



Agenda for 21st GST Council Meeting

9 September 2017

Hyderabad, Telangana



F.No. 144/21st Meeting/GST Council/2017
GST Council Secretariat

Room No.275, North Block, New Delhi
Dated: 5 September 2017

Notice for the 21st Meeting of the GST Council on 9 September 2017

The undersigned is directed to refer to the subject cited above and to say that the 21st meeting of the GST Council will be held on 9 September 2017 at Hyderabad International Convention Centre, Novotel Hotel, Madhapur, Hyderabad. The schedule of the meeting is as follows:

i. Saturday, 9 September 2017 : 1100 hours onwards

2. In addition, an officers' meeting will be held at the same venue as per the following schedule:

ii. Friday, 8 September 2017 : 1500 hours onwards

3. The agenda items for the 21st GST Council Meeting are attached.

4. Keeping in view the constraints of rooms in the hotel, it is requested that participation from each State may be limited to 2 officers in addition to the Hon'ble Member of the GST Council.

5. Please convey the invitation to the Hon'ble Members of the GST Council to attend the 21st GST Council 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 21st Meeting of the GST Council on 9 September 2017

1. Confirmation of the Minutes of the 20th GST Council Meeting held on 5 August 2017
2. Decisions of the GST Implementation Committee (GIC) for information of the Council
3. Nomination of Director in the Board of GSTN from Group B (State Governments)
4. List of Acts from the Central and State Governments as per Section 5(4) of the GST (Compensation to States) Act, 2017
5. Issues recommended by the Law Committee for consideration of the GST Council
 - i. Notification with respect to sub-section 6 of Section 54 of Central Goods & Services Act, 2017 (Category of Registered Persons not eligible for refund)
 - ii. Extension of date for opting for composition till 30th September, 2017 in respect of such migrated taxpayers, who have not exercised their option till 16th August, 2017
 - iii. Exemption from the requirement of registration to the persons making supplies of handicraft goods in different states
 - iv. Exemption to a job-worker making inter-State supply of services to a registered person from the requirement of obtaining registration under clause (i) of section 24 of the CGST Act, 2017 and consequential amendments
 - v. Notifying the date from which section 51 of the CGST Act, 2017 shall come into force as 18.09.2017 and notifying certain persons or category of persons as deductors under clause (d) of sub-section (1) of section 51 of the said Act
 - vi. Constitution of the Standing Committee, Screening Committees and National Anti-profiteering Authority (NAA)
 - vii. Transitional provisions and filing of FORM GST-TRAN-1
 - viii. Changes in Central Goods and Service Tax Rules, 2017
6. Approach Paper on Principles for Fitment post implementation of GST
7. Recommendations of the Fitment Committee on goods and services (Outstanding Agenda Item from 20th GST Council Meeting)
8. Other Recommendations of the Fitment Committee
 - i. Alternative approach for GST Rate Structure for Handicrafts
 - ii. Compensation Cess on Motor Vehicles
 - iii. Exemption from GST on the services provided to both international and domestic customers by ANTRIX Corporation Limited from levy of GST
 - iv. Exemption from GST on the supply of nuclear fuel and heavy water by DAE to NPCIL
 - v. GST on admission tickets for FIFA Under-17 Football World Cup-2017
9. Any other agenda item with the permission of the Chairperson
10. Date of the next meeting of the GST Council

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Discussion on Agenda Items

Agenda Item 1: Confirmation of the Minutes of the 20th GST Council Meeting held on 5 August 2017

Draft Minutes of the 20th GST Council Meeting held on 5 August, 2017

The twentieth Meeting of the GST Council (hereinafter referred to as 'the Council') was held on 5 August, 2017 in Vigyan Bhavan, 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** of the Minutes. 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** of the Minutes.

