



Agenda for

20th GST Council Meeting

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Discussion on Agenda Items

Agenda Item 5: Recommendations of the Fitment Committee (Services)

Committee for Fitment of Goods and Services in various rate slabs – Examination of the representations received post-implementation of GST with effect from 01.07.2017 (Services)

Post-implementation of GST with effect from 01.07.2017 a number of representations have been received from various stakeholders regarding GST rates on various good and services. References were also received from Ministers, Ministries and Secretaries and other officers of Centre and State. All the references were duly broad-sheeted.

Further, broadsheet of references received were also circulated to the members of the Fitment Committee for discussion in its meeting on 31st July and 1st August, 2017.

2. The Fitment Committee met on 25.07.2017, 31.07.2017 and 01.08.2017 and deliberated upon the aforesaid issues.

3. Based on the deliberations, the Fitment Committee has made certain recommendations for change in the GST rates of certain services. A list of such services with the comments thereof of the Fitment Committee is placed below as **Annexure I**.

4. Further, the list of services where the Fitment Committee has recommended no change or has suggested that suitable FAQ may be issued to clarify the doubts relating to classification and rate of services, has been placed below as **Annexure II**.

ANNEXURE I: Broadsheet for GST Rate on Services - Proposals found acceptable by the Fitment Committee

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
1	Services of plumber, carpenter etc. may be added in the aggregator model.	It shall ease compliance burden on small service providers.	<p>May be accepted.</p> <p>Liability to pay GST in case of accommodation service provide by small service providers such as home stays having annual turnover below Rs 20 lakh (Rs. 10 lakh in case of special category States) providing accommodation service through E-Commerce Operator (ECO) has been placed on the ECO, thereby saving the small service providers from the requirement of obtaining registration.</p> <p>The benefit given to small service providers providing accommodation service through E-Commerce Operator (ECO) may be extended to small house-keeping service providers (plumbers/carpenters) providing services through ECO.</p>
2	GST rate on job work services in relation to MMF yarn may be reduced from 18% to 5%.	GST rate of 18% on job work services in relation to MMF yarn is leading to inverted rate structure for small scale fabric manufacturers. In case of composite mills manufacturing fabric, all job-work processes are carried out in house and therefore the said units are liable to pay GST only on purchase	<p>May be accepted.</p> <p>GST rate on job work in relation to MMF yarn may be reduced to 5% with full ITC. Further, job-work service in relation to textile fabrics (upto dyeing, printing stages) would continue to attract GST of 5%.</p>

		<p>of yarn. Whereas, de-centralized units, (small scale fabric manufacturer purchasing yarn from the market and availing services by way of job-work on yarn to produce fabric) will pay tax on purchase of yarn as well as tax @ 18% for every job-work process carried out on MMF yarn for manufacturing fabric. GST rate for fabric is 5% subject to the condition that no refund of unutilized input tax credit shall be allowed [Notification No.5/2017-Central Tax (Rate) refers]. Therefore, tax paid on job work processes on MMF yarn will stick as a cost to the fabric manufacturer and will be detrimental to small scale fabric manufacturers and weavers with no upward integration in the value chain.</p>	
3	<p>GST rate for job work services in relation to shawls and other garments and made ups may be reduced from 18% to 5%.</p>	<p>A textile product is technically termed as fabric only up to cutting stage. From stitching onward, the terminology of garments and made ups is used. Hence, job work services after the stage of cutting become ineligible for GST rate of 5% which is applicable for job work services in relation to fabrics. Furthermore, garmenting and made-ups work on hub and spoke model and creates huge employment especially for the rural women and people below poverty line.</p>	<p>GST Council may take a decision on whether to reduce GST on job work services in relation to garments and made-ups from 18% to 12% or 5%.</p> <p>No consensus could be arrived on the GST rate for job work services in relation to made-ups and garments. <u>While most of the States (Gujarat, West Bengal, Maharashtra, Tamil Nadu, UP, Bihar) were in favour of 5% with full ITC, on job work services in the entire textiles chain, view of the Centre was to</u></p>

		70% of job work charges on apparels constitute labour costs. High GST is akin to tax on labour wages. It will impact beneficiaries of PM Mudra Yojana (MSME engaged in this business). It will add to cost of apparel products priced below Rs 1000 consumed by common man and will also make exports uncompetitive. It will also lead to adoption of unethical practice of bypassing tax liability at mass scale.	<u>reduce the rate to 12% with full ITC and not 5%.</u>
4	GST on job work services on jari kasab and embroidery may be reduced to 5%.	GST @ 18% will result in increase in cost of the product.	GST Council may take a decision on whether to reduce GST on job work services in relation to manufacture of jari kasab and embroidery from 18% to 12% or 5%. No consensus could be arrived on the GST rate for Job work services in relation to manufacture of jari kasab and embroidery. Gujarat insisted for GST @ 5% with full ITC. However, view of the Centre was that Jari kasab (metallised yarn, falling under HSN 5605) and embroidery attract GST @ 12% and therefore, job work services in relation to the same may be reduced to 12% with full ITC and not 5%.
5	GST rate on Job work services for handmade carpets may be brought down to Nil.	Companies are not issuing job work orders post GST in carpet producing areas.	GST rate on job work services in relation to manufacture of carpets and floor coverings falling under Chapter 57 may be

