
Summary of Changes – 37th GST Council Meet

by

Table of Contents

1. Rate Change – Goods.....	2
2. Exemptions – Goods.....	3
3. Changes to Composition Scheme:.....	3
4. Rate Change - Services.....	4
5. Exemption - Services	5
6. Liquor License – Out of Supply.....	7
7. Reverse Charge Mechanism – Changes.....	7
8. PoS – R&D Services to Pharmaceutical Sector	8
9. Miscellaneous Changes.....	8
10. Refund Claim – Certain Circumstances.....	9
11. Withdrawal of Circular related to Discounts	9
12. Other Key Decisions.....	9

1. Rate Change – Goods¹

1.1 Rate Changes for Specified Goods:

NN 1/2017-CT(R) dated 28.06.2017 is amended to provide for the following rate changes:

- i. The rate of tax on Marine Fuel 0.5% is reduced from 18% to 5% with effect from 01st October 2019.
- ii. The rate of tax on wet grinders consisting stone as grinder has been reduced from 12% to 5% with effect from 01st October 2019.
- iii. The rate of tax on railway wagons, coaches and other locomotives including maintenance or service vehicles that fall under chapter 86 has been increased from 5% to 12% with effect from 01st October 2019.
- iv. Slide Fasteners falling under chapter 96 are subject to GST at 12% while their parts were subject to GST at 18%. With effect from 01st October 2019, even the parts of slide fasteners are also subject to GST at the rate of 12%.
- v. Caffeinated beverages falling under chapter 22 were subject to GST at 18%. The rate of these beverages is increased to 28% with effect from 01st October 2019. In addition to this, these are subject to GST Compensation Cess at 12%. Thus, with effect from 01st October 2019, caffeinated beverages are subject to a total tax of 40%.
- vi. The rate of tax on semi-precious stones falling under chapter 71 has been reduced from 3% to 0.25% with effect from 01st October 2019.

1.2 Concessional Rate for Supplies towards Petroleum Operations:

NN 3/2017-CT(Rate) dated 28.06.2017 provides that the goods specified in the list annexed to the said notification are subject to tax at a concessional rate of 5% when supplied in connection with specified petroleum operations. This notification is amended to extend the benefit of concessional rate to petroleum operations or coal bed operations undertaken under specified contracts under the Hydrocarbon Exploration Licensing Policy (HELP) or Open Acreage Licensing Policy (OALP). This concessional rate of 5% is effective from 01st October 2019.

¹ All the amendments mentioned under this heading are affected through NNo.14/2019-CT(R), NNo.16/2019-CT(R) and their corresponding NNo.14/2019-IT(R), NNo.16/2019-IT(R) dated 30.09.2019

2. Exemptions – Goods

2.1 Exemption for Dry Tamarind and Plates & Cups:

NN 2/2017-CT(R) dated 28.06.2017 is amended² to provide for the following exemptions:

- i. Dry Tamarind which was subject to tax at 5% is now exempt with effect from 01st October 2019.
- ii. Plates and cups made up of all kinds of leaves/flowers/barks were subject to tax at 5% are now exempt with effect from 01st October 2019.

2.2 Exemption for Supply of Silver and Platinum for Export:

NN 26/2018-CT(R) provides an exemption for supply of gold by nominated agencies to exporters under “Export Against Supply by Nominated Agency”. This notification is now amended³ to extend the said exemption to silver and platinum.