2. The following agenda items were listed for discussion in the 20th Meeting of the Council: –
 1. Confirmation of the Minutes of the 18th GST Council Meeting held on 30 June 2017.
 2. Confirmation of the Minutes of the 19th GST Council Meeting held on 17 July 2017.
 3. Decisions of the GST Implementation Committee (GIC) for *post-facto* approval.
 4. Approval of e-Way Bill System Rule.
 5. Recommendations of the Fitment Committee.
 - 5 (i). Recommendations of the Fitment Committee (Goods): Indigenous Handmade Musical Instruments.
 6. Proposals regarding changes to Central Sales Tax Rules.
 7. Any other agenda item with the permission of the Chairperson.
 - i. Amendments to CGST and SGST Rules.
 - ii. Constitution of Standing Committee for Anti-Profiteering.
 - iii. Development of e-Way Bill system by NIC.
 - iv. GST rate on Works Contract Services provided to the Government.
 - v. GST on Profit Petroleum and clarification on Cost Petroleum.
 - vi. Payment Process for Tax Deducted at Source under GST.
 - vii. Amendment of the Procedure and Conduct of Business Regulations of the GST Council.
 - viii. Review of the ceiling rate of the Compensation Cess on motor vehicles.
 - ix. Special provisions in GST in case of supplies to/from Nepal and Bhutan.
 - x. Modification in FORM REG -13 to remove mandatory requirement of PAN for Embassies / Consulates and other UN Organizations.
 - xi. Taxation of rectified spirit/Extra Neutral Alcohol (ENA) under GST.
 - xii. Exemption from IGST on temporary import of goods.
 8. Date of the next meeting of the GST Council.

3. The Hon'ble Chairperson welcomed all the Members to the 20th Council Meeting. He informed that one change had taken place in the membership of the Council, namely, Shri Bijendra Prasad Yadav from Bihar had a change of responsibility in his State and his place had been taken by Shri Sushil Kumar Modi, the Hon'ble Deputy Chief Minister of Bihar. The Hon'ble Chairperson, on behalf of the Council, placed on record the gratitude and appreciation for the contribution of Shri Bijendra Prasad Yadav and observed that he was a sobering influence during the deliberations and always came up with very pragmatic and practical suggestions. He also warmly welcomed Shri Sushil Kumar Modi, Hon'ble Deputy Chief Minister of Bihar, as the new Member and recalled that he had earlier served as the Chairman of the Empowered Committee of the State Finance Ministers. The Hon'ble Chairperson thereafter commenced discussion on the agenda items.

Discussion on Agenda Items

Agenda Item 1: Confirmation of the Minutes of the 18th GST Council Meeting held on 30 June, 2017:

4. The Hon'ble Chairperson invited comments of the Hon'ble Members on the draft Minutes of the 18th Meeting of the Council held on 30 June, 2017 (hereinafter referred to as 'the Minutes'), the confirmation of which was deferred during the 19th meeting of the Council held through video conference. The Chairman, Central Board of Excise and Customs (CBEC), informed that two written suggestions had been received for making changes in the Minutes.

4.1. The Chairman, CBEC, informed that the first written suggestion was from the Commissioner (State Taxes), Rajasthan, requesting to replace the version of the Hon'ble Minister from Rajasthan in paragraph 7.2 of the Minutes [recorded as: "The Hon'ble Minister from Rajasthan also requested that the rate of tax on handicrafts, hand tools and textiles (Jaipur '*rajaai*') should be relooked"] with the following version: 'The Hon'ble Minister from Rajasthan also requested that the rate of tax on **hotels**, handicrafts, hand tools, textiles (Jaipur '*rajaai*') and **marble statue** should be relooked.' The Council agreed to record the amended version of the Hon'ble Minister from Rajasthan in paragraph 7.2 of the Minutes.

4.2. The Chairman, CBEC, informed that the second written request for change in the Minutes had come from the Commissioner, Commercial Taxes (CCT), Gujarat, requesting to add the following version of the Hon'ble Deputy Chief Minister of Gujarat in paragraph 7.5 of the Minutes: 'The Hon'ble Deputy Chief Minister of Gujarat raised the issue of rate of tax in case of fertilizer and proposed that in light of implementation of GST, the rate of 12% on fertilizer would adversely affect the interest of farmers, especially when input tax credit on natural gas would not be allowed as it remained outside the GST. He, therefore, proposed that the rate of tax on fertilizer should be reduced to 5%.' The Council agreed to add this version of the Hon'ble Deputy Chief Minister of Gujarat in paragraph 7.5 of the Minutes.

4.3. The Chairman, CBEC, informed that the CCT, Gujarat, had requested that in paragraph 7.6 of the Minutes, in the names of the Hon'ble Ministers, who supported the proposal to tax fertilizer at the rate of 5%,

the name of the Hon'ble Deputy Chief Minister of Gujarat was missing and he had requested to insert his name in that paragraph. The Council agreed to the proposed insertion.