		Production has almost come to a standstill leading to cancellation of export orders.	<p>reduced to 12% with full ITC. (The rate may be reduced to 5% with full ITC in case the rate for job work services in relation to garments and made-ups is reduced to 5%).</p> <p>GST rate on carpets (Chapter 57) is 12%. Therefore, there is a case for reducing GST rate on job-work services in respect of carpets and floor covering (Chapter 57) to 12%.</p>
6	Printing services in respect of books, journals and periodicals where only content and no physical input is provided by the customers (falling under Entry 27 of notification 11/2017-CT (Rate) – “Other manufacturing services; publishing, printing and reproduction services; materials recovery services”), should be taxed at 5% GST rate.	Earlier, printing job work was exempt in service tax. Now, manufacturing services on physical inputs owned by others, by means of job work on printing is at 5% but manufacturing services: publishing, printing and reproduction services) are at 18%. Thus 18% GST will be levied on printers whereas output books, journals, periodicals are exempted from GST. This will lead to inverted duty structure.	<p>GST rate on services by way of printing of newspapers, books (including Braille books), journals and periodicals where only content is supplied by the publisher and the physical inputs including paper used for printing belongs to the printer, may be prescribed at 12% with full ITC.</p> <p>According to explanatory notes to UN CPC classification of services on which the scheme of classification of services adopted for GST is based, heading 9989 includes services where intangible inputs, rather than physical inputs, are transferred while outsourcing (parts or all) of the production process. The units providing the service do not own or retain usage rights to the intangible inputs. The heading includes newspaper as well as book printing services.</p>

			<p>Therefore, the service in question, that is, printing of books where only the content is provided by the principal, falls under heading 9989 and attracts GST @ 18%.</p> <p>GST on supply of books is NIL. GST on supply of job work services in relation to printing of newspapers, books, journals and periodicals has been fixed at 5% in view of the fact that GST applicable on selling of space for advertisement in print media is 5% and GST on supply of books is NIL.</p> <p>GST on supply of paper is 12%. In case of service in question, where paper and the services of printing is supplied by the printer, it would be a case of composite supply. To avoid disputes as to which is the principal supply, paper or printing service, it is proposed that GST rate on services by way of printing of books where paper used for printing belongs to the printer, may be kept at 12% with full ITC, the same rate as on supply of paper. This would also ensure that prices of books do not increase on account of GST on printing.</p>
7	Services by way of job work in relation to - Printing of books (including Braille books), journals and periodicals falling under heading	Supply of printed books, newspapers, journals and periodicals attracts GST at NIL rate. Therefore, suppliers of these goods, that	GST rate on services by way of printing of newspapers, books (including Braille books), journals and periodicals using

	<p>9988 which attracts GST at 5%. However, printing services where paper is supplied by an un-registered person, shall attract GST @ 18% in view of definition of job work in section 2(68) of GST Act, according to which “job work” means any treatment or process undertaken by a person on goods belonging to another registered person and the expression “job worker” shall be construed accordingly.</p>	<p>is publishers, are not required to take registration. Job work services by way of printing of books (heading 9988) attract GST@ 5%. However, in view of definition of job work in section 2(68) of CGST Act according to which “job work” means any treatment or process undertaken by a person on goods belonging to another registered person, printing services provided by a printer to an unregistered publisher, where paper or other physical inputs are supplied by the publisher, will not be eligible for the 5% GST rate prescribed for job work services in relation to printing of newspapers, books, journals and periodicals.</p>	<p>physical inputs owned by others [Sl. No. 26 (heading 9988) of CGST notification No. 11/2017-CT] may be prescribed at 5%.</p>
8	<p><u>What will be the GST rate if –</u></p> <ol style="list-style-type: none"> 1. The books are printed/ published/ sold on procuring copyright from the author or his legal heir? [e.g. White Tiger Procures copyright from Ruskin Bond] 2. The books are printed/ published/ sold against a specific brand name? [e.g. Manorama Year Book] 3. The books are printed/ published/ sold on paying copyright fees to a foreign publisher for publishing Indian edition (same language) of foreign books? [e.g. 		<p>It may be clarified that supply would be treated as supply of books as long as the supplier owns the books and has the legal rights to sell those books on his own account.</p>

	<p>Penguin (India) Ltd. pays fees to Routledge (London)]</p> <p>4. The books are printed/ published/ sold on paying copyright fees to a foreign publisher for publishing Indian language edition (translated)? [e.g. Ananda Publishers Ltd. pays fees to Penguin (NY)]</p>		
9	<p>For rent-a-cab services,</p> <ol style="list-style-type: none"> 1. ITC should be made available to receiver of service in the similar line of business 2. Levy of GST should not be under RCM in case of supply from an unregistered person in similar line of business 3. GST rate may be 12% with full ITC 	<ol style="list-style-type: none"> 1. Supplies of renting of motor cab apart from being B2C supply is also a frequent B2B supply. In such scenario if the ITC is not made available to the person receiving such supply, cost of the output supply shall increase as non-availability of credit becomes part of the cost. 2. The liability to discharge tax under RCM by the recipient of the service in case of supply by an unregistered person was not there in Service Tax law. This would lead to additional compliance burden. 3. Government has considered lower rate without ITC recognizing that petroleum/ fuel products form major part of the input cost and their credit would otherwise also not be available. However, it appears that rebate of 6% on GST if provided would amount to less than half of the tax 	<p>Option of paying GST @ 12% with full ITC may be allowed for ‘Rent-a-Cab’ services. 5% rate with no ITC may also continue.</p>

		<p>collected by the Government on fuel and petroleum products.</p> <p>4. CGST Act allows credit of rent a cab service when used in the same line of business. ITC of such input service was allowed under Service Tax law (to the extent of 40% where input service was received from a person paying ST at full rate and full ITC, where input service was received from a person paying Service Tax at abated rate of 6%).</p>	
10	<p>1. To clarify whether LLP would be considered as a firm or a Body Corporate for the purpose of notification No. 13/2017 - CT (Rate) which places liability to pay GST on legal services provided by a firm on the recipient of services, that is, the business entity.</p> <p>2. To clarify whether LLP would be considered as a partnership firm for the purpose of notification No. 12/2017 - CT (Rate) which exempts legal services provided by a partnership firm to, -</p> <p>(i) an advocate or partnership firm of advocates providing legal services;</p> <p>(ii) any person other than a business entity;</p>	<p>Notification 12/2017-CT (Rate) exempts services by a partnership firm of advocates or an individual advocate other than a senior advocate, by way of legal services to a business entity (with turnover more than Rs. 20 lakhs.)</p> <p>Notification 13/2017-CT (Rate) puts the services of an individual advocate or firm of advocates to any business entity located in the taxable territory under reverse charge mechanism.</p> <p>Section 2(84) of CGST Act includes an LLP in the definition of a 'Person'. According to Explanation (i) in Chapter XVI of CGST Act, LLP shall also be considered as a firm.</p>	<p>An explanation may be added in CGST, SGST, IGST and UTGST notifications to the effect that:</p> <p><i>“Explanation,- A “Limited liability Partnership” formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (6 of 2009) shall also be considered as a partnership firm or a firm;”</i></p> <p>The intention of Fitment Committee was to continue the existing Service Tax exemptions in respect of legal services and it was a conscious decision of the GST Council to keep legal services provided by LLP under reverse charge, as in the case of individual advocates and partnership firm of advocates.</p>

