



Goods and Services Tax Alert

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Rates for taxation of most commodities under GST finalised. Certain rules such as registration, invoicing, payment, refund, input tax credit, valuation and composition updated.

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[GST Council finalizes rates for taxation of most commodities under GST.](#)

[Certain rules such as registration, invoicing, payment, refund, input tax credit, valuation and composition updated.](#)

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Fitment of rates for commodities along with finalization of rules relating to registration, invoicing, payment, refund, input tax credit, valuation and composition

- The GST Council, in its meeting on 18 May 2017 finalized rates of commodities to be taxed under the GST regime. Commodities have been fitted into the proposed tax brackets of nil, 5%, 12%, 18% and 28%. Commodities have been classified up to 4 digits.
- Essential commodities such as dairy produce, vegetables, fruits, cereals, printed books, agricultural implements etc. shall be subject to nil rate of GST.
- Commodities such as tea, coffee, vegetable oils, certain industrial products (coal, iron ore etc.), certain pharmaceutical products and medical equipment, brochures, building materials (building bricks, earthen or roofing tiles), renewable energy devices shall be taxed at the rate of 5%.
- Railway locomotives have also been proposed to be taxed at 5%. However, refund of unutilized input tax credit shall not be available.
- Dry fruits, fruit juices, fertilizers, leather products, mobile phones, tractors, contact lenses, LED lights and lamps shall be taxed at 12%.
- Chocolates, aerated / non-alcoholic beverages, tobacco products, perfumes, rubber tyres used in automobiles, printers, photo-copiers, digital cameras, motor vehicles, wrist watches shall be taxed at 28%.
- A further element of compensation cess shall be applicable, specifically to products such as tobacco, aerated waters etc.
- Compensation cess, at varied rates, shall be levied at different rates to motor vehicle variants i.e. 1% on small petrol cars, 3% on small diesel cars and 15% on mid-segment cars, large cars as well as SUVs.
- Most other commodities shall be taxed at the general rate of 18%.
- Rates on products such as biscuits, textiles, footwear, precious and semi-precious stones, precious metals and agricultural machinery are to be decided at a later stage.
- GST rate with respect to services shall also be finalized in the GST Council meeting on 19 May 2017.

Rules related to registration, invoicing, payment, refund, input tax credit, valuation and composition updated by the GST council.

- Key amendments to the said rules are as follows:

Tax invoice, credit and debit notes

- With respect to receipt of advances from supplier, if the rate of tax is not determinable, tax shall be paid at the rate of 18%. Further, if the nature of supply is not determinable, the same shall be treated as an inter-state supply
- Contents of refund voucher and payment voucher have been specified

Determination of value of supply in transaction between distinct or related persons

- Where goods are further supplied by the recipient in case of distinct or related party transactions, the supplier shall have the option to invoice the recipient at 90% of the price charged for the supply by such recipient to customer

Input tax credit

- The time limit of 180 days prescribed for payment to suppliers to avail input tax credit shall not apply to the supplies made without consideration as specified in Schedule I. They shall be deemed to be paid.

Refund

- A mechanism / formula for refund on account of inverted duty structure has been prescribed

Registration

- An Input Service Distributor shall apply separately for registration under GST

Two sets of rules (i.e. relating to returns and transition) are yet awaited.

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