

Indirect Taxes

Highlights of 37th GST council meeting held on 20th September, 2019

GST Council in its meeting took major decisions relating to changes in GST rates, ITC eligibility criteria, exemptions and certain clarifications on connected issues. A gist of the recommendations is as under:

Impact on GST rates and exemption

Rate reduction sector wise

Hospitality and tourism:

- Reduced rates of GST on hotel accommodation services as under:

Transaction Value per unit (Rs.) per day	GST
Rs. 1,000 and less	NIL
Rs. 1,001 to Rs. 7,500	12%
Rs. 7,501 and more	18%

- GST on outdoor catering services (other than in premises), having daily tariff of unit of accommodation of Rs 7,501 **reduced 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 7,501 and above shall **remain at 18% with ITC**.

Job work service

- The rate of GST has been reduced **from 5% to 1.5%** on supply of job work services in relation to diamonds.
- The rate of GST has been reduced **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 from GST sector wise

Warehousing

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

Increase the validity of conditional exemption of GST on export freight by air or sea by another year, upto September 30, 2019.

Insurance

- Exempt “**BANGLA SHASYA BIMA**” (BSB) crop insurance scheme of West Bengal Government.
- 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 Promotion

- Exempt 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.
- Issue a notification under Section 13(13) of IGST Act notifying the place of supply of specified R&D services (such as Integrated discovery and development, Evaluation of the efficacy of new chemical/ biological entities in animal models of disease, Evaluation of biological activity of novel chemical/ biological entities in in-vitro assays, Drug metabolism and pharmacokinetics of new chemical entities, Safety Assessment/ Toxicology, Stability Studies, Bio Equivalence and Bio Availability Studies, Clinical trials, Bio analytical studies) provided by Indian pharma companies to foreign service recipients, as the place of effective use and enjoyment of a service i.e. location of the service recipient.
- Clarify that the place of supply of chip design software R&D services provided by Indian companies to foreign clients by using sample test kits in India is the location of the service recipient and section 13(3)(a) of IGST Act, 2017 is not applicable for determining the place of supply in such cases.

Others

- Allow the registered authors an option to pay GST on royalty charged from publishers under forward charge and observe regular GST compliance.
- Notify grant of liquor licence by State Governments against payment of license fee as a “no supply” to remove implementational ambiguity on the subject.
- Exempt services related to FIFA Under-17 Women's World Cup 2020 similar to existing exemption given to FIFA U17 World Cup 2017.

Trade facilitations Measures

- Allow payment of GST on securities lending service under reverse charge mechanism (RCM) at the merit rate of 18% and to clarify that GST on securities lending service for period prior to RCM period shall be paid on forward charge basis. IGST shall be payable on supply of these services and in cases where CGST/SGST/UTGST have been paid, such taxpayers will not be required to pay tax again
- Allow RCM to suppliers paying GST @ 5% on renting of vehicles, from registered person other than body corporate (LLP, proprietorship) when services provided to body corporate entities.

Clarifications

- Clarify the scope of the entry ‘services of exploration, mining or drilling of petroleum crude or natural gas or both’.
- Clarify taxability of Passenger Service Fee (PSF) and User Development Fee (UDF) levied by airport operators.

Law & Procedure related changes

- Waiver of the requirement of filing **FORM GSTR-9A** for Composition taxpayers and filing of **FORM GSTR-9** for those taxpayers who (are required to file the said return but) have aggregate turnover up to Rs. 2 crores made optional for **FY 2017-18** and **FY 2018-19**.
- A Committee of Officers to be constituted to examine the simplification of Forms for Annual Return and reconciliation statement.
- In order to nudge taxpayers to timely file their statement of outward supplies, imposition of restrictions on availment of input tax credit by the recipients in cases where details of outward supplies are not furnished by the suppliers in the statement under section 37 of the CGST Act, 2017.
- New return system now to be **introduced from April, 2020** (earlier proposed from October, 2019), in order to give ample opportunity to taxpayers as well as the system to adapt and accordingly specifying 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.
- Rescinding of Circular No.105/24/2019-GST dated June 28, 2019, ab-initio, which was issued in respect of post-sales discount.
- Suitable amendments in CGST Act, UTGST Act, and the corresponding SGST Acts in view of creation of UTs of Jammu & Kashmir and Ladakh.
- Integrated refund system with disbursal by single authority to be introduced from **September 24, 2019**.
- In principle decision to **link Aadhar with registration** of taxpayers under GST and examine the possibility of making Aadhar mandatory for claiming refunds.

- In order to **tackle** the menace of **fake invoices and fraudulent refunds**, in principle decision to prescribe reasonable restrictions on passing of credit by risky taxpayers including risky new taxpayers.

Note: Notifications giving the effect to these recommendations of the council proposed to issue on October 1, 2019.

Source: *Press release on GST rate on services as recommended by the GST council in its 37th meeting held on September 20, 2019.*

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