2.3 Exemption for Supply to FAO for Use in Specified Projects:

With effect from 01st October 2019, goods supplied to Food and Agricultural Organization of the United Nations (FAO) for use in execution of the following projects are exempt⁴ provided that an officer not below the rank of Deputy Secretary to the Government of India in Ministry of Agriculture and Farmer Welfare certifies the description, purpose of use and quantity of the goods:

- Strengthening Capacities for Nutrition-sensitive Agriculture and Food systems
- Green Ag: Transforming Indian Agriculture for Global Environment benefits and the conservation of Critical Biodiversity and Forest landscape

3. Changes to Composition Scheme:

3.1 NN 14/2019-CT dated 07.03.2019 provides that the manufacturer of specified goods is ineligible for composition scheme applicable to the supplier of goods. These include ice cream, pan masala and other tobacco products. This notification is now amended⁵ to provide **that supply of aerated water is also excluded from composition scheme for goods.**

3.2 NN 2/2019-CT(R) dated 07.03.2019 provides for composition scheme applicable to supplier of services. This notification also provides that the supplier of above-specified goods is ineligible for the scheme. This notification is now amended⁶ to provide that persons engaged in supply of aerated waters are also excluded from composition scheme for supply of services under the said notification.

² The amendment is affected through NNo.15/2019-CT(R) and their corresponding NNo.15/2019-IT(R) dated 30.09.2019

³ The amendment is affected through NNo.17/2019-CT(R) and their corresponding NNo.17/2019-IT(R) dated 30.09.2019

⁴ Exemption extended through NNo.19/2019-CT(R) and their corresponding NNo.19/2019-IT(R) dated 30.09.2019

⁵ Amended by NNo. 43/2019-CT dated 30.09.2019

⁶ Amended by NNo.18/2019-CT dated 30.09.2019

4. Rate Change - Services⁷

4.1 **Reduced Rate of Tax for Hotel Accommodation:** The rate of tax for hotel accommodation has been changed as under and is effective from 01st October 2019:

Category	Previous Rate	Current Rate
Accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes having "value of supply" of a unit of accommodation of one thousand rupees and above ⁸ but less than two thousand five hundred rupees per unit per day or equivalent.	12%	12%
Accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes having "value of supply" of a unit of accommodation of two thousand five hundred rupees and above but less than seven thousand five hundred rupees per unit per day or equivalent.	18%	
Accommodation in hotels including five-star hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes having "value of supply" of a unit of accommodation of seven thousand and five hundred rupees and above per unit per day or equivalent.	28%	18%

4.2 Tax Rates Related to Food Supply and Outdoor Catering:

It has been provided that supply of outdoor catering services at a premise other than the 'specified premises' including renting of such premises has been fixed at 5% without the benefit of credit. The term 'specified premises' has been defined to mean a premise providing services by way of hotel accommodation having declared tariff above Rs 7,500/- per unit. This implies that outdoor catering services provided at any premises other than a hotel having a unit value of accommodation more than Rs. 7,500/-, with or without renting of such premises would be subject to tax at 5% without the benefit of credit as against the previous rate of 18% with credit. In case of suppliers undertaking outdoor catering services in a hotel having declared tariff for accommodation more than Rs. 7,500/-, the applicable rate is 18% with the benefit of credit. This amendment is effective from 01st October 2019.

4.3 Tax Rates Related to Rental Services of Transport Vehicles:

Entry 10 of NN0. 11/2017-CT(R) provides that Rental Services for transport vehicles with or without operators were subject to tax at the rate of 5% with credit restricted to a similar line of business activity or at 12% without any

⁷ All the amendments mentioned under this heading are affected through NNo.20/2019-CT(R) and their corresponding NNo.19/2019-IT(R) dated 30.09.2019

⁸ It is required to note that exemption has been applicable for value of accommodation below or equal to one thousand rupees with effect from 01st October 2019. Accordingly, the declared tariff range for new rate of 12% is above one thousand rupees and less than or equal to seven thousand five hundred rupees.

restriction on credit at the option of the taxpayer. Renting services without operator are now excluded from the scope of this entry and are subject to GST under residuary category under Entry 17 of said notification at the rate of 18% without any restriction on credit. This amendment is effective from 01st October 2019.

4.4 Tax Rates Related to Leasing of Aircrafts/Vessels:

Leasing services of aircraft/vessels without operator are subject to tax at the rate of 5% subject to the condition that no credit can be claimed on aircrafts/vessels used for supplying the service. It is now amended to provide the rate of tax as 18% without any restriction on credit availment in case of leasing of aircraft without operator. This amendment is effective from 01st October 2019.

