

Summary of important recommendations of GST Council in its 22nd Meeting on 6th October, 2017

The GST Council, in its 22nd meeting held at New Delhi has recommended the following facilitative changes. These changes are primarily aimed at easing the burden of compliance on small & medium businesses and addressing the concerns of exporters alongwith rationalization of rates of tax for certain supplies. A summary of the changes that have been proposed is given below:

1. Changes in Composition Scheme:

- (a) The threshold limit for Composition scheme has been increased from Rs. 75 lakhs to Rs. 1 crore and the turnover limit for special category States, except Jammu & Kashmir and Uttarakhand States has been increased from Rs. 50 lakhs to Rs. 75 lakhs. The turnover threshold for Jammu & Kashmir and Uttarakhand shall be Rs. 1 crore.
 - (b) The facility of availing composition under the increased threshold shall be available to both migrated and new taxpayers upto 31st March 2018.
 - (c) As per provisions of CGST Act, 2017, registered person who is engaged in supply of any service other than supplies referred to in clause (b) of paragraph 6 of Schedule II of the CGST Act, 2017 is not eligible to opt the composition scheme. So far, there are some persons who are otherwise eligible for opting the composition scheme but they are barred from opting the said scheme only because such persons are also providing any exempt service, for example, the person has made any interest-bearing fixed deposits in the bank (which constitutes supply of an exempt service). It has now been decided that such persons who are otherwise eligible for availing the composition scheme and are providing any exempt service, shall be eligible for the composition scheme.
2. Requirement of registration has been relaxed in cases where the taxpayers are making inter-State taxable supplies of services if their aggregate turnover is upto Rs. 20 lakhs or 10 lakhs, as the case may be.
 3. The registered persons having annual aggregate turnover upto Rs. 1.5 crore shall be required to file quarterly GST returns and pay taxes only on quarterly basis, starting from 3rd quarter of 2017-18 i.e., October-December, 2017, however, all taxpayers shall be required to file Form GSTR-3B on a monthly basis till December 2017. The registered persons buying from such small taxpayers shall be eligible to avail ITC on a monthly basis.
 4. The reverse charge mechanism with respect to procurements from unregistered dealers has been deferred till March 31, 2018. The same shall be reviewed by a committee of experts.
 5. The taxpayers having turnover upto Rs. 1.5 crore shall not be required to pay GST on advances received for supply of goods.
 6. The services provided by GTA to an unregistered person shall be exempted from GST.
 7. The provisions of TDS/TCS related to registration and operationalization have been postponed till March 31, 2018.
 8. The e-way bill system shall be introduced in a staggered manner from January 01, 2018 and shall be rolled out nationwide from April 01, 2018.

9. The due date for filing returns by composition dealers for the quarter July-September, 2017 has been extended to 15th November, 2017. Also, the due date for filing returns by Input service distributors for the months of July, August and September, 2017 has been extended to 15th November, 2017.

10. Invoice Rules are also proposed to be modified to provide relief to certain classes of taxpayers.

11. Relief for exporters:

(a) The held-up refund of IGST paid on goods exported outside India in the month of July and August 2017 shall be released from 10th October and 18th October, 2017 respectively.

(b) Holders of Advance Authorisation (AA)/ Export Promotion Capital Goods (EPCG) / 100% EOU shall not be required to pay IGST, Cess etc. on imports.

(c) Domestic supplies to holders of AA/EPCG and EOUs shall be treated as deemed exports under Section 147 of CGST/SGST Act and refund of tax paid on such supplies shall be given to the supplier.

(d) The merchant exporters can now procure goods by paying GST at 0.1% of their value from domestic suppliers for export.

(e) To resolve the problem of blockage of working capital of exporters in refundable IGST, 'e-Wallet' shall be introduced, which shall be credited with a notional refund immediately and the same can be used to pay IGST, GST etc.

(f) Exporters have been exempted from furnishing Bond and Bank Guarantee when they clear goods for export.

(g) GST on sale or purchase of duty credit scrips has been reduced from 5% to 0%.

(h) GST on bunker fuel is being reduced to 5% for both coastal vessels and foreign going vessels.