	<p>(iii) a business entity with an aggregate turnover up to twenty lakh rupees (ten lakh rupees in the case of special category states) in the preceding financial year.</p> <p>If not, what would be the taxability of the representational services provided to a business entity located in the taxable territory by an individual advocate through LLP?</p>	<p>Under Service Tax Laws, a 'Partnership Firm' included an LLP.</p> <p>A doubt has arisen whether a partnership firm of advocates or a firm of advocates includes a Limited Liability Partnership of advocates or not; as LLP according to Limited Liability Partnership Act, 2008 is a “body corporate”.</p>	
11	<p>Whether legal services other than representational services provided by an individual advocate or a senior advocate are covered under reverse charge mechanism?</p>	<p>The relevant entry in Notification No. 13/2017- Central tax places liability to pay GST on the recipient of service (Business entity) under RCM only in case of legal services provided by a firm of advocates. In case of individual advocates only the representational services provided by them have been placed under reverse charge. Legal services other than representational services provided by individual advocates and senior advocates are under forward charge.</p>	<p>A clarification may be issued by way of FAQ and also an affidavit to this effect in the Court.</p> <p>Notification No. 13/2017-Central Tax (Rate) and corresponding IGST and UTGST notifications provide that “<i>Services supplied by an individual advocate including a senior advocate by way of representational services before any court, tribunal or authority, directly or indirectly, to any business entity located in the taxable territory, including where contract for provision of such service has been entered through another advocate or a firm of advocates, or by a firm of advocates, by way of legal services, to a business entity</i>” shall be subject to reverse charge and the tax shall be discharged by the business entity.</p>

			<p>The words “<i>by way of legal services</i>” which are preceded and succeeded by a comma apply to individual advocate, senior advocate as well as a firm of advocates. Legal services provided by either of them are liable for payment of GST under reverse charge. The words “<i>by way of representational services before any court, tribunal or authority....</i>” appear in conjunction with senior advocate without a comma and merely describes the nature and mode of representational services provided by a senior advocate. A Press Note has accordingly been issued.</p>
12	<p>1. Section 9(4) of CGST Act may be amended so that if the taxable person’s output supplies are covered under RCM or no ITC benefit on the input supplies is available, then RCM should not be applicable on such input supplies or such input supplies from unregistered persons should be exempted. Alternatively, the input GST in such cases should be considered for a refund.</p> <p>2. The scope of exemption under Sl. no. 23 of notification No. 9/2017-CT(Rate)</p>	<p>1. GST Council has fixed a rate of 5% GST on GTA services in relation to transportation of goods subject to a condition that ITC has not been taken. Further, by the notification No.10/2017-Integrated Tax (Rate) & notification No.13/2017-Central Tax (Rate) both dated 28-06-2017, supply of Services by a goods transport agency (GTA) have been put under reverse charge basis, on recipient of services in respect of transportation of goods by road to-</p>	<p>Option of paying GST @ 12% with full ITC may be allowed for GTA services with the condition that the GTA who opts for payment of GST @ 12% with full ITC under forward charge will have to pay GST in respect of all supplies under forward charge. 5% rate with no ITC may also continue under RCM for those who do not opt for 12% with full ITC under forward charge.</p>

	<p>dated 28th June 2017 which reads as follows: “<i>Services by way of giving on hire- (b) to a goods transport agency, a means of transportation of goods</i>” may be increased. Apart from “means of transportation”, other inputs/input services such as renting of premises, manpower supplies, business support services, automobile spare parts & consumables, tyres, labour charges, professional charges, Insurance expenses, etc. should be included in the exemption list.</p> <p>3. Where GTA is liable to collect GST on the supplies made to persons (not covered under specified 7 categories of RCM), then ITC benefits should be given on the GST paid on the inward supplies to render such supplies proportionately.</p>	<p>(a) any factory registered under or governed by the Factories Act, 1948(63 of 1948); or</p> <p>(b) any society registered under the Societies Registration Act, 1860 (21 of 1860) or under any other law for the time being in force in any part of India;</p> <p>(c) any co-operative society established by or under any law; or</p> <p>(d) any person registered under the Central Goods and Services Tax Act or the Integrated Goods and Services Tax Act or the State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act; or</p> <p>(e) any body corporate established, by or under any law; or</p> <p>(f) any partnership firm whether registered or not under any law including association of persons; or</p> <p>(g) any casual taxable person;</p> <p>Further, if GTA services is provided to other than those who falls 7 categories of persons above; then liability to pay GTA would be on forward charge. GTA becomes liable to take GST registration in all the state to operating his business.</p>	
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		<p>Along with above, inward supplies such as rental expenses for premises, automobile spare parts & consumables, tyres, labour charges, professional charges, commission expenses, Insurance expenses etc. cause additional cost to business. Further, logistics business involves a lot of unorganised and small supplies such as godown owners, manpower charges, agents, small vendors' supplies who are mostly unregistered, because they are below threshold of 20 Lakhs aggregate turnover as per section 9(4) of CGST Act, & section 5(3) of IGST Act these supplies are liable to be paid by recipient of such supplies. Thus on RCM basis supplies GST on inward supplies become cost to GTA, because credit is not eligible to GTA.</p>	
13	<p>GST rate on works contract may be reduced from 18% to 12% on:- I. (a) a historical monument, archaeological site or remains of national importance, archaeological of excavation, or antiquity specified under the Ancient Monuments and Archaeological Sites and Remains Act, 1958 (24 of 1958). (b) canal, dam or other irrigation works;</p>	<p>Works contract was exempted from service tax and excise. VAT was 5% under composition. GST rate of 18% is higher. Considering that the issue pertains to public at large, the representation needs consideration. These Services are being provided by the State Government and their entire expenditure is being borne by the State government. Earlier these services had been exempt from Service tax. As far as capital</p>	<p>GST rate on works contract services provided to Government, local authority or governmental authority, may be reduced from 18% to 12%. [All such works contract services which were exempted in the earlier Service Tax regime and not exempt in GST, except those relating to a building owned by an entity registered under section 12AA of the Income Tax Act (Point 13 of not-</p>

