

**Agenda for  
16<sup>th</sup> GST Council Meeting**

**11 June 2017**

**F.No. 104/16<sup>th</sup> Meeting/GST Council/2017**  
**GST Council Secretariat**

Room No.275, North Block, New Delhi  
Dated: 6 June 2017

**Notice for the 16<sup>th</sup> Meeting of the GST Council on 11 June 2017**

The undersigned is directed to refer to the subject cited above and to say that the 16<sup>th</sup> Meeting of the GST Council will be held on 11 June 2017 at Hall No. 2-3, Vigyan Bhavan, New Delhi. The schedule of the meeting is as follows:

- Sunday, 11 June 2017 : 1130 hours onwards
2. The agenda items of the Council meeting are enclosed.
  3. In addition, an officers' meeting will be held on Sunday, 11 June 2017 from 1000 - 1100 hours at the same venue, Hall No. 2-3, Vigyan Bhavan, New Delhi.
  4. Please convey the invitation to the Hon'ble Members of the GST Council to attend the meeting.

- *Sd* -

**(Dr. Hasmukh Adhia)**  
**Secretary to the Govt. of India and ex-officio Secretary to the GST Council**  
**Tel: 011 23092653**

Copy to:

1. PS to the Hon'ble Minister of Finance, Government of India, North Block, New Delhi with the request to brief Hon'ble Minister about the above said meeting.
2. PS to Hon'ble Minister of State (Finance), Government of India, North Block, New Delhi with the request to brief Hon'ble Minister about the above said meeting.
3. The Chief Secretaries of all the State Governments, Delhi and Puducherry with the request to intimate the Minister in charge of Finance/Taxation or any other Minister nominated by the State Government as a Member of the GST Council about the above said meeting.
4. Chairperson, CBEC, North Block, New Delhi, as a permanent invitee to the proceedings of the Council.
5. Chairman, GST Network

## **Agenda items for the 16<sup>th</sup> Meeting of the GST Council on 11 June 2017**

1. Confirmation of the Minutes of the 15<sup>th</sup> GST Council Meeting held on 3 June 2017
2. Approval of amendments to draft GST Rules (details to be informed subsequently)
3. Rate adjustments, if any, based on representations received from Trade and Industry
4. Any other agenda item with the permission of the Chairperson
5. Date of the next meeting of the GST Council

## TABLE OF CONTENTS

<u>Agenda No.</u>	<u>Agenda Item</u>	<u>Page No.</u>
1	Confirmation of the Minutes of the 15 <sup>th</sup> GST Council Meeting held on 3 Jun 2017	5
2	Approval of amendments to the draft GST Rules and related Forms <ol style="list-style-type: none"> <li>1. Accounts and Records Rules</li> <li>2. Accounts and Records Forms</li> </ol>	56 60
3	Rate adjustments, if any, based on representations received from Trade and Industry – Goods	65
	Rate adjustments, if any, based on representations received from Trade and Industry - Services	
	1. Proposals of Uttar Pradesh for exemption from GST	76
	2. GST Rate on job work services provided in Textile, Diamond Processing and Jewellery Sectors	77
	3. Legal Services	78
	4. Sponsorship Services	79
	5. GST rate on admission to cinema theatres (Record of discussion on 9th June, 2017 in the Fitment Committee)	80
4	Any other agenda item with the permission of the Chairperson – <ol style="list-style-type: none"> <li>1. Notification of certain Sections of GST Acts</li> <li>2. Amendment in Rule 19 of the Registration Rules for additional method of Authentication</li> </ol>	81 83

# Discussion on Agenda Items

---

## **Agenda Item 1: Confirmation of the Minutes of the 15<sup>th</sup> GST Council Meeting held on 18-19 May 2017**

The fifteenth meeting of the GST Council (hereinafter referred to as ‘the Council’) was held on 3 June, 2017 in Vigyan Bhawan, New Delhi, under the Chairpersonship of the Hon’ble Union Finance Minister, Shri Arun Jaitley. The list of the Hon’ble Members of the Council who attended the meeting is at **Annexure 1**. The list of officers of the Centre, the States, the GST Council and the Goods and Services Tax Network (GSTN) who attended the meeting is at **Annexure 2**.

2. The following agenda items were listed for discussion in the 15<sup>th</sup> Meeting of the Council –

1. Confirmation of the Minutes of the 14<sup>th</sup> GST Council Meeting held on 18-19 May, 2017
2. Presentation on Information Technology (IT)-readiness of GSTN for roll-out of GST
3. Approval of amendments to the following draft Goods and Services Tax (GST) Rules and related Forms
  - i. Return Rules and Forms, including GST Tax Practitioner Forms and Mismatch Forms
  - ii. Transition Rules and Forms
4. Finalization of the rates of tax and cess to be levied on commodities remaining after the Fitment exercise during the 14<sup>th</sup> GST Council meeting
5. Presentation on concept note on operationalizing the Anti-Profiteering Clause in GST Law
6. Any other agenda item with the permission of the Chairperson
  - i. Applicability of GST on supply of Electricity
  - ii. Notifying Provisions related to Composition Levy
  - iii. Notifying Provisions related to Appointment of Officers
  - iv. Notifying Provisions related to Registration
  - v. E-Way Bills
7. Date of the next meeting of the GST Council

3.1. The Hon’ble Chairperson welcomed all the Members to the 15<sup>th</sup> Council Meeting.

## **Discussion on Agenda Items**

### **Agenda Item 1: Confirmation of the Minutes of the 14<sup>th</sup> GST Council Meeting held on 18-19 May, 2017:**

4. The Hon’ble Chairperson invited comments of the Members on the draft Minutes of the 14<sup>th</sup> Meeting of the Council (hereinafter referred to as ‘Minutes’) held on 18-19 May 2017 before its confirmation.

4.1.1. The Secretary informed that a written request had been received from the Commissioner of Commercial Tax (CCT), Rajasthan, to replace the version of the Hon’ble Minister from Rajasthan recorded in paragraph 15.9 (xxxii) with the following version indicated in bold letters: **Hand tools**: The

Hon'ble Minister from Rajasthan stated that ~~agricultural hand tools like karani, etc.~~ **non-electrically operated hand tools i.e. gurmala, karni, sawal, gunia, etc.** should be under the exempt category. The Council agreed to record this version in the Minutes.

4.1.2. The Hon'ble Minister from Rajasthan stated that the second sentence of paragraph 15.9 (xxxii) would also require to be changed and it should be added that heading 8201 covering non-electrical hand tools were exempt. The Secretary stated that the actual description of goods falling under chapter heading 8201, namely, spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry would be added. The Council agreed to this suggestion.

4.1.3. The Secretary further clarified that hand tools are of two varieties and some are exempted and some attract tax at the rate of 5% and electrical hand tools attracted tax at the rate of 12%. The Hon'ble Minister from Rajasthan observed that his demand for exemption from tax of agricultural hand tools was accepted in the last Council Meeting. The Secretary clarified that it was only accepted with respect to one category of hand tools falling under Chapter heading 8201, while the others would be taxed at the rate of 5%. The Hon'ble Minister from Rajasthan stated that his specific demand was to exempt hand tools like *gurmala, karni, sawal, gunia*, etc. The Secretary stated that exemption from tax would be available for goods covered under the Chapter heading 8201 and in case exemption was sought in respect of goods falling in headings other than Chapter heading 8201, it would need to be discussed at a later date.

4.2. The Hon'ble Minister from Meghalaya stated that in paragraph 15.9 (lxxii) relating to roofing material, he had mentioned that roofing materials like corrugated sheets were not similar to other building material as they were used by the poorest of the poor for shelter over their head, and therefore, they should be taxed at a lower rate. He requested to add his version in this paragraph. The Council agreed to record his version in the Minutes.

4.3. The Hon'ble Minister from Punjab stated that in paragraph 19.2, it was recorded that Shri V.K. Garg, Advisor (GST), Punjab, stated that “...in Punjab, a fee was charged for giving liquor licence and as fee had the character of service, the Government of Punjab was paying Service Tax on collection of such fee from 1 April, 2016.” He stated that the highlighted underlined portion was not stated by Shri V.K. Garg and suggested to delete the same. The Council agreed to delete the highlighted underlined portion from paragraph 19.2 of the Minutes.

4.4.1. The Hon'ble Minister from Punjab stated that the Council decision recorded in the last line of paragraph 19.4, namely, “the Council agreed to continue this tax on licence fee for liquor in the GST regime also and not to exempt it” was not taken. The Hon'ble Chairperson stated that the discussion was to find a way out but it was decided not to exempt GST on licence fee on liquor. The Secretary pointed out that in paragraph 19.4 of the Minutes, it was recorded that the Hon'ble Chairperson stated that the only way to address this issue was to change the taxation model where excise duty on alcohol could be increased and licence fee on liquor could be reduced. He had further observed that for the transitional period, the affected States could pass some order. Shri Sanjeev Kaushal, Additional Chief Secretary (ACS), Haryana, stated that the decision of the Hon'ble Chairperson was that for the transition phase, some decision would be taken so that the States did not lose financially. The Secretary stated that the decision in the Minutes was recorded correctly and several States had very strongly opposed the proposal of exempting the liquor fee charged by the States from GST.

4.4.2. The Hon'ble Minister from Punjab stated that if the last line of paragraph 19.4 was not deleted, it would lead to loss of revenue for Punjab to the tune of about Rs. 1,000 crore. The Hon'ble Chairperson stated that after 1 July, 2017, the scheme of liquor licence could be restructured where licence fee could

be reduced and excise duty could be increased. The ACS, Haryana, stated that even if they passed a legislation in this regard, it could lead to legal disputes. He, therefore, suggested that officers of the Central Government and the State Governments could sit together and work out a solution.

4.5. The Hon'ble Deputy Chief Minister of Delhi stated that in paragraph 15.9 (xlvi), there should also be a mention of Delhi in the discussion recorded regarding the demand for keeping the tax on plywood and particle board at the rate of 12% instead of the proposed rate of 28%. He observed that he had stated that if one wanted to prevent wood to be cut, then boards based on bagasse and fibre should be encouraged and requested that this should be added in paragraph 15.9 (xlvi) of the Minutes. The Council agreed to record his version in the Minutes.

4.6. The Hon'ble Deputy Chief Minister of Delhi stated that he had proposed exemption from tax for entry to circus, dance, theatrical performance, drama and Indian classical dance but this was not reflected in paragraph 26.1 of the Minutes and that the same should be incorporated in this paragraph. The Council agreed to record his version in the Minutes.

4.7. The Hon'ble Minister from Uttarakhand stated that in reference to discussion on plywood and particle board in paragraph 15.9 (xlvi) of the Minutes, he had stated that plywood made of eucalyptus being not in the category of an agricultural crop, should also attract tax at the rate of 12%. He stated that his version should be recorded in this paragraph. The Council agreed to record his version in the Minutes. He further stated that tax rate on plywood made of eucalyptus should be revisited when rates of other goods came up for reconsideration.

4.8. The Hon'ble Minister from Uttarakhand stated that just like *dalia*, other than put up in unit container and bearing a registered brand name, was exempted from tax, there should also be tax exemption to pasta and macaroni as they employed the same process as *dalia*. The Hon'ble Chairperson stated that these goods could be covered in the list of goods that might come for reconsideration of the rates already approved by the Council.

4.9. The Hon'ble Minister from Maharashtra stated that on page 42 in para 24.1 of the Minutes, his version was recorded as follows: "The Hon'ble Minister from Maharashtra stated that in his State, the Composition scheme was available to the restaurants at the rate of 5% where turnover was less than Rs. 3 crore and at the rate of 8% where turnover was more than Rs. 3 crore." He observed that the proposal regarding enhancement of limit of composition for hoteliers and rate of tax applicable to them was not recorded in the Minutes. He requested to insert the following proposals made by him :- '(i) The limit of composition scheme to the restaurants, eating house, hotels etc. which did not serve liquor could be increased upto turnover of Rs. one crore; (ii) Hotels which did not serve liquor and whose turnover was above Rs. one crore could be taxed at the rate of 12%; (iii) All the hotels which served liquor (other than hotels having rating five star and above) could be retained in tax bracket of 18% as recommended by the Council.' The Council agreed to record his version in the Minutes.

4.10.1. The Hon'ble Minister from Maharashtra stated that on page 42 in paragraph 24.3 of the Minutes, his version was recorded as under:- "The Hon'ble Minister from Maharashtra stated that abatement regarding value of land should be kept out of the current proposal as in his State, in 12 Corporations, the land value was about 50% of the value of the flat and abatement of 30% would lead to litigation. He suggested that abatement should be given as per ready reckoner of the land value or on the basis of the stamp duty." He observed that the proposal regarding allowance of abatement/deduction, of the part transfer of property in goods as well as services used in construction that came into existence, before the contract between buyer and the developer, might also be provided. He stated that in this regard, he had referred to the Supreme Court Judgment in the case of M/s. Larsen & Toubro Limited, decided in September 26, 2013 (Para 115) which was as follows: "It may, however, be clarified that activity of construction undertaken by the developer would be works contract only from the stage the developer

enters into a contract with the flat purchaser. The value addition made to the goods transferred after the agreement is entered into with the flat purchaser can only be made chargeable to tax by the State Government.”

4.10.2. The Hon’ble Minister from Maharashtra requested to insert the following proposal made by him in paragraph 24.3 of the Minutes:-

- (a) Abatement for the part transfer of property in goods or services used in construction, before the contract between buyer and the developer came into existence:

<b>Sr. No.</b>	<b>Stage during which the developer enters into a contract with the purchaser.</b>	<b>Rate of Abatement</b>
<b>a)</b>	Before issue of the Commencement Certificate.	NIL%
<b>b)</b>	From the Commencement Certificate to the completion of plinth level.	5%
<b>c)</b>	After the completion of plinth level to the completion of 100% of RCC framework	15%
<b>d)</b>	After the completion of 100% RCC framework to the Occupancy Certificate.	45%
<b>e)</b>	After the Occupancy Certificate	100%

- (b) For determining the value of supply of services as per the above Table, it shall be necessary for the dealer to furnish a certificate from the Competent Authority. This would make the levy compliant with Law laid down by Hon’ble Courts and such deduction would avoid hardship to people in Maharashtra (mainly MMRDA region). The Council agreed to record his version in the Minutes.

4.11. The Hon’ble Minister from Maharashtra stated that on page 42 and 43 in paragraph 24.3 of the Minutes, the following point raised by him was not considered while preparing the draft Minutes. He requested to insert the issues raised and proposal made by him which was as follows:- Maharashtra proposed exemption from levy of Maharashtra SGST on ongoing construction of complex, building etc. services, where lump sum amount was already paid on full consideration under the Maharashtra Value Added Tax Act. He stated that the Government of Maharashtra proposed to grant exemption from levy of tax for such construction services where the full amount in lieu of tax was already deposited in the Government treasury along with the return for the tax period preceding the appointed day. The Hon’ble Minister from Maharashtra sought a recommendation from the Council for grant of exemption under Section 11 of the SGST Act from levy of State GST on such construction services. The Council agreed to record his version in the Minutes. However, the Council did not agree to give any such exemption under the SGST Act.

4.12. The Hon’ble Deputy Chief Minister of Gujarat stated that during discussion on electricity in paragraph 15.9 (xxxiv) at page 26, he had suggested that electricity should be exempted from GST, but the same was not recorded in the Minutes. He requested to record his version in the Minutes and the Council agreed to the same.

4.13. The Hon’ble Deputy Chief Minister of Gujarat stated that during discussion on roofing material in paragraph 15.9 (lxxii) at page 33, he had suggested that roof tiles should be exempted from GST, but the same was not recorded in the Minutes. He requested to record his version in the Minutes and the Council agreed to the same.

4.14. The Hon’ble Deputy Chief Minister of Gujarat stated that during discussion on carriage for disabled persons in paragraph 15.9 (lxxvi) at page 33, he had suggested that carriage for disabled



persons should be exempted from GST, but the same was not recorded in the Minutes. He requested to record his version in the Minutes and the Council agreed to the same.

4.15. The Hon'ble Deputy Chief Minister of Gujarat stated that he had suggested that intra-ocular lens should be kept in lower tax slab. He stated that this was not mentioned in the Minutes and that the same should be suitably incorporated. The Council agreed to record his version.

4.16. Dr. C. Chandramouli, ACS, Tamil Nadu, stated that the written speech circulated by the Hon'ble Minister from Tamil Nadu before the 14<sup>th</sup> meeting of the Council should be reflected appropriately in the Minutes. The Secretary stated that the full speech could not be reproduced in the Minutes but any written speech circulated by the Hon'ble Members during the Council Meeting would be taken on record and a reference to this effect would be made in the Minutes.

4.17. The Hon'ble Minister from Kerala stated that with reference to discussion on plywood and particle board in paragraph 15.9 (xlvi) of the Minutes, his version recorded in the Minutes was that he suggested that wood based particle board should be taxed at the rate of 18%. He requested to modify his version and to record that 'the Hon'ble Minister from Kerala suggested that wood based particle board should be taxed at a lower rate.' The Council agreed to record the modified version.

4.18. The ACS, Haryana, stated that with reference to discussion on plywood and particle board in paragraph 15.9 (xlvi) of the Minutes, the following should be added as the version of the Hon'ble Minister from Haryana: 'Most of the units in the ply board sector fell under micro and small enterprises with a turnover of less than Rs. 4 crore and were exempt from Central Excise duty upto the turnover of Rs. 1.5 crore. Therefore, the incidence of Central Excise duty at the rate of 12.5% was not applicable on them and as such, taxing them at the rate of 28% was not justifiable and that GST on ply board at the rate of 18% would be more appropriate.' The Council agreed to add this version of the Hon'ble Minister from Haryana in the Minutes.

4.19. The Hon'ble Minister from Karnataka stated that in paragraph 16.2 of the Minutes relating to discussion on hybrid cars, he did not have data which he could get subsequently, namely, that current rate of taxation on large hybrid cars was less than 28% (around 25-26%) and that by agreeing to impose 15% Cess on them, there was an increase in the rate of tax on hybrid cars by 15% and this would lead to increase in price of such cars by 15%. He stated that based on this information, he would like to reopen the issue of taxation on large hybrid cars at an appropriate time as the Council had decided that during fitment exercise, the GST rate should not become higher than the existing rate of tax. He requested that these facts should be suitably incorporated in the Minutes. The Secretary stated that as these facts were not mentioned in the last Council Meeting, it would not be appropriate to incorporate it in the Minutes. The Hon'ble Minister from Karnataka agreed to this suggestion.

5. In view of the above discussion, for **Agenda item 1**, the Council decided to adopt the Minutes of the 14<sup>th</sup> Meeting of the Council with the changes as recorded below:-

5.1. to replace the version of the Hon'ble Minister from Rajasthan recorded in paragraph 15.9 (xxxii) with the following version: 'The Hon'ble Minister from Rajasthan stated that non-electrically operated hand tools i.e. *gurmala, karni, sawal, gunia*, etc. should be under the exempt category';

5.2. To replace the second sentence of paragraph 15.9 (xxxii) with the following version: 'The Secretary clarified that agricultural hand tools falling under HS Code 8201, namely, spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry were already kept in the exempt list';

5.3. In paragraph 15.9 (lxxii), to add the following version of the Hon'ble Minister from Meghalaya: 'The Hon'ble Minister from Meghalaya stated that roofing materials like corrugated sheets were not similar to other building material as they were used by the poorest of the poor for shelter over their head, and therefore, they should be taxed at a lower rate.';

5.4. In paragraph 19.2, to delete the following version attributed to Shri V. K. Garg, Advisor (GST), Punjab: "and as fee had the character of service, the Government of Punjab was paying Service Tax on collection of such fee from 1 April, 2016";

5.5. In paragraph 15.9 (xlvi), to add the following version of the Hon'ble Deputy Chief Minister of Delhi: 'The Hon'ble Deputy Chief Minister of Delhi stated that if one wanted to prevent wood to be cut, then boards based on bagasse and fibre should be encouraged.';

5.6. In paragraph 26.1., to add the following version of the Hon'ble Deputy Chief Minister of Delhi: 'The Hon'ble Deputy Chief Minister of Delhi stated that entry to circus, dance, theatrical performance, drama and Indian classical dance should be exempt from tax.';

5.7. In paragraph 15.9 (xlviii), to add the following version of the Hon'ble Minister from Uttarakhand: 'The Hon'ble Minister from Uttarakhand stated that plywood made of eucalyptus being not in the category of an agricultural crop, should also attract tax at the rate of 12%';

5.8. In paragraph 24.1, to add the following version of the Hon'ble Minister from Maharashtra: 'The Hon'ble Minister from Maharashtra suggested the following: (i) The limit of composition scheme to the restaurants, eating house, hotels etc. which did not serve liquor could be increased upto turnover of Rs. one crore; (ii) Hotels which did not serve liquor and whose turnover was above Rs. one crore could be taxed at the rate of 12%; (iii) All the hotels which serve liquor (other than hotels having rating five star and above) could be retained in tax bracket of 18% as recommended by the Council.';

5.9. In paragraph 24.3, to add the following version of the Hon'ble Minister from Maharashtra: 'The Hon'ble Minister from Maharashtra referred to the Supreme Court Judgment in the case of M/s. Larsen & Toubro Limited, decided in September 26, 2013 (Para 115) which was as follows: "It may, however, be clarified that activity of construction undertaken by the developer would be works contract only from the stage the developer enters into a contract with the flat purchaser. The value addition made to the goods transferred after the agreement is entered into with the flat purchaser can only be made chargeable to tax by the State Government." In view of this, he made the following proposal for abatement for the part transfer of property in goods or services used in construction, before the contract between buyer and the developer came into existence:

<b>Sr. No.</b>	<b>Stage during which the developer enters into a contract with the purchaser.</b>	<b>Rate of Abatement</b>
<b>a)</b>	Before issue of the Commencement Certificate.	NIL%
<b>b)</b>	From the Commencement Certificate to the completion of plinth level.	5%
<b>c)</b>	After the completion of plinth level to the completion of 100% of RCC framework	15%
<b>d)</b>	After the completion of 100% RCC framework to the Occupancy Certificate.	45%

e)	After the Occupancy Certificate	100%
----	---------------------------------	------

For determining the value of supply of services as per the above Table, it shall be necessary for the dealer to furnish a certificate from the Competent Authority. This would make the levy compliant with Law laid down by Hon'ble Courts and such deduction would avoid hardship to people in Maharashtra (mainly MMRDA region)'.

5.10. In paragraph 24.3, to add the following version of the Hon'ble Minister from Maharashtra: 'The Hon'ble Minister from Maharashtra proposed exemption from levy of Maharashtra SGST on ongoing construction of complex, building etc. services, where lump sum amount was already paid on full consideration under the Maharashtra Value Added Tax Act. He stated that the Government of Maharashtra proposed to grant exemption from levy of tax for such construction services where the full amount in lieu of tax was already deposited in the Government treasury along with the return for the tax period preceding the appointed day. The Hon'ble Minister from Maharashtra sought a recommendation from the Council for grant of exemption under Section 11 of the SGST Act from levy of State GST on such construction services.';

5.11. In paragraph 15.9 (xxxiv), to add the following version of the Hon'ble Deputy Chief Minister of Gujarat: 'The Hon'ble Deputy Chief Minister of Gujarat suggested that electricity should be exempted from GST.';

5.12. In paragraph 15.9 (lxxii), to add the following version of the Hon'ble Deputy Chief Minister of Gujarat: 'The Hon'ble Deputy Chief Minister of Gujarat suggested that roof tiles should be exempted from GST.';

5.13. In paragraph 15.9 (lxxvi), to add the following version of the Hon'ble Deputy Chief Minister of Gujarat: 'The Hon'ble Deputy Chief Minister of Gujarat suggested that carriage for disabled persons should be exempted from GST.';

5.14. To appropriately add the following version of the Hon'ble Deputy Chief Minister of Gujarat: 'The Hon'ble Deputy Chief Minister of Gujarat suggested that intra-ocular lens should be kept in lower tax slab.';

5.15. In paragraph 15.9 (xlviii), to replace the version of the Hon'ble Minister from Kerala with the following: 'the Hon'ble Minister from Kerala suggested that wood based particle board should be taxed at a lower rate.';

5.16. In paragraph 15.9 (xlviii), to add the following version of the Hon'ble Minister from Haryana: 'The Hon'ble Minister from Haryana stated that most of the units in the ply board sector fell under micro and small enterprises with a turnover of less than Rs. 4 crore and were exempt from Central Excise duty upto the turnover of Rs. 1.5 crore. Therefore, the incidence of Central Excise duty at the rate of 12.5% was not applicable on them and as such, taxing them at the rate of 28% was not justifiable and that GST on ply board at the rate of 18% would be more appropriate.'

