



Agenda for

25th GST Council Meeting

Volume – 3

18 January 2018



File No: 297/25th GSTC Meeting/GSTC/2017
GST Council Secretariat

Room No.275, North Block, New Delhi
Dated: 22 December, 2017

Notice for the 25th Meeting of the GST Council scheduled on 18 January 2018

The undersigned is directed to refer to the subject cited above and to say that the 25th Meeting of GST Council will be held on **Thursday, 18 January 2018 from 12:20 pm onwards** at Hall No 2-3, Vigyan Bhavan, New Delhi. Before the meeting of the GST Council, Union Finance Minister will have discussions with the Finance Ministers of States on the budget proposals for the Union Budget 2018-19 from 10:00 am to 12:00 noon at the same venue.

2. The Meeting of the GST Council shall be followed by Cultural Programme and Dinner to be hosted by Government of NCT of Delhi from 7:00 pm to 10:00 pm on 18 January 2018.

3. The detailed agenda items for the 25th Meeting of the GST Council will be communicated in due course of time.

4. The main agenda in the GST Council Meeting will be to discuss the draft Amendment to CGST Act, SGST Act and IGST Act. In order to have detailed discussions on the draft proposals for amendment, Union Finance Secretary will take a separate meeting of Officers of State and Central Government from **11:00 am onwards on Thursday, 11 January 2018** at Hall No 2-3, Vigyan Bhavan, New Delhi.

5. Please convey the invitation to the Hon'ble Members of the GST Council to attend the Meeting on 18 January 2018.

(-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 25th Meeting of the GST Council on 18 January 2018

1. Confirmation of the Minutes of 24th GST Council Meeting held on 16 December 2017
2. Revenue collected in the month of November and December 2017 under Goods and Services Tax, including the revenue accruing to Centre and States through settlement of funds
3. Deemed ratification by the GST Council of Notifications, Circulars and Orders issued by the Central Government
4. Decisions of the GST Implementation Committee (GIC) for information of the Council
5. Minutes of 4th and 5th Meeting of Group of Ministers (GoM) on IT Challenges in GST Implementation for information of the Council and discussion on GSTN issues
6. Recommendations of the 'Committee on Returns Filing' on Simplification of Returns under GST
7. Issues recommended by the Law Committee for consideration of the GST Council
8. Recommendations of the Committee on Handicrafts
9. Changes proposed to be made in the CGST Act, 2017, SGST Acts, the IGST Act, 2017 and the GST (Compensation to States) Act, 2017
10. Issues recommended by the Fitment Committee for the consideration of the GST Council
11. Carry forward items from the previous Council Meeting
 - i. Presentation on GST in Real Estate sector
 - ii. Incentivising Digital Payments in GST regime
12. Transfer of shares of Empowered Committee (EC) in GSTN to the State of Telangana
13. Any other agenda item with the permission of the Chairperson
14. Date of the next Meeting of the GST Council

TABLE OF CONTENTS

<u>Agenda No.</u>	<u>Agenda Item</u>	<u>Page No.</u>
13	Any other agenda item with the permission of the Chairperson	6
	i. Proposal to declare the sale of goods in Customs bonded warehouse and goods sold as high sea sales as 'no supply' under Schedule III of the CGST Act, 2017	6
	ii. Proposal to reduce penalty under section 122(1)(xiv) of CGST Act, 2017 (e-way bills) in exercise of powers under section 128 of the Act.	7

Discussion on Agenda Items

Agenda Item 13: Any other agenda item with the permission of the Chairperson

Agenda Item 13(i): Proposal to declare the sale of goods in Customs bonded warehouse and goods sold as high sea sales as ‘no supply’ under Schedule III of the CGST Act, 2017

Goods imported into India are subjected to customs duties and integrated tax under section 3(7) of the Customs Tariff Act, 1975. In case the imported goods are stored in a Customs bonded warehouse and such goods are supplied domestically by the importer before their clearance from the warehouse, it has been clarified by the Customs Wing of CBEC vide Circular No. 46/2017-Customs dated 24.11.2017 that integrated tax will be payable first by the importer/seller (it being a supply of goods within India under section 5 of the IGST Act, 2017) and by the buyer at the time of clearance of goods from the warehouse (under section 3(7) of the Customs Tariff Act). It has been represented that in this scenario, the buyer is being saddled with double taxation and/or credit because of levy under two statutes.

2. In order to alleviate this problem, it is proposed to amend the valuation of the imported goods for the purposes of payment of integrated tax on such goods by amending the Customs Tariff Act. The amendment would result in integrated tax being levied on the enhanced sale value or last sale value in case of multiple sales or value determined under section 3(8) of the Customs Tariff Act, whichever is higher. Concomitantly, it is proposed to declare the sale of warehoused goods within the Customs bonded warehouse as ‘no supply’ under Schedule III of the CGST Act, 2017 in order to ensure that no integrated tax is paid at the time of supply of the warehoused goods from the importer to the buyer.

3. Further, the issue of leviability of integrated tax on high sea sales of imported goods was clarified by the Customs Wing of CBEC vide Circular No. 33/2017-Customs dated 01.08.2017. It was clarified that integrated tax shall be levied and collected only at the time of importation and that value addition accruing at each stage of high sea sale shall form part of the value on which integrated tax is paid at the time of clearance. In this regard, it is proposed to declare the high sea sale of goods as ‘no supply’ under Schedule III of the CGST Act, 2017.

4. Accordingly, the GST Council may approve the proposal of declaring the sale of warehoused goods within the Customs bonded warehouse and the high sea sale of goods as ‘no supply’ under Schedule III of the CGST Act, 2017.

Agenda Item 13(ii): Proposal to reduce penalty under section 122(1)(xiv) of CGST Act, 2017 (e-way bills) in exercise of powers under section 128 of the Act.

GST Council in its 24th meeting held on 16 December, 2017 recommended that e-Way Bill System for inter-State movement of goods will be implemented across the country with effect from 01.02.2018. For intra-State movement of goods, States would choose any date before 01.06.2018 for implementing the national e-Way Bill System and from 01.06.2018, it would be mandatory for all the States to implement the same for the intra-State movement of goods.

2. Clause (xiv) of sub-section (1) of Section 122 of the CGST Act, 2017 provides that if a taxable person transports any taxable goods without the cover of documents as may be specified in this behalf shall be liable to pay a penalty of Rs 10,000/- or an amount equivalent to the tax evaded, whichever is higher. Similar provision exists in the SGST Acts and UTGST Act. Hence, the offence in all such cases would lead to a minimum penalty of Rs. 20,000/-. E-Way Bill System under the GST laws is going to be implemented for the first time and it would take time for the stakeholders to be familiar with the various provisions of the same. Hence, in order to have smooth implementation of the e-Way Bill System and to overcome the teething problem, it is proposed that by exercising the power conferred under Section 128 of these Acts, the minimum penalty of Rs. 10,000/- for violation of clause (xiv) of subsection (1) of Section 122 under CGST Act, 2017 may be reduced to Rs. 500/- for the first six months. On similar line, the minimum amount of penalty may be reduced to Rs. 500/- under SGST Act / UTGST Act by the respective Governments.

3. Approval of the GST Council is sought to reduce the minimum amount of penalty to Rs. 500/- for the first six months under clause (xiv) of sub-section 1 of Section 122.