4.4. No other proposal was made for amendment to the Minutes of the 18th GST Council Meeting.

5. In view of the above discussion, for **agenda item 1**, the Council decided to adopt the Minutes of the 18th Meeting of the Council with the changes as recorded below:-

5.1. In paragraph 7.2 of the Minutes, to replace the version of the Hon'ble Minister from Rajasthan with the following version: 'The Hon'ble Minister from Rajasthan also requested that the rate of tax on hotels, handicrafts, hand tools, textiles (Jaipur '*rajaai*') and marble statue should be relooked'.

5.2. In paragraph 7.5 of the Minutes, to appropriately insert the following: 'The Hon'ble Deputy Chief Minister of Gujarat raised the issue of rate of tax in case of fertilizers and proposed that in the light of implementation of the GST, the rate of 12% on fertilizers would adversely affect the interest of farmers, especially when input tax credit on natural gas would not be allowed as it remained outside the GST. He, therefore, proposed that the rate of tax should be reduced to 5% on fertilizer'.

5.3. In paragraph 7.6 of the Minutes, to insert the name of the Hon'ble Deputy Chief Minister of Gujarat in the list of Hon'ble Ministers who supported the proposal to tax fertilizer at the rate of 5%.

Agenda Item 2: Confirmation of the Minutes of the 19th GST Council Meeting held on 17 July, 2017:

6. The Chairman, CBEC, informed that no written proposal had been received for amendment to the Minutes of the 19th GST Council Meeting. The Hon'ble Chairperson asked for any comments on the Minutes. However, there were no comments on the Minutes. The Council adopted the draft Minutes without any changes.

7. For **agenda item 2**, The Council decided to adopt the draft Minutes of the 19th Meeting of the Council without any changes.

Agenda Item 3: Decisions of the GST Implementation Committee (GIC) for *post-facto* approval:

8. The Chairman, CBEC, informed that the decisions of the GIC taken between 1st July, 2017 and 31st July, 2017 were discussed and approved during the meeting of the officers of the Central Government and the State Governments held in the morning today. She suggested that the Council could approve these decisions. The Council approved the decisions of the GIC as listed at **Annexure 3** of the Minutes.

9. For **agenda item 3**, the Council decided to approve the decisions of the GST Implementation Committee listed in **Annexure 3** of the Minutes.

Agenda item 4: Approval of e-Way Bill Rule:

10. Introducing this item, the Chairman, CBEC, stated that the draft e-Way Bill Rules presented in the Agenda Notes were discussed in detail during the meeting of the officers of the Central Government and the State Governments held in the morning. The Hon'ble Chairperson desired that a presentation should be made before the Council explaining the broad features of the e-Way Bill System.

10.1. Shri Upender Gupta, Commissioner (GST Policy Wing), CBEC, made a presentation highlighting the important features of the proposed e-Way Bill Rules and also highlighted the changes agreed to the draft Rules during the meeting of the officers of the Central Government and the State Governments held in the morning. The presentation is at **Annexure 4** of the Minutes. As regards the changes agreed upon during the meeting of the officers in the morning, he informed that the e-Way Bill was proposed to be introduced from 1 October 2017 but during the Officers meeting, it was decided to mention in the Rule that it would be implemented from a date to be notified in order to factor in any unexpected delay in the roll out of e-Way Bill. Another proposed change was that the value of consignment for generation of e-Way bill should be reduced from Rs. One lakh to Rs. 50,000. Another change proposed was in respect of the validity of the e-Way Bill, wherein it was agreed that instead of the proposed validity based on the distance travelled such as one day for a distance of less than 100 km; three days for distance travelled between 100 km or more but less than 300 km; five days for distance travelled between 300 km but less than 500 km, etc., the validity of e-Way Bill shall be one day for travel upto a distance of 100 km and an additional one day for travel of every 100 km or part thereof. Another change agreed upon was that coral, worked and unworked, would be kept in the list of goods for which e-Way Bill was not required. It was also agreed to correct a typographical error in Rule 138(12)(d) by adding the missing word 'not'. Yet another change agreed upon was in FORM GST EWB-01 wherein it was agreed that HSN Code in column A.6 shall be indicated at minimum two-digit level for taxpayers having annual turnover of up to Rs. five crore in the preceding financial year and at four-digit level for taxpayers having annual turnover above Rs. five crore in the preceding financial year.

