

# KEY RECOMMENDATIONS OF THE 47<sup>TH</sup> GST COUNCIL MEETING

June 29, 2022

## GST Rate Changes (applicable w.e.f. July 18, 2022)

- Rate rationalization to remove inverted duty structure on goods and services – Refer **Annexure-A**.
- Tar rate (whether from coal, coal gasification plants, producer Gas plants and Coke Oven Plants) increased from 5% to 18%.
- Cut and polished diamonds rate increased from 0.25% to 1.5%.
- Integrated Goods and Services Tax (“IGST”) rate on specified defence items imported by private entities/vendors, when end-user is the Defence forces decreased to Nil rate.
- Tax rate on Transport of goods and passengers by ropeways decreased from 18% to 5%.
- Tax rate on Renting of truck/goods carriage (where cost of fuel is included) decreased from 18% to 12%.
- Tax rate on Petroleum/coal bed methane increased from 5% to 12%.
- Tax rate on E-Waste increased from 5% to 18%.

## GST Exemption Withdrawn (applicable w.e.f. July 18, 2022)

- Earlier, GST was exempted on specified food items, grains etc. when not branded, or right on the brand has been foregone. It has been recommended to revise the scope of exemption to exclude from it prepackaged and pre-labelled retail pack in terms of Legal Metrology Act, including pre-packed, pre-labelled curd, lassi and butter milk.
- Cheques (loose or in book form) and, Balloons and Dirigibles, Gliders, Hand Gliders and Other Non-Powered Aircraft to be charged at 18%. Maps and hydrographic or similar charts of all kinds to be chargeable at 12%.
- Hotel accommodation priced upto Rs. 1000/day shall be taxed at 12%.
- Room rent (excluding ICU) exceeding Rs 5000 per day per patient charged by a hospital shall be taxed to the extent of amount charged for the room at 5% without Input tax credit (“ITC”).

- Tax exemption on training or coaching in recreational activities relating to arts or culture, or sports is being restricted to such services when supplied by an individual.
- Exemption on following services is also being withdrawn:
  - Transportation by rail or a vessel of railway equipment and material.
  - Storage or warehousing of commodities which attract tax (nuts, spices, copra, jaggery, cotton etc.)
  - Fumigation in a warehouse of agricultural produce.
  - Services by RBI, IRDA, SEBI, FSSAI.
  - GSTN.
  - Renting of residential dwelling to business entities (registered persons).
  - Services provided by the cord blood banks by way of preservation of stem cells

## **GST on casinos, race course and online gaming**

- The Council directed that the Group of Ministers on Casino, Racecourse and Online Gaming re-examine the issues in its terms of reference based on further inputs from States and submit its report within a short duration.

## **Clarifications on GST Rates on Goods**

- Electric vehicles whether or not fitted with a battery pack, are eligible for the concessional GST rate of 5%.
- All fly ash bricks attract same concessional rate irrespective of fly ash content.
- Sewage treated water is exempted from GST and is not the same as purified water provided in SL. No. 99 of Notification 2/2017-CT(Rate). The word 'purified' is being omitted to clarify the same.

## **Clarifications on GST Rates on Services**

- Due to ambiguity in GST rates on supply of ice-cream by ice-cream parlours, GST charged at 5% without ITC on the same during the period July 1, 2017 to October 5, 2021 shall be regularized to avoid unnecessary litigation.
- Services associated with transit cargo both to and from Nepal and Bhutan are covered by exemption under entry 9B of notification No. 12/2017-CT(R) dated June 28, 2017.
- Activity of selling of space for advertisement in souvenirs published in the form of books is eligible for concessional GST at 5%.
- Renting of vehicle with operator for transportation of goods on time basis is classifiable under Heading 9966 (rental services of transport vehicles with operators) and attracts GST at 18%. GST on such renting where cost of fuel is included in the consideration charged is being prescribed at 12%.