<p>(c) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal;</p> <p>II. (a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;</p> <p>(b) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment; or</p> <p>(c) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in the Explanation 1 to clause (44) of section 65 B of the said Act;</p> <p>III. (a) a road, bridge, tunnel, or terminal for road transportation for use by general public;</p> <p>(b) a civil structure or any other original works pertaining to a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojna;</p> <p>(ba) a civil structure or any other original works pertaining to In-situ rehabilitation or existing slum dwellers using land as a resource through private participation under the Housing for All (Urban) Mission/ Pradhan Mantri Awas Yojna, only for existing slum dwellers.</p>	<p>goods are concerned, these services were under the Job Work category. The State government had levied a tax of 2% or 4% on these. Under G.S.T. they are being taxed at the rate of 18%. Even after the abatement of 1/3rd of the land, these services of private builders would be taxable at the rate of 12%. The cost of land and the building is borne separately by the State government in the construction services being provided by the State Government. Therefore, there is no rationale in keeping these services taxable at 18%. If it is not feasible to exempt them, it would be appropriate to tax them at 12%. Otherwise the input cost of Public Works being undertaken by the State Government would increase to a large extent and this would further deplete the already constrained financial resources of the State Government. Consequently, the Government would have to cut down on the no. of projects meant for public use. This would be detrimental to Public Welfare. The financial burden of these services is borne entirely by the State Government. These Services had been exempted from Service Tax earlier as well by the Notification No. 25/2012 dated 20.06.12.</p>	<p>acceptable list), will now attract GST of 12% instead of 18%].</p> <p>Works contract services provided to the Government as listed in column I were exempted. Since service/labour component constituted around 30% to 40% of the value of the works contract, which was exempt from service tax, the tax incidence on such WCS on account of VAT on material component came to around 12% or less than that. However, this was the case only if the contractor used his own labour and did not use the services of a manpower supplier, which attracted service tax @ 15%.</p>
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	(bb) a civil structure or any other original works pertaining to the Beneficiary individual house construction/enhancement under the Housing for All (Urban) Mission/ Pradhan Mantri Awas Yojna, only for existing slum dwellers. [This list is not exhaustive.]		
14	Margin/ commission payable to FPS Dealers may be exempted from GST.	Subsidized food grains under PDS are distributed to eligible households through fair price shops. For the services rendered by FPS dealers, they are paid dealers margin/ commission. Under GST law, aggregate turnover for registration would include value of supply of exempted goods also. Therefore, fair price shop dealers having commission income of less than Rs. 20 Lakh will also have to take registration and pay tax on the commission received from the Govt. Tax on commission will increase price of PDS rice and wheat or otherwise the same would have to be borne by the Government.	While the proposal was for granting the exemption from GST on commission paid to FPSs for sale of wheat, rice and coarse grains, States felt that commission paid by State Governments to FPSs for sale of kerosene, sugar, edible oil.etc under PDS should also be exempted from GST. Fitment Committee felt that any commission paid to FPSs, whether by Central or State Governments, may be exempted.
15	Services provided by and to FIFA and its affiliates in connection with FIFA U-17 World Cup to be hosted in India in 2017 may be exempted.	GOI had given guarantee to FIFA to exempt services provided by and to FIFA and its subsidiaries in connection with FIFA U-17 World Cup to be hosted in India in 2017.	Services provided by and to FIFA and its subsidiaries in connection with FIFA U-17 World Cup to be hosted in India in 2017 may be exempted.
16	PMFBY & RWCIS should be included in the list of service tax exemptions to be continued	National Agricultural Insurance Scheme (NAIS), Modified National Agricultural Insurance Scheme (MNAIS), Weather Based	May be accepted. The proposal is for merely substituting the names of already exempted crop insurance

	in GST in place of NAIS, MNAIS and WBCIS. CPIS may be continued.	Crop Insurance Scheme (WBCIS), Coconut Palm Insurance Scheme (CPIS) which were exempted in the service tax regime have been exempted in GST as well. Govt. of India has reviewed these schemes and introduced new scheme of Pradhan Mantri Fasal Bima Yojana (PMFBY) in place of NAIS & MANIS and Restructured Weather Based Crop Insurance Scheme (RWCIS) in place of WBCIS from Kharif 2016 season. CPIS remains under implementation in the country. PMFBY & RWBCIS have been implemented and earlier schemes withdrawn from 2016-17. The new schemes continue to offer same services i.e. crop insurance cover and hence, are eligible for exemption.	schemes with the names of the revised schemes offering same services/benefits.
17	National Resource Organisations (NROs) services under NRLM may be exempted.	Under NRO some of the State Rural Livelihood Missions (SRLM) have been designated as National Resource Organisation (NRO) by Ministry of Rural Development, Government of India for handholding other State SRLMs in the implementation of National Rural Livelihood Mission (NRLM). The cost provided for the services of NRO may be exempted from GST as these are Government organisations providing services to other SRLMs for implementation of Government schemes	No further action is required. It was agreed that the services in question are already covered in S.No. 7 & 8 of notification No. 12/2017-CT (Rate).