5.17. In addition, the Council decided that any written speech circulated by the Hon'ble Members during the Council Meeting would be taken on record and a reference to this effect would be made in the Minutes.

**Agenda Item 2: Presentation on Information Technology (IT)-readiness of GSTN for roll-out of GST:**

6. Introducing this Agenda item, the Secretary invited the Chairman, Goods and Services Tax Network (GSTN) to present the status of IT preparedness for implementation of GST. Shri Navin Kumar, Chairman, GSTN in his power point presentation explained the Information Technology (IT) strategy adopted by the GSTN. He explained that GSTN would be providing core front-end services namely registration, return and payments as well as Helpdesk support, information on inter-State supply, analytics and IGST settlement. He stated that GSTN would also be providing back-end services for 27 States/UTs. He explained that the back-end system of the State Governments and the Central Government would enable the statutory functions of approval of registration, assessment, refunds, audit and enforcement, adjudication, internal workflows to support above functions, recovery, analytics and Business Intelligence (BI).

6.1. The Chairman, GSTN further explained that GSTN had substantially completed the task of provisioning for hardware and that all materials were received, installed and the configuration was completed. He further stated that all connectivity between their data centre and those of Central Board of Excise and Customs (CBEC) and the States had been put in place. He informed that Data Centre (DC) and Near Data Centre (NDC) at Delhi as well as Disaster Recovery (DR) and Near Disaster Recovery (NDR) at Bangalore were operational and that connectivity between DC/ DR/ NDC/ NDR and between DC and States/ CBEC was provided by two service providers, namely, TCL and Airtel, so that if one fails, the other would take over.

6.2. As regards the status of application development, the Chairman, GSTN explained that application development was to be done in three phases where the first phase related to GST External Service Components (like Taxpayer registration, Taxpayer registration approval, Invoice Upload, Tax Payments, Return Filing, Input Credit reconciliation, Ledgers, IGST Settlement and MIS Reports) for all taxpayers and all tax authorities which was to be completed before the launch of GST; the second phase of application development was development of GST Internal Service Components (which included audit, assessment, refund, adjudication, appeal, investigation, recovery, write-off and MIS Reports for 27 States/UTs called Model-2 States) and that this would be completed within a quarter after the final Rules and Forms were given to them; the third phase of application development was the development of GST Analytics Components (which included Business intelligence, management dashboard, dynamic reporting for 27 Model-2 States/UTs but this could also be used by others) which was to be completed after one year of the operation of GST System.

6.3. He informed that the Common GST Portal was developed and launched in November 2016 and several tasks relating to registration, payment and return had been completed. This included the enrolment of existing taxpayer; application and processing of new registration; tax payment; creation and view of ledgers (ITC, Cash, Liabilities); return filing; Input Credit reconciliation; and IGST settlement. He stated after development of these modules, some Rules have undergone changes in April and May 2017 and they were implementing these changes. He stated that some other application development tasks were under progress, like allotment of unique ID to UN bodies, payments reconciliation and Offline Utility (with invoice upload) and these were to be completed by 2 June, 7 June and 15 June 2017 respectively.

6.4. In respect of enrolment of existing taxpayers for GST, the Chairman, GSTN explained that enrolment of taxpayers was started on 8th Nov 2016, which was closed on 30th April 2017 and was reopened on 1st June 2017. As a result of this exercise, the status of enrolment was as below:

Sl. No.	Taxpayer Type	Provisional ID Issued	Enrolled	%
---------	---------------	-----------------------	----------	---

1	VAT Taxpayers (29 States and 5 UTs)	71.78 Lakh	54.89 lakh	76.5%
2	Excise & Service Taxpayers	6.78 Lakh	5.61 lakh	82.74%
3	Total	78.56 Lakh	60.51 lakh	77.02%

He clarified that out of the total number of Excise and Service Taxpayers enrolled on GSTN, 2.03 lakh Central Excise taxpayers and 5.63 lakh Service taxpayers were also registered under State VAT.

6.5. The Chairman, GSTN invited his colleague Shri Prakash Kumar, Chief Executive Officer (CEO), GSTN to take forward the presentation. The CEO, GSTN explained the security management system, training of tax officials on GST Application and Helpdesk for tax officers and taxpayers.

6.6. As regards the training of tax officials, the CEO, GSTN stated that they had initially trained 2,000 master trainers who in turn trained other officers. He informed that 86% of officials from all States/UT/CBEC had been trained till the end of 31 May 2017 which worked out to 53,823 officers out of a working strength of 62,558 officers. He stated that by 15 June 2017, they would complete the training of all officers.

6.7. CEO, GSTN informed that a 100-seater call centre for taxpayers had become operational from November 2016 for enrolment and that a new call centre with 400 agents (including accountancy literate agents) would be operational from 1 July 2017. He stated that in order to ensure taxpayer facilitation, they had empanelled 34 Information Technology (IT) companies as GST Suvidha Providers (GSPs) and due to demand for enlarging this pool, they had started the next round of empanelment. They had also made available Frequently Asked Questions (FAQs) on each module on the GSTN system.

6.8. The CEO, GSTN also gave an overview regarding GSTN's integration with banks. He stated that Internet Banking and Over the Counter payment integration was completed with all 25 Banks and Payment gateway integration was completed with 6 out of 7 Banks. The payment gateway integration with the 7<sup>th</sup> Bank was underway.

6.9. In respect of security management system, the CEO, GSTN explained in detail their multi layered security system to meet multiple threats and this included infrastructure security, network security, physical security, operations security, Application Process Interface (API) security, application security including access control, data security and security assessment and audit. He added that their GST System would be ISO 27001 certified in 18 months of starting operation which was the best-known standard for an information security management system (ISMS). He stated that ISO 27000 family of standards helped organizations keep information assets secure. He explained the other features of security like CCTV monitoring, access control in respect of physical security, anti-virus, HIPS (Host based Intrusion Prevention System) in respect of infrastructure security, Firewalls, VPN, DDOS protection in respect of Network security, Identity and access management, Digital signatures in respect of Application security, encryption, HSM (Hardware Security Module) in respect of Data security, API gateway, license key in respect of API security, SOC in respect of Security operations, STQC in respect of Security audits, Security Monitoring and Analytics Centre (SMAC) and ensuring security throughout SDLC in respect of Secure Coding practices. He informed that they had already completed Standardization Testing and Quality Certification (STQC) Audit for many business processes. The performance Testing/load Testing for functional/ security was undergoing, which was likely to be completed by 15<sup>th</sup> June.

6.10. The CEO, GSTN further stated that beta version of the GST system was launched and run for 15 days to provide an opportunity to taxpayers to get familiarized with GST applications, to receive feedback based on usability/issues faced, and to utilize the feedback to provide superior user experience

in filing returns. He informed that 3128 taxpayers from all States and Centre had participated by using beta version of the GST system. He informed that 11 banks took part in the payment testing and 3,200 accounts were created to test the generation of challans, Challan Identification Number (CIN), preparation of luggage file, etc. The defects reported, while using the System, had either been resolved or were being resolved.

6.11. He stated that some of the important feedback was that offline tools did not work on old Personal Computers (PC) for which they made changes; there was validation error on excel sheet; the HSN Code was mandatory in the offline tool, which was made non-mandatory; error in making online payment which showed levy of all three taxes, i.e. CGST, SGST and IGST. He stated that they had increased the number of invoices that could be viewed on the portal from 500 to 2000, and invoices beyond that number would need to be downloaded as excel file to see on one's PC or through offline tool. He informed that one of the regular complaints was that once an invoice was uploaded, there was no immediate confirmation from the System regarding the upload. He explained that the reason for the same was that acknowledgment was given only after invoices uploaded were checked for duplicates not only in the lot uploaded but with all invoices uploaded earlier. Also, the system runs validation checks on all data uploaded to do sanity check before giving final acknowledgement and this took a few minutes and for this duration, the System gave a temporary acknowledgement and the taxpayer could come back to the System after a few minutes to see the acknowledgment. The Hon'ble Minister from Kerala enquired whether from the back-end module of a tax administration, an invoice could be seen on real time basis and the CEO, GSTN confirmed that it could be seen. The Hon'ble Minister from Chhattisgarh stated that their State faced certain difficulties in relation to use of the GST system and they had written about it. He added that the system being created should be dealer friendly and easily accessible. The CEO, GSTN responded that they had received the reference and that is why he had explained the process of acknowledgment in detail and that they were also working on other issues.

6.12. The CEO, GSTN informed that keeping in view the countdown of 1 July 2017 for GST roll out, the following timelines have been decided: (i) Enrolment- by 1 June to 15 June, 2017; (ii) Starting TCS/TDS Enrolment- by 17 June, 2017; (iii) Starting GST Practitioner Enrolment- by 17 June, 2017 onwards; (iv) Fresh Registration under GST- 21 June, 2017 onwards; Opting for Composition - 25 June, 2017 onwards; and (v) Changes in developed modules based on changes made in Rules/Forms - by 21 June, 2017. The Hon'ble Minister from Jammu & Kashmir requested that for his State, relaxation should be given in respect of enrolment of tax payers and it should be continued for a month beyond 15 June, 2017. The Secretary explained that this deadline was for migration of existing dealers and that the new registration would start from 21 June, 2017.

6.13. Starting the discussion on the presentation, the Hon'ble Deputy Chief Minister of Gujarat stated that first time such a System was created and that they needed an assurance that the System was secure and would work without any difficulty. He added that there were lakhs of invoices to be uploaded on the System and the server should not go down once GST implementation started. The Hon'ble Minister from Karnataka agreed with the views of the Hon'ble Deputy Chief Minister of Gujarat and stated that while they did not know the technical details, they needed an assurance that when the time for GST implementation came, the System would work. He observed that GST was a major reform and it should not get affected due to IT related issues.

6.14. The Hon'ble Deputy Chief Minister of Delhi enquired about the role of GST Suvidha Provider (GSP) and enquired whether they were ready for GST implementation. The Hon'ble Minister from Goa enquired as to how many GSPs in addition to the existing 34 were proposed to be empaneled. The CEO, GSTN, explained that the majority of tax payers would themselves come to the portal and upload their returns and would not need the services of GSP. He stated that the offline tool allowed uploading of 19,000 invoices whereas, as per data received from some States, on an average, a tax payer would

generate and upload about 127 invoices each month. He stated that tax payers needing to upload 100-200 invoices can do so on the portal and those having few thousand invoices could use offline tool and thus would not need the services of the GSP. The GSP would offer its services to those tax payers who wanted their accounting system to be managed with facilities like reconciliation between Purchase Orders and Invoices and those who wanted to have a System interface for regular uploading of their invoices. He stated that broadly, GSP would be used by those tax payers who wanted some extra services beyond filing of returns or where a tax payer directly did not want to go to the GST Portal. The Hon'ble Deputy Chief Minister of Delhi further asked as to why a tax payer would like to go to the GST Portal through a GSP. The CEO, GSTN, stated that those tax payers who wanted accounting software to create GSTR-1 and wanted to work from System to System would use the services of GSP. He stated that big suppliers issuing a large number of invoices could upload the invoices on GSTN on day-to-day basis to permit buyers to do reconciliation on a daily basis and this would ensure that the load was distributed throughout the month instead of being concentrated on the 10<sup>th</sup> of the next month (the due date of filing GSTR-1). He stated that the GST empaneled companies were given APIs (Application Programme Interface) to check how the functionalities worked but some companies had not started working on the APIs. He clarified that they had now started working on them. The Hon'ble Deputy Chief Minister of Delhi desired to have the list of GSPs and the CEO, GSTN, informed that the list was available on their website.

6.15. The Hon'ble Minister from West Bengal stated that he agreed with the observations of the Hon'ble Deputy Chief Minister of Gujarat and the Hon'ble Minister from Karnataka that implementation of GST was a huge exercise and almost 300 crore transactions per month would have to be reflected on the GST system. He stated that there were several issues of concern. He observed that there had been last minute changes in the Return Form and no user testing had been done and no feedback taken and barely 20 days were left for testing the new Return Forms. He further stated that during beta testing with about 100-200 companies, several glitches occurred like no corresponding uploading of invoices at the recipient's end and problems in bulk uploading of invoices. He observed that e-Way Bills had not yet been finalized and it was not clear whether software for the same could be prepared in the remaining 20 days before GST implementation. He added that not more than 40% of GSPs had tested their System. He also enquired regarding the amount of fee charged by GSP per month. He also referred to the hacking of websites of several world-renowned companies last month and enquired regarding the level of security of the GSTN System and whether STQC (Standardisation Testing and Quality Certification) had been done and the Home Ministry clearance taken. He stated that an assurance was needed that the kind of hacking that occurred last month would not affect 300 crore transactions per month on GSTN. He suggested that a white paper could be issued in a week or so on the user preparedness of small and medium enterprises for GST implementation.

6.16. The Hon'ble Minister from Goa stated that if transactions between Bank branches were also taken into account, the actual number of transactions would be more than 300 crore per month and the glitches could lead to a crash of the System. He stated that given the large number of transactions, an assurance was needed that the GST System would work without any problem. The Hon'ble Minister from Tamil Nadu expressed similar views.

6.17. The Hon'ble Minister from Mizoram stated that they were facing problems in the migration of the existing tax payers and till date, only 37% of the existing tax payers had been migrated. He stated that in the other States of the North East too, migration had only been to the extent of about 30%-40%. He requested that the due date for migration of taxpayers should be extended beyond 15 June 2017 and till 25 June 2017. Shri Somesh Kumar, Principal Secretary (Revenue), Telangana, enquired about the progress in obtaining DSC (Digital Signature Certificate) Key and e-sign verification. He stated that there were problems in regard to difference between the phone number linked to Aadhaar and actual mobile phone being used by the taxpayer and that uploading of data was not taking place even after one

hour of sending the same and repeated error message kept coming. He stated that the System would become very slow if every tax payer took 15-30 minutes to upload data. The Hon'ble Minister from Mizoram stated that one of the major problems faced in relation to Aadhaar link verification was that the actual mobile number being used by the tax payer was different from the one registered with Aadhaar.

6.18. Responding to the concerns raised by the Hon'ble Members of the Council, the CEO, GSTN, stated that the entire System had been developed on the basis of the GST Rules made public in December, 2016 and they were making changes to software based on the amendments made to the GST Rules and Forms during April and May, 2017. He assured that no changes in the IT System would go through without three rounds of testing, namely, unit testing, integration testing and user acceptance testing which took note of multiple scenarios. He stated that uploading of data would start from 1 July, 2017 and software tools would be available offline and online for such uploads. He further stated that return filing would start on 1 August 2017. He stated that no slack time was available to them but whatever approvals were done today by the Council would be taken care of in the software. He stated that beta testing had been done with tax payers from all parts of the country using various scenarios and 38 challenges relating to software had come up and majority of them had been addressed. He stated that GSPs were not earlier using sand box and APIs given by GSTN but now they had started using the same. He further added that the problem in e-sign was due to change in the mobile number. He further stated that in generation of One Time Password (OTP) through C-DAC (Centre for Development of Advanced Computing) and NSDL (National Securities Depository Limited) some problems were noticed after EVC system of authentication was made operational and it was being addressed. He refrained from commenting on e-way bill as it was a separate agenda item for the Meeting. As regards the concern regarding whitepaper on security of GST Systems, he stated that he would circulate a separate note on the same.

6.19. On a query from Shri R. K. Tiwari, ACS, Uttar Pradesh, he added that the security systems of States could not be addressed by GSTN as the States would have to develop their own security system. The Secretary stated that security of the IT Systems of the States could not be looked after by the GSTN. CEO, GSTN further informed that he had issued a 10-page security advisory regarding data security. Regarding the fees to be charged by GSPs, CEO, GSTN stated that GSPs would carry out different functions from uploading data to providing accounting software, and therefore, they did not venture into the area of fixing fees for GSPs and the same would be determined by the market forces. He stated that different GSPs were concentrating on providing their services to different sectors like manufacturing sector, FMCG (Fast Moving Consumer Goods) sector, etc.

6.20. The Hon'ble Deputy Chief Minister of Delhi enquired whether GSPs would have access to GSTN and how data safety would be ensured if such access was given. The CEO, GSTN, stated that the applications of 34 GSPs for sending data would be tested and certified and they would also get a licence key to assure that data was coming from an authorized source which would be validated and then taken on their System. The Hon'ble Deputy Chief Minister of Delhi enquired whether the GSPs would also have the facility to retrieve data from GSTN. The CEO, GSTN, clarified that every taxpayer was allowed to retrieve data through GSTR-2 but it could not be done without the approval of the tax payer. As regards the concern raised regarding large number of invoices to be issued by Banks, he clarified that one invoice could be raised by a Bank at the end of the month for the various services provided to a customer. As regards concerns regarding handling large volume of data, he pointed out that the volume of transactions handled in the IT systems of National Stock Exchange and IRCTC (Indian Railway Catering and Tourism Corporation) was much higher than envisaged under GST and they were handling it smoothly and assured that handling large data was not a challenge today. He further clarified that they had obtained STQC go ahead when enrolment was started and same process was underway for the main system. He further stated that no security clearance was required from the Home Ministry.



6.21. The Hon'ble Deputy Chief Minister of Delhi enquired as to why GSTN could not be audited by the Comptroller and Auditor General of India (CAG). The Secretary stated that GSTN would be subject to audit by CAG. The Hon'ble Deputy Chief Minister of Delhi suggested that instead of filing monthly return, the tax payer could file quarterly return but pay tax on monthly basis. The Secretary stated that without the return, no tax could be paid as invoice matching was part of the scheme and that would adversely affect flow of funds.

6.22. The Hon'ble Minister from Kerala stated that for developing their back-end modules, the business process document should be made available early. He stated that APIs were needed for Payment and Return modules. He added that if implementation of e-Way Bill got delayed, the present arrangement of check posts might need to be continued. The Secretary stated that this issue of e-Way Bill could be discussed while discussing the agenda item of e-Way Bill. The CEO, GSTN, stated that they had provided one version of SRS (Software Requirements Specification) based on December 2016 Rules and would provide updated SRS after Rules for back-end modules were approved by the Council and they would incorporate the changes. He further stated that they had already released the APIs.

6.23. The Hon'ble Minister from Punjab raised a question whether a dealer could be allowed to change his income tax PAN card. The CEO, GSTN, stated that since registration was based on PAN, if PAN was changed, registration would also change and a new GSTIN would be issued to the taxpayer. The ACS, Uttar Pradesh stated that problems were being faced in respect of the new migration window opened from 1 June, 2017. The CEO, GSTN, stated that there could be some challenges in this regard on the first day but these have been addressed. The ACS, Uttar Pradesh, stated that in his State, tax payers tended to upload their invoices on the last date of return filing and enquired whether GSTN was geared to handle big data load on the last day. The CEO, GSTN, stated that as per interaction from the States who operated a system of data upload, it transpired that about 50% of tax payers filed their data on the last date of the return filing, 40% on the day before the last date of return filing and 10% filed before this period. He assured that the GST System was designed to take this type of data load.

7. The Hon'ble Chairperson thanked the Chairman and CEO, GSTN, for their presentation and the clarifications provided.

**Agenda Item 3: Approval of amendments to the draft Goods and Services Tax (GST) Rules and related Forms relating to (i) Return and related Forms, including GST Tax Practitioner Forms and Mismatch Forms; and (ii) Transition Rules and Forms:**

8.1. Introducing the above agenda item, the Secretary stated that GST Council had already recommended approval of Rules on Return and Transitional Provisions and subsequently, these Rules were placed in public domain. Taking into account the comments received from the departmental officers, trade and industry, certain changes had been proposed in the Rules. The proposed changes had been discussed in the meeting of the officers of the Central and the State Governments held before the Council Meeting on 3 June, 2017 and they suggested a few changes which were agreed to be incorporated suitably in the Rules. The Secretary invited Shri Upender Gupta, Commissioner (GST Policy Wing), CBEC to brief the Council about the proposed changes in the Rules. The Commissioner (GST Policy Wing), CBEC made a presentation explaining the changes in the Transition and Return Rules (copy of the presentation attached as **Annexure 3**).

8.2. Explaining the changes in the Transition Rules, the Commissioner (GST Policy Wing) stated that application to be submitted in the earlier Rule had now been replaced by a mere declaration. He stated that several representations had been received regarding insufficiency of the input credit allowed at the rate of 40%, to the traders not registered with Central Excise, on the stock held on the appointed day without any documents evidencing payment of Central Excise duty. He stated that the Law Committee

had proposed that taxpayer could be allowed input tax credit at the rate of 60% on such goods which attracted Central tax at the rate of 9% or more and at the rate of 40% for other goods, where Central Excise duty paying document was not available with the traders. He stated that there was some confusion whether similar input tax credit would be allowed for Integrated Goods and Services Tax (IGST), and to clear this confusion, it was now provided that input tax credit on deemed basis would be allowed for IGST at the rate of 30% where the IGST rate was 18% or more and at the rate of 20% where the IGST rate was less than 18%. He stated that another change made in the Transition Rules was that input tax credit would be available on the goods which were not unconditionally exempt from the whole of the duty of excise or were nil rated. He stated that a similar provision was made for credit of taxes in those States which levied tax at the first point of sale. He added that a provision had also been made for a declaration to be filed regarding the proportion of supply on which VAT or service tax had been paid before the appointed day but the supply was made after the appointed day. He stated that the time period for filing of declaration in relation to tax or duty carried forward under any existing law or on goods held in stock on the appointed day was proposed to be increased from 60 days to 90 days, and this could be extended further up to 90 days by the Commissioner.

8.3. The Commissioner (GST Policy), CBEC then explained the changes proposed in the Return Rules and Return Forms. He stated that the Return Forms and Tables had been simplified and Part A of GSTR-3 had been designed to be completely auto-populated. This would ease filing of return by the taxpayers. He further stated that the details of advances were to be now reported only if invoice was not issued in the same tax period and adjustment of taxes paid on receipt of advances during an earlier period was to be reported against tax payable on issuance of invoices. He further stated that HS Code was now proposed to be reported in summary form (and not against each invoice) in the following manner: (i) For turnover upto Rs. 1.5 crore - optional at 2-digit level (description to be given); (ii) For Turnover from Rs. 1.5 crore to Rs. 5 crore - 2-digit level; (iii) Turnover of more than Rs. 5 crore - 4-digit level. He further explained that TDS/TCS Return was proposed to be filed on consolidated basis instead of the invoice basis; the threshold limit for getting the accounts of a taxpayer audited was proposed to be raised from Rs. 1 crore to Rs. 2 crore; the Commissioner could extend the date of matching of the claim for input tax credit on the recommendations of the Council; the electronic commerce operator required to collect tax at source under section 52 was to also furnish an annual statement; a separate return had been proposed for persons supplying Online Information and Database Access or Retrieval (OIDAR) services from a place outside India to an unregistered person; a provision had been proposed for auto-population of supply details of non-resident supplier in the return of corresponding recipient; and a provision had been proposed for person withdrawing from Composition scheme to furnish the details relating to the period prior to his opting for payment of tax under normal scheme till the due date of furnishing the return for the quarter ending September of the succeeding financial year or furnishing of annual return of the preceding financial year, whichever was earlier. He then explained the changes proposed in the Rules for Goods and Services Tax Practitioner. He stated that a provision had been proposed for conducting examination for enrolment of GST Practitioners; for obtaining confirmation from registered person for any application submitted by GST Practitioners; and for deemed enrolment of GST Practitioner in other State or Union Territory. He stated that the annual return was not prepared as yet as its requirement would arise only in December 2018.

8.4. Starting the discussion on this agenda item, the Hon'ble Minister from Punjab stated that the proposed credit at the rate of 60% allowed on the stock of goods was insufficient, as in his State, tax was only levied at the first stage and approximately 80% of the items in Punjab attracted VAT at the rate of 6%. He stated that taking into account the practice of taxation in his State, which might not be prevalent in other States, a higher deemed credit of more than 60% should be allowed for his State. The Commissioner (GST Policy Wing), CBEC, stated that this issue was discussed at the level of the officers of the Central and State Governments and it was worked out that for the goods that were proposed to be kept in the slabs of 5% and 12% in GST, the effective incidence of tax under Central Excise would

be quite low and allowing credit at a higher percentage would lead to over compensation, and this would also include goods coming from the States under the area based Central Excise exemption scheme. The Hon'ble Minister from Punjab stated that higher rate of deemed credit could be considered only for SGST portion in Punjab. The Secretary stated that the benefit of deemed input tax credit was made available to goods coming from the States under the area based Central Excise exemption scheme to bring them into the tax net and any higher percentage of deemed credit of Central tax would lead to a net outgo of revenue of the Central Government. He further observed that if a higher percentage of deemed credit was allowed under SGST, there would be a similar demand for increasing the percentage of deemed credit for Central tax.