10.2. Starting the discussion on this agenda item, the Hon'ble Deputy Chief Minister of Delhi raised a fundamental question whether there was a justification for e-Way Bill System when the country had moved towards the concept of one tax, one market. He expressed an apprehension that e-Way Bill System could increase Inspector *Raj* in the name of checking the e-Way Bill and this could create problem for the taxpayers. He stated that since such a big tax reform had been undertaken, the Council could dare to take a risk and do away with the system of e-Way Bill. The Hon'ble Chairperson stated that one view was that after the removal of octroi, there was no need for e-Way Bill System but since States had more experience on this subject, their point of view needed to be considered. Shri Ritvik Pandey, CCT, Karnataka, explained that the e-Way Bill System essentially worked on the basis of self-declaration and it considerably improved compliance for invoicing the supplies. He stated that e-Way Bill created a disincentive for not issuing invoices. He added that generation of e-Way Bill involved minimal human interface. He further added that the State's experience was that

the earlier systems under sales tax and VAT of generating road permit, e-permit, meta permit, delivery note etc. created an incentive for doing transaction in cash whereas the e-Way Bill System improved the climate of tax compliance. This also made movement of goods easier without any checks or obstruction on the way. He added that the Radio Frequency Identification (RFID) readers would be mounted on the highways to capture the details of the moving conveyance. He pointed out that invoice uploading was a *post facto* activity whereas e-Way Bill was to be uploaded before the start of journey. He added that e-Way Bill System would help to create a risk matrix in terms of comparing the number of invoices issued and the number of e-Way Bills generated during a month. The Hon'ble Chairperson enquired whether the requirement of e-Way Bill System would apply for both inter-State and intra-State movement of goods. The CCT, Karnataka replied in the affirmative and stated that the aim should be to develop an eco-system where transactions were pre-declared and only then it would create a disincentive mechanism for non-invoicing of supplies as at the end of the year, the number of invoices issued by a registered person could be compared with the number of e-Way Bills generated during the year and the mismatch in the number could be taken as a risk factor for audit purpose.

10.3. The Hon'ble Deputy Chief Minister of Delhi stated that if the intention was to collect information online, the risk was that it would lead to creation of fictitious documents but in case these documents were also to be cross-checked, then it would lead to Inspector *Raj*. The Secretary to the Council (hereinafter referred to as the 'Secretary') stated that it would not be easy to create fictitious e-Way Bills because GSTIN of the supplier and the recipient would be matched on the portal of the Goods and Services Tax Network (GSTN). He added that there would be full data of movement of goods in the System without the need for any inspector to check the information. He observed that fictitious documents could be created only if there was evasion of tax along the entire supply chain. He added that there could be a physical check on the road but that was mainly to see whether the e-Way Bill was being carried in the conveyance and not necessarily to physically check the goods in the conveyance.

10.4. The Hon'ble Minister from Kerala observed that if e-Way Bill System was not introduced soon, his State might have to resort to physical verification of the goods as in the past. He stated that they were getting representations from trade itself that high value items like plywood, granite and marble were being transported without invoices or proper documentation. He observed that there was a need to have an effective e-Way Bill System along with RFID to check such malpractice. The Hon'ble Chairperson observed that the concern of the Hon'ble Deputy Chief Minister of Delhi was whether e-Way Bill System would result in stopping and checking of a large number of vehicles. The Hon'ble Minister from Kerala observed that the rules provided sufficient safeguards against such a possibility like if a conveyance had been checked once, it need not be checked again, except if there was specific intelligence. The Secretary stated that in the absence of a national e-Way Bill System, each State was allowed to maintain its own e-Way Bill System and this was creating problem for taxpayers as they had to carry e-Way Bill for each State. He added that due to this, the taxpayers were also in favour of a unified, national e-Way Bill System. The Hon'ble Minister from Uttarakhand observed that e-Way Bill was a good system and his State had provision for generating e-Way Bill for transport of goods above a value of Rs. five thousand and mobile teams were used to check these e-Way Bills. He observed that it could

create some difficulty for his State in respect of transport of low value handlooms, like shawls, etc. which were sold in nearby States for which e-Way Bills would have to be generated. The Hon'ble Minister from Karnataka stated that the e-Way Bill System would help in seamless movement of goods and would thus further the objective of one nation, one tax. This would help to avoid creation of physical barrier for movement of goods and would thus help to evolve towards a system largely based on non-human interference, a stated goal of the Hon'ble Deputy Chief Minister of Delhi too.