		under National Rural Livelihood Mission. Being an inter-Governmental service transaction, the services provided by NRO to SRLMs be exempted.	
18	A uniform tax rate may be prescribed for the services in the nature of transfer of right to use transactions.	In case of providing service of shamianas etc. there will be many goods used, and the tax rate for these goods would be different. Hence there is a confusion regarding the applicability of tax rate.	No further action is required. Distinct rate of GST (18%) has been prescribed for the service in question at S.No. 7(vii) of notification No. 11/2017-CT(Rate) dated 28.6.2017. Therefore, question of confusion does not arise.
19	Shows organised by Indira Gandhi Planetarium Lucknow, Veer Bahadur Singh Planetarium Gorakhpur, Arya Bhatta Planetarium Rampur may be exempted from GST.	These Services are being provided by the State Government to increase the interest of children in Astronomical studies. Similar to these services the following Services of the Central Government have been exempted by the decision of the GST Council: Services by way of admission to a museum, national park, wildlife sanctuary, tiger reserve or zoo;	The Fitment Committee felt that the list of exemptions may not be expanded as far as possible. Admission to circus, Indian classical dance including folk dance, theatrical performance, drama attracts GST of 18%. It is, therefore, felt that the rate of GST on admission to planetarium may also be reduced to 18%.

ANNEXURE II: Broadsheet for GST Rate on Services - Proposals found NOT acceptable by the Fitment Committee

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
1	GST rate on admission to amusement parks may be reduced from 28% to 12-18%.	In some states, entertainment tax is exempt for school children. Also, since the entertainment sector doesn't have any raw material to consume, ITC is in the range of 2.5-3%	May not be accepted (TN argued in favor of accepting the proposal). Weighted average incidence of entertainment tax in amusement parks comes to about 17%. If we add to this incidence of service tax @ 15%, the total incidence of entertainment tax and service tax was about 32%, which in the GST regime has come down to 28%. In addition, ITC of goods and input services which was not available pre-GST would now be available.
2	GST rate may be reduced for hotels.	Industry will be impacted negatively with high rates.	May not be accepted (Rajasthan argued in favor of accepting the proposal). Pre-GST tax incidence on renting of rooms in hotels was more than 28% [ST @ 9% with ITC of input services only + embedded VAT on inputs and capital goods = 10.8% (27%*40%)+ Luxury tax @ 9% (all India weighted average incidence)]. Rates under GST are lower: Nil (for rooms having declared tariff of < Rs.1000/- per day), 12% (for rooms having declared tariff of Rs 1000 or more but less than Rs. 2500 per day), 18% (for rooms having declared tariff of Rs 2500 or more but less than Rs. 7500 per day) to 28% (for rooms having declared tariff of Rs 7500 or more). Further, full ITC is

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
			available to hotels at these rates. Rates were decided after extensive deliberations in the GSTC.
3	<p>GST rate may be reduced for restaurants. Also, there should be only two categories - star and non-star. GST rate on non-star should be 5%. GST rate on supply of food and drinks in restaurants without air conditioning should be brought down to 5%. Similarly, distinction should be made between AC restaurants serving liquor and other AC restaurants that do not serve liquor. Ordinary AC restaurants that do not serve liquor should be taxed at 12% instead of 18%.</p>	<p>Multiple slabs for restaurants are very complicated. GST rates are high.</p>	<p>May not be accepted Tax incidence on services provided by restaurants has gone down under GST. Any more reduction will impact revenue adversely.</p>
4	<p>Live stage performances in all Indian languages may be exempted from GST and limit for exemption in Sl. No. 80 may be increased from Rs 250 to Rs 500.</p>	<p>For promotion of Indian arts and culture.</p>	<p>May not be accepted. The reduction in admission ticket threshold from Rs. 500 to Rs. 250 for exemption had earlier been recommended by Fitment Committee and approved by GST Council. The rates should be allowed to stabilize for the time being. Regarding exemption, Services by an artist by way of a performance in folk or classical art forms of- (a) music, or (b) dance, or (c) theatre have been completely exempted from GST if the consideration charged for such performance is not more than one lakh and fifty thousand rupees.</p>

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
5	Tirumala Tirupathi Devasthanam (TTD), Hindu Temple Boards and religious organisations may be exempted from obtaining registration and payment of GST on several services provided by TDD to the devotees such as providing accommodation for stay and performance of marriages, religious sevas like Abhishekam, Kalyanam etc. for nominal fees.	These are not business activities.	<p>May not be accepted.</p> <p>Conduct of any religious ceremony is exempt from GST. Renting of precincts of a religious place, owned or managed by an entity registered as a charitable or religious trust under section 12AA of the Income-tax Act or a trust or an institution registered under sub-clause (v) of clause (23C) of section 10 of the Income-tax Act or a body or an authority covered under clause (23BBA) of section 10 of the Income-tax Act is also exempt below threshold limits as under: (i) renting of rooms - Rs. 1000/- per day;(ii) renting of premises, community halls, kalyanmandapam or open area, and the like – Rs. 10,000/- per day; (iii) renting of shops or other spaces for business or commerce – Rs. 10,000/- per month.</p> <p>Further, prasadam supplied by all religious places (temple, mosque, church, dargah, gurudwara, etc.) are exempt from GST.</p> <p>In addition, all religious trusts having turnover of upto Rs 20 Lakh (Rs. 10 Lakh in special category states) are exempt from GST, irrespective of the amounts charged by them for the above services. The above provisions are applicable to religious places of all religions.</p>

