

ERGO

Analysing developments impacting business

Goods and Service Tax (GST): Highlights of the recommendations made in 28th GST Council Meeting held on 21 July 2018

27 July 2018

A. Legislative amendments

The GST Council recommended amendments in the Central Goods and Services Tax (CGST) Act 2017, Integrated Goods and Services Tax (IGST) Act 2017, Union Territory Goods and Services Tax (UTGST) Act 2017 and the GST (Compensation to States) Act. The aforesaid recommendations will be placed before the Parliament and various States / Union Territory legislatures for carrying out the amendments in the respective GST Acts.

The major recommendations are as detailed below:

- The threshold limit for composition scheme to be enhanced from INR 1 crore to INR 1.5 crores;
- Composition dealers to be permitted to supply services (other than restaurants) upto 10% of turnover value in the preceding year or INR 5 lakhs, whichever is higher;
- GST on receipt of supplies from unregistered suppliers to be applicable only on specified goods for notified classes of registered persons;
- The threshold limit for registration in the state of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand to be increased from INR 10 lakhs to INR 20 lakhs;
- Unit wise registration for multiple places of businesses in same State / Union Territory permitted;
- Mandatory registration only for e-commerce operators who are required to collect tax at source;
- The following transactions to be treated as neither supply of goods nor supply of services under Schedule III of the CGST Act:

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- a Supply of goods from a non-taxable territory to another non-taxable territory without entering India;
 - b Supply of warehoused goods to a person prior to clearance for home consumption; and
 - c Supply of goods in high sea sales.
- Scope of Input Tax Credit (ITC) is being widened to include:
 - a Activities or transactions specified in Schedule III;
 - b Motor vehicles having seating capacity of more than 13 (including driver) for transportation of persons, vessels and aircraft;
 - c Motor vehicles used by a banking company or financial institution for transportation of money;
 - d Services of general insurance, repair and maintenance in respect of eligible motor vehicles, vessels and aircraft; 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.
- No interest payable in case of reversal of ITC consequent to non-payment to supplier within 180 days;
- Consolidated credit / debit notes can be issued for multiple invoices in a Financial Year;
- Amount of pre-deposit for appeal before the Appellate Authority and the Appellate Tribunal to be capped at INR 25 crores and INR 50 crores, respectively;
- Commissioner to be empowered for extending the time limit for return of inputs and capital goods sent on job work, upto a period of 1 year and 2 years, respectively;
- Services to qualify as exports, even if the payment is received in Indian Rupees, where permitted by the Reserve Bank of India;
- Place of supply to be outside India where job work is carried on goods imported temporarily and exported without putting them to use in India;
- Recovery proceeding can be initiated against distinct persons even if present in different State / Union territories;
- Cross-utilisation of ITC to be rationalised; and

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- Registration to remain suspended while cancellation of registration is in process.

B. Compliance ease

- Multiple returns to be subsumed into a simplified single return to be filed by all tax payers including small tax payers (with few exceptions like Input Service Distributer), on a monthly basis;
- Tax payers having turnover below INR 5 crores can opt for quarterly return (to be called as Sahaj and Sugam);
- Returns permitted to be amended with additional payment facility; and
- NIL returns can be filed via SMS.

C. Transitional ease

- Migration window for taxpayers with provisional IDs to be opened; and
- Late fee for delay in filing of returns for such taxpayers to be waived.

D. Rate changes

I. Goods

Rate change	Description
28% to 18%	<ul style="list-style-type: none"> ▪ Construction materials such as paints, varnishes, putty, resin cements, etc; ▪ Utilities like refrigerators, freezers, washing machines, vacuum cleaners and other domestic electrical appliances such as food grinders, mixers and juice extractors, shavers, hair clippers, etc; ▪ Lithium-ion batteries; ▪ Special purpose motor vehicles, works trucks used in factories, warehouses, dock areas or airports for short transport of goods; and ▪ Miscellaneous articles such as scent sprays, powder-puffs and pads.
28% to 12%	<ul style="list-style-type: none"> ▪ Fuel Cell Vehicle (compensation cess shall also be exempted).

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18% to 12%	<ul style="list-style-type: none"> Bamboo flooring; Brass Kerosene Pressure Stove; Hand Operated Rubber Roller; and Zip and Slide Fasteners.
18% to 5%	<ul style="list-style-type: none"> Ethanol for sale to Oil Marketing Companies for blending with fuel; and Solid bio fuel pellets.
12% to 5%	<ul style="list-style-type: none"> Chenille and other fabrics; Handloom dari; Phosphoric acid (fertilizer grade); and Knitted cap / topi.
NIL	<ul style="list-style-type: none"> Stone / Marble / Wood Deities; Articles of domestic and personal use such as rakhi, sanitary napkins, coir pith compost, sal leaves, siali leaves and their products; and Circulation and commemorative coins sold by Security Printing and Minting Corporation of India Ltd (SPMCIL) to the Ministry of Finance.

Other recommendations related to goods:

- Refund of accumulated ITC on account of inverted duty structure to fabric manufacturers (fabrics attract 5% GST) with prospective effect;
- Footwears having a retail sale price of less than INR 1000 per pair will be subject to 5% GST. 18% GST to be imposed on footwear priced at INR 1000 and above; and
- Compensation cess on coal rejects, arising out of cess paid on coal from washery (on which ITC has not been availed), to be exempted.

II. Services

Rate change	Sector	Description
Taxable to exempt	Agriculture / food processing	<ul style="list-style-type: none"> Artificial insemination of livestock (other than horses); Warehousing of minor forest produce; Works of installation and commissioning undertaken by Distribution Companies of India (DISCOMS) / electricity distribution companies

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		<p>for extending electricity distribution network upto the tube well of the farmer / agriculturalist for agricultural use; and</p> <ul style="list-style-type: none"> Services provided by Food Safety and Standards Authority of India (FSSAI) to food business operators.
	Social security	<ul style="list-style-type: none"> Services by Coal Mines Provident Fund Organisation to the Provident Fund subscribers; Old age home; Administrative fee collected by National Pension System Trust; Services by an unincorporated body or a registered non-profit entity, engaged in welfare or promotional activities, to own members against consideration (membership fee) up to INR 1000 per year per member; and Reinsurance services provided to specified insurance schemes funded by the government.
	Government services	<ul style="list-style-type: none"> Services to Emergency Response Coordination Centre (ERCC) by way of assigning the right to collect royalty, DMFT, etc. from mining lease holders; and Guarantees given by the government to their undertakings / Public Sector Undertakings.
	Cross border	<ul style="list-style-type: none"> Exemption granted on outward transportation of all goods by air and sea extended upto 30 September 2019; Import of services by the United Nations & other international organisations; and Services by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons.
18% to 5%	Publication	<ul style="list-style-type: none"> Supply of e-books for which print versions exist.

- Other changes in services:
 - GST rate on accommodation service to be based on transaction value instead of declared tariff;
 - GST @ 12% with full ITC under forward charge for composite supply of multimodal transportation; and
 - Entry relating to composite supply of food and drinks in restaurant, mess, canteen, eating joints and such supplies to be rationalised.

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- Clarifications

- a. Supply of services by State and Central educational boards to students for conduct of examination to be exempted;
- b. Specialised courses run by private ITIs for designated trades to be exempt whereas non-designated courses to be taxable;
- c. The term '*renting of immovable property*' to be defined; and
- d. Services such as deposit works related to distribution of electricity provided by DISCOM to attract GST.

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