

Major Highlights of 28th GST Council Meeting

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28th GST Council Meeting:- Updates

Recommendation for changes related to Composition Scheme, RCM, Thresh hold Exemption, ITC, Supply Etc.

1. Composition Dealers:

Upper limit of turnover for opting for GST Composition scheme to be raised from Rs. 1 crore to Rs. 1.5 crore. Present limit of turnover can now be raised on the recommendations of the Council

Composition dealers to be allowed to supply services (other than restaurant services), for upto a value not exceeding 10% of turnover in the preceding financial year, or Rs. 5 lakhs, whichever is higher

2. Reverse charge mechanism as per Sce 9(4) & 9(5):

Levy of GST on [reverse charge mechanism](#) on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons, on the recommendations of the GST Council.

3. Increase threshold for Special Category States:

The threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand to be increased to Rs. 20 Lakhs from Rs. 10 Lakhs.

4. Taxpayers may opt for multiple registrations within a State/Union territory in respect of multiple places of business located within the same State/Union territory
5. Mandatory registration is required for only those e-commerce operators who are required to collect tax at source
6. Registration to remain temporarily suspended while cancellation of registration is under process, so that the taxpayer is relieved of continued compliance under the law

7. Scope of Sch III Widened:

The following transactions to be treated as no supply (no tax payable) under Schedule III

- a) Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India
- b) Supply of warehoused goods to any person before clearance for home consumption; and
- c) Supply of goods in case of high sea sales.

8. Scope of ITC is being Widened:

This would now be made available in respect of the following

- a) Most of the activities or transactions specified in Schedule III;
- b) Motor vehicles for transportation of persons having seating capacity of more than thirteen (including driver), vessels and aircraft;
- c) Motor vehicles for transportation of money for or by a banking company or financial institution;
- d) Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available; and
- e) Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force

9. In case the recipient fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, the input tax credit availed by the recipient will be reversed, but liability to pay interest is being done away with

10. Registered persons may issue consolidated credit/debit notes in respect of multiple invoices issued in a Financial Year.

11. Amount of pre-deposit payable for filing of appeal before the Appellate Authority and the Appellate Tribunal to be capped at Rs. 25 Crores and Rs. 50 Crores, respectively.

12. Commissioner to be empowered to extend the time limit for return of inputs and capital sent on job work, upto a period of one year and two years, respectively.

13. Supply of services to qualify as exports, even if payment is received in Indian Rupees, where permitted by the RBI.

14. Place of supply in case of job work of any treatment or process done on goods temporarily imported into India and then exported without putting them to any other use in India, to be outside India.

15. Recovery can be made from distinct persons, even if present in different State/Union territories.

16. The order of cross-utilisation of input tax credit is being rationalized.

GST Council approves Simplified GST Returns:

- The GST Council in its 28th meeting held here today under the Chairmanship of Shri Piyush Goyal , Union Minister for Railways, Coal , Finance & Corporate Affairs has approved the new return formats and associated changes in law. It may be recalled that in the 27th meeting held on 4th of May, 2018 the Council had approved the basic principles of GST return design and directed the law committee to finalize the return formats and changes in law. The formats and business process approved today were in line with the basic principles with one major change i.e the option of filing quarterly return with monthly payment of tax in a simplified return format by the small tax payers.
- All taxpayers excluding small taxpayers and a few exceptions like ISD etc. shall file one monthly return. The return is simple with two main tables. One for reporting outward supplies and one for availing input tax credit based on invoices uploaded by the supplier. Invoices can be uploaded continuously by the seller and can be continuously viewed and locked by the buyer for availing input tax credit. This process would ensure that very large part of the return is automatically filled based on the invoices uploaded by the buyer and the seller. Simply put, the process would be "UPLOAD – LOCK – PAY" for most tax payers.
- Taxpayers would have facility to create his profile based on nature of supplies made and received. The fields of information which a taxpayer would be shown and would be required to fill in the return would depend on his profile.
- NIL return filers (no purchase and no sale) shall be given facility to file return by sending SMS
- The Council approved quarterly filing of GST return for the small taxpayers having turnover below Rs. 5 Cr as an optional facility. Quarterly return shall be similar to main return with monthly payment facility but for two kinds of registered persons – small traders making only B2C supply or making B2B + B2C supply. For such taxpayers, simplified returns have been designed called Sahaj

and Sugam. In these returns details of information required to be filled is lesser than that in the regular return

- The new return design provides facility for amendment of invoice and also other details filed in the return. Amendment shall be carried out by filing of a return called amendment return. Payment would be allowed to be made through the amendment return as it will help save interest liability for the taxpayers.
- 93% of the taxpayers have a turnover of less than Rs 5 Cr and these taxpayers would benefit substantially from the simplification measures proposed improving their ease of doing business. Even the large taxpayers would find the design of new return quite user friendly.