10.5. The Hon'ble Minister from Goa stated that e-Way Bill System was addressing the issues raised by the Hon'ble Deputy Chief Minister of Delhi. He stated that it was a very good system in the GST regime, as earlier bills were generated at one stage but were destroyed after the goods reached their destination. He stated that now with the e-Way Bill System, such malpractice would be caught at some stage or the other. He observed that this was one of the most important features of GST and stated that the smaller States like his would have been happier if the value limit of consignment for generating e-Way Bill was lesser than Rs. 50,000. The Hon'ble Chief Minister of Puducherry stated that the officers would not check goods on the road without information and the e-Way Bill System would make it easier for transporters to transport goods. He added that it would also improve the accountal of goods and transparency as detention of a conveyance beyond 30 minutes could be reported on the GSTN portal. The Hon'ble Deputy Chief Minister of Gujarat observed that checking of goods in the conveyance was required but how and what percentage should be checked could be discussed further. He added that surprise checking would need to be continued. He observed that tax on high value items was already being evaded and if the system of checks was discontinued, it would further hurt the revenue of the State.

10.6. The Hon'ble Minister from Chhattisgarh supported the view of the Hon'ble Deputy Chief Minister of Delhi and echoed his fear that e-Way Bill System could reintroduce Inspector *Raj*. He observed that Section 68 of the CGST and SGST Acts permitted inspection of goods in movement and this could be a sufficient deterrence against tax evasion. He proposed not to implement the e-Way Bill System and observed that tax evasion could be dealt through other ways. The Hon'ble Deputy Chief Minister of Gujarat stated that the fear of checking the e-Way Bill would encourage the suppliers to generate e-Way Bills and the check would largely be in terms of verifying the e-Way Bills. The Hon'ble Minister from Chhattisgarh expressed the apprehension that no e-Way Bill would be generated by tax evaders. Dr. P.D. Vaghela, CCT, Gujarat, stated that the GST law provided for checking goods in movement and the choice was whether such checking should be done through physical verification by officers or through a national level e-Way Bill System. He suggested that the latter was more desirable and added that a limited level of surprise checks could be maintained so as to have a deterrent effect but harassment should be avoided. He mentioned that the experience of Gujarat since introduction of e-Way Bill System in November, 2014 was encouraging and the requirement of validation of the e-Way Bill in his State would not be needed if RFID was implemented. The Hon'ble Chairperson enquired regarding the quantum of physical verification of vehicles in Gujarat, and CCT, Gujarat informed that at one of the busiest check post in his State, namely Amirgarh, nearly 5,000 vehicles crossed every day, and out of these, only 15-20 vehicles were checked, based on the computer generated alerts.

10.7. The Hon'ble Deputy Chief Minister of Bihar appreciated the drafting of e-Way Bill Rules with its checks and balances, such as reporting by the transporter if he was detained for more than 30 minutes; only Commissioner to authorise officers to carry out verification of documents and conveyances; only one inspection to be conducted on the way, etc. He observed that the e-Way Bill System could be further liberalised and simplified after two or three years and it should be implemented at this stage as per the discussions already held. He observed that as a consuming State, they supported the introduction of e-Way Bill System to check evasion of taxes and that they would suffer big loss of revenue, if both check posts and e-Way Bill System were discontinued.

10.8. The Hon'ble Minister from Assam stated that the e-Way Bill system was of utmost necessity and expressed that there were already reports that in the absence of check-posts, non-tax paid goods were entering his State in large quantities. He stated that if the system of e-Way Bill was not introduced, proper officers would be allowed to conduct checks on the road, which was less business friendly. He observed that there should be no rethinking regarding introduction of e-Way Bill System.

10.9. The Hon'ble Minister from West Bengal appreciated the rich discussion on the subject. He observed that in his State, electronic Way Bill was in place for 5 to 6 years and it applied to all transport vehicles on self-declaration basis, because his State levied entry tax of 1% on all goods coming into the State. He added that in his State, checking of e-Way Bill was done on random basis and that too only by uplinking it to the System to verify its genuineness and the mechanism had worked well. He stated that keeping in mind the views expressed by the Hon'ble Deputy Chief Minister of Delhi and the Hon'ble Minister from Chhattisgarh, the scope of e-Way Bill System could be further narrowed down. In this light, he supported the proposal that e-Way Bill should be required only for consignments whose value exceeded Rs. one lakh. He also suggested that instead of the Commissioner authorising verification of documents and conveyances, a system of randomised checking through computers should be adopted. He stated for the first one or two years, e-Way Bill System should be introduced keeping in mind the difficulty of small tax payers, and it could be made stricter at a later date. He also emphasised that no check posts should be maintained by any State and the e-Way Bill System should be a technology based system for checking. He also suggested that the e-Way Bill System could be reviewed by the Council after one year.

