

Key Highlights of the 47th GST Council Meeting

The 47th Goods and Services Tax (“GST”) Council meeting, chaired by the Union Finance Minister, Nirmala Sitharaman was concluded on June 29, 2022. The GST Council recommended changes in the GST rate structure, along with measures for trade facilitation and streamlining compliances.

The key recommendations of the meeting are summarized below.

Changes in GST rate structure applicable to supply of goods and services

The GST Council accepted the recommendations of the GoM and also made additional recommendations in relation to rate rationalization. The rate changes and withdrawal of exemptions are proposed to be made effective from July 18, 2022. Some important changes are outlined below.

1. Rate Rationalization to remove inverted duty structure

- (a) Power driven pumps primarily designed for handling water such as centrifugal pumps, deep tube-well turbine pumps, submersible pumps, Bicycle pump¹; LED Lamps, lights and fixture, their metal printed circuits board²;
- (b) Solar water heater and system³;
- (c) Refund of accumulated ITC⁴ disallowed on edible oils and coal;
- (d) Works contract services:
 - (i) for roads, bridges, railways, metro, effluent treatment plant, etc.⁵;
 - (ii) for historical monuments, pipelines, educational institutions, hospitals, etc. supplied to central and state governments and local authorities⁶;
 - (iii) involving predominantly earth work and sub-contracts supplied to Central, State and Union Governments and Local Authorities⁷.

¹ Rate of GST increased from 12% to 18%

² *id*

³ Rate of GST increased from 5% to 12%

⁴ Input Tax Credit

⁵ Rate of GST increased from 12% to 18%

⁶ *id*

⁷ Rate of GST increased from 5% to 12%

2. Others

- (a) Tetra pack (aseptic packaging paper)⁸
- (b) Cut and polished diamonds⁹;
- (c) IGST on specified defence items imported by private entities/vendors, when end-user is the defence forces¹⁰;
- (d) Renting of truck/ goods where cost of fuel is included¹¹.

3. Withdrawal of Exemptions

- (a) Exemption on GST on specified food items, grains etc. when not branded/ right to the brand foregone to be revised to exclude prepackaged and pre-labelled retail packs as per Legal Metrology Act, 2009 (including pre-packed, pre-labelled curd, lassi and butter milk);
- (b) E-waste¹²;
- (c) Storage or warehousing of commodities which attract tax (nuts, spices, copra, jaggery, cotton, etc.);
- (d) Renting of residential dwelling to business entities (registered persons);
- (e) Hotel Accommodation priced upto INR 1,000 per day – to be taxed at 12%;
- (f) Room renting (excluding ICU) exceeding INR 5,000 per day per patient charged by a hospital – to be taxed at 5% (without ITC);
- (g) Services by Reserve Bank of India, Insurance Regulatory and Development Authority, Securities and Exchange Board of India, Family and Social Services Administration, Goods and Services Tax Network.

Note: It is important that the impact of the recommendations to rationalize/ withdraw exemptions and rates of GST is analysed based on actual notifications pending to be issued.

Measures for trade facilitation

In-principal approval for relaxation in the provisions for suppliers making supplies through E-Commerce Operators (ECOs)

Waiver of requirement of mandatory registration for a person supplying goods through ECOs, composition taxpayers allowed to make intra-State supplies through ECOs, subject to prescribed conditions.

Refund related changes

- (a) Change in formula for calculation of refund under Rule 89(5) of the CGST Rules to consider 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.
- (b) Amendment in Rule 96 of the CGST Rules to provide for transmission of IGST refund claims on the portal in a system generated FORM GST RFD-01 to the jurisdictional GST authorities for expeditious processing of refund claims that are suspended/ withheld, in cases where the exporter is identified as risky exporter and requires verification by GST officers.
- (c) FORM GST PMT-03A introduced for re-credit of amount in electronic credit ledger in cases where erroneous refund amount sanctioned to a taxpayer on account of accumulated ITC/ IGST paid on zero rated supply of goods or services, in contravention of Rule 96(10) of the CGST Rules.

⁸ Rate of GST increased from 12% to 18%

⁹ Rate of GST increased from 0.25% to 1.5%

¹⁰ Rate of GST decreased from applicable rate to Nil

¹¹ Rate of GST decreased from 18% to 12%

¹² Rate of GST increased from 5% to 18%

4. Clarifications expected on contentious matters

Clarification to be issued in respect of following contentious matters:

- (a) Refund claim under inverted duty structure where the supplier is supplying goods under some concessional notification.
- (b) Applicability of demand and penalty provisions under the CGST Act¹³ in respect of transactions involving fake invoices.
- (c) Refunds claimed by the recipients of supplies regarded as deemed export.
- (d) Interpretation of section 17(5) of the CGST Act.
- (e) Perquisites provided by employer to the employees as per contractual agreement.
- (f) Utilization of the amounts available in the electronic credit ledger and the electronic cash ledger for payment of tax and other liabilities.

Amendments in procedures and compliances

1. Exclusion of period from March 1, 2020, to February 28, 2022, for computation of period of limitation for the purpose of filing refund claim under Section 54 of CGST Act as well as for issuance of demand/ order for erroneously refund claims, under Section 73 of the CGST Act.
2. Time limit to issue order under Section 73 of CGST Act for FY 2017-18 in relation of other demands linked with due date of annual return extended till September 30, 2023.

Pending discussions and recommendations

The following issues/ recommendations have been left open and will be decided in the next GST Council meeting:

1. 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;
2. Taxability on casinos, horse racing and online gaming;
3. Rate Rationalisation of goods and services (other than those already approved).

¹³ The Central Goods and Services Tax Act, 2017

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