GST migration window for tax payers open till 31.08.2018 :

The GST Council in its 28th meeting held here today has approved the proposal to open the migration window for taxpayers, who received provisional IDs but could not complete the migration process

The taxpayers who filed Part A of FORM GST REG-26, but not Part B of the said FORM are requested to approach the jurisdictional Central Tax/State Tax nodal officers with the necessary details on or before 31st August, 2018

The nodal officer would then forward the details to GSTN for enabling migration of such taxpayers

It has also been decided to waive the late fee payable for delayed filing of return in such cases. Such taxpayers are required to first file the returns on payment of late fees, and the waiver will be effected by way of reversal of the amount paid as late fees in the cash ledger under the tax head

Taxpayers who intend to complete the migration process are requested to approach their jurisdictional Central Tax/State Tax nodal officers in this regard

GST rate on Services - 27 Major Changes in 28th GST Council Meeting

Sector -Farmers/ Agriculture/ Food Processing

- Exempt services by way of artificial insemination of livestock (other than horses).
- Exempt warehousing of minor forest produce in line with exemptions provided to the agricultural produce.

- Exempt the works of installation and commissioning undertaken by DISCOMS/ electricity distribution companies for extending electricity distribution network upto the tube well of the farmer/ agriculturalist for agricultural use.
- Exempt services provided by FSSAI to food business operators.

Education/ Training/ Skill Development

- Reduce rate of GST from 18% to 5% on supply only of e-books for which print version exist.

Social Security/ Pension Security/ Senior Citizens

- Exempt services provided by Coal Mines Provident Fund Organisation to the PF subscribers from the applicability of GST on the lines of EPFO.
- Exempt supply of services by an old age home run by State / Central Government or by a body registered under 12AA of Income Tax Act) to its residents (aged 60 years or more) against consideration upto Rupees Twenty Five Thousand per month per member provided consideration is inclusive of charges for boarding, lodging and maintenance.
- Exempt GST on the administrative fee collected by National Pension System Trust.
- Exempt services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in activities relating to the welfare of industrial or agricultural labour or farmer; or for the promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to own members against consideration in the form of membership fee up to an amount of one thousand rupees per member per year.

Banking/ Finance/ Insurance

- Exempt Reinsurance Services provided to specified Insurance Schemessuch as Pradhan Mantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat), funded by Government.

Government Services

- Exempt services provided by Government to ERCC by way of assigning the right to collect royalty, DMFT etc. from the mining lease holders.

- Exempt the guarantees given by Central/State Government/UT administration to their undertakings/PSUs.

Miscellaneous

- Exempt GST on import of services by Foreign Diplomatic Missions/ UN & other International Organizations based on reciprocity.
- Exempt services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in accordance with Explanation I in section 8 of the IGST Act provided the place of supply is outside the taxable territory of India in accordance with section 13 of IGST Act, 2017.
- Prescribe GST rate slabs on accommodation service based on transaction value instead of declared tariff which is likely to provide major relief to the hotel industry.
- Prescribe GST rate of 12% with full ITC under forward charge for composite supply of multimodal transportation.
- Rationalize the notification entry prescribing reduced GST rate on composite supply of works contract received by the Government or a local authority in the course of their sovereign functions.
- Rationalize entry relating to composite supply of food and drinks in restaurant, mess, canteen, eating joints and such supplies to institutions (educational, office, factory, hospital) on contractual basis at GST rate of 5%; and making it clear that the scope of outdoor catering under 7(v) is restricted to supplies in case of outdoor/indoor functions that are event based and occasional in nature

Clarifications

- Supply of services provided by State and Central educational boards to students for conduct of examination will be clarified to be exempt.
- To clarify that the courses run by private ITIs for designated trades are exempt under GST whereas non-designated courses are taxable.
- To clarify that GST on premium paid by the Governments for implementing PradhanMantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat) is exempt from GST.
- To provide clarification on applicability of Service Tax / GST on services rendered by an Indian Architect- Consultant in relation to immovable property located outside India to Indian Diplomatic Missions/Posts abroad.

- To clarify to Auroville foundation that 'maintenance' paid by it to Aurovilians is not liable to GST.
- To insert an explanation in notification No. 13/2017-Central Tax(Rate) to define the term renting of immovable property.
- To clarify that certain services such as "deposit works(expenses for providing electric line/plant)" related to distribution of electricity provided by DISCOM, attract GST.

