



Goods and Services Tax Alert

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In this issue:

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Four separate tax brackets proposed for services under the GST regime

- All services under the GST regime shall be taxed as per rates proposed in four separate tax slabs i.e. 5%, 12%, 18% and 28%.
- List of exempted services has also now been prescribed. The services that are currently exempt shall continue to be exempt under the GST regime. Services by Government, foreign diplomatic mission, educational institutions and healthcare services etc. are covered in the exemption list.
- Transport services (such as railway) as well as services provided by cab aggregators shall be taxed at a lower rate of 5%. Further, economy class air travel shall also attract GST at the rate of 5%.
- Services of goods transport agency, tour operator services shall also attract GST at the rate of 5%. However, no input tax credit in respect of such services can be availed.
- GST rate on non-air conditioned hotels and hotels and lodges with tariff ranging between INR 1,000 and INR 2,500 and business class air travel shall be 12%. The same rate applies to temporary transfer or permitting the use or enjoyment of any intellectual property as well as permanent transfer of intellectual property.
- Construction services in relation to complex, building, civil structure is to be taxed at 12%. However, no refund of accumulated credit would be available.
- GST rate on air-conditioned hotels serving liquor, hotels and lodges with tariff ranging between INR 2500 and INR 5,000, telecom services and financial services shall be 18%. Further, works contract services shall also attract tax at the rate of 18%.
- Services provided by luxury hotels shall be taxed at a higher rate of 28%. Further, activities such as race club betting, service by way of admission to entertainment events shall also be taxed at 28%.
- Services such as transfer of right to use goods and transfer of right in goods shall be taxed at the rate that would have been applicable on supply of such goods.
- List of services to be taxed under the reverse charge mechanism have also now been prescribed. Services of goods transport agency, legal services, sponsorship services, cab aggregator services etc. are covered in the said list. GST on all such prescribed services shall be levied completely at the hands of the service recipient.
- Tax rates for precious metals, biris, footwear, textiles, agriculture implements etc. have been deferred and shall be decided in the next GST Council meeting scheduled on 3 June 2017.

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