- Allowing choice of location of a plot is part of supply of long-term lease of plot of land. Therefore, location charge or preferential location charges (PLC) are part of consideration charged for long term lease of land and shall get the same treatment under GST.
- Renting of motor vehicles for transport of passengers to a body corporate for a period (time) is taxable in the hands of body corporate under Reverse charge mechanism.

## Other Miscellaneous Changes

- Goods transport agency (GTA) is being given option to pay GST at 5% or 12% under forward charge; option to be exercised at the beginning of Financial Year. RCM option to continue.

## Measures for Trade Facilitation

- In-principal approval for relaxation in the provisions for suppliers making supplies through E-Commerce Operators (“ECOs”)
  - a. Waiver of requirement of mandatory registration under section 24(ix) of Central Goods and Services Tax Act, 2017 (“CGST Act”) for person supplying goods through ECOs, subject to certain conditions, such as-
    - the aggregate turnover on all India basis does not exceed the turnover specified under sub-section (1) of section 22 of the CGST Act and notifications issued thereunder.
    - the person is not making any inter-State taxable supply
  - b. Composition taxpayers would be allowed to make intra-State supply through e-commerce operators subject to certain conditions. The details of the scheme would be worked out by the Law Committee of the Council and would be tentatively implemented from January 1, 2023, subject to preparedness of portal as well as ECOs.
- **Amendment in formula prescribed in sub-rule (5) of rule 89 of CGST Rules, 2017 for calculation of refund of unutilized Input Tax Credit on account of inverted rated structure.** The formula would take into account utilization of ITC on account of inputs and input services for payment of output tax on inverted rated supplies in the same ratio in which ITC has been availed on inputs and input services during the said tax period. **This would help those taxpayers who are availing ITC on input services also.**
- In some cases where the exporter is identified as risky exporter requiring verification by GST officers, or where there is a violation of provisions of Customs Act, the refund claims in respect of export of goods are suspended/withheld. Amendment in CGST Rules for handling of pending IGST refund claims in such cases.
- Notification to be issued at the earliest for Clause (c) of Section 110 and Section 111 of the Finance Act, 2022. The said clauses provided that interest would be payable under Section 50(3) when wrongly availed ITC has been utilized, and electronic cash ledger balance of a registered person could be transferred to the electronic cash ledger of CGST and IGST of a distinct person, respectively.
- Waiver of late fee for delay in filing FORM GSTR-4 for FY 2021-22 and extension of due date for filing FORM GST CMP-08 for Quarter-1 of FY 2022-23 in the manner as specified.
- Present exemption of IGST on import of goods under Advance Authorisation/Export Promotion Capital Goods/Export Oriented Unit scheme to be continued and E-wallet scheme not to be pursued further.

- **Circulars to be issued in respect of the following:**
  - a. Clarification on issue of claiming refund under inverted duty structure where the supplier is supplying goods under some concessional notification.
  - b. Clarification on various issues relating to applicability of demand and penalty provisions under the CGST Act in respect of transactions involving fake invoices.
  - c. Clarification on mandatory furnishing of correct and proper information of inter-State supplies and amount of ineligible/blocked Input Tax Credit and reversal thereof in return in FORM GSTR-3B.
  - d. Clarification in respect of certain GST related issues:
    - i. Clarification on the issues pertaining to refund claimed by the recipients of supplies regarded as deemed export.
    - ii. Clarification on various issues relating to interpretation of Section 17(5) of the CGST Act.
    - iii. Clarification on the issue of perquisites provided by employer to the employees as per contractual agreement.
    - iv. Clarification on utilization of the amounts available in the electronic credit ledger and the electronic cash ledger for payment of tax and other liabilities.
- Exemption from filing annual return in FORM GSTR-9/9A for FY 2021-22 to be provided to taxpayers having Annual Aggregate Turnover upto Rs. 2 crores.
- Explanation 1 after rule 43 of CGST Rules to be amended to provide that there is no requirement of reversal of ITC for exempted supply of Duty Credit Scrips by the exporters.
- In respect of refunds pertaining to supplies to Special Economic Zone (“SEZ”) Developer/Unit, an Explanation to be inserted in sub-rule (1) of rule 89 of CGST Rules to clarify that “specified officer” under the said sub-rule shall mean the “specified officer” or “authorized officer”, as defined under SEZ Rules, 2006.