Export / other trade facilitation measures

- Extend the exemption granted on outward transportation of all goods by air and sea by another one year i.e. upto 30th September, 2019 as relief to the exporter of goods.
- Place liability to pay GST on services provided by individual DSAs to banks/NBFCs under reverse charge on the buying banks/NBFCs. However, services by non-individual NBFCs (corporate, partnership firms) to banks/NBFCs would continue under forward charge, as at present

GST rate on Goods Changes in 28th GST Council Meeting

<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Items</u>
28%	18%	Paints and varnishes (including enamels and lacquers)
		Glaziers' putty, grafting putty, resin cements
		Refrigerators, freezers and other refrigerating or freezing equipment including water cooler, milk coolers, refrigerating equipment for leather industry, ice cream freezer etc
		Washing machines
		Lithium-ion batteries
		Vacuum cleaners
		Domestic electrical appliances such as food grinders and mixers & food or vegetable juice extractor, shaver, hair clippers etc
		Storage water heaters and immersion heaters, hair dryers, hand dryers, electric smoothing irons etc
		Televisions upto the size of 68 cm
		Special purpose motor vehicles. e.g., crane lorries,

		fire fighting vehicle, concrete mixer lorries, spraying lorries
		Works trucks [self-propelled, not fitted with lifting or handling equipment] of the type used in factories, warehouses, dock areas or airports for short transport of goods.
		Trailers and semi-trailers
		Miscellaneous articles such as scent sprays and similar toilet sprays, powder-puffs and pads for the application of cosmetics or toilet preparations.
28%	12%	Fuel Cell Vehicle. Further, Compensation cess shall also be exempted on fuel cell vehicle
18%,12%,5%	NIL	Stone/Marble/Wood Deities
		Rakhi [other than that of precious or semi-precious material of chapter 71]
		Sanitary Napkins,
		Coir pith compost
		Sal Leaves siali leaves and their products and Sabai Rope
		PhoolBhariJhadoo [Raw material for Jhadoo]
		Khali dona
		Circulation and commemorative coins, sold by Security Printing and Minting Corporation of India Ltd [SPMCIL] to Ministry of Finance.
12%	5%	Chenille fabrics and other fabrics under heading 5801
		Handloom dari
		Phosphoric acid (fertilizer grade only)
		Knitted cap/topi having retail sale value not exceeding Rs 1000
		Handmade carpets and other handmade textile floor coverings (including namda/gabba)
		Handmade lace
		Hand-woven tapestries
		Hand-made braids and ornamental trimming in the piece
		Toran
18%	12%	Bamboo flooring
		Brass Kerosene Pressure Stove
		Hand Operated Rubber Roller
		Zip and Slide Fasteners

		Handbags including pouches and purses; jewellery box
		Wooden frames for painting, photographs, mirrors etc
		Art ware of cork [including articles of sholapith]
		Stone art ware, stone inlay work
		Ornamental framed mirrors
		Glass statues [other than those of crystal]
		Glass art ware [incl. pots, jars, votive, cask, cake cover, tulip bottle, vase]
		Art ware of iron
		Art ware of brass, copper/ copper alloys, electro plated with nickel/silver
		Aluminium art ware
		Handcrafted lamps (including panchloga lamp)
		Worked vegetable or mineral carving, articles thereof, articles of wax, of stearin, of natural gums or natural resins or of modelling pastes etc, (including articles of lac, shellac)
		Ganjifa card
18%	5%	Ethanol for sale to Oil Marketing Companies for blending with fuel
		Solid bio fuel pellets

Refund of accumulated credit on account of inverted duty structure to fabric manufacturers

- Fabrics attract GST at the rate of 5% subject to the condition that refund of accumulated ITC on account of inversion will not be allowed. However, considering the difficulty faced by the Fabric sector on account of this condition, the GST Council has recommended for allowing refund to fabrics on account of inverted duty structure. The refund of accumulated ITC shall be allowed only with the prospective effect on the purchases made after the notification is issued.

Rate change made in respect of footwear

- 5% GST is being extended to footwear having a retail sale price up to Rs. 1000 per pair
- Footwear having a retail sale price exceeding Rs. 1000 per pair will continue to attract 18%

Miscellaneous Change relating to valuation of a supply:

- IGST @5% on Pool Issue Price (PIP) of Urea imported on Govt. account for direct agriculture use, instead of assessable value plus custom duty.
- Exemption from Compensation cess to Coal rejects from washery [arising out of cess paid coal on which ITC has not been taken].

Clarifications/amendments as regards applicability of GST rate in respect of certain goods recommended by GST Council which inter-alia includes:

- Milk enriched with vitamins or minerals salt (fortified milk) is classifiable under HS code 0401 as milk and exempt from GST.
- 5% GST on both treated (modified) tamarind kernel powder and plain (unmodified) tamarind kernel powder.
- Beet and cane sugar, including refined beet and cane sugar, (falling under heading 1701) attracts 5% GST rate.
- Water supplied for public purposes (other than in sealed containers) does not attract GST.
- Marine engine (falling under sub-heading 8408 10 93) attracts 5% GST rate.
- Kota stone and similar stones [other than marble and granite] other than polished will attracts 5% GST, while ready to use polished Kota stone and similar stones will attracts 18%.
- Certain other miscellaneous clarification as regards classification/rate have been recommended

Information in this book is intended to help the common tax payers understand the subject. Authors have taken utmost care to ensure the correctness and completeness of this information. However, readers are advised to seek professional help before acting on any information, advice, or interpretation, whether explicit or implicit, given in this book.

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