8.5. The Hon'ble Minister from Kerala suggested that the existing Tax Practitioners should be accepted as GST Practitioners subject to the condition of having a minimum period of experience of working as a Tax Practitioner. He added that the new applicants would need to fully comply with the qualifications prescribed for GST Practitioners. The Secretary enquired whether all States had a system of registered Tax Practitioners and the general response was that all States had such a system. Shri Ritvik Pandey, CCT, Karnataka, stated that though there was a system of Tax Practitioner in the VAT, GST was a complicated tax regime and all Tax Practitioners, who qualified by virtue of having the prescribed period of experience, might not be of the desired standard. The Secretary suggested that there could be a transitional period of six months or a year for which the existing Tax Practitioners could be recognized under the GST regime during which they might clear the examination. The Hon'ble Chairperson observed that such a transitional provision would be useful and the existing Tax Practitioners could help their clients to migrate to GST. He suggested that the existing Tax Practitioners could continue as GST Practitioners for one year and could continue beyond that only if they passed the examination for qualifying as GST Practitioner. The CCT, Gujarat, stated that in some States, even non-commerce graduates were allowed to be Tax Practitioners which might not be desirable under GST. The Hon'ble Minister from Kerala suggested that retired officers of VAT should also be allowed to work as GST Practitioners. The Commissioner (GST Policy Wing), CBEC, clarified that this was already provided for in the Rules. The Secretary suggested that all existing Tax Practitioners who had five years of experience of working as Tax Practitioner could continue to be GST Practitioner for one year and should pass the prescribed examination within this period to continue to work as a GST Practitioner beyond the period of one year. He said that for this one year, there should be no requirement for the Tax Practitioner to be a commerce graduate. The Council agreed to this proposal.

8.6. The Hon'ble Minister from Chhattisgarh stated that it would be difficult to capture HSN Code for Business to Consumer (B2C) supplies. He observed that outlets like Big Bazar transacted in thousands of items every day and it would not be possible for them to indicate HSN Code for all of them. The Commissioner (GST Policy Wing), CBEC, stated that the provisions for reporting HS Code in the invoice was very liberal and small tax payers would not be required to declare HS Code and even the bigger tax payers would only need to declare it at 2-digit and 4-digit level which would not be burdensome to comply.

8.7. After further deliberation, the Council accepted the changes proposed in the (i) Return Rules and Forms; (ii) Goods and Services Tax Practitioner Forms; (iii) Transition Rules and Transition Forms along with the changes as agreed upon during the meeting of the officers of the Central and the State Governments held prior to the Council Meeting on 3 June, 2017 and the decision taken in the Council.

9. For **agenda item 3**, the Council approved the GST Rules and the related Forms on (i) Return; (ii) Transition Provisions and (iii) Goods and Services Tax Practitioner Forms along with the changes as agreed upon during the meeting of the officers of the Central and the State Governments held prior to the Council Meeting on 3 June, 2017 along with the following amendment:-

(i) all existing Tax Practitioners who have five years of experience of working as Tax Practitioner shall continue to be a GST Practitioner for one year and should pass the prescribed examination within this period to continue to work as a GST Practitioner beyond the period of one year.

**Agenda Item 4: Finalization of the rates of tax and cess to be levied on commodities remaining after the Fitment exercise in the 14<sup>th</sup> GST Council Meeting:**

9.1. Introducing this agenda item, the Secretary recalled that during the 14<sup>th</sup> Meeting of the Council held on 18 and 19 May, 2017 in Srinagar, it was decided that GST rates for supply of some goods would be discussed in its next meeting. He suggested to take up discussion on each item. The record of discussion in respect of these goods is as below: -

**Cereals, pulses and flour put up in unit container and bearing a registered brand name:**

9.2.1. Shri Alok Shukla, Joint Secretary (TRU-I), CBEC, informed that in the agenda notes, an illustrative Table of branded goods gave the percentage variation of retail prices of certain products like wheat flour, *maida*, *dalia*, and rice sold packed in unit container and bearing a registered brand name. This Table compares the price of branded goods either with the retail prices published by the Department of Consumer Affairs or with the lowest available price of the branded goods. The Secretary stated that in most of these cases, the brand name was a registered trademark. The Hon'ble Minister from Maharashtra raised an issue that certain products were sold with Agmark and whether such products would also be considered as branded ones. The Secretary stated that for the proposed tax, only those products would be considered to have a brand name if the brand name was registered and it would not cover an Agmark. The Hon'ble Chairperson observed that for wheat flour, there was a large difference in price between the branded and unbranded goods or cheapest of the branded goods and the question before the Council was whether such goods should be charged to Nil rate of tax or at 5%. The Hon'ble Minister from Assam stated that branded cereals, pulses and flour should be taxed. The Hon'ble Minister from Punjab supported this proposal.

9.2.2. The Hon'ble Minister from Bihar observed that since such branded cereals were not consumed by poor people, it would be reasonable to tax them, especially as the proposal was to tax only those goods which were sold under a registered brand name. The Hon'ble Minister from Karnataka stated that his feedback from the stakeholders received in his capacity as Minister of Agriculture in his State was that in India, there was an overall thrust towards food processing and the Food Safety and Standards Authority of India (FSSAI) was encouraging sale of standard, quality food products and only sellers with registered trade mark were complying with the prescribed standards. He observed that such sellers should not be put at a disadvantage *vis-à-vis* other sellers in the same sector. He added that there were many brands in the market and decision should not be taken hurriedly only on the basis of prevailing price of a few big, well-known brands. The Hon'ble Minister from Kerala observed that the value addition on such branding and packing activity was substantial and the proposal was to tax them only at the rate of 5%. The Hon'ble Minister from Karnataka emphasised that he was not opposed to levying tax at the rate of 5% but his suggestion was not to differentiate in the same sector.

9.2.3. The Hon'ble Chairperson observed that such brand owners could avail input tax credit of the tax incurred on packaging and advertising. The Hon'ble Minister from Karnataka stated that this aspect was mentioned during the last Meeting of the Council and when he presented this argument to the stakeholders, they responded that many such retailers did not carry out advertisement and they were not eligible for input tax credit on the cost incurred on transportation and energy. He added that 80% of the cost of the output consisted of cereals. The Hon'ble Minister from Assam stated that all traders appear to make convincing points and tax should not be exempted on all of them. He added that value addition in many cases was substantial, and therefore, they should be taxed. The Hon'ble Chairperson observed that one should also be cautious of the self-serving claims of the tax payers. The Secretary observed

that sellers of branded cereals would be eligible for input tax credit on the cost incurred on transportation, packing, commercial leasing of buildings, etc. The Hon'ble Deputy Chief Minister of Delhi supported the view of the Hon'ble Minister from Karnataka. He observed that only 1% to 2% of the population bought unpacked food and the market share of the big brands like ITC might only be about 10% whereas the rest of the 90% of sales would be of ordinary brands. He suggested that a balance should be struck between the interests of the consumers, traders and the Government. He expressed an apprehension that a distinction of tax rates based on registered brand name might encourage the existing brand owners to promote products under unregistered brand names. The Hon'ble Minister from West Bengal stated that the list of branded cereals presented in the agenda notes was not exhaustive and there were many smaller brands selling their products in the market and they would also become taxable. He suggested to get the list of all branded cereals. The Secretary stated that the food processing industry would be helped by imposing a small tax on packed cereals. The Hon'ble Chairperson observed that a big cost for branded sellers was advertising and they would get input tax credit for the same. After further discussion, the Council agreed to tax cereals, pulses and flour put up in unit container and bearing a registered brand name at the rate of 5% instead of the proposed Nil rate.

9.2.4. The Hon'ble Minister from Uttarakhand stated that pasta and macaroni should also be taxed at the rate of 5% instead of the present rate of 18%. The Hon'ble Chairperson stated that this product could be taken up for discussion along with the other products where rates had been finalised but which needed to be reconsidered on account of representations from the stakeholders.

9.2.5. The Hon'ble Minister from Karnataka stated that millets and millet flour were exempted but hulled millet had come under tax. He stated that Chapter heading 1102 was exempted but Chapter heading 1104 was attracting a tax rate of 5%. The Joint Secretary (TRU-I), CBEC, stated that hulling was a processing activity which led to value addition, and therefore, it would attract tax. The Secretary stated that CCT, Karnataka, could give the 8-digit classification and then this matter could be examined further.

### **Puja samagri:**

9.3.1. The Secretary recalled that in the last Council meeting it was decided to define *Puja samagri* and then to exempt it. The Joint Secretary (TRU-I), CBEC stated that as per the list provided by the State of Uttar Pradesh, *puja samagri* included the following items: (i) incense sticks commonly known as *agarbatti*, *dhupkathi* or *dhupbatti* (GST rate at 12%); (ii) *Sambhrani* or *lobhana* (proposed GST rate at 12%); (iii) *Rudraksha*, *rudraksha mala*, *tulsi kanthi mala*, *panchgavya* (mixture of cowdung, *desi ghee*, milk and curd); (iv) Sacred thread (commonly known as *yagnopavit*); (v) Wooden *khadau*; (vi) *Panchamrit*, (vii) *Vibhuti* sold by religious institutions, (viii) Unbranded honey (proposed GST Nil) (ix) Wick for *diya* (x) *Misri*, *batasha*, *bura* (proposed GST rate 18%). He further stated that goods like incense sticks commonly known as *agarbattis*, *dhupkathi* or *dhupbatti*, *sambhrani* or *lobhana* were manufactured items and exempting them from GST would put domestic manufacturers of such goods at a disadvantage *vis-a-vis* imports and the agreed GST rate was 12%. He further stated that except the listed goods, namely, (i) incense sticks commonly known as *agarbattis*, *dhupkathi* or *dhupbatti* (to be taxed at GST rate of 12%); (ii) *Sambhrani* or *lobhan* (proposed GST rate 12%), (iii) *Mishri*, *batasha*, *bura* (proposed GST rate 18%), all other goods, namely, (i) *Rudraksha*, *rudraksha mala*, *tulsi kanthi mala*, *panchgavya* (mixture of cowdung, *desi ghee*, milk and curd); (ii) Sacred thread (commonly known as *yagnopavit*); (iii) Wooden *khadau*; (iv) *Panchamrit*; (v) *Vibhuti* sold by religious institutions; (vi) Unbranded honey (GST rate already Nil); and (vii) Wick for *diya* could be kept at Nil GST, as part of *Puja samagri*. He added that in addition, *lobhan*, *mishri* and *batasha* could be kept at 5% (the same rate as for natural resin/sugar).

9.3.2. Starting discussion on this item, the Hon'ble Deputy Chief Minister of Gujarat suggested that *agarbatti* should also be kept under exempt category as it was a *puja samagri* and it was made at home

after getting the *agarbatti* powder. The Hon'ble Ministers from West Bengal and Maharashtra supported this proposal. The Hon'ble Minister from Bihar observed that *agarbatti* was not prescribed in *Vedas* as *puja samagri* and only *dhoop* was used for *puja*. The Joint Secretary (TRU-I), CBEC, stated that *agarbatti* had substantial embedded Central Excise duty and also attracted VAT at the rate of 5%, and exempting them under GST would put the sector at a disadvantage *vis-à-vis* imported goods. The Hon'ble Minister from West Bengal suggested that the rate of tax on *agarbatti* should be 5%. The Secretary stated that tax on *agarbatti* was decided separately as it was not a *puja* item and despite the combined incidence of tax on *agarbatti* being about 14%, a 12% rate was suggested.

9.3.3. The Hon'ble Minister from Uttar Pradesh suggested that tax on *lobhan*, *mishri* and *batasha* should be kept at Nil rate. The Joint Secretary (TRU-I), CBEC, stated that *mishri* and *batasha* were kept at 5% as they were also in the nature of sugar items, and sugar was at 5%. After further discussion, the Council agreed to keep the *puja samagri*, namely (i) *Rudraksha*, *rudraksha mala*, *tulsi kanthi mala*, *panchgavya* (mixture of cowdung, *desi ghee*, milk and curd); (ii) Sacred thread (commonly known as *yagnopavit*); (iii) Wooden *khadau*; (iv) *Panchamrit*; (v) *Vibhuti* sold by religious institutions, (vi) Unbranded honey (already under Nil rate); and (vii) Wick for *diya* (viii) *Roli*, (ix) *Kalava Raksha sutra*, (x) *Chandan tika* at Nil rate and *lobhan*, *mishri*, *batasha* and *bura* at 5%.

#### **Definition of Handmade matches:**

9.4.1. The Joint Secretary (TRU-I), CBEC, explained that handmade matches were proposed to be kept at the lower tax rate of 5% and in order to administer it effectively, it would be desirable to define this product. He added that the following definition was applied for the purposes of Central Excise exemption and the same could also be adopted under GST:

“Matches, in or in relation to the manufacture of which, none of the following processes is ordinarily carried on with the aid of power, namely: -

- (i) frame filling;
- (ii) dipping of splints in the composition for match heads;
- (iii) filling of boxes with matches;
- (iv) pasting of labels on match boxes, veneers or cardboards;
- (v) packaging.”

9.4.2. The Hon'ble Deputy Chief Minister of Delhi stated that this definition could create confusion in the market as it would be difficult to identify which matches were handmade and which were machine made. The Joint Secretary (TRU-I), CBEC, explained that the tax would originate from a manufacturing unit and the description given during supply from a manufacturing unit would continue in the retail chain. After discussion, the Council agreed to this definition.

#### **Biscuits (Chapter 19):**

9.5.1. The Joint Secretary (TRU-I), CBEC, explained that in Central Excise, biscuits were taxed at two rates. The low-priced biscuits (per kg equivalent Retail Sale Price not exceeding Rs. 100 per kg.) were exempted. However, such biscuits had embedded excise duty and service tax and attracted VAT at the rate of 14.5% and with CST, Entry Tax, Octroi, etc., the present incidence was about 20.6% with Octroi etc. and 18.1% without Octroi etc. He further stated that for other biscuits, taking into account Central Excise duty of 6%, VAT of 14.5% and adding embedded tax on account of post-clearance Service Tax (about 0.14%) and CST, Entry Tax, Octroi, etc. (about 2.50%), the present incidence of tax came to about 23.11% with Octroi etc. and 20.61% without Octroi etc. He stated that the suggestion of the Fitment Committee was to keep both the categories of biscuits at 18%. He added that as per the industry figures, the annual turnover of biscuits in the country was about Rs. 36,000 crore, of which about half

was reported to be of low priced biscuits. He stated that if rate of GST on low priced biscuits was reduced by 6%, it would lead to a revenue loss of about Rs. 2,000 crore.

9.5.2. The Hon'ble Minister from West Bengal stated that the model of tax rate followed under Central Excise was a good one and this could be adopted in GST as well, as otherwise, it would appear that the Council was taxing biscuits used by common people at a high rate. The Joint Secretary (TRU-I), CBEC, pointed out that the present tax incidence of low priced biscuits was in the range of 18%/20%. The Hon'ble Deputy Chief Minister of Delhi enquired whether tax rate was proposed to be differentiated between branded and non-branded biscuits as was done for cereals and the Joint Secretary (TRU-I), CBEC, clarified that it was not proposed to have two different rates for branded and non-branded biscuits. The Hon'ble Minister from Karnataka stated that as the proposed rate on biscuits was in tune with the current level of taxation, he supported the proposed tax rate of 18%. The Hon'ble Deputy Chief Minister of Delhi suggested that the rate of tax on biscuits could be kept at 12% as otherwise, manufacturers in small scale sectors would evade tax. The Chief Economic Adviser (CEA) pointed out that even the existing incidence of tax on biscuits was 18% or more.

9.5.3. The Hon'ble Deputy Chief Minister of Gujarat suggested that biscuits should be taxed at the rate of 5%. The Hon'ble Minister from Tamil Nadu suggested that as pizza, rusk and bread were being taxed at the rate of 5%, unbranded biscuits should also be taxed at the rate of 5% and branded biscuits could be taxed at the rate of 18%. He added that otherwise biscuits would get mis-classified as rusk. The Secretary stated that even small packs of biscuits were branded and if lower rate of tax was charged on the basis of retail price of biscuits, it would lead to huge loss of revenue which would have to be recouped by increasing tax on some other product. The Hon'ble Minister from Assam stated that as the proposed rate of tax on biscuits was less than the existing incidence, the proposed rate should be accepted in line with the principle adopted by the Council in its 4<sup>th</sup> Meeting (held on 3-4 November, 2016). He added that if a different line of argument was adopted for one item, it would cast a suspicion on the Council. After discussion, the Council agreed to tax biscuits at the rate of 18%.

**Power driven Agricultural, horticultural, forestry, poultry keeping or bee-keeping machinery, Harvesting or threshing machinery, machines for cleaning, sorting or grading, machinery used in milling industry and parts thereof ( 8432, 8433, 8436 and 8437 ):**

9.6.1. The Joint Secretary (TRU-I), CBEC, stated that for goods falling under Chapter heading 8437 (Cleaning, sorting, grading machinery, milling machinery), no Excise Duty drawback was prescribed under the Duty Drawback Schedule as there was no request from industry, but even on these goods there would be embedded taxes, which would be more or less the same as for the other agricultural machinery falling under HS Codes 8432, 8433 and 8436, i.e. 5%. He said that taking into account the weighted average VAT rate of about 6.2% and embedded taxes (0.09% due to post-clearance Service Tax and 2.5% due to CST, Entry Tax, Octroi, etc.), the present incidence of tax on goods falling under HS Codes 8432, 8433 and 8536 was more than 12%. He stated that taking this into account, the Fitment Committee proposed the rate of 12% for all types of agricultural and horticultural machinery falling under Chapter headings 8432, 8433, 8436 and 8437.

9.6.2. The ACS, Haryana stated that tax on agricultural machinery would add to the input cost of the farmer, and States which had been part of green revolution did not want this to happen. He also pointed out that goods falling under Chapter heading 8437 were largely manufactured in the small scale sector, and therefore, they would be exempt from tax. He also pointed out that the present incidence of tax on Chapter heading 8437 was about 8.7%, and therefore, tax rate on these goods should also be at 5% instead of 12%. He also pointed out that the stakeholders had informed that no goods from China were being imported in this sector as these were voluminous products and the freight cost was very high. The Joint Secretary (TRU-I), CBEC, stated that as per their data, total import of goods under Chapter

heading 8437 in 2015-16 was about Rs. 1,530 crore. He added that most States, other than Haryana and Uttar Pradesh, levied VAT on these products and in Central Excise, there would be embedded tax, as these goods were made of iron and steel which were subject to Central Excise duty. He also stated that if these goods were taxed at the rate of 5%, tax payers would seek refund which had both a carrying cost and administrative cost.

9.6.3. The Hon'ble Minister from Kerala supported the proposed rate of 12%. The Hon'ble Minister from Uttar Pradesh stated that items like thresher and biomass, biogas and biodiesel pump sets should also be taxed at Nil rate. The Hon'ble Minister from Telangana suggested to keep the tax rate at 5%. The Hon'ble Minister from Assam stated that the Council should stick to the fitment principle decided in the 4<sup>th</sup> Council Meeting (held on 3-4 November, 2016) and levy tax at the rate of 12%. The Hon'ble Minister from Goa stated that the principle of fitment decided by the Council should be applied for all goods and exceptions should not be made only for some goods because some States made a lot of noise.

9.6.4. After further discussion, the Hon'ble Chairperson suggested that goods falling under Chapter headings 8432, 8433 and 8436 could be taxed at the rate of 12% and the goods falling under Chapter heading 8437 could be taxed at the rate of 5%. The Council agreed to this suggestion.

9.6.5. The Hon'ble Minister from Uttar Pradesh suggested that thresher and rotavator should also be kept in the tax bracket of 5%. The Joint Secretary (TRU-I), CBEC, informed that these goods were classifiable under Chapter heading 8433 and as per the Hon'ble Chairperson's suggestion, they would be taxable at the rate of 12%.

9.6.6. Dr. C. Chandramouli, ACS, Tamil Nadu, stated that goods falling under Chapter heading 8708 (attachments to tractor) were taxable at the rate of 28% whereas tractor itself was taxable at the rate of 12%. The Secretary stated that putting all parts of different types of motor vehicles in the tax rate of 12% could lead to large scale evasion of tax but it could be examined whether spare parts used only for tractors could be put in the tax bracket of 12%. The Hon'ble Minister from Tamil Nadu stated that this issue was very important for them and the Hon'ble Chief Minister of his State had desired that this issue should be raised in the Council. The Hon'ble Chairperson stated that it was important not to lose the big picture of achieving revenue neutrality and to meet the commitment of assured compensation to the States at the growth rate of 14%. He stated that if revenue rates were fixed very low, the compensation formula might need to be revisited. The Secretary stated that this issue could be taken up later along with other items for which the tax rate might come up for reconsideration.

#### **Footwear (Chapter 64)**

9.7.1. The Joint Secretary (TRU-I), CBEC, explained that the tax rate structure on footwear, both under Central Excise and VAT, was somewhat complicated. He stated that in Central Excise, all footwear with retail sale price of less than Rs. 500 were exempt but they suffered embedded taxes of about 5.04% and total tax incidence on this category of footwear was about 9.5% (with 2.5% embedded VAT and 2.5% embedded CST, Octroi, etc.). He further explained that all footwear whose retail price was more than Rs. 500 per pair but less than Rs. 1,000 per pair was subject to Central Excise duty of 6%, average VAT of 14.5% and embedding of CST, Octroi etc. of 2.5%, leading to a total tax incidence of 23.1%. He explained that leather footwear with retail price of more than Rs. 1,000 per pair had a similar tax incidence of 23.1% and all footwear (other than leather footwear) with retail sale price of more than Rs. 1,000 per pair had a tax incidence of 29.58% because of a higher rate of Central Excise duty of 12.5%. He stated that the Fitment Committee had suggested a lower rate of 12% for footwear with retail sale price of less than Rs. 500 per pair and a rate of 18% for all other categories of footwear. He stated that



this was one commodity where the Council needed to decide whether tax rate should be based on a value based description.

9.7.2. The Hon'ble Minister from Kerala raised a question as to why reduce tax for some categories of footwear from the highest tax rate of about 30%. The Hon'ble Minister from Jammu & Kashmir questioned the need to define such categories and thereby bring into GST, the distortions of Central Excise and VAT. He suggested to have a single rate of tax for footwear. He added that it was important to move towards the goal of one common GST rate of about 14.5% for goods and services over a time horizon of about 4-5 years. The CEA stated that distinction on the basis of objectively measurable criteria could be considered but rates on the basis of value would lead to evasion.

9.7.3. The Hon'ble Minister from Madhya Pradesh suggested to exempt plastic footwear and to tax the other categories of footwear. The Hon'ble Minister from Uttar Pradesh suggested to exempt plastic and rubber footwear and to tax the other categories of footwear. The Hon'ble Minister from West Bengal stated that a tax rate relevant for the bottom part of the social pyramid should be considered and footwear with retail sale price of less than Rs. 500 should be kept at a low rate of tax. The Hon'ble Chairperson suggested that keeping in view the needs of the vulnerable sections of the society, footwear with retail sale price of less than Rs. 500 could be taxed at the rate of 5% and the other categories of footwear could be taxed at the rate of 18%. The Hon'ble Minister from Uttar Pradesh suggested to have a lower rate for footwear made of rubber and plastic. The Secretary stated that the Fitment Committee had considered this suggestion and had come to a conclusion that it was difficult to check which types of footwear were made of rubber and plastic. The Hon'ble Minister from Meghalaya supported the proposal to tax footwear with retail sale price of less than Rs. 500 at the rate of 5%. He said that keeping in view the need to make available good quality sports shoes to the poor to enable them to take part in sports activities, footwear with retail sale price between Rs. 500 and Rs. 2,000 could be kept in the 12% tax bracket and the rest of the footwear could be taxed at the rate of 18%. The Secretary stated that for sports promotion, States could give budgetary support instead of tax concession. After discussion, the Council agreed that the rate of tax on footwear with retail sale price of less than Rs. 500 would be 5% and for the other categories of footwear, the rate of tax would be 18%.