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
6	GST rate on movies should be 12-18%. GST rates on exhibition of regional films may be reduced.	Increase in tax rate leads to increase in piracy. There was no entertainment tax on regional films	<p>May not be accepted.</p> <p>Weighted average of entertainment tax on admission to cinema, based on GSDP data, was 30%. Further ITC of tax paid on goods and input services were not available, taking the effective incidence to a higher level. ITC now being freely available, effective rate of GST is lower than 28%. Further, to address the issue of regional cinema, rate has already been reduced to 18% in where price of admission ticket is Rs. 100 or less and it was decided by the GSTC that states may promote regional cinema by grant. It is not possible to accede to the request made in the GST regime as it would severely hit the CGST revenue.</p> <p>WB has come up with a subsidy scheme. Fitment Committee felt that other States could also evolve similar subsidy scheme.</p>
7	GST rate on admission to racecourse and services provided by race course should be 18%.	High rate has led to high evasion and new rates are more than double.	<p>May not be accepted.</p> <p>Entry to race course was previously taxed at 44% (15% ST + 29% weighted average entertainment tax). Rates have thus reduced by 16% and have not increased.</p>
8	Satellite launch services by Antrix to international and domestic customers may be exempted from GST.	Due to increasing competition and reduced costs in international launch services market, Antrix is losing its competitive edge. This segment is earning foreign exchange and has potential to grow further. Place of supply of satellite launch services by Antrix to	<p>May not be accepted.</p> <p>The service was taxable under service tax also. Exemption will block ITC of Antrix.</p>

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
		international customers would be the location where the services are actually performed, i.e., India in view of section 13(3) (a) [services in respect of goods required to be made available by the recipient of service to the supplier of service]. Such services will accordingly attract GST and will also not be considered as export of services [section 2(6) of IGST Act]. In order to ensure that the satellite launch services provided by India remain competitive, such services provided to a person located outside India may be exempted from IGST.	
9	Accommodation in house boats needs to be at a lower GST rate.	House boats are unique in the sense that 30% of the operating expenses pertain to diesel which is utilized for movement, electricity, AC etc. which is a non GST commodity for which there will be no ITC.	May not be accepted. It was decided not to make any special dispensation for house boats. They may charge GST as applicable and pass on the burden of embedded tax on diesel to customers as part of price.
10	Hotel & Travel Trade Services in Ladakh may be brought under composition levy scheme.	1. Geographical inaccessibility 2. High transportation cost	May not be accepted. States may devise suitable State specific schemes. Area based exemptions or special provisions for composition levy would create complications and shall be counter-productive.
11	1. Clarification sought for the applicability of GST @ 5% on all job work services in relation to manufacture of all leather goods.	Leather goods industry works on a narrow margin and is considerably dependent on skilled labour through contract manufacturing and job work. High rates will significantly impact the industry, block working capital of	May not be accepted. Most finished goods of leather are at 28% and finished leather is at 12% for which the job work charges are liable to 5% GST.

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	2. GST of contract manufacturing may be reduced from 18% to 5% for leather goods industry	manufacturer/ exporter, hamper production and raise end product price leading to huge loss of business.	
12	Exemption limit provided to Cooperative Housing Societies is for a limit of Rs. 5000/-. This should be increased.		<p>May not be accepted.</p> <p>RWA shall not be required to pay GST on monthly subscription/ contribution charged from its members if such subscription is less than Rs. 5000 per member. Most of the residential cooperative housing societies would be covered by this threshold exemption. Under GST, the tax burden on RWAs will be lower for the reason that they would now be entitled to ITC in respect of taxes paid by them on capital goods (generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services such as repair and maintenance services. ITC of Central Excise and VAT paid on goods and capital goods was not available in the pre-GST period and these were a cost to the RWA.</p>
13	Exemption may be given to services provided by way of construction, erection, commissioning, installation, completion, fitting, repair, maintenance, renovation or alteration of building owned by entity registered under section 12AA of the Income Tax Act, 1961 and meant		<p>May not be accepted.</p> <p>Exemption was available only for the services portion of the works contract and not goods part. Fitment Committee felt that it would not be practical to segregate the goods and services portion in order to continue service tax exemption and therefore recommended that all such works contract services may be taxed at 18% with full ITC. The recommendation was accepted by the GST Council.</p>

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	predominantly for religious use by general public.		Further, conduct of all religious activities is exempt from GST.
14	CETP (Common Effluent Treatment Plant) operators may be exempted from GST	18% GST would make the service provided by CETPs costly and uncompetitive.	May not be accepted. CETP services are B2B services and GST paid on CETP services would be available to recipients as ITC and thus not represent additional cost. On the other hand, exempting CETPs from GST will lead to blocking of ITC and consequent increase in their cost. It was also observed that Bulk Drug Manufacturers Association had requested for withdrawal of exemption from service tax on CETP services as the exemption blocks ITC. The proposal was not agreed to.
15	Services to the educational institutions (other educational institutions such as colleges and universities) by way of transportation of students, faculties and staff; catering including mid-day meals etc may be exempted.	Exemption for services provided to an educational institution by way of transportation of students, faculties and staff; catering including mid-day meals etc. is limited to the educational institutions providing pre-school education and education up to higher secondary school and equivalent. Services provided to all other educational institutions should also be exempted accordingly.	May not be accepted. The exemption did not exist under service tax and would adversely affect revenue.
16	Consultancy service and arrange airborne survey facilities provided by Remote Sensing Application Centre Uttar Pradesh.	This Service is provided to Government Departments only through the Application Centre controlled by the State Government. This is necessary for Projects and Schemes for	May not be accepted.