## Measures for Streamlining Compliances

- Provision for automatic revocation of suspension of registration in cases where suspension of registration was done by the system under Rule 21A(2A) of Central Goods and Services Tax Rules, 2017 for non-compliance in terms of clause (b) or clause (c) of sub-section (2) of section 29 [continuous non-filing of specified number of returns], once all the pending returns are filed on the portal by the taxpayer. (Amendment in rule 21A).
- Time period from March 1, 2020 February 28,2022 to be excluded from calculation of the limitation period for filing refund claim by an applicant under section 54 and 55 of CGST Act, as well as for issuance of demand/ order (by proper officer) in respect of erroneous refunds under section 73 of CGST Act. Further, limitation under section 73 for FY 2017-18 for issuance of order in respect of other demands linked with due date of annual return, to be extended till 30th September, 2023.
- The Council has decided to constitute a Group of Ministers to address various concerns raised by the States in relation to constitution of GST Appellate Tribunal and make recommendations for appropriate amendments in CGST Act.
- The GoM on IT Reforms, inter alia, recommended that the GSTN should put in place the AI/ML based mechanism to verify the antecedents of the registration applicants and an improved risk-

based monitoring of their behavior post registration so that non-compliant taxpayers could be identified in their infancy and appropriate action be taken so as to minimize risk to exchequer.

**Note:** *The aforesaid recommendations are not mandatory and would be given effect through relevant Circulars/ Notifications/ Law amendments which alone shall have the force of law.*

**Annexure-A**

SL. No.	Description	From	To
<b>GOODS</b>			
1.	Printing, writing or drawing ink	12%	18%
2.	Knives with cutting blades, Paper knives, Pencil sharpeners and blades therefor, Spoons, forks, ladles, skimmers, cake-servers etc	12%	18%
3.	Power driven pumps primarily designed for handling water such as centrifugal pumps, deep tube-well turbine pumps, submersible pumps; Bicycle pumps	12%	18%
4.	Machines for cleaning, sorting or grading, seed, grain pulses; Machinery used in milling industry or for the working of cereals etc; Pawan Chakki that is Air Based Atta Chakki; Wet grinder;	5%	18%
5.	Machines for cleaning, sorting or grading eggs, fruit or other agricultural produce and its parts, Milking machines and dairy machinery	12%	18%
6.	LED Lamps, lights and fixture, their metal printed circuits board;	12%	18%
7.	Drawing and marking out instruments	12%	18%
8.	Solar Water Heater and system;	5%	12%
9.	Prepared/finished leather/chamois leather / composition leathers;	5%	12%
10.	Refund of accumulated ITC not to be allowed on Edible Oils and Coal		
<b>SERVICES</b>			
11.	Services supplied by foreman to chit fund	12%	18%
12.	Job work in relation to processing of hides, skins and leather	5%	12%
13.	Job work in relation to manufacture of leather goods and footwear	5%	12%
14.	Job work in relation to manufacture of clay bricks	5%	12%
15.	Works contract for roads, bridges, railways, metro, effluent treatment plant, crematorium etc.	12%	18%
16.	Works contract supplied to central and state governments, local authorities for historical monuments, canals, dams, pipelines, plants for water supply, educational institutions, hospitals etc. & sub-contractor thereof	12%	18%
17.	Works contract supplied to central and state governments, union territories & local authorities involving predominantly earthwork and sub-contracts thereof	5%	12%

***You can reach out to our team for any queries***



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