### **Textiles (Chapters 50 to 63):**

9.8.1. The Joint Secretary (TRU-I), CBEC, explained the present tax incidence on various products in the value chain of the textile sector. He stated that broadly the present tax incidence on cotton was 5%; cotton yarn and fabric were exempt from Central Excise but there was embedded tax on account of excise duty of 3.38% and on account of VAT of 2.81%; garments and made up textile materials of cotton were exempt from VAT and Central Excise but the embedded tax was more than 13%, if CST, octroi, etc. were considered. Hence the Fitment Committee suggested the tax rate of 5% on cotton yarn and fabrics and 12% on garments and made up articles of cotton. On silk, he stated that raw silk was exempt from tax and silk yarn had an embedded Central Excise duty of about 1.1% and VAT of about 3.58%. Hence, the proposed GST rate on silk yarn was 5%. On silk fabrics, he stated that there was embedded tax on account of excise duty of 5.25% and on account of VAT of 3.15%. Hence, the proposed GST rate on silk fabrics was 12%. On garments, he stated that a rate of 12% was proposed irrespective of the fibre used. On wool, he stated that there was Nil duty of Central Excise and VAT, and therefore, the proposed rate of GST was also Nil. He stated that taking into account the present incidence of tax, and the proposal from the textile sector to maintain fibre neutrality, the proposed tax rate for woollen yarn was 5% and for woollen fabric and garments was 12%. He further stated that the tax rate on other natural fibre was proposed to be at the rate of 5%, while their fabrics and garments were proposed to be at GST rate of 12%. He stated that for man-made fibre and filament yarn, the proposed rate of tax was 18% as the present incidence of tax was more than 18%. He added that taking

into account the present incidence of tax, the GST rate for man-made fabrics and garments was proposed at 12%.

9.8.2. The Secretary stated that the overall picture in textile sector was that it was a fragmented chain where cotton and fibre were taxed at 5%, yarn and fabric were at 0% and garments were taxed at the rate of 5% in VAT and at the rate of 2% in Central Excise for garments with retail sale price of more than Rs. 1,000 per piece. He stated that if the entire textile chain had to be brought in the tax net in GST, one had to keep in mind the sensitivity of the power loom and handloom sector which employed about 6 lakh spindles. He stated that presently, there was no tax on fabrics including on silk fabrics and the broad suggestion of the Fitment Committee was to tax fibre and yarn at the rate of 5%; cotton fabric at the rate of 5% (which would also include products of daily use like *dhoti* and *sari*) while other fabrics at the rate of 12%, and readymade garments (including blankets etc.) at the rate of 12%. He stated that the textile industry had demanded fibre neutrality for taxation under GST. He further stated that man-made fibre was proposed to be taxed at the rate of 18%.

9.8.3. Starting the discussion on the proposals, the Hon'ble Minister from Kerala raised a question regarding the impact of relative position of taxation on account of the proposed rates. The Joint Secretary (TRU-I), CBEC, stated that the proposal to tax cotton fibre, cotton yarn, and cotton fabric at 5% was close to the present position of tax and the proposal to tax other fabrics and garments of all types at the rate of 12% would lead to least amount of credit overflow and thus a demand for tax refund. He pointed out that chemicals would be taxed at the rate of 18% and if value addition was very high, no refund on manmade fabric might arise. The Hon'ble Minister from Kerala observed that cotton would become less competitive as compared to other fabrics. The Joint Secretary (TRU-I), CBEC, stated that such a situation would not arise as the present taxation rates were proposed to be continued in GST.

9.8.4. The Hon'ble Deputy Chief Minister of Gujarat stated that cotton was an important crop and many people were employed in this sector and greater use of cotton would help farmers. He stated that most of the fabrics today were mixed fabric like terry cotton, terylene, etc. and enquired as to at what rate such mixed fabric would be taxed. The Joint Secretary (TRU-I), CBEC, stated that lower rate of tax of 5% was only proposed for pure cotton fibre, pure cotton yarn and pure cotton fabrics. The Hon'ble Deputy Chief Minister of Gujarat stated that a lot of cheaper *saris* costing about Rs.200 per *sari* were made in Surat and supplied all over India. The Hon'ble Minister from Rajasthan stated that it was difficult to differentiate between various proportions of cotton, man-made yarn, etc., and therefore, it was desirable to achieve fibre neutrality and impose tax on all types of textile goods at the rate of 5%. The ACS, Haryana, stated that it was important to remember that textiles was also used in packing, industrial use, cushioning, etc.

9.8.5. The Hon'ble Minister from West Bengal stated that raw jute should be exempt from tax instead of the present proposal to tax it at the rate of 5%. The Hon'ble Deputy Chief Minister of Gujarat stated that cotton was also an agricultural product and by this logic, it should also be kept at Nil rate. The Secretary stated that there was a difference between jute and cotton as the former was used in making sacks etc. while the latter was used for making textiles. The Hon'ble Chairperson stated that the rates of tax on jute and cotton should be kept close to the existing rates and if jute attracted Nil tax, it should be charge to Nil rate under GST and if cotton attracted a tax of 5%, it should be taxed at the rate of 5% under GST. The Hon'ble Minister from Bihar stated that all agricultural products need not be taxed at Nil rate. He observed that even opium (*afeem*), cannabis (*ganja*) and tobacco were agricultural products but they could not be kept at Nil rate of tax.

9.8.6. The Hon'ble Chairperson suggested that fibre of silk and jute could be kept at Nil rate of GST as they were presently exempt, and cotton and other natural fibres could be taxed at the rate of 5%,

while man-made fibres could be taxed at the rate of 18%. He further stated that apparels could be taxed at the rate of 12% but those which were sold at a value of less than Rs. 1,000 could be taxed at the rate of 5%. He further suggested that if there was credit accumulation on account of inverted duty structure, no refund of the same be given. The Secretary stated that weaving would be coming under tax net after a long time and therefore, it should be taxed at a reasonable rate of 5%. He further stated that handloom should not be exempt, as it used both machine made and hank yarn. He further suggested that *khadi* yarn made from *charkha* could be exempt from tax instead of the proposed rate of 5%. The Council agreed to this suggestion.

9.8.7. The Hon'ble Minister from Karnataka stated that silk yarn should be kept under exempt category while silk fabric which also did not attract tax earlier would be charged to a higher rate. He stated that there was a difference between cotton and silk in as much as tax on cotton was levied at the primary level when cotton boll was sold whereas tax burden was falling on silk reelers and not on the earlier processes. The Secretary stated that as silk fabric was proposed to be taxed at the rate of 5%, yarn could also be taxed at the rate of 5%. The Hon'ble Minister from Assam also supported the proposal of the Hon'ble Minister from Karnataka. The Hon'ble Minister from Karnataka added that silk industry was already facing a threat due to smuggling of silk yarn from some neighbouring countries and taxing the reelers would disincentivise this sector. Dr. P.D. Vaghela, CCT, Gujarat, stated that if silk yarn was kept at Nil rate, it would lead to huge leakage of revenue due to mis-declaration. He added that the reelers would not be affected because the tax would be charged on reverse charge basis. The Hon'ble Deputy Chief Minister of Delhi stated that today, cotton fabric was also at Nil rate of duty. The Hon'ble Minister from Karnataka stated that reeler would bear full charge for value addition whereas he was only responsible for the act of reeling in the value chain. The Secretary observed that if there were only about 40,000 to 45,000 reelers, the fabric manufacturers could pay the tax on reverse charge basis, if need be. The Hon'ble Minister from Karnataka stated that silk industry was almost 2,000 years old and presently it was struggling for survival and as a producing State, they had exempted tax on it. After discussion, it was agreed that silk yarn would be charged to tax at the rate of 5%.

9.8.8. The Hon'ble Minister from Odisha suggested that handloom should be charged to Nil rate of tax. The Secretary stated that the man-made fabric, cotton fabric, blended fabric and handloom were all proposed to be charged at the rate of 5% and it would be very difficult to make a distinction between handloom and machine-made fabrics. The Hon'ble Minister from Odisha stated that products of handloom were used by common people. The Secretary responded that keeping this into account, the rate of tax for all types of fabrics was proposed to be kept at 5%. The Council agreed not to exempt handloom fabric.

9.8.9. The Hon'ble Minister from Kerala raised a question as to why rate of tax on man-made fabrics was being lowered from 12% to 5%. The Secretary stated that most of the fabric were of mixed type and it would be very difficult to distinguish between man-made fabric and other types of fabric. He further added that power looms and hand looms also survived on polyester in places like Surat and presently the tax on fabric was zero, and therefore, it was desirable to keep the rate of tax on fabrics at 5% during the initial stage of GST implementation.

9.8.10. After discussion, the Council agreed to keep raw silk and raw jute at Nil rate of GST; tax cotton and other natural fibres at the rate of 5%; tax man-made fibre and yarn at the rate of 18%; tax all fabrics at 5%; tax apparels sold at a value exceeding Rs. 1,000 per piece at the rate of 12% and tax apparels sold at a value not exceeding Rs. 1,000 per piece at the rate of 5%. The Council also agreed that if there was credit accumulation on account of inverted duty structure at the fabric stage, no cash refund would be given.

9.8.11. The Joint Secretary (TRU-I), CBEC, stated that the remaining items in the textile sector were goods falling under Chapters 56, 57, 58 and 59. He stated that these Chapters covered products like cordage; twine; carpet; floor covering; special fabric; tapestry; impregnated, coated, fabric, laminated textile fabric; and textile articles of a kind suitable for industrial use and all these were proposed to be taxed at the rate of 12%. The ACS, Tamil Nadu, stated that chemicals used for washing, bleaching of fabrics were taxed at the rate of 18% and this could lead to refund of taxes. The Secretary stated that it was already decided that accumulated input tax credit would not be refunded. The ACS, Tamil Nadu raised a question regarding applicable rate for imports and the Joint Secretary (TRU-I), CBEC, clarified that IGST on imports would be leviable at the applicable GST rates.

9.8.12. The Joint Secretary (TRU-I), CBEC, stated that embroidery or *zari* articles falling under Chapter 58 was already agreed to be taxed at the rate of 5% in the last Council Meeting held in Srinagar (18-19 May, 2017). The Hon'ble Minister from West Bengal stated that *zari* should be in the exempt category and recalled that the Hon'ble Minister from Uttar Pradesh and the Hon'ble Deputy Chief Minister of Gujarat had made a similar suggestion during the last Council Meeting. The Hon'ble Minister from Odisha supported this proposal and stated that tax on *zari* would affect the livelihood of artisans. The Joint Secretary (TRU-I), CBEC, stated that *zari* was also now made of metallised yarn in factories. The Hon'ble Minister from West Bengal stated that poor women worked on *zari* and the Secretary responded that small workers would get covered under the exemption/compounding scheme. The Hon'ble Minister from West Bengal stated that there was no Central Excise duty on small scale industry and as Central Excise exemption was being withdrawn, this would adversely affect the small industry. After discussion, the Council agreed to tax embroidery or *zari* articles, that is to say, *imi, zari, kasab, saima, dabka, chumki, gota sitara, naqsi, kora, glass beads, badla, glzal* at the rate of 5%.

9.8.13. The Hon'ble Minister from Uttar Pradesh stated that if fabric was being taxed at the rate of 5%, the hand-made carpet should also be taxed at the rate of 5% instead of 12%. The Hon'ble Chairperson observed that consumers of carpet were wealthy persons and they could pay tax at the rate of 12%.

**Bidi wrapper leaves (*tendu patta* – Chapter 14) and Bidi (Chapter 24):**

9.9.1. The Secretary stated that the Fitment Committee had proposed the GST rate of 5% for *tendu patta* as the present incidence of tax on this item was 8.41% with CST, Octroi etc. and 5.91% without Octroi etc. (embedded Central Excise duty - 0.85%; post-clearance Service Tax embedding - 0.14%; VAT - 5%; CST, Entry Tax, Octroi, etc. - 2.5%). He added that the Fitment Committee had proposed the GST rate of 28% on *Bidi* taking into account the fact that the total tax incidence on *Bidi* was 25.68% (Central Excise duty - 3.72%; Weighted average VAT rate - 19.46%; CST, Octroi, etc - 2.5%). He added that the Fitment Committee had left open the issue of Compensation Cess on *Bidi*.

9.9.2. The Hon'ble Minister from Madhya Pradesh suggested that no Cess should be imposed on *Bidi*. The Hon'ble Minister from Kerala stated that presently the relative incidence of tax on *bidi* and cigarette was not equal but the same was getting equalised under GST. He expressed an apprehension that this would cause a shift in the market demand in favour of cigarettes. He further stated that about one crore persons including tribals depended upon collection of *tendu* leaves and suggested that *bidi* should be charged to tax at the rate of 18% and no Cess should be levied on it. The Hon'ble Minister from West Bengal supported the view of the Hon'ble Minister from Kerala and stated that more than one crore poor people relied on *bidi* making and such high rate of tax could not be imposed on *bidi*. He added that presently *bidi* was exempt from VAT in his State and under GST, tax on it should not be more than 5%. The Hon'ble Minister from Telangana stated that ladies collected *tendu* leaves and made *bidi* and, in his State, there was no tax on *bidi* and they also gave pension to persons engaged in *bidi* making. He suggested that both *tendu* leaves and *bidi* should be kept at Nil rate. The Hon'ble Minister from Odisha

stated that his State was *tendu* leaf bearing State and suggested to keep the rate of tax at zero or 5% on *tendu* leaves and 18% on *bidi*.

9.9.3. The Hon'ble Deputy Chief Minister of Gujarat raised a question as to whether dry tobacco leaves would also be covered under this category. The Joint Secretary (TRU-I), CBEC, clarified that it was already decided in the last Council Meeting that it would be charged to tax at the rate of 5% under reverse charge. The Hon'ble Minister from Jharkhand stated that presently in his State, there was 5.5% VAT on *tendu* leaves and no tax on *bidi* and suggested that tax on *bidi* should not be more than 12%.

9.9.4. The Hon'ble Minister from Karnataka stated that if tax treatment was to be differentiated on the consideration that it was hand-made, then he would present a list of products which should be given a similar differential treatment. He stated that by similar logic, tobacco should also not be subject to tax as a large number of farmers in his State depended upon tobacco growing and were not willing to shift to any other crop. He further stated that the livelihood of areca nut farmers could be affected due to high rate of tax on *supari*. He further observed that the discussion on this issue had not touched the health-related aspects of this product. He pointed out that 14% people in India smoked tobacco and around 73 million persons smoked *bidi* and 45 million persons smoked cigarette. He stated that most of the *bidi* smoking persons came from economically weaker background and cancer detection in that segment of population was very late leading to the disease becoming terminal. He stated that awareness campaigns regarding harmful effects of smoking should be combined with an economic instrument and no difference should be made in the tax rate for cigarette and *bidi*. The Hon'ble Minister from Kerala asked as to why there was no VAT on *bidi* in Karnataka and the Hon'ble Minister from Karnataka responded that his State was contemplating to levy VAT on *bidi* about one and a half years back but decided to wait for implementation of GST.

9.9.5. The Hon'ble Minister from Kerala reiterated that if *bidi* was taxed at a rate similar to cigarette, then market demand would shift towards cigarette. He referred to a study by the Tobacco Institute of India which stated that if there was a uniform taxation policy on cigarette and *bidi*, then market preference would shift towards cigarette. He stated that in Kerala, smoking had come down due to increased awareness and suggested that to curb smoking, there should be more awareness campaigns rather than higher tax. The Secretary stated that *bidi* was put in the 28% tax bracket as the existing tax incidence was about 25.68%. He stated that the Governments could not afford to lose revenue and health hazard also had to be kept in mind. He stated that reduction of tax on *bidi* was not desirable but Cess might not be charged. The Hon'ble Minister from Chhattisgarh stated that they stood to lose revenue of about Rs. 300 crore as this tax would travel to other States. The Secretary responded that the tax would flow to the entire country. The Hon'ble Minister from Madhya Pradesh suggested to keep the rate of tax on *bidi* at 28% as otherwise there would be loss of revenue. Shri Raghwendra Kumar Singh, CCT, Madhya Pradesh, stated that the entire quantity of *tendu* leaves was sold by the Forest Produce Corporation, a Government Undertaking, and if *tendu* leaves was taxed at 28%, a large part of tax would be collected at the first point of sale; otherwise a lot of *tendu* leaves would go to the unorganised sector and no revenue would accrue from such supplies. The Secretary observed that this was a good suggestion and suggested to keep the rate of tax on *tendu* leaves at 18%. The Hon'ble Minister from Maharashtra suggested that tax on *tendu* leaves should be kept at 5% as the present incidence of tax was 6%. Shri R.K. Tiwari, ACS, Uttar Pradesh, stated that tax on *tendu* leaves should be confined to the existing level of taxation. The Secretary stated that as *bidi* rolling was done in unorganised sector, it was a good idea to get tax at the stage of supply of *tendu* leaves itself.

9.9.6. The Hon'ble Minister from Kerala stated that he still opposed equal rate of taxation on cigarette and *bidi*. The Hon'ble Minister from Karnataka stated that *bidi* would become cheaper as cigarette attracted Cess at the rate of 160% whereas no Cess was proposed to be charged on *bidi*. He stated that

there was a stronger case to put higher Cess on *bidi* as this was consumed by the poorer sections of the society who faced higher health hazards. He suggested to charge Cess on *bidi*, but at a lower rate than cigarette. The Hon'ble Minister from Punjab supported levy of Cess on *bidi*. The Hon'ble Minister from Meghalaya suggested that both *bidi* and cigarette should be taxed at the rate of 28%. The Hon'ble Minister from West Bengal stated that he wanted his dissent to be recorded for levying tax on *bidi* at the rate of 28%. The Secretary stated that tax on *bidi* should not be reduced from the existing incidence of tax which came to about 25.68%. The Hon'ble Minister from Telangana stated that he strongly objected to taxing *bidi* and *tendu* leaves at a higher rate as presently in his State, *tendu* leaves was charged to tax at the rate of 5% and *bidi* at Nil rate. The ACS, Uttar Pradesh stated that if *tendu* leaves was proposed to be taxed at the rate of 18%, *bidi* should not be taxed at the rate of 28% as it was not a luxury product. The Hon'ble Minister from Karnataka stated that *bidi* merited to be taxed at the rate of 28% as it was a sin good. The Hon'ble Minister from Assam stated that cultivators could be encouraged to shift from *tendu* leaves cultivation but no tax incentive should be given as *bidi* posed a serious health hazard.

9.9.7. The Hon'ble Minister from Karnataka stated that Governments should be mindful that the cost of treating the poorer sections of the society would also largely fall on the Government. The ACS, Uttar Pradesh stated that for the sake of good optics, the rate of tax on *Bidi* should be 18%. The Hon'ble Minister from Chhattisgarh stated that if *tendu* leaves was being taxed at the rate of 18%, then the tax rate on *Bidi* should be increased, as otherwise the cost of *Bidi* would come down. The Hon'ble Minister from Maharashtra stated that *tendu* leaves were collected by farmers and present incidence of tax on this item was 6% and therefore it should not be taxed at a rate higher than 6%. The Hon'ble Chairperson suggested that *tendu* leaves could be taxed at the rate of 18% under reverse charge and *bidi* could be taxed at the rate of 28%. The Council agreed to this suggestion.

9.9.8. The ACS, Tamil Nadu raised an issue whether the Central Government would charge Central Excise duty on tobacco over and above the tax levied under GST. The Secretary stated that the Central Government had already taken a decision that for 5 years, tobacco products would only be charged to compensation cess and that the Central Government would not levy any extra duty of central excise, except by way of National Calamity Contingent Duty (NCCD).

**Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metals and articles thereof; imitation jewellery; coin (Chapter 71)**

9.10.1. The Joint Secretary (TRU-I), CBEC, explained the present tax rates on various categories of precious stones and precious metals. He stated that pearls, diamonds, other precious stones and synthetic or reconstructed precious stones were charged to nil rate of Central Excise duty. He further stated that dust and powder of natural or synthetic precious stones was charged to Central Excise duty of 6%; silver unwrought or in semi manufactured forms at the rate of 8.5% and gold unwrought or semi manufactured form were charged to duty at the rate of 9.35% and base metals or silver clad with gold; platinum, unwrought or in semi manufactured form; and base metals, silver or gold clad with platinum not further worked were chargeable to duty at the rate of 12.5%. He further stated that articles of jewellery were charged to Central Excise duty at the rate of 1% without input tax credit and at the rate of 12.5% with input tax credit. He added that imitation jewellery attracted Central Excise duty at the rate of 6%. As regards VAT rates, he stated that almost all States taxed jewellery at the rate of 1% with the exception of Kerala (5%), Maharashtra (1.2%) and Tripura (2%). He further stated that VAT rates for diamonds and other precious and semi-precious stones in different States were same as that for jewellery except in the case of Gujarat which had Nil VAT on rough diamonds. As regards the market size, he informed that total jewellery market size in India was about Rs. 4.5 lakh crore and gold consumption in jewellery sector was about 527 per metric tonne during 2016-17 and 606 per metric tonne during 2015-16. He

also informed that according to the Report of the GST Revenue Neutral Rate Committee, consumption of gold by top 2 income deciles accounted for about 80% of the total consumption while the consumption by the bottom 4 deciles was only 0.2%.

9.10.2. Starting the discussion, the Hon'ble Minister from Assam enquired about the Fitment Committee's recommendation on the rate of tax on these items. The Joint Secretary (TRU-I), CBEC, stated that in its 4<sup>th</sup> Meeting of the Council, it was decided that the rate of tax on Gold shall be decided by the Council after the completion of the fitment exercise by the Fitment Committee. The Hon'ble Minister from West Bengal stated that since VAT and Central Excise duty rate was 1% each, tax on gold should be at the rate of 2%. He added that this would carry a good message that care had been taken of people across the population. The Hon'ble Deputy Chief Minister of Gujarat supported the proposal to keep a low rate of tax on gold. The Hon'ble Deputy Chief Minister of Delhi stated that the tax rate on gold should be kept low in order to curb tax evasion. The Hon'ble Ministers from Telangana and Maharashtra also supported a low rate of tax on Gold. The Hon'ble Minister from Karnataka stated that during his interaction with trade representatives, they raised the issue as to what was the justification to tax gold at a low rate when it was essentially a luxury commodity. The Hon'ble Minister from Kerala stated that gold need not be treated as a special item to be taxed at a low rate. He observed that it was not an item of consumption by the poor people as the top two income deciles accounted for about 80% of the total consumption of gold in India. He stated this sector could afford to pay the tax and for poor persons, a subsidy could be given for buying gold to solemnise the marriage ceremony. He further added that gold was being used for investment purposes and therefore, it should not be subsidised by keeping it under a low tax rate bracket. He further added that during the last few years, the price of gold had increased by 300 to 400 times and if the market could absorb this increase in price, it could also absorb a small tax amount. He warned that there would be a big loss to revenue if rates on gold were low and following the advice of CEA, one would need to look at increasing the rate of tax on some other item. He proposed that the rate of tax on gold should be 5%. The Hon'ble Minister from Goa supported this proposal and advised against having a new rate under GST. The Hon'ble Ministers from Odisha and Assam also supported a tax rate of 5% on gold as the present incidence of tax was 2%. The Hon'ble Minister from Bihar stated that gold should not be taxed at a low rate as it was a means of hoarding black money and pointed out that more than 30 crore people in the country were below the poverty line and they could hardly afford to buy gold. He stated that gold was like a luxury good. The Hon'ble Minister from Andhra Pradesh stated that gold should be taxed at the rate of 5% in order to achieve revenue neutral rate.

9.10.3. The Hon'ble Minister from Chhattisgarh stated that the main issue in respect of gold was evasion of tax and a low rate of tax should be kept in order to bring gold in the tax net. The Hon'ble Minister from Jammu & Kashmir stated that there was no justification to keep gold at a low tax rate and suggested to minimise the tax rate slabs and tax gold at the rate of 5%. The Hon'ble Minister from Jharkhand stated that almost all States charged VAT on gold at the rate of 1% and the poorest people also wanted to buy gold for marriage ceremony. He suggested to keep the rate of tax at 2% but expressed flexibility to increase the rate to 5%. The Hon'ble Minister from Karnataka suggested to tax gold at the standard rate of 5% and observed that when consumption of gold was not affected due to 300-400 fold increase in price, it should also not get affected by a 3% increase in tax.

9.10.4. The Hon'ble Chairperson asked the preference of all the members regarding the rate of tax on gold. The Hon'ble Ministers from Nagaland, Madhya Pradesh, Meghalaya, Arunachal Pradesh, Odisha, Mizoram, Sikkim and Himachal Pradesh expressed a preference for the rate of 5%. The Hon'ble Ministers from Gujarat, Delhi, Uttarakhand, Maharashtra, Uttar Pradesh, Rajasthan, Telengana, Punjab, Puducherry, and Haryana expressed a preference to tax gold at the rate of 2%. The ACS, Tamil Nadu also supported a tax rate of 2% on gold bullion and observed that tax collection from jewellers was very

less because they claimed very high wastage or it was difficult to distinguish between machine made and handmade jewellery in their premises.

