bottles	18%	12%

Sr. No	HSN	Description	From	To
5.	28/29/38	Fertilizers grade phosphoric acids/ Bio-diesel/ notified bio-pesticides	18%	12%
6.	8424	Drip irrigation system including laterals, sprinklers/ Mechanical Spray	18%	12%
7.	13	Tamarind Kernel Powder	18%	5%
8.	1404/3305	Mehendi paste in cones	18%	5%
9.	2711	LPG supplied for supply to household domestic consumers by private LPG distributors.	18%	5%
10.	5601 22 00	Cigarette filter rods	12%	18%
11.	5801 37 20	Velvet fabric: With No Refund of Unutilized Credit.	12%	5%
12.	7102	Diamonds and precious stones	3%	0.25%
13.	2302	Rice bran (other than de-oiled rice bran)	NIL	5%

b) Changes in compensation cess on certain goods:

Sr. No	HSN	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.	15%	Nil
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	Applicable rate	Nil

Sr. No	HSN	Description	Present Compensation Cess Rate	Compensation Cess Rate Recommended
		GST paid on such vehicles has been availed by him.		
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

General Recommendations:

- ❖ Taxable persons who have obtained voluntary registrations are now permitted to apply for cancellation of registration even before the expiry of 1 year from the effective date of registration.
- ❖ Late fees payable for the failure to furnish Form GSTR-1 or Form GSTR-5 (by non-resident taxable person) or Form GSTR- 5A (OIDAR) or Form GSTR-6 (ISD) to be reduced to Rs. 50/- per day and Rs. 25/- per day for NIL Return filers.
- ❖ Last day for filing FORM GST REG-29 (cancellation of registration) for migrated tax payers to be extended by 3 months till 31st March, 2018.

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