4.5 Reduction in Rate of Tax for Services Related to Exploration of Petroleum and Natural Gas:

Professional, technical and business services relating to exploration, mining or drilling of petroleum crude or natural gas or both were subject to tax at the rate of 18% are now taxable at the rate of 12%. This amendment is effective from 01st October 2019.

4.6 Rate Changes Related to Job work Services:

The following are the changes related to job work services which are effective from 01st October 2019:

Category	Previous Rate	Current Rate
Job work services in relation to diamonds	5%	1.5%
Job work services in relation to bus body building	18% ⁹	18%
Job work services other than the above	18%	12%

5. Exemption - Services¹⁰

5.1 Exemption for Services Related to FIFA U-17 Football Women's World Cup:

The following are the exemptions given in connection with FIFA U-17 Football Women's World Cup:

- i. Services provided by and to Federation of International De Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-17 women's world cup 2020 to be hosted in India are exempt by newly inserted entry 9AA. In order to claim this exemption, it is required to obtain a certificate from Director (Sports), Ministry of Youth Affairs and Sports that the services are directly or indirectly related to any of the events under FIFA U-17 women's world cup 2020. This exemption is effective from 01st October 2019.

⁹ Previously, the tax rate for job work services related to bus body building are covered under general category of job work services which were subject to tax at 18%. The tax rate is retained for these job work services while for all other job work services, the rate of tax has been reduced to 12%.

¹⁰ All the amendments mentioned under this heading are affected through NNo.21/2019-CT(R) and their corresponding NN 20/2019-IT(R) dated 30.09.2019.

- ii. Similarly, entry 82A is inserted in NNo. 12/2017-CT(R) to provide an exemption for services by way of right to admission to the events organized under FIFA U-17 Women's World Cup 2020. This exemption is effective from 01st October 2019.

5.2 Exemption for Intermediary Services:

Entry 12AA is inserted in NNo. 9/2017-IT(R) dated 28.06.2017 to provide that services by an intermediary located in India are exempt from **payment of tax provided the supplier and recipient of goods are outside the taxable territory.** The intermediary claiming this exemption shall be required to maintain for a minimum period of five years the documentary evidence viz. copy of bill of lading, copy of contract between supplier and receiver of goods, copy of commission debit note, copy of certificate of origin issued by service recipient located in non-taxable territory and a declaration from the intermediary that the commission debit note relates to a contract between supplier and recipient of goods located outside India. This exemption is effective from 01st October 2019.

5.3 Exemption for Transport Services Extended by another Year:

Entry 19A and 19B are amended to extend the exemption for services provided by way of transport of goods by aircraft or vessel from customs station of clearance in India to a place outside India from 30th September 2019 to 30th September 2020.

5.4 Storage and Warehousing Services:

Services provided by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibers such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, coffee and tea are exempt by newly inserted entry 24B. This exemption is effective from 01st October 2019.

5.5 Exemption for Specified Insurance Services:

The following insurance services are exempt with effect from 01st October 2019:

- i. Services of life insurance provided or agreed to be provided by the Central Armed Police Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the Group Insurance Schemes of the concerned Central Armed Police Force are exempt by newly inserted entry 29B.
- ii. Entry 35 of NNo 12/2017-CT(R) provides an exemption to general insurance services provided under various schemes. This entry is amended to extend exemption for services provided under the scheme 'Bangla Shasya Bima'.

6. Liquor License – Out of Supply¹¹

Service by way of grant of alcoholic liquor licence, against consideration in the form of the licence fee or application fee, are notified under section 7(2) of Central Goods & Services Tax Act, 2017 as neither a supply of goods nor as supply of services. Thus, there is no requirement to pay tax on the liquor licence fee.