9.10.5 The Hon'ble Chairperson observed that the Council had a vertically divided opinion between 2% and 5%. He stated that he agreed with the arguments of the Hon'ble Ministers from Kerala and Bihar for not supporting a low rate of tax but it also needed to be borne in mind that higher tax rates on gold would lead to smuggling as roughly the annual demand for gold in India was about 1000 metric tonnes. He stated that gold and cigarettes were the largest smuggled items in India. The Hon'ble Deputy Chief Minister of Gujarat, suggested as a compromise, to keep the tax rate on gold and gold jewellery at 3% as this sector provided large scale employment and also attracted considerable investment. The Hon'ble Ministers from Assam and Kerala suggested a compromise rate of 4%. The Hon'ble Chairperson suggested to keep the rate of tax on gold, other precious metals and jewellery (including artificial jewellery) at the rate of 3% and to consider increasing it over the years, the target being to reach the rate of 5%. The Council agreed to the proposed rate of tax on gold and other precious metals and jewellery thereof at the rate of 3%.

9.10.6 On rough diamond, the Hon'ble Deputy Chief Minister of Gujarat stated that almost all rough diamonds were imported into India and 90% of diamonds, after finishing was exported. He added that about 95% of the business of cutting and polishing of diamonds was carried out in Gujarat. The Secretary suggested that a low tax rate of 0.25% could be levied on rough diamond to create an audit trail. The Council agreed to this suggestion. The Secretary further clarified that cut and polished diamond would be taxed at the same rate as jewellery, i.e., 3%.

### **CSD Canteen**

9.11.1 Introducing this subject, the Secretary stated that the Canteen Stores Department of the Armed Forces (commonly referred to as CSD), was created to provide easy access to quality products of daily use, at prices less than market rates to the soldiers, ex-servicemen and their families and it was not driven by profit motive. He stated that the Canteen Stores Department had 34 depots strategically located across India which in turn catered to thousands of Unit Run Canteens (URCs) which it was mandated to serve. He explained that presently, CSD enjoyed partial or full exemption (which varied from State to State) on procurements by CSD, supplies by CSD to the URCs and supplies by URCs to the customers. He stated that during 2015-16, sales from CSD was about Rs. 15,828 crore; sales net of liquor sales was Rs. 13,421 crore; total VAT exemption benefit on non-liquor sales was Rs. 1376 crore; and percent of VAT concession on items other than liquor was 10.3%. He stated that the Council could consider 50% concession from GST on supplies to CSD through a reimbursement mechanism but no concession need be extended from Compensation Cess. He further added that presently, there was no Central Excise duty concession on supplies to CSD, but in the GST regime, the cost of concessions to CSD was proposed to be equally borne by the Central Government and the State Governments.

9.11.2 The Hon'ble Minister from Jammu & Kashmir stated that the proposed tax structure for CSD canteen created an additional rate structure. He suggested that a better approach would be to give budgetary subvention to the Defence Ministry instead of complicating the GST rate structure. The Secretary stated that there was no Central Excise duty exemption and it was a moot point whether States would like to give full reimbursement. He stated that in this view, the alternative suggestion was that the present scheme of VAT exemption could be continued by offering a 50% tax reduction for supplies to CSD through a refund mechanism where the Central Government would bear half the burden. He stated that refund of CGST & SGST could be given for supplies to CSD canteens and the subsequent supplies to the Unit Run Canteens and from there to the customers could be exempt from the tax. He added that under this scheme a different rate for supply to CSD canteen was not being applied and only a mechanism of refund would be implemented through a notification. The Hon'ble Chairperson



observed that earlier the entire burden of exemption for CSD Canteen was on the States but now 50% of this burden would be shared by the Centre while refunding the tax proceeds.

9.11.3 The Secretary requested the Council to consider whether the same treatment could be given to the para military forces. The Hon'ble Minister from Jammu & Kashmir suggested that this scheme should be limited to the defence forces only. The Hon'ble Minister from Maharashtra suggested to give this benefit to para military forces also. The Hon'ble Minister from Uttar Pradesh suggested to give this benefit to the Provincial Armed Constabulary(PAC). After discussion, the Council agreed to limit this benefit only to CSD canteens.

**Addendum to the GST rate Schedule for Goods (As per discussions in the 14<sup>th</sup> GST Council Meeting held on 18-19 May, 2017)**

9.12. The Secretary stated that after uploading the GST rate Schedule for Goods following the decisions taken during the 14<sup>th</sup> Council Meeting in Srinagar, certain entries had caused confusion in the mind of the stakeholders and some entries, due to inadvertence, appeared at more than one place in the GST rate Schedule. In order to rectify these anomalies, an Addendum to the GST rate Schedule for Goods was placed before the Council which *inter alia* clarified the rate of tax for goods like edible mixtures or preparations of vegetable fats or vegetable oils; organic manure put up in unit containers and bearing a brand name; erasers; other refractory ceramic goods; and glass beads. The Council approved the amendments proposed in the Addendum.

10. For **agenda item 4**, the Council approved the rates of GST on supply of goods as listed in Volume-2 of the detailed agenda notes with the following modifications: -

- (i) to put cereals, pulses and flour put up in unit container and bearing a registered brand name in the exempt category instead of the proposed rate of 5%;
- (ii) to tax goods falling under Chapter heading 8437 (cleaning, sorting, grading machinery; milling machinery) at the rate of 5% instead of the proposed rate of 12%;
- (iii) to tax footwear with retail sale price of less than Rs. 500 at the rate of 5% instead of the proposed rate of 12%;
- (iv) to tax raw jute at Nil rate instead of the proposed rate of 5%;
- (v) to tax *khadi* yarn made from *charkha* at Nil rate instead of the proposed rate of 5%;
- (vi) to tax all varieties of fabric at the rate of 5% instead of the proposed rate of 12% and not to allow cash refund of any accumulated credit of duty arising out of inversion of tax;
- (vii) to tax apparels sold at a value not exceeding Rs. 1,000 per piece at the rate of 5% instead of the proposed rate of 12%;
- (viii) to tax *tendu* leaves at the rate of 18% under reverse charge instead of the proposed rate of 5% and to charge 28% tax on *bidi* as proposed in the agenda note but no Compensation cess to be charged;
- (ix) to tax gold and other precious metals and jewellerys falling under Chapter 71 at the rate of 3%, and to tax rough diamond at the rate of 0.25%;
- (x) to extend 50% concession from GST on supplies to CSD through a reimbursement mechanism (where CSD would get refund of 50% of GST under Section 55 of the CGST Act and the SGST Acts) but no concession to be given from levy of Compensation Cess. The cost of concessions to CSD shall be borne equally by the Central Government and the State Governments; the subsequent supplies from the CSD to the Unit Run Canteens and from the CSD or Unit Run Canteens to the customers shall be exempt from GST.

**Agenda item No.5: Presentation on concept note on operationalizing the Anti-profiteering Clause in GST Law:**

11.1. Introducing this agenda item, the Secretary stated that Section 171 of the CGST Act and the corresponding provision in the SGST Act required that any reduction in the rate of tax on any supply of goods or services or the benefit of input tax credit should be passed on to the recipient by way of commensurate reduction in prices. This Section also provided for constitution of an Authority or empowering any existing Authority to examine whether the benefit of input tax credit or reduction in tax rate availed by a registered person had actually resulted in a commensurate reduction in the prices of the goods or services supplied by him. It also provided that the authority shall exercise such powers and discharge such functions as may be prescribed in the Rules. He stated that to operationalise this provision of the law, Rules would need to be drafted. He stated that the draft Rules prepared by CBEC were discussed during the meeting of officers of the Central and the State Governments held in the morning of 3 June, 2017 and officers made many suggestions regarding the draft Rules which would require to be reworked. He stated that the basic concept was that when a complaint was received, it would be referred to a Standing Committee appointed by the Council which would decide whether an inquiry should be initiated on the complaint. He added that this provision was largely meant to apply to major players producing a basket of goods and not to small, individual suppliers. He further stated that once the Standing Committee recommended an inquiry, the actual investigation would be carried out by DG, Safeguards, in the CBEC, who have the experience of carrying out investigation in relation to applications for Safeguard action under the WTO Agreement on Safeguards. He stated that inquiry report with its recommendations would be referred back to the Standing Committee and then either the Council itself or a Committee constituted by the Council could take a final decision.

11.2. The Secretary informed that during the meeting of officers of the Central and the State Governments held in the morning, a major doubt expressed was whether the Council should itself take a decision as there could be several court cases arising out of such decisions and it might not be advisable to expose the Council directly to court related litigation. The CEA observed that a lot of anxiety had been expressed in the media on the Anti-profiteering clause and there was a fear of return of 'raid raj'. He suggested that as the spirit of this provision was to help in the transition to GST, the Anti-profiteering Rules should have a sunset clause of nine months or one year. The Hon'ble Deputy Chief Minister of Delhi stated that there was a lot of anxiety among the public about this provision. He stated that tax would be levied on the market price and this would also have embedded Central Excise duty. He suggested that as there could be many complaints, the proposed Standing Committee should be decentralized.

11.3. The Hon'ble Minister from West Bengal proposed that the body to be constituted under Section 171 should be autonomous, and not under CBEC, so that it could take independent decisions. He stated that this body could also be under the GST Council. He supported the suggestion of having a sunset clause and the decision to wind up the Body would depend upon the experience in regard to the working of the Body. He cautioned that this provision should not lead to an Inspectorate Structure. He further observed that it needed further discussion as to how to provide autonomy to such a Body; how it should operate within the Council; and what should be the period for sunset clause. The Secretary stated that it would not be practicable to create an autonomous agency under the Council as this would be a time-consuming exercise which would defeat the very purpose of this provision. He stated that one possible organisation to conduct investigation could be the Competition Commission of India. The Hon'ble Deputy Chief Minister of Delhi observed that the experience with the Competition Commission of India was not good.

11.4. The Hon'ble Minister from Kerala stated that he was happy that Anti-profiteering Rules were being considered. He observed that due to reduction in incidence of tax, there would be less collection

of tax to the tune of about Rs. 50,000 crore and it was important that this should be passed on to the consumer. He suggested that a matrix of previous tax and present tax should be made available to public in order to enable them to take an informed decision. The Hon'ble Chairperson observed that Section 171 dealing with anti-profiteering was part of the law and to shorten its life, a legal exercise would be required. He observed that one could observe during the course of the year whether its provisions should actually be put to use. He suggested that if it was to be put to use, a Committee of officers consisting of one officer from the Central Government and four officers from the State Governments (with a quorum of three), could meet every month or once in two months, take up some serious cases for investigation and make that as an example for others. He stated that this provision should not be used in a large-scale manner. The Hon'ble Minister from Kerala observed that if the whole matrix of tax incidence, maximum retail price, etc. was to be made available in public, it could also possibly be part of the Anti-profiteering Rules. He stated that the Rules could enjoin the authority to publish list of commodities, the past tax incidence and the new tax incidence. The Secretary stated that the Government could publish such information only commodity-wise and not company-wise. He added that it would be advisable to first carry out public information campaign and that newspaper publicity had already started.

11.5. The Hon'ble Minister from Mizoram supported the suggestions of the Hon'ble Chairperson. He also suggested to insert a provision for offence and punishment in the Act itself or to incorporate it in the Consumer Protection Act. The Secretary clarified that punishment on account of anti-profiteering was inbuilt in the proposed draft Rules where it was provided that in case where profiteering was found, the taxpayer could be directed to reduce price; return the amount equivalent to the amount not passed on to the recipient by way of commensurate reduction in prices along with 18% rate of interest; or recover the amount not returned within thirty days and such amount to be deposited in the Consumer Welfare Fund created under Section 57 of the CGST and SGST Acts. The Principal Secretary (Revenue), Telangana, stated that as the Council would change rates of tax many times, it would not be advisable to have a sunset clause for the anti-profiteering provision. He also observed that the incidence of tax should be given State-wise as figures of weighted average tax could be misleading. The Secretary suggested that such lists could be published at the State level using the same matrix. The CCT, Gujarat, stated that they had sent comments on this agenda item. He added that providing information on the present and the earlier incidence of tax was not sufficient. Information would also need to be given as to what was the input tax, what was the benefit of input tax credit, etc. as was done in Australia. He observed that this would be more scientific and it would indicate how much tax benefit was given to the consumer. After further deliberation, the Council agreed with the broad principles of the draft Anti-profiteering Rules that when a complaint was received, it would be referred to a Standing Committee which would decide whether an inquiry should be initiated on the complaint and once the Standing Committee recommended an inquiry, an investigation would be carried out by an Authority and its inquiry report with the recommendations would be referred back to the Standing Committee. The Council further agreed that the Anti-profiteering Rules would be worked upon further on the basis of the discussions held in the Council.

12. For **agenda item 5**, the Council approved the broad principles of the draft Anti-profiteering Rules, namely, that when a complaint was received, it would be referred to a Standing Committee which would decide whether an inquiry should be initiated on the complaint and once the Standing Committee recommended an inquiry, an investigation would be carried out by an Authority and its inquiry report with the recommendations would be referred back to the Standing Committee. The Council also approved that the Anti-profiteering Rules would be worked upon further on the basis of the discussions held in the Council.

## **Agenda Item 6: Any other agenda item with the permission of the Chairperson**

- i. Applicability of GST on supply of Electricity**
- ii. Notifying Provisions related to Composition Levy**
- iii. Notifying Provisions related to Appointment of Officers**
- iv. Notifying Provisions related to Registration**
- v. E-Way Bills**

### **Applicability of GST on supply of Electricity:**

13.1. Introducing the agenda item on the applicability of GST on supply of Electricity, the Secretary recalled that in the last Council Meeting held on 18-19 May, 2017, a point was raised whether supply of 'electricity' would come within the ambit of GST. He recalled that under the Constitution (One Hundred and First Amendment) Act, 2016, the erstwhile Entry 52 of List-II (State List) of the Seventh Schedule to the Constitution, had been deleted which empowered the State Governments to levy taxes on the entry of goods into a local area for consumption, use or sale therein. He added that Entry 54 of List-II (State List) of the Seventh Schedule to the Constitution had been restricted to taxes on intra-State sale of petroleum products and alcoholic liquor for human consumption. Further, Entry 62 of List-II (State List) of the Seventh Schedule to the Constitution had been restricted to taxes on entertainment and amusement to the extent levied and collected by the Panchayat or the Municipality or the Regional Council or the District Council. He added that consumption or sale of 'electricity' was a separate Entry 53 in the List-II (State List) of the Seventh Schedule to the Constitution which read as follows: "Taxes on the consumption or sale of electricity". He pointed out that the Hon'ble Supreme Court in a number of decisions had held that 'electricity' fell under the category of 'goods'. He stated that given these Constitutional provisions and the observations of the Hon'ble Supreme Court, a view needed to be taken as to whether GST would be applicable on supply of 'electricity' or not.

13.2. The Secretary informed that a reference in this regard was made to the Union Ministry of Law which had opined that having a separate Entry on 'electricity' in the State List did not preclude 'electricity' from being under the ambit of GST. With this interpretation, any GST imposed on supply of 'electricity' at any later date would be over and above any tax imposed on consumption or sale of 'electricity' by any State under Entry 53 of the State List of the Constitution. This would be similar to the treatment to tobacco under the Constitution, as amended by Constitution (One Hundred and First Amendment) Act 2016, wherein by virtue of Entry 84 of the Union List, the Union Government has powers to impose Central Excise duty on tobacco and tobacco products over and above any GST which might be imposed on supply of tobacco and tobacco products, since tobacco as a 'good' had been subsumed under GST. He stated that in light of the observations made by the Union Ministry of Law, it was proposed that the Council could recommend that the supply of 'electricity' be exempted from the levy of GST.

14. After discussion, the Council agreed to exempt the supply of 'electricity' from the levy of GST.

### **Notifying Provisions related to Composition Levy**

15.1. Introducing this agenda item, the Secretary stated that Section 10 of the CGST Act, 2017 provided that a registered person, whose aggregate turnover in the preceding financial year did not exceed Rs. 50 lakh, could opt to pay tax under Composition levy. Under this option, which was essentially meant to reduce compliance cost for small taxpayers, a person could pay tax at an alternative rate on the turnover. He stated that the taxpayers who were registered under the existing laws were being migrated to GST and that the process of migration had already started in November, 2016. The migrated taxpayers had been allotted a provisional registration. At the time of giving Goods and Services Tax Identification

Number (GSTIN), the migrated taxpayer would be asked to declare whether he wished to avail Composition scheme, i.e. an existing taxpayer was required to declare, in advance, about option for Composition levy. Further new registrants would also be required to opt for Composition scheme. He recalled that during the 14<sup>th</sup> Meeting of the Council (held on 18 and 19 May, 2017), Rules on Composition levy, apart from other six rules, had also been recommended by the Council.

15.2. The Secretary stated that in order to allow the facility for availing the option of Composition levy to the intending migrated taxpayers, it was required that provisions related to Composition levy, i.e. Section 10 of the CGST Act, be notified. This would also enable notifying relevant Rules on Composition levy. The Secretary further informed that 23 States had passed their respective SGST Acts till 31 May, 2017 but most were yet to be notified. He stated that in this view, the benefit of Composition levy would have to be granted under the CGST Act, 2017 and such option would be deemed to be allowed under SGST Act and UTGST Act as and when such Acts were notified. The Secretary proposed that the Council could approve notifying Section 10 of the CGST Act relating to Composition levy from 19 June, 2017 and the States that had enacted their SGST Act could also notify the same Section. The Council agreed to this proposal.

#### **Notifying Provisions related to Appointment of Officers**

16. Introducing this agenda item, the Secretary stated that Section 3 of the CGST Act, 2017 provided that the Central Government shall, by notification, appoint different classes of officers for the purposes of the CGST Act. Section 4 of the CGST Act empowered the Board (Central Board of Excise and Customs) to appoint officers as it might think fit in addition to the officers notified by the Government under Section 3. Section 5 of the CGST Act provided for powers of the officers. Section 3 of the IGST Act, 2017 provided that the Board might appoint such central tax officers as it thought fit for exercising the powers under the IGST Act. He stated that Sections 3, 4 and 5 of the CGST Act and Section 3 of the IGST Act were required to be notified so that officers could be appointed under the CGST Act and the IGST Act. This would enable Central Government to notify the reorganisation of its field formations so that the new formations were in place well before the appointed date. He added that Section 1 of the CGST Act and the IGST Act were also required to be notified so that these Acts came into effect for notifying different provisions of the said Acts. He proposed that the Council could approve notifying Sections 1, 3, 4 and 5 of the CGST Act, 2017 and Sections 1 and 3 of the IGST Act, 2017 from 19 June, 2017 and the States that had enacted their SGST Act, could also notify the same Sections (other than the IGST Act). The Council approved this proposal.

#### **Notifying Provisions related to Registration**

17.1. Introducing this agenda item, the Secretary stated that Sections 22 to 30 of the CGST Act, 2017 provided for registration of taxpayers under GST. However, persons already registered under the existing law (Central Excise, Service Tax, Value Added Tax, Central Sales Tax etc.) were proposed to be migrated to GST through a simpler process so that the existing taxpayers were not required to apply for fresh registration for GST. The existing taxpayer would be migrated under the provisions of section 139 of the CGST Act. He informed that the process of migration of presently registered taxpayers had already started in November, 2016. He informed that the migrated taxpayers had been allotted a provisional registration. He further stated that during the 14<sup>th</sup> Meeting of the Council held on 18 and 19 May, 2017, Rules on registration, apart from other six rules, had been recommended by the Council.

17.2. He stated that in order to issue registration certificate, i.e. GSTIN, under the provisions of the CGST Act to the migrated taxpayers, the provisions related to registration and transitional provisions on migration were required to be notified. He observed that this would also enable notifying the relevant Rules on registration and migration. He added that the procedure to grant new registrations also needed to be started. In view of this, he stated that relevant Chapters/Sections of the CGST Act were required

to be notified and these were Chapter VI on registration containing Sections 22 to 30 and Section 139 of the CGST Act on migration of existing taxpayers. He observed that Section 20 of the IGST Act, 2017 provided that the provisions relating to registration and transition, among others, as in the CGST Act shall, *mutatis mutandis*, apply to integrated tax. He stated that in this view, Section 20 of the IGST Act was also required to be notified. He added that 23 States had already passed the respective SGST Acts till 31 May, 2017 but most were yet to be notified. Therefore, issuance of registration certificates to migrated taxpayers and fresh registrations to new taxpayers would have to be granted under CGST Act, 2017 and such registrations would be deemed to be granted under SGST Act and UTGST Act as and when such Acts were notified. He proposed that the Council could approve notifying Sections 22 to 30 and Section 139 of the CGST Act, 2017 and Section 20 of the IGST Act, 2017 from 19 June, 2017 and the States that had enacted their SGST Act, could also notify the same Sections (other than the IGST Act). The Council approved this proposal.

### **E-Way Bills:**

18.1. Introducing the agenda item on e-Way Bills, the Secretary stated that consequent upon bringing Draft Rules on e-way bills framed by the Law Committee in public domain in April, 2017, various representations had been received on these rules. He enumerated the key issues raised by the trade and industry in relation to e-Way Bills:

- i. The draft rules had laid down a very low threshold beyond which the e-Way Bill would apply. It was provided that any consignment of a value greater than Rs. 50,000 would be required to have an e-Way Bill for its movement. The limit was very low as compared to the high compliance burden for transporters.
- ii. The rules provided that it would be applicable to any kind of movement of goods both, intra-State or inter-State. The draft e-Way Bill had gone beyond the present system and was proposed to be applicable to any kind of movement, both intra-State and inter-State.
- iii. The draft rules provided that it would be applicable to movement of all kinds of goods. There was no demarcation for the goods as to whether they were evasion prone or not. This universal application of the rule to all kinds of goods meant that there was no adoption of risk management approach which was the essence of a modern day tax administration.
- iv. The draft rules provided for strict timelines for completion of transport operation, which appeared to be impractical and removed from reality. Further any violation of timelines had penal consequence.
- v. The coverage of the rules was ubiquitous and did not provide for relaxation for any kind of movement such as that for imports or exports. So any movement of the export goods from the ICD to the Gateway port or for the transshipment of the imported goods from gateway port to the ICD had not been given any relaxation from the application of rules.
- vi. The rules required that any transshipment of the goods during movement would entail the generation of a new e-Way Bill. The compliance burden created by this requirement would be huge as transshipment was one of the essential attributes of cargo movement and was required for efficient movement of goods throughout the country. Besides, there might be certain eventualities such as accidents where the goods would require to be shifted from one conveyance to another.
- vii. The draft rules provided that the transporter was required to carry both the invoice as well as the e-way bill during the movement of goods. Thus, there was no respite for the transporter.
- viii. The onus and responsibility of movement of taxable goods and other than taxable goods was getting blurred. The smooth movement of goods could be hindered because of the fault of a transporter.
- ix. Trade associations had suggested alternative model.

18.2. He stated that the feedback from the stakeholders was yet to be examined by the Law Committee, and finalisation of Rules and related Forms might take some time and software could be developed only after finalization of the Rules and Forms by the Council. Therefore, the Secretary proposed that the Council could discuss and advise the suitable date and modalities of the implementation of e-Way Bill system in the GST regime.

18.3. The Secretary further stated that the feedback from the stakeholders was yet to be examined by the Law Committee and in this view, finalisation of Rules and related Forms might take some time and software could be developed only after finalization of the Rules and Forms by the Council. He suggested that implementation of the e-Way Bill system could be postponed by a few months. He informed that GSTN would require about six months to put the e-Way Bill system in place, as during the first three months after the GST roll out, they would be busy in the implementation phase. The Secretary placed the agenda before the Council to discuss and decide regarding a suitable date and modalities of implementation of the e-Way Bill System in the GST regime.

