



## **Goods and Services Tax Alert**

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**GST Council recommends revision in rates for multiple goods and services. Exemption provided to certain goods / services. Late fee for failure to file certain returns, amended.**

**Issue no:** GST/01/2018

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## **GST Council recommends revision in rates for multiple goods and services. Exemption provided to certain goods / services. Late fee for failure to file certain returns, amended**

The GST Council, in the meeting on 18<sup>th</sup> January 2018, proposed the following:

- Some of the goods on which rates are proposed to be revised are as follows:
  - Liquefied petroleum gas supplied by private distributors to domestic consumers (reduced to 5% from 18%)
  - Scientific and technical instruments, apparatus, equipment, accessories, parts, components, spares, tools, mock ups and modules, raw materials and consumables required for launch vehicles and satellites and payloads (reduced to 5% from 18%)
  - Diamond and precious stones (reduced to 0.25% from 3%)
  - Cigarette filter rods (increased to 18% from 12%)
- GST with respect to supply of old and used motor vehicles to be revised in the following manner:
  - GST on margin of the supplier upon supply of old and used medium and large cars and SUVs (fixed at 18% subject to non-availment of ITC of excise, VAT or GST)
  - GST on margin of the supplier upon supply of all other old and used motor vehicles (fixed at 12% subject to non-availment of ITC of excise, VAT or GST)
  - No compensation cess to be applicable on margin of the supplier, supplying old and used motor vehicles subject to non-availment of ITC of excise, VAT or GST
- Exemption to be granted *inter alia* to the following services:
  - Legal services provided to Government, local authority, Governmental authority and Government entity
  - Transportation of goods, by air or by sea, from India to a place outside India (exemption to be granted up to 30th September 2018)
  - Value of such service to be excluded from the value of exempted services for the purpose of ITC reversal
  - IGST on royalties and license fees payable on temporary transfer or permitting the use or enjoyment of any intellectual property right included for the purposes of customs valuation
  - Composite supply provided to Government entities, provided value of goods involved in such composite supply does not exceed 25% of total value of supply (such composite supply to get the same benefit as pure services provided to Government entities, for the purpose of exemption)
  - Government share on profit petroleum (profit generated on account of production of crude oil and natural gas)
  - Admission to or conduct of examination including entrance examination conducted against receipt of entrance fee

- Admission to theatrical performances as well as to planetarium where consideration for admission is not more than INR 500 per person (increased from previous threshold limit of INR 250 per person)
- Subscription of online educational journals / periodicals provided by educational institutions granting degrees recognized by any law
- Renting of transport vehicles provided to person providing service to educational institution (providing education up to higher secondary or equivalent) pertaining to transportation of students, faculty and staff
- GST rate on following services inter alia to be revised:
  - Construction of metro and mono-rail projects (reduced to 12% from 18%)
  - Mining or exploration services of petroleum crude and natural gas and for drilling services in respect of the said goods (reduced to 12% from 18%)
  - Housekeeping services provided through electronic commerce operator (5% from 18%) provided that no input tax credit shall be available
  - Admission to theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet (reduced to 18% from 28%)
  - Works contract services provided by sub-contractor to main contractor (providing works contract services to Central Government, State Government, Union Territory, local authority, Governmental authority or a Government entity (reduced to 5% or 12% as the case may be, from 18%)
  - Transportation of petroleum crude and petroleum products (reduced to 5% without ITC and 12% with ITC, from 18%)

Notification(s) confirming such rate changes shall be effective from 25<sup>th</sup> January, 2018

- Clarifications has been provided on the following:
  - Interest / discount earned on deposits, loans or advances shall not be included in the value of exempt supply except in case of financial institutions providing similar services
  - Renting of immovable property by Government / local authority to registered person to be taxable under reverse charge (under forward charge when such service provided by Government / local authority to un-registered person)
  - Only goods under Chapter 86 (belonging to the rail coach industry) shall attract GST at the rate of 5% without ITC, while any other goods (even if supplied to Indian Railways) shall attract GST as prescribed under specific chapter heading
  - GST on transfer of development right against consideration in the form of construction service and on construction service against consideration in the form of transfer of development right shall be levied once possession or right in the immovable property has been transferred to land owner by conveyance deed or similar instrument
  - Exemption to hotel accommodation with declared tariff of INR 1000 or less to be extended to hostels providing accommodation services with declared tariff of INR 1000 or less
- Late fee with respect to failure to furnish FORM GSTR -1, GSTR – 5, GSTR – 5A and GSTR – 6 reduced to INR 50 per day and to INR 20 per day for assesses required to file NIL returns
- Option to cancel voluntary registration will be permitted before expiry of 1 year from effective date of registration

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# Contacts

## Ahmedabad

19<sup>th</sup> Floor, Shapath - V  
SG Highway,  
Ahmedabad – 380 015.  
Tel: + 91 (079) 6682 7300  
Fax: + 91 (079) 6682 7400

## Coimbatore

Shanmugha Manram  
41, Race Course,  
Coimbatore  
Tamil Nadu - 641018  
Tel: + 91 (0422) 439 2801  
Fax: +91 (0422) 222 3615

## Kolkata

13th and 14th Floor,  
Building – Omega  
Bengal Intelligent Park  
Block – EP & GP  
Sector V, Salt Lake City,  
Kolkata – 700091  
Tel : + 91 (033) 6612 1000  
Fax : + 91 (033) 6612 1001

## Bangalore

Deloitte Centre, Anchorage II,  
100/2, Richmond Road,  
Bangalore 560 025.  
Tel: +91 (080) 6627 6000  
Fax: +91 (080) 6627 6010

## Delhi/Gurgaon

Building 10,  
Tower B, 7th Floor,  
DLF Cyber City,  
Gurgaon 122 002  
Tel : +91 (0124) 679 2000  
Fax : + 91 (0124) 679 2012

## Mumbai

Indiabulls Finance Centre,  
Tower 3, 28th Floor,  
Elphinstone Mill Compound,  
Senapati Bapat Marg, Elphinstone  
(W),  
Mumbai – 400013  
Tel: + 91 (022) 6185 4000  
Fax: + 91 (022) 6185 4101

## Chennai

No.52, Venkatanarayana Road,  
7th Floor, ASV N Ramana Tower,  
T-Nagar,  
Chennai 600 017.  
Tel: +91 (044) 6688 5000  
Fax: +91 (044) 6688 5050

## Hyderabad

1-8-384 and 385, 3rd Floor,  
Gowra Grand S.P.Road,  
Begumpet,  
Secunderabad – 500 003.  
Tel: +91 (040) 6603 2600  
Fax: +91 (040) 6603 2714

## Pune

706, B-Wing, 7<sup>th</sup> Floor,  
ICC Trade Tower,  
Senapati Bapat Road,  
Pune – 411 016.  
Tel: + 91 (020) 6624 4600  
Fax: +91 (020) 6624 4605



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