7. Reverse Charge Mechanism – Changes¹²

7.1 Option of Forward Charge for Author:

Entry 9 of NN 13/2017-CT(R) provides that the services provided by an author, music composer, photographer, artist or the like by way of transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works to a publisher, music company, producer or the like are subject to reverse charge wherein the recipient of service viz. the publisher, music company, producer or the like located in the taxable territory are required to pay tax under reverse charge. This entry is amended to take away the services of the author from its purview. Further, a new entry 9A is inserted to provide an option to the author to pay tax on extending copyrights under forward charge by obtaining registration. This amendment is effective from 01st October 2019.

7.2 Reverse Charge for Renting of Motor Vehicles to Body Corporate:

Entry 15 is inserted in NN 13/2017-CT(R) to provide that the services provided by way of renting of a motor vehicle provided ***to a body corporate by any person other than a body corporate paying tax at the rate of 5%*** are covered under reverse charge requiring the recipient to pay tax. This amendment is effective from 01st October 2019.

7.3 Reverse Charge for Securities Lending:

Services provided by way of lending securities under Securities Lending Scheme 1997 of SEBI are covered under reverse charge requiring the service recipient i.e. borrower (a person who borrows the securities under the said scheme through an approved intermediary of SEBI) liable to pay tax. This amendment is effective from 01st October 2019.

7.4 Reverse Charge for Cement Purchased by Promoter from Unregistered Person:

In terms of NN 7/2019-CT(R) dated 29.03.2019, the promoter paying tax at 5% on the value of apartments are required to procure 80% of the value of inputs and input services other than the specified ones from registered suppliers. The promoter is required to pay tax under reverse charge on the shortfall of such procurements from registered persons if any during the financial year. The promoter is also required to pay tax under reverse charge on capital goods to the extent procured from unregistered persons. This notification is now amended to provide that tax is required to be paid under reverse charge on cement procured from unregistered persons whether or not there is a shortfall from the

¹¹ The amendment is affected through NN 25/2019-CT(R) and the corresponding NN 24/2019-CT(R) dated 30.09.2019

¹² The amendments under this heading are affected through NN 22/2019-CT(R) and their corresponding NN 21/2019-IT(R) dated 30.09.2019.

required minimum procurement of inputs and input services from registered persons. This amendment is effective from 01st October 2019.

8. PoS – R&D Services to Pharmaceutical Sector¹³

8.1 It has been clarified that the place of supply for research and development services related to pharmaceutical sector shall be the location of recipient of services provided that the services are undertaken under a contract between supplier located in India and recipient located outside India and all the conditions specified in the definition of 'Export of Service' under section 2(6) of Integrated Goods & Services Tax Act, 2017 except the condition that place of supply of the service shall be outside India are satisfied.

9. Miscellaneous Changes

9.1 Development rights extended on or after 01.04.2019 for construction of residential apartments are exempt under Sl.No. 41A of NN 12/2017-CT(R) except when the entire consideration for the respective residential apartment has been received after obtaining a completion certificate. This notification itself provides for the manner in which value of developments rights is to be determined. On the other hand, NNo. 4/2018-CT(R) dated 25.01.2018 provides for the manner in which the value of development rights and time of supply has to be determined with respect to development rights and construction services to landowner in general. It is now clarified by inserting¹⁴ an explanation in NN 4/2018-CT(R) dated 25.01.2018 that this notification shall not apply with respect to development rights supplied on or after 01.04.2019.

9.2 Suitable amendments¹⁵ are made in Rule 91, Rule 92 and Rule 94 of the Central Goods and Services Tax Rules, 2017 to facilitate integrated refund system with disbursement by a single authority. This amendment is effective from 24th September 2019.