18.4. Starting the discussion on the agenda item, the Hon'ble Deputy Chief Minister of Gujarat stated that in his State, the e-Way Bill system had been introduced two years back and the system was functioning well. The Hon'ble Minister from Bihar stated that as the CGST and the SGST Acts had been passed, e-Way Bill system could not be kept in abeyance. The Secretary responded that the CGST and the SGST Acts had an enabling provision to create an e-Way Bill and the main reason for creation of the e-Way Bill system was to check evasion of VAT due to the tax arbitrage available on account of differential rates of tax under the Central Sales Tax Act and the concerned VAT Act. He observed that in GST, for inter-State supplies, the tax paid as IGST would be the same as the sum total of CGST and the SGST for intra-State supplies and therefore, the incentive for tax evasion would be much less and there would be no requirement for check posts at the State borders. The Hon'ble Minister from Assam stated that many times, in the garb of exempted goods, taxable goods were transported. The Hon'ble Minister from Karnataka stated that the States which were already operating the e-Way Bill system should not go to a manual system as this would lead to tax evasion and harassment. He stated that having a borderless system would be a problem and wondered whether an agency, other than GSTN, could carry out the work of developing an e-Way Bill system. The CCT, Karnataka, stated that States like Karnataka, Gujarat, Kerala and West Bengal had an efficient e-Way Bill system and replacing them with a system of physical inspection would lead to a lot of harassment. CCT, Gujarat stated that his State had no check-posts and the e-Way Bill was being given online as well as on mobile phone. He stated that only using invoice could potentially lead to traders destroying the invoice after crossing the inter-State border and there would be no trace of movement of goods leading to evasion of tax. He suggested that till the e-Way Bill system was introduced in GST, the States should be allowed to retain their present system of validation.

18.5. The ACS, Uttar Pradesh, stated that his State also had a very robust e-Way Bill System which was found useful both by the traders and the Government. He noted that the system had helped to curb evasion. The Hon'ble Minister from Kerala stated that till the GSTN developed the e-Way Bill system, the existing system of the States should continue as they had proved to be useful and if these were discontinued without any alternative system, there would be large scale loss of revenue. The Hon'ble Minister from Bihar supported this proposal. The Secretary stated that as goods would move with payment of IGST, the relevance of checking goods at the border had considerably diminished. The Secretary also asked CEO, GSTN, to respond whether any problems could arise if an independent system was put in place for e-Way Bills. The CEO, GSTN, responded that they had already floated tender inviting companies for development of the software which would take about two months to select the eligible bidder. He added that the successful bidder would take further two to three months to

develop the software, which would be tested and then rolled out. The Secretary observed that the Rules on e-Way Bill system were yet to be reviewed by the Law Committee and the process of tendering and subsequent work could take about five months. The Hon'ble Minister from Odisha stated that the present system should continue till such period when GSTN created the e-Way Bill system. The CCT, Gujarat, stated that the Law Committee would try to finalise the e-Way Bill system at the earliest and that the NIC (National Informatics Centre) could possibly do this work in the shortest time span. The Secretary enquired whether the existing e-Way Bill system of Karnataka could be scaled up to make it operational at all-India level. The CCT, Karnataka, stated that such a system could only be created by NIC, Delhi. The Secretary stated that even for NIC to take up this work, e-Way Bill Rules would need to be finalised. The Hon'ble Minister from Andhra Pradesh stated that they could not scrap the e-Way Bill system as this would lead to considerable loss of revenue and suggested that the existing e-Way Bill system should continue. The Hon'ble Minister from West Bengal also supported this proposal. The Secretary suggested that the GSTN in coordination with CCT, Karnataka could check from the NIC whether they could develop an e-Way Bill system. He suggested to defer a decision on the e-Way Bill system and to ascertain whether NIC along with GSTN could create an all-India e-Way Bill system in a short time frame. The Council agreed to this suggestion.

### **Issues raised by Union Territory without Legislature**

19. The Hon'ble Lt. Governor of the Union Territory (UT) of the Andaman and Nicobar expressed gratitude to the Hon'ble Chairperson for having invited them to the Council meeting. He highlighted the problem peculiar to the UT of Andaman and Nicobar, namely, that they were situated about 1250 km into the sea and as a result, cost of goods supplied to these islands increased between 5% and 25%. He stated that in order to allow the local residents access to goods at a reasonable price, no VAT was introduced in the UT. He stated that with the introduction of GST in the UT of Andaman and Nicobar, the goods would become expensive and he suggested to establish a mechanism to give compensation to the UT of Andaman and Nicobar. The Administrator of Lakshadweep also stated that they had no octroi etc. and introduction of GST would lead to increase in prices. The Secretary stated that their problems would be looked into separately. The Hon'ble Lt. Governor of Andaman and Nicobar also stated that presently they had no bureaucracy dealing with tax but they were training their staff and thanked the Central Government for extending help in this regard.

### **Request for reviewing the rates of tax agreed earlier by the Council:**

20.1. The Hon'ble Deputy Chief Minister of Delhi stated that he had received a large number of representations regarding the rates of taxes approved during the 14<sup>th</sup> Council Meeting (held in Srinagar on 18-19 May, 2017) and he proposed to submit these requests before the Council. The Hon'ble Minister from West Bengal stated that he also proposed to suggest review of the rates of GST approved on eight goods and two services and requested that these could preferably be taken up for discussion in this Meeting itself.

20.2. The Hon'ble Minister from Tamil Nadu circulated a written speech during the meeting and in this, he suggested to revisit the rates of tax on certain goods. He suggested that all food items whether branded or not, should be Nil rated; water sold in Refill Cans (bubble top) and small plastic pouches should be either exempted or taxed at 5%; Palmyra jaggery, known as *Karupatti* and Palmyra Sugar (*Pana Kalkandu*) should be at Nil rate along with Cane Jaggery; entry at Chapter 9, item 10 taxable at the rate of 5% should be expanded as follows: "...curry and other spices, masalas using mixture of spices of all forms and in all varieties"; unbranded sugar confectionery be taxed at 5% instead of 18%; sea shells and handicraft items made from them should be Nil rated; pickles be taxed at the rate of 5% instead of 18%; electrical apparatus irrespective of capacity should be taxed at 18%; roasted gram should be included in Chapter 7, item 11 as "fried grams"; glass for corrective spectacles and frames



and mounting for spectacles should be kept at 12% instead of 18%; attachments to tractors should be taxed at 12%; cess on motorcycle should be only for engine capacity above 500 cc; concrete blocks/bricks be taxed at a rate lower than 18% and fly ash bricks should be taxed at 5%; wet grinder should be taxed at 18% instead of 28%; air compressors and weighing machineries should be taxed at 18% instead of 28%; power driven pumps should be taxed at 5% instead of 12%; non air-conditioned restaurants should be taxed at the rate of 5% instead of 12%; ordinary AC restaurants which do not serve liquor should be taxed at 12% instead of 18%.

20.3. The Hon'ble Minister from Kerala also circulated a written speech in which he *inter alia* suggested that assistive devices for physically challenged persons should be at Nil rate instead of 5%; plywood should be taxed at a lower rate; high tax on cashew should be revisited; natural rubber should be taxed at Nil rate instead of 5%; ice used for freezing fish should be Nil rated instead of 12%; tax rate on non-AC restaurants should be reduced from 12% to 5%.

20.4. The Hon'ble Chairperson stated that many stakeholders had also met him and suggested change in rates. He suggested that all representations regarding reduction in rates of tax should be submitted within a day or two and these should be considered by the Fitment Committee of officers and their recommendations could be placed before the Council. The Council agreed to this suggestion.

21. The Hon'ble Minister from West Bengal raised an issue regarding the timeline for implementation of GST. He stated that the state of preparedness for GST roll out was not adequate because of several factors like Rules having not been finalised, GSTN not being fully ready, etc. He stated that because of this, July 2017 deadline for GST implementation looked difficult to achieve. He proposed that the deadline for implementation of GST should be extended by one month. The Hon'ble Chairperson observed that most of the issues relating to implementation of GST stood resolved by the Council. The Hon'ble Minister from Maharashtra stated that while passing the SGST Act, they had given an assurance in their Legislative Assembly that GST would be implemented by 1 July, 2017 and this deadline should not be changed. The Hon'ble Minister from Assam stated that the Council had decided the GST rollout by 1 July, 2017 and any extension in the deadline would adversely affect the entire market sentiment. The Hon'ble Minister from Chhattisgarh stated that extending the deadline for GST implementation would not send a good signal to the public. The Hon'ble Ministers from Goa, Uttarakhand and Uttar Pradesh also expressed that 1 July, 2017 deadline for GST implementation should not be changed. After discussion, the Council agreed to keep the deadline of GST implementation as 1 July, 2017.

22. For **agenda item 6**, the Council approved the following proposals:

22.1. to exempt the supply of 'electricity' from the levy of GST;

22.2. to notify Section 10 of the CGST Act relating to Composition levy from 19 June, 2017 and the States that had enacted their SGST Act could also notify the same Section;

22.3. to notify Sections 1, 3, 4 and 5 of the CGST Act, 2017 and Sections 1 and 3 of the IGST Act, 2017 from 19 June, 2017 and the States that had enacted their SGST Act, could also notify the same Sections (other than the IGST Act);

22.4. to notify Sections 22 to 30 and Section 139 of the CGST Act, 2017 and Section 20 of the IGST Act, 2017 from 19 June, 2017 and the States that had enacted their SGST Act, to also notify the same Sections (other than the IGST Act);

22.5. to defer a decision on the e-Way Bill system and to ascertain whether NIC along with GSTN could create an all-India e-Way Bill system in a short time frame;

22.6. all representations regarding reduction in rates of tax to be submitted within a day or two and these shall be considered by the Fitment Committee of officers and their recommendations shall be placed before the Council;

22.7. the deadline for GST implementation shall continue to be 1 July, 2017.

**Agenda Item 7: Date of the next meeting of the GST Council:**

23. The Hon'ble Chairperson suggested that the Council could meet in a week's time to consider the representations relating to rates of tax approved by the Council. He suggested that the next meeting of the Council could be held on 11 June, 2017 in New Delhi. The Council agreed to this suggestion.

24. The meeting ended with a vote of thanks to the Chair.

**Annexure – 1**

**List of Ministers who attended the 15<sup>th</sup> GST Council Meeting on 3 June 2017**

<b><u>S No</u></b>	<b><u>State/Centre</u></b>	<b><u>Name of the Minister</u></b>	<b><u>Charge</u></b>
1	Govt. of India	Shri Arun Jaitley	Finance Minister
2	Govt. of India	Shri Santosh Kumar Gangwar	Minister of State (Finance)
3	Delhi	Shri Manish Sisodia	Deputy Chief Minister
4	Arunachal Pradesh	Shri Chowna Mein	Deputy Chief Minister
5	Gujarat	Shri Nitinbhai Patel	Deputy Chief Minister
6	Andhra Pradesh	Shri Yanamala RamaKrishnudu	Finance Minister
7	Assam	Dr. Himanta Biswa Sarma	Finance Minister
8	Bihar	Shri Bijendra Prasad Yadav	Minister, Commercial Taxes & Energy
9	Chhattisgarh	Shri Amar Agrawal	Finance Minister
10	Goa	Shri Mauvin Godinho	Minister, Panchayats
11	Haryana	Shri Vipul Goel	Ministry, Industries & Commerce
12	Jammu & Kashmir	Dr. Haseeb A. Drabu	Finance Minister
13	Jharkhand	Shri C.P. Singh	Minister, Urban Development
14	Karnataka	Shri Krishna Byregowda	Minister, Agriculture
15	Kerala	Dr. Thomas Isaac	Finance Minister
16	Madhya Pradesh	Shri Jayant Malaiya	Finance Minister
17	Maharashtra	Shri Sudhir Mungantiwar	Finance Minister
17	Maharashtra	Shri Deepak Kesarkar	Minister of State (Finance)
18	Meghalaya	Shri Zenith Sangma	Finance Minister
19	Mizoram	Shri Lalsawta	Finance Minister
20	Nagaland	Shri Y Vikheho Swu	Minister (R&B)
21	Odisha	Shri Shashi Bhusan Behera	Finance Minister
22	Puducherry	Shri M.O.H.F. Shahjahan	Minister, Revenue
23	Punjab	Shri Manpreet Singh Badal	Finance Minister
24	Rajasthan	Shri Rajpal Singh Shekhawat	Minister, Urban Development & Housing

<b><u>S No</u></b>	<b><u>State/Centre</u></b>	<b><u>Name of the Minister</u></b>	<b><u>Charge</u></b>
25	Tamil Nadu	Shri D. Jayakumar	Minister, Fisheries, Finance & Administrative Reforms
26	Telangana	Shri Etela Rajender	Finance Minister
27	Uttar Pradesh	Shri Rajesh Agrawal	Finance Minister
28	Uttarakhand	Shri Prakash Pant	Finance Minister
29	West Bengal	Dr. Amit Mitra	Finance Minister

**List of Administrators/Lt. Governors from Union Territories without Legislature**

<b><u>S No</u></b>	<b><u>Union Territory</u></b>	<b><u>Name of the Administrator/Lt. Governor</u></b>	<b><u>Designation</u></b>
1	Andaman & Nicobar	Prof. Jagdish Mukhi	Lt. Governor
2	Daman & Diu/Dadra & Nagar Haveli	Shri Praful Patel	Administrator
3	Lakshadweep	Shri Farooq Khan	Administrator

**Annexure – 2**

**List of Officials who attended the 15<sup>th</sup> GST Council Meeting on 3 June 2017**

<b><u>S No</u></b>	<b><u>State/Centre</u></b>	<b><u>Name of the Officer</u></b>	<b><u>Charge</u></b>
1	Govt. of India	Dr. Hasmukh Adhia	Revenue Secretary
2	Govt. of India	Ms. Vanaja N. Sarna	Chairman, CBEC
3	Govt. of India	Dr. Arvind Subramanian	Chief Economic Adviser
4	Govt. of India	Shri Mahender Singh	Member (GST), CBEC
5	Govt. of India	Shri R.K. Mahajan	Member (Budget), CBEC
6	Govt. of India	Shri P.K. Jain	Chief Commissioner, (AR), CESTAT, CBEC
7	Govt. of India	Shri B.N. Sharma	Additional Secretary, Dept. of Revenue
8	Govt. of India	Shri P.K. Mohanty	Advisor (GST), CBEC
9	Govt. of India	Shri P.K. Srivastava	Joint Secretary, Ministry of Home Affairs
10	Govt. of India	Shri Alok Shukla	Joint Secretary (TRU), Dept. of Revenue
11	Govt. of India	Shri Upender Gupta	Commissioner (GST), CBEC
12	Govt. of India	Shri Udai Singh Kumawat	Joint Secretary, Dept. of Revenue
13	Govt. of India	Shri Amitabh Kumar	Joint Secretary (TRU), Dept. of Revenue
14	Govt. of India	Shri Manish Kumar Sinha	Commissioner, CBEC
15	Govt. of India	Shri G.D. Lohani	Commissioner, CBEC
16	Govt. of India	Shri Neeraj Prasad	Commissioner, CBEC
17	Govt. of India	Shri Ranjit Kumar	Commissioner, CBEC
18	Govt. of India	Shri D.S. Malik	ADG, Press, Ministry of Finance
19	Govt. of India	Shri Hemant Jain	OSD to MoS (Finance)
20	Govt. of India	Shri S.K. Rai	Director (UT), Ministry of Home Affairs
21	Govt. of India	Shri G.G. Pai	Director, TRU
22	Govt. of India	Shri Reyaz Ahmed	Director, TRU
23	Govt. of India	Shri Somesh Chander	Director, TRU
24	Govt. of India	Ms. Aarti Saxena	Deputy Secretary, Dept. of Revenue
25	Govt. of India	Shri Pramod Kumar	OSD, TRU

<b>S No</b>	<b>State/Centre</b>	<b>Name of the Officer</b>	<b>Charge</b>
26	Govt. of India	Shri Paras Sankhla	OSD to FM
27	Govt. of India	Shri Ravneet Singh Khurana	Deputy Commissioner (GST Policy Wing), CBEC
28	Govt. of India	Shri Siddharth Jain	Assistant Commissioner, (GST Policy Wing), CBEC
29	Govt. of India	Ms. Rachna	Technical Officer (TRU)
30	GST Council	Shri Arun Goyal	Additional Secretary
31	GST Council	Shri Shashank Priya	Commissioner
32	GST Council	Shri Dheeraj Rastogi	Commissioner
33	GST Council	Shri G.S. Sinha	Joint Commissioner
34	GST Council	Ms. Himani Bhayana	Joint Commissioner
35	GST Council	Ms. Thari Sitkil	Deputy Commissioner
36	GST Council	Shri Rakesh Agarwal	Assistant Commissioner
37	GST Council	Shri Kaushik TG	Assistant Commissioner
38	GST Council	Shri Mukesh Gaur	Superintendent
39	GST Council	Shri Sandeep Bhutani	Superintendent
40	GST Council	Shri Amit Soni	Inspector
41	GST Council	Shri Anis Alam	Inspector
42	GST Council	Shri Sher Singh Meena	STA
43	GST Council	Shri Sharad Verma	STA
44	GST Council	Shri Shyam Bihari Meena	TA
45	GST Council	Shri Vikas Kumar	TA
46	GST Council	Shri Paresh Garg	TA
47	GSTN	Shri Navin Kumar	Chairman
48	GSTN	Shri Prakash Kumar	CEO
49	GSTN	Shri Jagmal Singh	Vice President
50	GSTN	Shri Nitin Mishra	Executive Vice President
51	Andaman & Nicobar	Shri Rajiv Yaduvanshi	Principal Secretary (Finance)

<b>S No</b>	<b>State/Centre</b>	<b>Name of the Officer</b>	<b>Charge</b>
52	Andhra Pradesh	Shri D. Sambasiva Rao	Special Chief Secretary (Revenue)
53	Andhra Pradesh	Shri J. Syamala Rao	Commissioner, Commercial Taxes
54	Andhra Pradesh	Shri T. Ramesh Babu	Additional Commissioner (CT)
55	Andhra Pradesh	Shri D. Venkateswara Rao	OSD
56	Arunachal Pradesh	Shri Marnya Ete	Commissioner, Commercial Taxes
57	Arunachal Pradesh	Shri Tapas Dutta	Assistant Commissioner
58	Assam	Shri Anurag Goel	Commissioner, Commercial Taxes
59	Bihar	Ms. Sujata Chaturvedi	Principal Secretary & Commissioner
60	Bihar	Shri Arun Mishra	Additional Secretary
61	Bihar	Shri Ajitabh Mishra	Assistant Commissioner
62	Chandigarh	Shri Parimal Rai	Chief Secretary/Advisor
63	Chandigarh	Shri Ajit Balaji Joshi	Commissioner, Taxation
64	Chandigarh	Shri Bhartendu Shandilya	Deputy Resident Commissioner
65	Chhattisgarh	Shri Amitabh Jain	Principal Secretary (Finance)
66	Chhattisgarh	Ms. Sangeetha P	Commissioner, Commercial Taxes
67	Chhattisgarh	Shri Shankar Agrawal	Additional Commissioner, Commercial Taxes
68	Daman & Diu/Dadra & Nagar Haveli	Shri Sajjan Singh Yadav	Advisor to Administrator
69	Daman & Diu/Dadra & Nagar Haveli	Shri Sandeep Kumar Singh	Commissioner, VAT
70	Delhi	Shri S.N. Sahai	Principal Secretary (Finance)
71	Delhi	Shri H. Rajesh Prasad	Commissioner, VAT
72	Delhi	Shri Anand Kumar Tiwari	Additional Commissioner, VAT
73	Goa	Shri Dipak Bandekar	Commissioner, Commercial Taxes
74	Gujarat	Dr. P.D. Vaghela	Commissioner, Commercial Taxes
75	Gujarat	Ms. Mona Khandhar	Secretary (Economic Affairs)
76	Haryana	Shri Sanjeev Kaushal	Additional Chief Secretary
77	Haryana	Shri Shyamal Misra	Commissioner, Commercial Taxes

<b>S No</b>	<b>State/Centre</b>	<b>Name of the Officer</b>	<b>Charge</b>
78	Haryana	Shri Vidya Sagar	Additional Commissioner, Commercial Taxes
79	Haryana	Shri Rajeev Chaudhary	Deputy Commissioner
80	Himachal Pradesh	Shri Onkar Chand Sharma	Principal Secretary (Finance)
81	Himachal Pradesh	Shri Pushpendra Rajput	Commissioner, Commercial Taxes
82	Himachal Pradesh	Shri Sanjay Bhardwaj	Additional Commissioner
83	Jammu & Kashmir	Ms. Anoo Malhotra	Additional Commissioner, Commercial Taxes
84	Jharkhand	Shri K.K. Khandelwal	Principal Secretary
85	Jharkhand	Shri Sanjay Kumar Prasad	Joint Commissioner, Commercial Taxes
86	Jharkhand	Shri G.S. Kapardar	Assistant Commissioner, Commercial Taxes
87	Karnataka	Shri Ritvik Pandey	Commissioner, Commercial Taxes
88	Kerala	Dr. Rajan Khobragade	Commissioner, Commercial Taxes
89	Kerala	Shri Harindranath	Assistant Commissioner
90	Lakshadweep	Dr. Tariq Thomas	Secretary (Finance)
91	Madhya Pradesh	Shri Raghwendra Kumar Singh	Commissioner, Commercial Taxes
92	Madhya Pradesh	Shri Sudip Gupta	Deputy Commissioner
93	Maharashtra	Shri Rajiv Jalota	Commissioner, Commercial Taxes
94	Maharashtra	Shri Dhananjay Akhade	Joint Commissioner, Commercial Taxes
95	Manipur	Shri Vivek Kumar Dewangan	Commissioner (Finance)
96	Meghalaya	Shri Leonardo Khongsit	Assistant Commissioner
97	Meghalaya	Shri G.G. Marbaniang	Assistant Commissioner
98	Mizoram	Shri Vanlalchuanga	Secretary, Taxation
99	Mizoram	Shri R. Zosiamliana	Deputy Commissioner
100	Nagaland	Shri Abhijit Sinha	Finance Commissioner
101	Nagaland	Shri Asangba Chuba Ao	Commissioner, Commercial Taxes
102	Odisha	Shri Tuhin Kanta Pandey	Principal Secretary (Finance)
103	Odisha	Shri Saswat Mishra	Commissioner, Commercial Taxes



<b>S No</b>	<b>State/Centre</b>	<b>Name of the Officer</b>	<b>Charge</b>
104	Odisha	Shri Sahadev Sahu	Joint Commissioner, Commercial Taxes
105	Puducherry	Dr. V. Candavelou	Secretary, Finance
106	Puducherry	Shri G. Srinivas	Commissioner, Commercial Taxes
107	Punjab	Shri Anurag Aggrawal	Finance Commissioner
108	Punjab	Shri V.P Singh	Commissioner, Commercial Taxes
109	Punjab	Shri Pawan Garg	Deputy Commissioner
110	Rajasthan	Shri Praveen Gupta	Finance Secretary (Revenue)
111	Rajasthan	Shri Alok Gupta	Commissioner, Commercial Taxes
112	Rajasthan	Shri Ketan Sharma	Deputy Commissioner (GST)
113	Sikkim	Ms. Dipa Basnet	Commissioner, Commercial Taxes
114	Sikkim	Shri Manoj Rai	Joint Commissioner, Commercial Taxes
115	Sikkim	Shri Bikash Diyali	Assistant Director (Systems)
116	Tamil Nadu	Dr. C. Chandramouli	Additional Chief Secretary
117	Tamil Nadu	Shri K. Gnanasekaran	Additional Commissioner
118	Telangana	Shri Somesh Kumar	Principal Secretary (Revenue)
119	Telangana	Shri Anil Kumar	Commissioner, Commercial Taxes
120	Telangana	Shri Laxminarayan Jannu	Joint Commissioner (Policy)
121	Tripura	Dr. Brahmneet Kaur	Commissioner, Commercial Taxes
122	Uttarakhand	Shri Piyush Kumar	Additional Commissioner, Commercial Taxes
123	Uttarakhand	Shri Vipin Chand	Additional Commissioner, Commercial Taxes
124	Uttar Pradesh	Shri R.K. Tiwari	Additional Chief Secretary
125	Uttar Pradesh	Shri Mukesh Kumar Meshram	Commissioner, Commercial Taxes
126	Uttar Pradesh	Shri S.C. Dwivedi	OSD/Special Secretary
127	Uttar Pradesh	Shri Vivek Kumar	Additional Commissioner, Commercial Taxes
128	Uttar Pradesh	Shri Neeraj Kumar Maurya	Assistant Commissioner
129	West Bengal	Shri H K Dwivedi	Principal Secretary (Finance)

<b><u>S No</u></b>	<b><u>State/Centre</u></b>	<b><u>Name of the Officer</u></b>	<b><u>Charge</u></b>
130	West Bengal	Ms. Smaraki Mahapatra	Commissioner, Commercial Taxes
131	West Bengal	Shri Khalid A Anwar	Senior Joint Commissioner
132	West Bengal	Shri Malay Ghosh	Senior Joint Commissioner
133	GSTN	Shri C.N. Raghupathi	Infosys
134	GSTN	Shri Renganathan V. R.	Infosys
135	GSTN	Shri Indrasis Dasgupta	Infosys

Presentation on GST Rules



**Agenda**



- ❑ Introduction
- ❑ Updated Rules for
  - Transition
  - Return
- ❑ Related Formats

## Introduction

---



- ❑ Seven rules for Registration, Payment, Invoice, Refund, ITC, Composition and Valuation were approved by GSTC
- ❑ Rules for Transition and Returns were placed in public domain after approval in March, 2017
- ❑ Rules have been re-examined in view of stakeholder comments received from departmental officers, trade and industry and accordingly changes have been proposed

2

---

## Updated Rules for Transition (1/2)

---



- ❑ Application has been replaced with declaration
- ❑ Provides for allowing ITC @ 60% on such goods which attract central tax @ 9 % or more and @ 40% for other goods even if duty paying documents not available with traders
  - Provides for allowing ITC @ 30% and 20% respectively of IGST
- ❑ ITC available if such goods were not unconditionally exempt from the whole of the duty of excise or were not nil rated
- ❑ Similar changes made in specific provision for credit of taxes levied by the State at the first point of Sale

3

## Updated Rules for Transition (2/2)



- ❑ Provides for filing a declaration regarding the proportion of supply on which VAT or service tax has been paid before the appointed day but the supply is made after the appointed day
- ❑ Time period for filing of declaration in relation to tax or duty carried forward under any existing law or on goods held in stock on the appointed day increased from 60 days to 90 days.
  - Power to Commissioner to extend this time period by further 90 days

4

## Updated Rules for Returns (1/4)



- ❑ Return formats simplified
- ❑ Amendment Tables simplified
- ❑ Part A of GSTR-3 completely auto-populated
- ❑ Details of advances to be reported only if invoice is not issued in the same tax period
- ❑ Adjustment of taxes paid on receipt of advances during earlier period will be reported against tax payable on issuance of invoices

5

## Updated Rules for Returns (2/4)



- HSN would be reported in summary form (and not against each invoice)-
  - Turnover upto Rs. 1.5 cr. – optional at two digit (description to be given)
  - Turnover from Rs. 1.5 cr. To Rs. 5 cr.- Two digit
  - Turnover more than Rs. 5 cr. – Four digit
- TDS / TCS Return on consolidated basis
- Threshold Limit for requirement to get accounts audited raised from Rs. 1 crore to Rs. 2 Crore

6

## Updated Rules for Returns (3/4)



- Commissioner may extend the date of matching relating to claim of ITC on the recommendations of the Council
- Provision for electronic commerce operator required to collect tax at source under section 52 to furnish annual statement
- Provision for examination of GST practitioners
- Provision for obtaining confirmation from registered person for any application submitted by GST practitioners
- Provision for deemed enrolment of GST Practitioner in other State or Union territory

7

- ❑ Separate return for persons supplying OIDAR services from a place outside India to a unregistered person
- ❑ Provision for auto-population of supply details of non-resident supplier in the return of corresponding recipient
- ❑ Provision for person withdrawing from composition scheme to furnish the details relating to the period prior to his opting for payment of tax under normal scheme till the due date of furnishing the return for the quarter ending September of the succeeding financial year or furnishing of annual return of the preceding financial year, whichever is earlier

8



## Agenda Item 2: Approval of amendments to draft GST Rules

### CHAPTER— ACCOUNTS AND RECORDS

#### 1. Maintenance of accounts by registered persons

(1) Every registered person shall keep and maintain, in addition to the particulars mentioned in sub-section (1) of section 35, a true and correct account of the goods or services imported or exported or of supplies attracting payment of tax on reverse charge along with relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers and e-way bills.