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
		<p>building roads and irrigation projects. Similar to these services the following Services of the Central Government have been exempted by the decision of the GST Council : Taxable services, provided or to be provided, by a Technology Business Incubator (TBI) or a Science and Technology Entrepreneurship Park (STEP) recognized by the National Science and Technology Entrepreneurship Development Board (NSTEDB) of the Department of Science and Technology, Government of India or bio-incubators recognized by the Biotechnology Industry Research Assistance Council, under Department of Biotechnology, Government of India;</p>	<p>Even services provided by ISRO attract GST; it would not be possible to carve out exemption for RSAC of UP.</p>
17	<p>Services of digitisation of land records and other Government records and documents may be exempted from GST.</p>	<p>These services are being provided with the aim of digitization of land records of citizens. The financial burden of these services is borne entirely by the State Government. Similar to these services the following Services of the Central Government have been exempted by the decision of the GST Council: Services provided by Government or a local authority by way of issuance of passport, visa, driving license, birth certificate or death certificate.</p>	<p>May not be accepted. [However, services provided by Government or a local authority to an individual are exempt.]</p>

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
18	Services provided by Uttar Pradesh Kaushal Vikas Mission may be exempted from GST.	These Services are being provided by the State Government to provide employment opportunities to the unemployed youth. The financial burden of these services is borne entirely by the State Government. Similar to these services the Services of the Central Government have been exempted by the decision of the GST Council.	Services provided to the Central Government, State Government, Union territory administration under any training programme for which total expenditure is borne by the Central Government, State Government, Union territory administration, is exempt under notification No. 12/2017-CT SI No. 72. [All proposals for exemption with respect to training where 100% expenditure is not borne by the Govt. are to be sent to Council.] May not be accepted.
19	Services provided by organising Taj Mahotsav and Lucknow Mahotsav and such other Mahotsav by Government of Uttar Pradesh may be exempted.	The objective of this Mahotsava is to keep the people of the state connected with their cultural heritage. It is organized by the State government to encourage the spread of folk and cultural heritage. There is no objective of profit associated with this festival. Thus, it is requested to exempt these services.	May not be accepted. Exemption is available if entry fee is upto Rs.250.
20	Job work through manual labour of the following activities may be considered under reverse charge mechanism and MSME units engaged for these job work processes may be exempted from GST registration:- a. Cutting, mending, folding, packing	Turnover of household job worker/labourer doing manual job work would be below threshold. But the aggregators/ agents and MSMEs who aggregate work of such job workers and provide services to the principal supplier of saree/dress material would be more than Rs. 20 lakhs and they would be required to register. Number of such aggregators/ agents is very large, around 20000.It would be	May not be accepted. Job workers having annual turnover below Rs 20 lakh (Rs. 10 lakh in case of special category States) are exempt from registration. Further, whether the job-worker is required to pay tax or the principal is required to do so, should be governed in terms of the provisions of the Act and no special dispensation be carved out.

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	b. Stitching or attaching borders, falls, tikkies, glass beads, stones buttas c. Embroidery d. Charak & Roll press	easier for tax administration also if liability to pay GST is placed on principal supplier of saree/dress material under RCM.	
21	Job work on printing should continue to be exempted. If it is to be taxed, for books it should be 5% and for others, with turnover more than 20 Lakhs, 18%. Printing press should be charged: 1. 5% for turnover < 1.5 Cr 2. 12% with turnover up to 50 Cr 18% with turnover > 50 Cr	95% of printing fraternity falls under SSI with turnover < 1.5 Cr and had no excise duty liability earlier. Now both SSI and big units will have same tax treatment which will be detrimental for small units.	May not be accepted. GST on supply of job work services in relation to printing of newspapers, books, journals and periodicals has been fixed at 5% in view of the fact that GST applicable on selling of space for advertisement in print media is 5% and GST on supply of books is NIL.
22	GST rate on job work services in relation to bread may be reduced to 5%	Bread (Other than Pizza Bread) is not taxable in GST. However, if it is manufactured through a job worker then rate of job work is 18%.	May not be accepted. This effectively amounts to partial zero rating of exempted products. Zero rating is done only for exports. Agreeing to this demand will lead to all exempted products seeking similar benefits for inputs and input services. Further, apart from plain bread, every other type of bread, including buns, pizza bread etc. attract GST at rates ranging from 5% to 18%. Therefore, accepting the proposal many lead to evasion and disputes.

Agenda Item 7: Any other agenda item with the permission of the Chairperson

7. (vii) Amendment of the Procedure and Conduct of Business Regulations of the GST Council

1. The GST Council has so far physically met 18 times and the 19th Council Meeting took place through video conferencing. After the implementation of GST from 1st July 2017, there could be a need to convene more Council meetings on an urgent basis for few but important agenda items.

2. The Procedure and Conduct of Business Regulations of the GST Council (hereinafter referred to as 'Regulations') do not prevent the conduct of meetings through video conferencing. However, it is desirable that a provision be incorporated in the Regulations to explicitly provide for conduct of the Council meetings through video conferencing.

3. It is accordingly proposed that the Council may approve amendment of the Procedure and Conduct of Business Regulations as follows:

- (i) To renumber the present regulation 5 as regulation 5(1);
- (ii) To insert a new regulation 5(2) as follows: 'The Chairperson may also convene a meeting of the Council through video conferencing.'

7. (viii) **Review of the ceiling rate of the Compensation Cess on motor vehicles**

1. Briefly stated, the issue relating to revision in Compensation cess on supplies of various types of motor vehicles was deliberated in the Fitment Committee meeting held on 25.07.2017, wherein it was felt that the total tax incidence in GST seems to have come down vis-à-vis pre-GST total tax incidence and it was decided that Commissioner Commercial Tax of motor vehicles manufacturing States, such as Tamil Nadu, Karnataka, Maharashtra, Haryana, will get the detailed data regarding pre-GST total tax incidence vis-à-vis total tax incidence in GST and provide the same for further discussion on the matter.