9.3 The following are the clarificatory Amendments Related to various exemptions under NN 12/2017-CT(R):

- i. Entry 7 provides an exemption for services provided by Central Government, State Government, Union Territory to a business entity with an aggregate turnover of up to twenty lakh rupees (ten lakh rupees in case of a special category state) in the preceding financial year. In view of the recent changes related to threshold limit for registration under GST laws¹⁶, this entry is amended to provide that exemption is applicable to a business entity with an aggregate turnover of up to such amount in the preceding financial year as makes it eligible for exemption from registration under the Central Goods and Services Tax Act, 2017.
- ii. Entry 45 among others provide an exemption for services provided by an arbitral tribunal or firm of advocates or individual advocates by way of legal services to a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year. In view of the recent

¹³ NNo. 4/2019-IT(R) dated 30.09.2019

¹⁴ Explanation inserted by NNo. 23/2019-CT(R) and the corresponding NNo. 22/2019-IT(R) dated 30.09.2019

¹⁵ Amendments effected through NNo. 42/2019-CT(R) dated 24.09.2019

¹⁶ Third Proviso to section 22(1) of CGST Act, 2017 provides option to states to enhance the turnover limit for registration to 40 lakhs.

changes related to threshold limit for registration under GST laws, this entry is amended to provide that exemption is applicable to a business entity with an aggregate turnover of up to such amount in the preceding financial year as makes it eligible for exemption from registration under the Central Goods and Services Tax Act, 2017.

- iii. Entry 14 provides for exemption from accommodation services if the value of supply of the unit of accommodation is below one thousand rupees. It is now amended for clarity and to provide that exemption is applicable if the unit of accommodation is below or equal to one thousand rupees.

10. Refund Claim – Certain Circumstances

- 10.1 Circular No. 110/29/2019-GST dated 03.10.2019 has been issued in order to clarify that refund claims are to be filed under other category in case where the registered persons have inadvertently filed nil refund claims for the respective period under a particular category and the portal is preventing such person for filing another refund claim under the same category for the respective period. It is now clarified that refund claim shall be filed in RFD-01A/1 under other category. The circular also clarified that the claim shall verify the claim and process the refund.
- 10.2 Circular No. 111/30/2019-GST dated 03.10.2019 has prescribed the manner in which refund is to be claimed pursuant to a favorable order received in an appeal against a rejected refund claim. In this regard, it is clarified that another refund claim shall be filed under the category “Refund on account of assessment/provisional assessment/appeal/any other order” and the proper officer shall allow refund in Form GST RFD-06 and issue payment order in Form GST RFD-05.

11. Withdrawal of Circular related to Discounts

- 11.1 Circular No. 105/24/2019-GST dated 28.06.2019 was issued to clarify various doubts related to the treatment of secondary or post-sales discounts under GST. The clarifications given under this circular are withdrawn ab initio Vide Circular No. 112/31/2019-GST dated 03.10.2019.

12. Other Key Decisions

- 12.1 The following are various other key decisions taken by the GST Council during their 37th Meeting and **are due for implementation:**
 - It has been decided to relax from the requirement of annual returns for FY 2017-18 and FY 2018-19 for taxpayers paying GST as composition taxpayer and for taxpayers having aggregate turnover not exceeding Rs 2 crores.
 - It has been decided to constitute a Committee of Officers to examine the simplification of forms for Annual Return and Reconciliation Statement.
 - It has been decided to extend the last date for filing of appeals against orders of Appellate Authority before the GST Appellate Tribunal as the Appellate Tribunals are yet not functional.

- In order to nudge taxpayers to timely file their statement of outward supplies, it has been decided to impose restrictions on availment of the 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 Central Goods & Services Tax Act, 2017.
- It has been decided to introduce the new return system 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.
- It has been decided to make suitable amendments in the CGST Act, UTGST Act, and the corresponding SGST Acts in view of creation of UTs of Jammu & Kashmir and Ladakh.
- In principle, a decision has been taken 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 has been taken to prescribe reasonable restrictions on passing of credit by risky taxpayers including risky new taxpayers.
- It has been decided to 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.

The above is contributed by CA Sri Harsha & CA Manindar. For any further queries or discussion on the above, please reach harsha@sbsandco.com or manindar@sbsadnco.com

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