~~(2) The account or records specified in sub-rule (1) shall be maintained separately for each activity including manufacturing, trading and provision of services, etc.~~

~~(23)~~ Every registered person, other than a person paying tax under section 10, shall maintain accounts of stock in respect of ~~each commodity goods~~ received and supplied by him, and such account shall contain particulars of opening balance, receipt, supply, goods lost, stolen, destroyed, written off or disposed of by way of gift or free sample and balance of stock including raw material, finished goods, scrap and wastage thereof.

~~(34)~~ Every registered person shall keep and maintain a separate account of advances received, paid and adjustments made thereto.

~~(45)~~ Every registered person, other than a person paying tax under section 10, shall keep and maintain an account, containing the details of tax payable (including tax payable in accordance with the provisions of sub-section (3) and sub-section (4) of section 9), tax collected and paid, input tax, input tax credit claimed, together with a register of tax invoice, credit note, debit notes, delivery challan issued or received during any tax period.

~~(56)~~ Every registered person shall keep the particulars of -

- (a) names and complete addresses of suppliers from whom he has received the ~~goods or services~~ chargeable to tax under the Act;
- (b) names and complete addresses of the persons to whom he has supplied goods or services, where required under these rules;
- (c) the complete address of the premises where goods are stored by him, including goods stored during transit along with the particulars of the stock stored therein.

~~(67)~~ If any taxable goods are found to be stored at any place(s) other than those declared under sub-rule ~~(56)~~ without the cover of any valid documents, the proper officer shall determine the amount of tax payable on such goods as if such goods have been supplied by the registered person.

~~(78)~~ Every registered person shall keep the books of account ~~s~~ at the principal place of business and books of account relating to additional place of business mentioned in his certificate of



registration and such books of account shall include any electronic form of data stored on any electronic device.

(89) Any entry in registers, accounts and documents shall not be erased, effaced or overwritten, and all incorrect entries, otherwise than those of clerical nature, shall be scored out under attestation and there after correct entry shall be recorded and where the registers and other documents are maintained electronically, a log of every entry edited or deleted shall be maintained.

(940) Each volume of books of account ~~s~~-maintained manually by the registered person shall be serially numbered.

(1044) Unless proved otherwise, if any documents, registers, or any books of account belonging to a registered person are found at any premises other than those mentioned in the certificate of registration, they shall be presumed to be maintained by the said registered person.

(112) Every agent referred to in clause (5) of section 2 ~~of the Act~~ shall maintain accounts depicting the –

- (a) particulars of authorization received by him from each principal to receive or supply goods or services on behalf of such principal separately;
- (b) particulars including description, value and quantity (wherever applicable) of goods or services received on behalf of every principal;
- (c) particulars including description, value and quantity (wherever applicable) of goods or services supplied on behalf of every principal;
- (d) details of accounts furnished to every principal; and
- (e) tax paid on receipts or on supply of goods or services effected on behalf of every principal.

(123) Every registered person manufacturing goods shall maintain monthly production accounts, showing quantitative details of raw materials or services used in the manufacture and quantitative details of the goods so manufactured including the waste and by products thereof.

(134) Every registered person supplying services shall maintain the accounts showing quantitative details of goods used in the provision of ~~each~~ services, details of input services utilised and the services supplied.

(145) Every registered person executing works contract shall keep separate accounts for ~~each~~ works contract showing -

- (a) the names and addresses of the persons on whose behalf the works contract is executed;
- (b) description, value and quantity (wherever applicable) of goods or services received for the execution of works contract;
- (c) description, value and quantity (wherever applicable) of goods or services utilized in the execution of ~~each~~ works contract;
- (d) the details of payment received in respect of each works contract; and
- (e) the names and addresses of suppliers from whom he received goods or services.

(156) The records under these rules may be maintained in electronic form and the record so maintained shall be authenticated by means of a digital signature.

(167) Accounts maintained by the registered person together with all invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for the period as provided in section 36 of the Act and shall, where such accounts and documents are maintained manually, be kept at every related place of business mentioned in the certificate of registration and shall be accessible at every related place of business where such accounts and documents are maintained digitally.

(178) Any person having custody over the goods in the capacity of a carrier or a clearing and forwarding agent for delivery or dispatch thereof to a recipient on behalf of any registered person shall maintain true and correct records in respect of such goods handled by him on behalf of the such registered person and shall produce the details thereof as and when required by the proper officer.

(189) Every registered person shall, on demand, produce the books of accounts which he is required to maintain under any law in force.

## **2. Generation and maintenance of electronic records**

(1) Proper electronic back-up of records shall be maintained and preserved in such manner that, in the event of destruction of such records due to accidents or natural causes, the information can be restored within reasonable period of time.

(2) The registered person maintaining electronic records shall produce, on demand, the relevant records or documents, duly authenticated by him, in hard copy or in any electronically readable format.

~~(3) The registered person shall also provide, on demand, an account of the audit trail and inter-linkages including the source document, whether paper or electronic, and the financial accounts, record layout, data dictionary and explanation for codes used and total number of records in each field along with sample copies of documents.~~

## **3. Records to be maintained by owner or operator of godown or warehouse and transporters**

(1) Every person required to maintain records and accounts in accordance with the provisions of sub-section (2) of section 35, if not already registered under the Act, shall submit the details regarding his business electronically on the Common Portal in **FORM GST ENR-01**, either directly or through a Facilitation Centre notified by the Commissioner and, upon validation of the details furnished, a unique enrollment number shall be generated and communicated to the said person.

(2) The person enrolled under sub-rule (1) as aforesaid in any other State or Union territory shall be deemed to be enrolled in the State or Union territory.

(3) Every person who is enrolled under sub-rule (1) shall, where required, amend the details furnished in **FORM GST ENR-01** electronically on the Common Portal either directly or through a Facilitation Centre notified by the Commissioner.

(4) Subject to the provision of rule 1, any person engaged in the business of transporting goods shall maintain records of goods transported, delivered and goods stored in transit by him and for each of his branches.

(5) Subject to the provision of rule 1, every owner or operator of a warehouse or godown shall maintain books of accounts; with respect to the period for which particular goods remain in the warehouse, including the particulars relating to dispatch, movement, receipt, and disposal of such goods.

(6) The owner or the operator of the godown shall store the goods in such manner that they can be identified item wise and owner wise and shall facilitate any physical verification or inspection by the proper officer on demand.

\*\*\*\*\*

---

**DRAFT**

---

---

**GOODS AND SERVICES TAX RULES, 2017**

---

---

**ACCOUNTS AND RECORDS FORM**

---

**Form GST ENR-01**

[See Rule -----]

**Application for Enrolment u/s 35 (2)**

[only for un-registered persons]

1.	(a) Legal name			
	(b) Trade Name, if any			
	(c) PAN			
	(d) Aadhaar (applicable in case of proprietorship concerns only)			
2.	Type of enrolment			
	Transporter <input type="radio"/> Godown owner /operator <input type="radio"/> Warehouse owner /operator <input type="radio"/> Cold storage owner /operator <input type="radio"/>			
3.	Constitution of Business (Please Select the Appropriate)			
	(i) Proprietorship	<input type="checkbox"/>	(ii) Partnership	<input type="checkbox"/>
	(iii) Hindu Undivided Family	<input type="checkbox"/>	(iv) Private Limited Company	<input type="checkbox"/>
	(v) Public Limited Company	<input type="checkbox"/>	(vi) Society/Club/Trust/Association of Persons	<input type="checkbox"/>
	(vii) Government Department	<input type="checkbox"/>	(viii) Public Sector Undertaking	<input type="checkbox"/>
	(ix) Unlimited Company	<input type="checkbox"/>	(x) Limited Liability Partnership	<input type="checkbox"/>
	(xi) Local Authority	<input type="checkbox"/>	(xii) Statutory Body	<input type="checkbox"/>
	(xiii) Foreign Limited Liability Partnership	<input type="checkbox"/>	(xiv) Foreign Company Registered (in India)	<input type="checkbox"/>
	(xv) Others (Please specify)	<input type="checkbox"/>		<input type="checkbox"/>
4.	Name of the State		District	
5.	Jurisdiction detail			
	Centre		State	
6.	Date of commencement of business			
7.	Particulars of Principal Place of Business			
(a)	Address			
	Building No./Flat No.		Floor No.	
	Name of the Premises/Building		Road/Street	
	City/Town/Locality/Village		District	
	Taluka/Block			

State		PIN Code	
Latitude		Longitude	
(b)	Contact Information		
Office Email Address		Office Telephone number	STD
Mobile Number		Office Fax Number	STD
(c)	Nature of premises		
Own	Leased	Rented	Consent
			Shared
			Others (specify)
(d)	Nature of business activity being carried out at above mentioned premises (Please tick applicable)		
Warehouse/Depot	<input type="checkbox"/>	Godown	<input type="checkbox"/>
Office/ Sale Office	<input type="checkbox"/>	Cold Storage	<input type="checkbox"/>
Others (Specify)	<input type="checkbox"/>		
8.	Details of additional place of business	Add for additional place(s) of business, if any (Fill up the same information as in item 7 [(a), (b), (c) & (d)])	
9.	Details of Bank Accounts (s)		

Total number of Bank Accounts maintained by the applicant for conducting business (Upto 10 Bank Accounts to be reported)	
---	--

Details of Bank Account 1

Account Number																	
Type of Account											IFSC						
Bank Name																	
Branch Address	To be auto-populated (Edit mode)																

Note – Add more accounts -----

10.	Details of Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc.
-----	--

Particulars	First Name	Middle Name	Last Name
Name			
Photo			
Name of Father			

Date of Birth	DD/MM/YYYY	Gender	<Male, Female, Other>
Mobile Number		Email address	
Telephone No. with STD			
Designation /Status		Director Identification Number (if any)	
PAN		Aadhaar Number	
Are you a citizen of India?	Yes / No	Passport No. (in case of foreigners)	
Residential Address			
Building No/Flat No		Floor No	
Name of the Premises/Building		Road/Street	
City/Town/Locality/Village		District	
Block/Taluka			
State		PIN Code	
Country (in case of foreigner only)		ZIP code	

11.	Details of Authorized Signatory
-----	---------------------------------

Particulars	First Name	Middle Name	Last Name
Name			
Photo			
Name of Father			
Date of Birth	DD/MM/YYYY	Gender	<Male, Female, Other>
Mobile Number		Email address	
Telephone No. with STD			
Designation /Status		Director Identification Number (if any)	
PAN		Aadhaar Number	
Are you a citizen of India?	Yes / No	Passport No. (in case of foreigners)	

Residential Address in India					
Building No/Flat No		Floor No			
Name of the Premises/Building		Road/Street			
Block/Taluka					
City/Town/Locality/Village		District			
State		PIN Code			

12.	Consent
<p><i>I on behalf of the holder of Aadhaar number &lt;pre-filled based on Aadhaar number provided in the form&gt; give consent to “Goods and Services Tax Network” to obtain my details from UIDAI for the purpose of authentication. “Goods and Services Tax Network” has informed me that identity information would only be used for validating identity of the Aadhaar holder and will be shared with Central Identities Data Repository only for the purpose of authentication.</i></p>	

13. List of documents uploaded

(Identity and address proof)

14. Verification

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom.

Signature

Place:

.....

Name of Authorized Signatory

Date:

Designation/Status.....

**For office use –**

Enrolment no. -

Date -



**Agenda Item 3: Rate adjustments, if any, based on representations received from Trade and Industry - Goods**

1.1 As decided by the GST Council in its meeting held on the 3 June 2017, the Fitment Committee met on 7-8 June, 2017 to examine the representations received consequent to declaration of the GST rates as approved by the GST Council in its meeting held in Srinagar on 18-19 May 2017.

1.2 During the aforesaid meeting, GST rate related representations received by the Central Government and/or State Governments were examined by the Fitment Committee, with reference to the present tax incidence [estimates based on present excise duty/embedded excise duty, VAT rates/weighted average VAT rates {provided by the Fitment Committee members during the meeting}, cascading on account of VAT on excise duty, CST, octroi, entry tax, etc.].

1.3 Based on the present tax incidence so estimated and as per the mandate of the Fitment Committee stipulated by the GST Council, the Fitment Committee makes the following recommendations:

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
1	0401	Ultra-High Temperature (UHT) Milk	8.41%	5%	5%	No change. Only Gujarat and Rajasthan have Nil rate, other States have 5% VAT.
2	0405	Dairy spreads	17.99%	12%	12%	No change
3	0406	Cheese	17.99%	12%	12%	No change
4	0506, 050790	Bones and horn cores, bone grist, bone meal, etc.; hoof meal, horn meal, etc.	2.64%	5%	0%	As per present incidence
5	7 or 13	Guar meal, guar gum refined split	8.41%	5%	5%	No change
6	801	Cashew nut	9.41%	12%	5%	Cashew nut in shell at 5% under reverse charge
7	806	Raisin	8.48%	12%	5%	As per present incidence.
8	0801, 0802, 0804, 0806 and 0813	Other Dry Fruits and Nuts	11.80%	12%	12%	No change
9	1104	Cereal grains hulled	2.64%	5%	0%	As per present incidence. Cereal grains hulled to be kept at Nil
10	1107	Malt	29.58%	18%	18%	No change
11	1702	Palmyra jaggery	7.64%			To be kept at Nil at par with cane jaggery

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
12	1704	Sugar confectionery	23.81%	18%	18%	No change. Already at lower GST rate.
13	1901	Nutritional Supplement Food Products (Cereal / Malt based health powders)	29.53%	28%	28%	No change. Preparations for infants put up for retail sale are at 18% GST, they attract 6% Excise duty. Other products attract 12.5%.
14	1902	Pasta, spaghetti, macaroni, noodles	23.11%	18%	18%	No change
15	20	Fruit and vegetable items and other food products	13.13%	18%	12%	As per present incidence.
16	2001, 2004	Pickle, <i>Murabba</i> , Chutney	13.13%	18%	12%	As per present incidence.
17	2101	Instant coffee	29.58%	28%	28%	No change. Karnataka has 5% VAT.
18	2103	Ketchup & Sauces	14.97%	18%	12%	As per present incidence. All goods [falling under 2103], other than mayonnaise and salad dressings [2103 90 30] and mixed condiments and mixed seasonings [2103 90 40] to be at 12%. 2103 90 30 and 2103 90 40 to be at 18%
19	21039030	Mayonnaise [Curry paste; mayonnaise and salad dressings; mixed condiments and mixed seasonings]	18.89%	28%	18%	2103 all sauces at 12% [Excise duty 6%]. Mayonnaise and salad dressings [2103 90 30] and mixed condiments and mixed seasonings [2103 90 40] to be at 18%
20	21033000	Mustard Sauce	14.97%	18%	12%	As per present incidence.
21	21039090	Toppings, spreads and sauces	14.97%	18%	12%	As per present incidence.
22	2106	Instant Food Mixes	23.11%	18%	18%	No change.
23	2106	Scented Sweet Supari	18.86%	18%	18%	No change
24	2106	<i>Farsan</i>	12.50%	12%	12%	No change

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
25	2106	Other pulses <i>bari</i> ( <i>mungodi</i> )	13.04%	18%	12%	As per present incidence. Same rate as soya <i>bari</i> 12%
26	2201 90 10	Ice and snow	7.64%	12%	5%	As per present incidence. Kerala
27	2201	Mineral water	29.33%	28%	28%	No change. Above 20 litres Kerala 5% and TN (Nil).
28	2501	Salt other than common salt	2.64%	5%	0%	May be kept at Nil
29	2516	Granite slabs	16.32%	28%	28%	No change [Telangana and AP suggested lower rate for granite slabs]
30	2515	Marble Slabs	28.66%	28%	28%	No change
31	27	Bio gas	8.60%	12%	5%	As per present incidence.
32	28	Dicalcium phosphate (DCP) of animal feed grade conforming to IS specification No.5470: 2002	2.72%	12%	0%	As per present incidence.
33	30	Ayurvedic, Siddha and Unani Homeopathic Medicines	13.13%	12%	12%	Siddha exempt in Tamil Nadu
34	30	Insulin	13.13%	12%	12%	Insulin [in formulation form] is either at 5% or 12%. No change
35	29, 30, 3302	Menthol and menthol crystals, Peppermint (Mentha Oil) (i) Fractionated / de-terpenated mentha oil (DTMO), (ii) De-mentholised oil (DMO) (iii) Spearmint oil (iv) <i>Mentha piperita</i> oil	14.50%	18%	12%	As per present incidence. <b>Largely it is used in manufacture of pan masala.</b>
36	33042000	<i>Kajal</i>	17.14%	28%	18%	<i>Kajal</i> , other than <i>kajal</i> pencil sticks, may be kept at Nil. <i>Kajal</i> pencil sticks may be kept at 18%
37	3307	<i>Agarbatti</i>	12.41%	12%	5%	Item of daily household use. Finalised at 5%. DBK to be reworked

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
38	3402, 3405	Laundry detergents and dishwashing products	29.58%	28%	28%	No change. Karnataka and WB suggested that this should be at par with soap at 18%.
39	3407	Dental wax	29.58%	28%	18%	May be kept at 18% since these are used for medical purposes
40	3822	CLIA based Diagnostics or Laboratory Reagents	18.89%	18%	12%	Iscador CLIA already at 5% in List 4. Therefore, all diagnostic kits and reagents of 3822 may be kept at 12%
41	3822	Diagnostics or Laboratory Reagents	18.89%	18%	12%	Iscador CLIA already at 12% in List 4. Therefore, all diagnostic kits and reagents of 3822 may be kept at 12%
42	391810	PVC Floor Covering	29.58%	28%	28%	No change.
43	3926	Other Articles of Plastics and articles of other material of heading 3901 to 3914 and PVC Belt Conveyor	29.58%	28%	28%	No change PVC conveyor belt are already at 18%
44	3926	Plastic beads	18.89%	28%	18%	May be kept at 12% since glass beads are at 5%.
45	39269099	Plastic Tarpaulin	21.98%	28%	18%	As per present incidence.
46	39269099	Interlocking Mat	29.58%	28%	28%	No change.
47	4011	Farm Tractor Tyres, Animal Driven Vehicles (ADV) Tyres & 2-Wheeler Tyres	29.51%	28%	28%	No change except for rear tyre for tractors.
48	4202	School Bag	24.10%	28%	18%	Considering these are goods for mass consumption, Fitment Committee recommends 18%, for School satchels and bags other than of leather or composition leather; Toilet cases [42021210]; hand bags and shopping bags of artificial plastic material

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
						[42022210], of cotton [42022220], of jute [42022230], vanity bags [42022240]; handbags of other materials excluding wicker work or basket work [42022910]
49	4202	Spectacle Cases	29.58%	28%	28%	No change
50	44 or any chapter	Bamboo based products – Bamboo Mat Ridge Caps, Bamboo Mat Board etc.	18.65%	18%	18%	No change. Resin bonded bamboo mat board, with or without veneer in between; flattened bamboo boards; bamboo flooring tiles attract 2% / 6%, other bamboo products attract 12.5%
51	44	Rubber wood based board	29.58%	28%	28%	No change. UP and Kerala suggested that the rate may be kept at 12%.
52	4403	Timber and wood	15.29%	18%	18%	No change
53	4410, 4411, 4412	Plyboard [Particle board, fibre board] & Plywood	29.58%	28%	28%	No change. UP, Kerala suggested that rate should be at 18%. Rubber wood particle board should be at 12%
54	4414	Wooden Picture frames	29.58%	28%	28%	No change
55	48	Delete exercise books and note books from 4820 in 18% list. To be at 12%.	13.11%	18%	12%	As per present incidence.
56	4823	Kites	13.34%	12%	5%	To be kept at 5% since these are goods of mass consumption
57	4903	Children's picture, drawing or colouring books	9.86%	12%	12%	No change
58	57	Coir mats, matting and floor covering	8.53%	12%	5%	As per present incidence. Kerala has requested for exemption

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
59	65	Headgear and parts thereof	29.51%	28%	18%	May be kept at 18%, same as that on helmets. Entire chapter may be kept at 18%.
60	6703	Human hair, dressed, thinned, bleached or otherwise worked		28%	0%	Request of WB for Nil rate. May be kept at Nil rate.
61	68	Fly Ash Bricks	18.96%	12%	12%	No change. <b>Fly ash blocks</b> may also be kept at 12%
62	68	Fly ash blocks at 12%	18.96%	12%	12%	Since fly ash bricks are at 12%, fly ash blocks may also be kept at 12% to avoid misuse, disputes and avoidable litigation.
63	6810	Cement Concrete products used in flooring like cement Tiles, Chequered Tiles, Interlocking blocks	29.65%	28%	28%	No change [Rajasthan 5%]
64	6810	Precast Concrete	29.65%	28%	28%	No change
65	68101190	Pre-cast Concrete Pipes	18.96%	28%	18%	As per present incidence. Except MP, Chhattisgarh, Odisha, all States levy 5% VAT
66	6906	Salt Glazed Stone Ware Pipes	18.96%	28%	18%	As per present incidence.
67	701510	Glasses for corrective spectacles and flint buttons	13.11%	18%	12%	As per present incidence.
68	71	Rough precious and semi-precious stones			0.25%	Rough diamonds are at 0.25%.
69	7607	Aluminium foil	29.53%	28%	18%	May be kept at 18%, since these are goods of household consumption
70	8215	Spoons, forks, ladles, skimmers, cake servers, fish knives, tongs	13.04%	18%	12%	As per present incidence.
71	83081010	Hooks & Eyes (All goods of 8308)	18.89%	28%	18%	As per present incidence. All goods of 8308 being in the nature of intermediates may be at 18%
72	8310	Name / Number plates	29.58%	28%	28%	No change

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
73	84	<i>Pawan Chakki</i> that is Air Based ATTA <i>Chakki</i>	18.84%	28%	5%	Being a renewable energy device, may be kept at 5%
74	84	Fixed Speed Diesel Engines	18.84%	28%	12%	Of 15 HP at 18%, others will remain at 28%. Gujarat and UP suggested that the rate may be aligned with submersible pumps at 12%. (Finalised at 12%)
75	84	Tractor components (Engines)	29.53%	28%	28%	No change. Haryana and Karnataka attract 5% rate
76	4011	Tractor components (Tyres and Tubes)	22.32%	28%	18%	<b>Rear tyre and tube of tractor</b> may be kept at 18%
77	8708	Tractor components (Transaxles and parts thereof, Gear box and parts thereof and Hydraulics)	18.84%	28%	18%	Except Maharashtra where VAT is 13.5%. <b>Rear wheel rim, centre housing, housing transmission, support front axle</b> may be kept at 18%
78	84131990	Borewell Compressor Pump	12.99%	12%	12%	No change. Already at 12% GST rate
79	8414	Air compressor	29.53%	28%	28%	No change
80	8424	Fire Extinguisher	29.53%	28%	28%	No change
81	8429, 8430, 8428	Excavators (8429), Earthmoving (8430) and Material Handling Equipment (8428) and their parts	23.80%	28%	28%	No change
82	8423 & 9016	Weighing Machinery	27.67%	28%	28%	No change. Weighing machinery [ <b>other than electric or electronic weighing machinery</b> ] may be kept at 18%
83	8443	Printers	21.38%	28%	18%	Other than multifunction printers
84	8443	Copying machines	29.53%	28%	28%	No change
85	8443	Facsimile	29.53%	28%	28%	No change
86	8483	Ball bearing, Roller Bearings, Parts & related accessories	18.84%	28%	18%	As per present incidence.