2. The discussion in the Fitment Committee meeting on 25.07.2017 was in the background of various media reports that with GST rates of 28% and 15%/3%/1% Compensation cess, the total tax incidence on motor vehicles [particularly of mid segments, large segments and SUVs] had come down vis-à-vis the pre-GST tax incidence, and as a result, the prices of different types of motor vehicle had come down. As per the media reports, the reduction in price of motor vehicles of different manufacturers were as under:

a) Maruti Suzuki:

- i. **Alto** in the range of Rs. 2,300 to Rs 5,400,
- ii. **Wagon R** Rs 5,300-Rs. 8,300
- iii. **Swift** between Rs 6,700 and Rs 10,700.
- iv. **Baleno** in the range of Rs. 6,600 and Rs 13,100
- v. **Dzire** ranging between Rs 8,100 and Rs 15,100.
- vi. **Ertiga** petrol up to Rs 21,800
- vii. **SUV Vitara Brezza** in the range of Rs 10,400- 14,700
- viii. **S-cross** by Rs 17,700-21,300.

b) Toyota Kirloskar Motor:

- i. **All new Fortuner by up to Rs. 2.17 lakh,**
- ii. **Innova Crysta** by up to Rs. 98,500
- iii. **Corolla Altis** by up to Rs 92,500,
- iv. **Platinum Etios** by Rs. 24,500
- v. **Etios Liva** by up to Rs. 10,500.

c) Honda:

- i. **Hatchback Brio** by up to Rs. 12,279
- ii. **Compact Sedan Amaze** by up to Rs 14,825
- iii. **Jazz** by up to Rs. 10,031
- iv. **Model WR-V** by up to Rs. 10,064.
- v. **Mid-sized Sedan City** in the range of Rs 16,510 and Rs. 28,005.
- vi. **BR-V** prices by up to Rs.30,387
- vii. **SUV CR-V by up to Rs. 1,31, 663.**

d) Ford:

- i. **SUV Endeavour becoming cheaper by up to Rs. 3 lakh (in Mumbai) and Rs. 1.5 lakh in Delhi**
- ii. **Figo** by Rs. 2,000 (in Delhi)
- iii. **SUV Ecosport by up to Rs. 8,000 (in Delhi)**

3. Since then, Tamil Nadu has forwarded a detailed worksheet [attached as a separate **Annexure**] in respect of motor vehicles manufactured by M/s Hyundai Motor, giving details of pre-GST and in

GST assessable values, dealer's margins and ex-showroom prices, for different models of Hyundai as under:

In Rs.

Model	Assessable value		Dealer margin		Ex- show room price		Reduction in price [Net of reduction in dealer's margin]
	Pre- GST	Post GST	Pre- GST	Post GST	Pre- GST	Post GST	
Small Car (=> < 1.2P and <4M)	231517	231517	13269	11576	319048	313589	54599
Medium Car (=> > 1.2P and <4M)	506901	506901	32727	25345	786916	697242	89673
Medium Car (=> > 1.2P and > 4M)	1214655	1214655	80243	60733	1929447	1823805	105642
Large Car (=> > 1.5P and >170GC)	1813445	1813445	122521	90672	2946015	2722888	223127
Small Car (=> < 1.5D and < 4M)	471696	471696	27388	23585	658541	648818	9722
Medium Car (=< 1.5D and > 4M)	589882	589882	38084	29494	915736	885708	30028
Medium Car (=> > 1.5D and <4M)	753134	753134	49754	37657	119633	1130831	65502

3.1 Based on the data provided by Tamil Nadu, the pre-GST total tax amount, in GST tax amount, the pre-GST total tax incidence, in GST tax incidence and reduction in tax amount after introduction of GST, for different models of Hyundai works, are as under:

in Rs.

Model	Excise duty rate/ NCCD/ Infrastructure cess,	Pre- GST total tax* [Excise + VAT 14.5%/Auto cess 0.125%]	Pre-GST tax incidence*	Pre GST Tax incidence*	GST rate + Comp cess rate	Post GST total tax	Difference in total Tax
			On value inclusive of dealer's margin	On Assessable value for Excise			
Petrol							
Small Car (=> < 1.2P and <4M)	12.5%+ 1%+ 1%	74263	30%	31.25%	29% [28%+1%]	70497	3766
Medium Car (=> > 1.2P and <4M)	24%+ 1%+ 4%	247288	46%	47.85%	43% [28%+15%]	164996	82292
Medium Car (=> > 1.2P and > 4M)	27%+ 1%+ 4%	634549	49%	51.28%	43% [28%+15%]	548417	86132
Large Car (=> > 1.5P and >170GC)	30%+ 1%+ 4%	1010049	52%	54.72%	43% [28%+15%]	818771	191278
Diesel							
Small Car (=> < 1.5D and < 4M)	12.5%+1 %+ 2.5%	159457	32%	32.96%	31% [28%+3%]	153537	5920
Medium Car (=< 1.5D and > 4M)	24%+ 1%+ 4%	287770	46%	47.85%	43% [28%+15%]	266332	21438
Medium Car (=> > 1.5D and <4M)	27%+ 1%+ 4%	393445	49%	51.28%	43% [28%+15%]	340040	53405

* Not including CST, Octroi etc.

4. The difference in tax incidence calculated earlier and now is primarily on account of the fact that earlier the value based on which the tax incidence was estimated was inclusive of excise duty, while it should have been value net of VAT as well as excise duties.

5. Further, the highest pre-GST tax incidence on motor vehicles works out to about:

- a) 52% based on value inclusive of dealer's margin; or
- b) 54.72% based on assessable value for excise duty.

To which 2.5% will have to be added on account of CST, Octroi etc., as was done earlier.

6. Net of 28% GST, to maintain the pre-GST tax incidence the highest Compensation cess rate required will be 26.5%, based on tax incidence estimated with reference to assessable value for excise duty and dealer's margin. Further, if the tax incidence is estimated on value not including dealer's margin, the maximum rate for Compensation cess will increase accordingly.

7. As against this, the present ceiling rate for the Compensation cess for motor vehicles is 15%. To maintain the total tax incidence, the ceiling rate of Compensation cess on motor vehicles falling under heading 8702 and 8703 will have to be **suitably increased from present 15%**, so that appropriate effective rates of Compensation cess may be prescribed on different types of vehicles within that.

8. The increase in Compensation cess will require amendment to the Schedule to section 8 of the Goods and Service Tax (GST) (compensation to a state) Act 2017.

9. Accordingly, the Council may consider the proposal contained in para 7 above.