12. The GST rates on job-work services have been rationalized as under:

S.No.	Description of Service	Rate
1	Job work services in relation to all products falling in Chapter 71 (including imitation jewellery)	5%
2	Job work services in relation to food and food products falling under Chapters 1 to 22 of the HS Code (except packing of processed milk into packets)	5%
3	Job work services in relation to products falling under Chapters 23 of the HS Code except dog and cat food put up for retail sale (CTH 23091000)	5%
4	Job work in relation to manufacture of umbrella	12%
5	Job work in relation to manufacture of clay bricks falling under CTH 69010010	5%
6	Services by way of printing on job work basis or on goods belonging to others in relation to printing of all goods falling under Chapter 48 or 49, which attract GST @ 5% or Nil [Heading 9988]	5%

7	Services by way of printing on job work basis or on goods belonging to others in relation to printing of all goods falling under Chapter 48 or 49, which attract GST @ 12% [Heading 9988]	12%
8	Services by way of printing on job work basis or on goods belonging to others in relation to printing of goods falling under Chapter 48 or 49, other than those covered by (6) and (7) above, [Heading 9988]	18%
9	Services by way of printing in relation to printing of all goods falling under Chapter 48 or 49, which attract GST @ 5% or Nil, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer [(Heading 9989)]	12%
10	Services by way of printing of all goods falling under Chapter 48 or 49 which attract GST @12%, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer	12%
11	Services by way of printing of all goods falling under Chapter 48 or 49 which attract GST @18% or above, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer	18%
12	A clarification with regard to classification of printing products/services shall also be issued.	

13. GST rates on certain works contract services supplied to Government, Local Authorities and Government Entities etc. have been rationalized. The details are as under:

- a) Works contract services involving predominantly earth works (that is, constituting more than 75% of the value of the works contract) supplied to Central Government, State Governments, Local Authority, Governmental Authority or Government Entity shall be taxed at 5%.
- b) The definition of *Governmental Authority* has been expanded so as to include any authority set up to carry out any functions entrusted to a Panchayat under Article 243G of the Constitution.
- c) Supply of service or goods by a Government Entity to Central Government, State Government, Union Territory, Local Authority or any person specified by them against consideration received from them in the form of grants, shall be exempted. "Government Entity" shall be defined as an authority or a board or any other body including a society, trust, corporation which is, -
 - i) set up by an Act of Parliament or State Legislature, or
 - ii) established by any government,with 90% or more participation by way of equity or control, to carry out a function entrusted by the Central Government, State Government or a local authority.
- d) The reduced rate of 12% on specified works contract services supplied to the Central Government, State Government, Union Territory, Local Authority and Governmental Authority shall be extended to a Government Entity, where such specified works

contract services have been procured by the government entity in relation to the work entrusted to it by the Central Government, State Government, Union Territory or Local Authority.

14. Changes in levy and collection of GST:

- a. Leasing of vehicles purchased and leased prior to 1.7.2017, shall be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1st July 2017.
- b. The vehicles covered by the above leases (i.e., leases of vehicles purchased and leased prior to 1.7.2017), when disposed off/sold shall also be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1st July 2017.
- c. Sale/supply of vehicles by a registered person, who had procured the vehicle prior to 1st July 2017 and has not availed input tax credit of central excise duty, VAT or any other taxes paid on such vehicles, would be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1st July 2017.
- d. Sale by way of auction etc. of used vehicles, seized and confiscated goods, scrap etc by Central Government, State Government, Union Territory or a local authority, to any person, to be subjected to GST under reverse charge under section 9 (3) of the CGST Act.
- e. Transport of passengers by motor cab/ renting of motor cab:-
 - i. GST of 5% without ITC and 12% with full ITC available to transport of passengers by motor cab/ renting of motor cab shall be extended to any motor vehicle.
 - ii. ITC of input services shall be allowed in the same line of business at GST rate of 5%
- f. GST shall be levied @ 12% on works contract services in respect of offshore works contract relating to oil and gas exploration and production (E&P) in the offshore area beyond 12 nautical miles.
- g. GST shall be levied @ 12% with ITC or 5% without ITC for transportation of natural gas through pipeline.
- h. Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service, by way of granting of long term lease of thirty years, or more) of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations/ Undertakings or any other entity having 50% or more ownership of Central Government, State Government, Union Territory to (a) industrial units or (b) developers in any industrial or financial business area, may be exempted from GST .