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
87	8501	Electric motor for sewing machine	18.84%	18%	18%	No change
88	8504	Transformers Industrial Electronics	18.84%	28%	18%	As per present incidence.
89	8504	Inverters used in solar PV projects	29.53%	28%	28%	No change
90	8504	Electrical Transformer	18.84%	28%	18%	As per present incidence.
91	8504	Static Convertors (UPS)	18.84%	28%	18%	As per present incidence.
92	8504	Static Convertors (Inverter)	29.53%	28%	28%	No change. Inverter at 5% in UP, 5.25% in Haryana and 8.5% in Punjab. Others have standard rate.
93	8504	Static Convertors (Stabilizer)	29.53%	28%	28%	No change
94	8513	LED Flashlights (Torches)	29.53%	28%	28%	No change
95	8521	Recorder	21.07%	28%	18%	Considering the present incidence, may be kept at 18%.
96	8525	CCTV	21.07%	28%	18%	Considering the present incidence, may be kept at 18%.
97	852560	Two-way radio (Walkie talkie) used by defence, police and paramilitary forces etc.	12.99%	28%	12%	As per present incidence.
98	8528	Set top Box for TV	15.49%	28%	18%	Set top box for internet [8517] already at 18%
99	8528	Computer monitors	18.84%	28%	18%	Computer monitors not exceeding 17 inches may be at 18%. Other monitors may be at 28% since other television monitors are also at 28%.
100	8531	Fire and Burglar Alarm	29.53%	28%	28%	No change
101	8539	Electrical Filaments or discharge lamps	23.06%	28%	18%	RSP up to Rs.20 per bulb and CFL attract 6% ED, others attract 12.5% ED
102	8541	Diodes, transistors and similar semi-conductor devices	18.84%	18%	18%	No change



S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
103	8544	Winding Wires	18.84%	28%	18%	As per present incidence.
104	8544	Coaxial cables	18.84%	28%	18%	As per present incidence.
105	8544 42, 8544 49	Electric conductor not exceeding 1000 V	29.53%	28%	28%	No change
106	854460	Electric conductor exceeding 1000 V	29.53%	28%	28%	No change
107	854470	Optical Fiber	18.84%	28%	18%	As per present incidence.
108	8544	Electric Wires and Cables Household	26.96%	28%	28%	<b>May be kept at a unified rate of 28% to avoid misuse, disputes and avoidable litigation.</b>
109	8544	Electric Wires and Cables Industrial	18.84%	28%	28%	
110	8452	Sewing Machine	18.84%	12%	12%	Sewing machine other than electrically operated attract 2% / 6% ED, others attract 12.5% ED. No change
111	8472	Perforating or stapling machines (staplers), pencil sharpening machines	29.53%	28%	18%	May be kept at 18% since stationery in general attracts lower rate.
112	8512, 8530, 8531, 8535, 8536, 8544	Electrical switch and wire	29.53%	28%	28%	No change
113	8536	Florescent Tube Light Starters for a voltage not exceeding 1,000 Volts	29.53%	28%	28%	No change. Maharashtra 5%
114	8536, 8537	LT Switch Gears and Switch Board	21.89%	28%	28%	No change
115	8536, 8544	Electronic components	21.89%	28%	28%	No change
116	8541	Electronic components	18.84%	18%	18%	No change
117	8547	LT Insulators Fittings	23.69%	28%	28%	No change
118	8703	Car for Physically handicapped person	23.04%	18%	18%	No change
119	8715	Baby carriages	29.51%	28%	18%	Considering the nature of goods may be kept at 18%.
120	900140, 900150	Spectacles Lenses	13.04%	12%	12%	No change

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
121	9002	Intraocular lens	18.89%	18%	12%	Contact lens is also at 12% GST rate. Therefore, intraocular lens may also be kept at 12%.
122	90031100, 90031900, 90049090	Spectacle frames	18.89%	18%	18%	No change. Frames of value below Rs.500 per piece attract 6% ED, others attract 12.5% ED
123	9004	Spectacles, corrective	13.04%	18%	12%	As per present incidence. All goggles are at 28%
124	9017	Instruments for measuring length, for use in the hand (for example, measuring rods and tapes, micrometers, callipers)	18.89%	28%	18%	As per present incidence.
125	9027	Instruments and apparatus for physical or chemical analysis	18.89%	18%	18%	No change
126	94018000 and 94037000	Plastic Moulded Furniture	29.51%	28%	28%	No change. Karnataka has lower rate of 5%, Rajasthan lower rate 5.5% for unbranded.
127	9403	Bamboo furniture	25.28%	28%	28%	No change
128	9503, 9504, 9505	Traditional Toys & Games	18.98%	28%	18%	9504 goods such as playing cards, chess board, carrom board, etc. [other than Video games consoles and Machines] may be kept at 12%, considering that these are board games of common use. However, 9506 swimming pools and padding pools may be at 18%.
129	9506	Sports goods	13.13%	12%	12%	No change
130	96031000	<i>Phul-jhadoo</i>	2.57%	5%	0%	As per present incidence. Broomsticks other than <i>Muddhas</i> made of <i>sarkanda</i> and <i>phool bahari</i>

S. No.	Heading	Description of goods	Present Incidence	GST rate approved by the GST Council	GST Rate proposed by the Fitment Committee	Comments of Fitment Committee, if any
						<i>jhadoo</i> , may be kept at 5%.
131	9704	Postage or revenue stamps, stamp-post marks, first-day covers, etc.	3.50%	12%	5%	As per present incidence.
132	9705	Numismatic coins	3.50%	12%	5%	As per present incidence.
133	4823 90 11, 8472, 9101, 9102, 9021	Braille paper, braille typewriters, braille watches, hearing aids and other appliances to compensate for a defect or disability		12% / 18%	5%	These goods are covered in List 32 appended to notification No.12/2012-Customs, dated 17.03.2012 and are already at 5% GST rate. [Chapter 90]

**Agenda Item 3: Rate adjustments, if any, based on representations received from Trade and Industry - Services**

**(1) Proposals of Uttar Pradesh for exemption from GST**

Fitment Committee in its meeting held on 8<sup>th</sup> June, 2017 at New Delhi considered proposals of Uttar Pradesh Government for exemption from GST. The proposals and recommendations of the Committee thereon are as under:

<b>Sl. No.</b>	<b>Proposal /Request received from</b>	<b>Proposal/ request</b>	<b>Comments</b>
1.	U.P. Govt	Insurance services provided under Mukhya Mantri Vyapari Durghatna Beema Yojana.	May be exempted
2.		Services provided to Government, a local authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or to any function entrusted to a Municipality under Article 243W of the Constitution.	Composite supply [including supply of pure services] provided to Government, a local authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or to any function entrusted to a Municipality under Article 243W of the Constitution may be exempted provided the principal supply is in respect of other than goods.
3.		Services provided to the Government under any insurance scheme for which total premium is paid by Government.	May be exempted provided 100% premium is paid by Central or State Government.
4.		Services provided to the Government under any training programme for which total expenditure is borne by the Government.	May be exempted provided 100% expenditure for training programme is borne by Central or State Government.

2. The above recommendations of the Fitment Committee are placed before the GST Council for approval.

## **(2) GST Rate on job work services provided in Textile, Diamond Processing and Jewellery Sectors**

Fitment Committee in its meeting held on 8<sup>th</sup> June, 2017 at New Delhi examined the issue of appropriate GST rate on job work services provided in textiles, diamond cutting and polishing and gold jewelry sectors. The issue for consideration before the Committee was that while GST Council had decided GST rate on textile fabrics at 5%, and on processed diamonds and gold jewellery at 3%, various job work services provided in these sectors would attract GST at the standard rate of 18%. This may create tax inversion and consequent ITC accumulation in these sectors. This would also create a tax disadvantage for manufacturers who outsource intermediate processes to job workers vis a vis those manufacturers who carry out all processes in house. This would discourage outsourcing and would be against the interest of large number of small job workers in these sectors. [It may be recalled that it was decided to withdraw the exemption in respect of job-work services relating to textiles and cut & polished diamonds and gold jewellery by the GST Council in Srinagar. As a result, these job-work services will attract the standard rate of 18%.]

2. It was unanimously felt that to resolve this issue, job work services in relation to (a) textile yarns (other than manmade fibre/filament) & textile fabrics and (b) cut and polished diamonds; or plain and studded jewellery of gold and other precious metals, falling under chapter 71 of HSN, may be taxed at the rate of 5%. It may be pointed out here that GST on job-work service charge is with reference to job charges while GST on supply of goods is with reference to the full value of goods supplied.

3. It was also decided that in view of a large number of small job workers operating in diamond and gold jewellery sector, liability to pay GST on services provided by them be placed on the principal manufacturer on reverse charge basis so as to save job workers from compliance burden under GST.

4. The above recommendations of the Fitment Committee are placed before the GST Council for approval.

### **(3) Legal Services**

#### **1. Proposal**

- (i) It is proposed to tax the services provided by partnership firm of advocates and LLPs under forward charge. This would help them utilise their input tax credit.
- (ii) It is proposed to exempt individual advocates (including senior advocates) from obtaining registration under CGST/SGST Act [section 23 (2) of the CGST Act].

#### **2.1 Justification**

Services provided by, -

- (i) an individual advocate or a partnership firm of advocates to other advocate or partnership firm of advocates or
- (ii) an individual advocate or a partnership firm of advocates to any person other than business entity

have been approved to be exempt from GST.

Further, services provided by an individual advocate or firm of advocates by way of legal services have been approved to be under reverse charge for payment of GST.

2.2 A partnership firm does not include a Limited Liability Partnership (LLP). However, firm of advocates is said to include LLP. Therefore, an individual advocate providing services to LLP will be taxable under reverse charge in GST regime and legal services provided by a LLP to a business entity will also be liable to tax under reverse charge. Thus, LLP engaged in providing legal services would bear a dual burden viz. no exemption on the inputs as also no tax liability on the output in the hands of LLP.

2.3 LLPs utilising input services towards rendition of their output services, will have ITC blockage in the supply chain. Partnership firm of advocates including LLPs incur huge input side tax incidence on receipt of services such as maintenance related services, office rent, transport services, technology and software services, acquisition of office equipment etc. Continuity of credit blockage and exclusion to services provided by law firms has led to a huge cost concern.

2.4 Justification for exemption from registration for individual advocates: -

No compliance burden on them as liability is cast on business entity for GST compliance.

3. The proposal has been considered and recommended by the Fitment Committee.

#### **(4) Sponsorship Services**

##### **1. Proposal**

- (i) It is proposed to tax the sponsorship services provided by body corporate [as defined in section 2 (11) of Companies Act 2013] under forward charge. This would help them utilise their input tax credit.
- (ii) It is proposed to exempt individual sponsorship service providers (including players) from obtaining registration under CGST/SGST Act [section 23 (2) of the CGST Act].

##### **2.1 Justification**

- (i) Sponsorship services have been approved to be under reverse charge mechanism for payment of GST.
- (ii) Section 17(3) of the CGST provides that the value of such supplies, where liability to discharge GST is on the recipient of service, shall be included in the value of exempted supplies for the purpose of reversal of input tax credit. In view of this, a provider of sponsorship service shall be required to reverse credit of GST on inputs or input services attributable to such sponsorship services provided. As a result, this breaks the otherwise seamless GST input tax credit.
- (iii) In last 10 years the events, sports and entertainment sector have become organised. They are body corporate and reverse charge mechanism treats them as an unorganised sector.

##### **2.2 Justification for exemption from registration for individuals providing sponsorship service: -**

- (i) No compliance burden on them as liability is cast on business.  
[Body corporate includes a company whether incorporated inside or outside India, LLP but does not include a cooperative society.]

##### **3. The proposal has been considered and recommended by the Fitment Committee.**

**(5) GST rate on admission to cinema theatres (Record of discussion on 8<sup>th</sup> June, 2017 in the Fitment Committee)**

Gujarat wanted the rate of GST on admission to cinema theatres reviewed from 28% to 18%, so that the local bodies are also able to tax the same.

West Bengal wanted a lower rate of GST for regional films or no GST below a certain threshold, say Rs 100 per ticket for regional films. West Bengal informed that presently Bengali films attract lower rate of entertainment tax, and was of the view that a lower GST rate was required to support and promote the regional film industry.

Rajasthan and Kerala supported the rate of GST of 28% (as approved by GST Council) for admission to cinema theatres for all films. They did not want a carve-out for regional films as it would be distortionary.

Haryana wanted to continue with the GST rate of 28% for admission to cinema theatres.

Karnataka also opposed exemption for regional films below a certain threshold ticket on the ground that they have issued a Government Order that no cinema theatre including multiplexes will charge more than Rs. 200 per ticket for a regional film.

Uttar Pradesh did not support the lower rate for regional films and stated that if a lower rate is provided for films in regional language of the States, the benefit should also be extended to Hindi films screened in Uttar Pradesh as Hindi is the regional language in their State.

It was explained (on behalf of the Centre) that the weighted average all-India incidence of entertainment tax rates on admission to cinema theatres comes to about **30.8%**. Further, revenue to be protected works out to about Rs 4500 crore per year (based on 2015-16 data of entertainment tax, DOR). Moreover, as Entry 62 of List II has been replaced with an entry that enables the local bodies to levy entertainment tax, it was decided that compensation cess may not be levied on admission to cinema theatres. It was also pointed out that regional films enjoy a lower rate only in the State concerned; States do not levy a lower rate of entertainment tax on all regional films but only films in their language.

In view of the very fact that the country is going in for One India-One Tax under GST, it may not be possible to have a lower rate in different States for different regional films. It would be better if the States reimburse the regional film industry or the cinema theatres screening regional films in any manner that would best promote regional films.

Record of discussion is placed before the GST Council for information please.



## **Agenda Item 4: Any other agenda item with the permission of the Chairperson**

### **(1) Notification of certain Sections of the GST Acts**

In the 15<sup>th</sup> meeting of the GST Council, the agenda notes in relation to the notifying sections containing provisions relating to registration and composition levy with effect from 19<sup>th</sup> June, 2017 were approved.

2. Section 2 in Chapter I of the Central Goods and Services Tax Act, 2017 (CGST Act) and Section 2 in Chapter I of the Integrated Goods and Services Tax Act, 2017 (IGST Act) contain provisions for definitions of various terms used in the respective Acts. Since the terms used in sections related to registration and composition levy are defined in Section 2, it becomes pertinent that section 2 of both the Acts is notified from 19<sup>th</sup> June, 2017.

3. Section 14 of the IGST Act, which provides for the registration of the supplier of online information and database access or retrieval services under the Simplified Registration Scheme, is also required to be notified so that such supplier can be allowed to take registration.

4. In the 14<sup>th</sup> Meeting, the approval for issue of a notification to the effect that [www.gst.gov.in](http://www.gst.gov.in) shall be the Common Goods and Services Tax Electronic Portal was accorded. As stated above, in the 15<sup>th</sup> Meeting of the Council, the agenda on notifying provisions related to registration and migration has already been approved. Section 146 of the CGST Act empowers the Government to notify, on the recommendations of the GST Council, the Common Goods and Services Tax Electronic Portal for facilitating conduct of different business processes. Therefore, it is required that section 146 of the CGST Act is notified.

5. In the 14<sup>th</sup> and 15<sup>th</sup> meeting, 9 rules namely, registration, composition levy, payment, refund, return, input tax credit, tax invoice, valuation and transition were approved. Section 164 of the CGST Act and section 22 of the IGST Act provide for power to the Government to make rules, on the recommendations of the GST Council, to carry out the provisions of the respective Acts. In order to notify the above mentioned 9 Rules, in particular Rules on registration and composition levy, it is essential that section 164 and section 22 of the CGST Act and the IGST Act respectively are notified.

6. Section 15 of the CGST Act relates to valuation provisions. Section 16 to 21 of the CGST Act relates to Input Tax Credit provisions. Section 31 to 34 of the CGST Act relates to invoice provisions. Section 37 to 48 of the CGST Act relates to returns provisions. Section 49 to 50 of the CGST Act relates to payment provisions. Section 54 to 58 of the CGST Act relates to refund provisions. Section 140 to 142 of the CGST Act and Section 21 of the IGST Act relates to transition provisions. In order to notify the above-mentioned rules (sections related to registration and composition levy have been already approved), it is essential that these sections are notified.

7. Sections 22 to 30 contained in Chapter VI of the CGST Act contain provisions for registration of taxpayers under GST. In terms of section 22 (1) of the CGST Act, every supplier of goods or services crossing a specified threshold of aggregate turnover is required to get registered. Section 9 (3) of the CGST Act and section 5 (3) of the IGST Act empowers the Government to notify categories of supply of goods or services or both, the tax on which shall be paid on reverse charge basis by the recipient of such goods or services or both. In the 14<sup>th</sup> Meeting of the Council, list of services on which reverse charge liability would be created under GST was approved by the GST Council. In some cases, the liability under the Act has been fully cast upon the recipient of supply (100% reverse charge). In terms of section 9 (3) and 5 (3) of the CGST Act and IGST Act respectively, though the supplies are taxable but the liability of payment of tax and compliance with the law has been shifted upon the recipient.

Therefore, suppliers, whose supplies are taxable under 100% reverse charge basis, are required to be exempted from registration. Sub-section (2) of section 23 provides that the Government, on the recommendations of the Council, by notification, specify the category of persons who may be exempted from obtaining registration.

8. In view of the above, **it is proposed that the Council may kindly approve:**

- i. notifying section 2 of the CGST Act and section 2 of the IGST Act from 19<sup>th</sup> June, 2017;
- ii. notifying section 14 of the IGST Act from 19<sup>th</sup> June, 2017;
- iii. notifying section 146 of the CGST Act with effect from 19<sup>th</sup> June, 2017;
- iv. notifying section 164 of the CGST Act and section 22 of the IGST Act with effect from 19<sup>th</sup> June, 2017;
- v. notifying Section 15 (Valuation), Sections 16-21 (Input Tax Credit), Sections 31-34 (Invoice), Sections 37-48 (Returns), Sections 49-50 (Payment), Sections 54-58 (Refund) and Sections 140-142 (Transition) with effect from appointed date; and
- vi. that the suppliers whose supplies are taxable under 100% reverse charge basis may be exempted, using powers under sub-section (2) of section 23, from obtaining registration;
- vii. that the States that had enacted their SGST Act could also notify the same Sections.

## **Agenda Item 4: Any other agenda item with the permission of the Chairperson**

### **(2) Amendment in Rule 19 of the Registration Rules for additional method of Authentication**

The GST Council approved the GST Registration Rules in its 14<sup>th</sup> Meeting held in Srinagar on 18-19 May, 2017. Rule 19 of the Rules provides for methods of authentication for filing applications, including reply, if any, to the notices, returns including the details of outward and inward supplies, appeals or any other document required to be submitted under the GST Rules. Presently, the modes of authentication provided in Rule 19 of the GST Registration Rules are: (i) with digital signature certificate; (ii) with e-signature; (iii) verification through aadhaar based electronic verification code.

2. Aadhaar has not yet been implemented in Assam due to illegal immigration problem. The Hon'ble Supreme Court has directed to first update the National Register of Citizens (NRC) and after the publication of final NRC list, the Aadhaar implementation is feasible. It is gathered that presently the process of NRC updation is going on. Therefore, the taxpayers in Assam can submit the enrolment application only with Digital Signature Certificate (DSC) which is costly (approx. Rs. 2500/- valid for a period ranging from one year to three years) and cumbersome with several documentary requirements. The companies giving one time e-signature are limited in number and their quality of service is uneven. The taxpayers in other States are able to migrate with Aadhaar based EVC which is free of cost. It is reported that this has effectively prevented the small and medium dealers of Assam from migrating to GST from the existing tax regime. Similar problem is being faced in the State of Meghalaya too where Aadhaar has not yet been implemented.

3. Keeping in view problems faced by Assam and Meghalaya, it is proposed to provide another alternative for authentication in Rule 19 of the GST Registration Rules, namely, authentication based on bank account of the taxpayer.

4. The Hon'ble Council may approve the following proposed amendment to **Rule 19 of the GST Registration Rules: (indicated in bold, underlined text)**

#### **19. Method of authentication**

(1) All applications, including reply, if any, to the notices, returns including the details of outward and inward supplies, appeals or any other document required to be submitted under these rules shall be so submitted electronically with digital signature certificate or through e-signature as specified under the Information Technology Act, 2000 (21 of 2000) or verified through aadhaar based electronic verification code or **through electronic verification service provided by banks based on net-banking or any other mode of verification provided by bank or** through any other mode of signature or verification notified by the Board in this behalf:

Provided that where the mode of authentication of any document is selected as through aadhaar based electronic verification code or **through electronic verification service provided by banks based on net-banking or any other mode of verification provided by bank,** such verification shall be done within two days of furnishing the said document:

Provided further that a registered person registered under the Companies Act, 2013 (18 of 2013) shall furnish the documents or application verified through digital signature certificate only.

(2) Each document including the return furnished online shall be signed or verified through EVC-

- (a) in the case of an individual, by the individual himself or where he is absent from India by some other person duly authorised by him in this behalf, and where the individual is mentally incapacitated from attending to his affairs, by his guardian or by any other person competent to act on his behalf;
  - (b) in the case of a Hindu Undivided Family, by a Karta and where the Karta is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of such family or by the authorised signatory of such Karta;
  - (c) in the case of a company, by the chief executive officer or authorised signatory thereof;
  - (d) in the case of a Government or any Governmental agency or local authority, by an officer authorised in this behalf;
  - (e) in the case of a firm, by any partner thereof, not being a minor or authorised signatory;
  - (f) in the case of any other association, by any member of the association or persons or authorised signatory;
  - (g) in the case of a trust, by the trustee or any trustee or authorised signatory; or
  - (h) in the case of any other person, by some person competent to act on his behalf,
- or by a person authorised in accordance with the provisions of section 48.
- (3) All notices, certificates and orders under these rules shall be issued electronically by the proper officer or any other officer authorised to issue such notices or certificates or orders, through digital signature certificate **or through e-signature as** specified under the Information Technology Act, 2000 (21 of 2000).