10.10. The Hon'ble Minister from Rajasthan stated that the limit of the distance of 10 km for not furnishing details of the transporter in Part B of Form GST EWB 01 should be within a municipal limit and not for the whole State. He also suggested to keep the consignment value for generating e-Way Bill at Rs. one lakh. The Hon'ble Deputy Chief Minister of Delhi stated that earlier, there had been two tax systems and the Central Excise had no system of e-Way Bill whereas the States had a system of e-Way Bill. He stated that now the State boundaries were not that important as the new tax system went beyond State boundaries. The Hon'ble Deputy Chief Minister of Bihar stated that the monetary limit of e-Way Bill in his State was Rs. 10,000, which was now being increased to Rs. 50,000 and advised against increasing this limit further. As regards difficulties that might be faced by small traders, he observed that e-Way Bills could be generated by big traders on behalf

of small traders from whom the small traders made purchases. Summarising the discussion, the Hon'ble Chairperson observed that a majority of the States were in favour of having the e-Way Bill System whereas an alternative view was that Inspector *Raj* should not be reintroduced due to the e-Way Bill System. He added that there was a view that there should be a fear of checking but the e-Way Bill System should be largely IT-driven. He further added that the Hon'ble Minister from West Bengal had suggested to balance the two views and increase the limit of the value of consignment for generating e-Way Bills to Rs. one lakh.

10.11. The Hon'ble Minister from Kerala stated that the consignment value for generating e-Way Bills could be kept at Rs. one lakh and randomised checking could be adopted, but the Commissioner's power to authorise checking should remain intact. The Hon'ble Minister from Haryana expressed his support for the proposed e-Way Bill Rules, as presented before the Council and stated that the Commissioner should exercise his power judiciously. He observed that his State was a victim of large quantum of tax evasion as about 5,000 trucks came to his State from Delhi every day. He observed that for effective implementation of GST, e-Way Bill System was very important. He added that due to a few unscrupulous elements, rest of the business was forced to respond to the market distortions and indulge in unscrupulous behaviour. He strongly suggested that the provisions of e-Way Bill System should be introduced as proposed, and these could be reviewed after some time. The Hon'ble Minister from Punjab strongly supported the proposal for the e-Way Bill System and observed that there was a large amount of tax evasion. He observed that there were rogue transport companies which were willing to run the gauntlet for some extra charge. He supported to keep the monetary limit of consignment for generating e-Way Bills at Rs. 50,000.

10.12. Shri Somesh Kumar, Principal Secretary, Telangana, stated that his State supported e-Way Bill System as their experience of implementing it for last seven years had been positive and it had brought down corruption. He observed that the e-Way Bill Rules has a good feature of reporting by the transporter whose conveyance was detained beyond 30 minutes and this could help to unearth pattern of harassment by individual officers. The CCT Karnataka stated that due to the limitations of manpower, checking of e-Way Bill documents was not more than 2% in his State. He stated that mostly, verification would be done by scanning the bar code on the e-Way Bill and only in case of any doubt, goods would be unloaded for physical verification.

10.13. The Hon'ble Chairperson observed that there was a good discussion on e-Way Bill System and sought the views of the Hon'ble Members on the suggestions made by the Hon'ble Minister from West Bengal, which he suggested to take as the basis for arriving at a decision on the issue. He stated that the first element of decision could be that no check posts shall be maintained by the States. The second element could be that the e-Way Bill System shall preferably be technology enabled but, on the basis of information received, action could also be taken by officers against activities of rogue transport companies. Thirdly, after a reasonable period of time, functioning of the e-Way Bill System could be reviewed to see whether it had led to harassment or checked tax evasion. The fourth element could be to apply the e-Way Bill System for consignments valued at more than Rs. one lakh. The Hon'ble Ministers from Haryana, Uttar Pradesh, Assam and Goa strongly suggested that the value limit for consignment for generating e-Way Bills should be Rs. 50,000. The Hon'ble Chairperson

stated that in view of the strong sentiments expressed by some States, to start with, the e-Way Bill System could be applied for consignments of value exceeding Rs. 50,000 and it could be reviewed after some reasonable time. The Council agreed to these suggestions. The Hon'ble Chairperson enquired regarding the likely date of implementation of the e-Way Bill System. The Secretary stated that implementation was targeted from 1 October, 2017, but the rules would state that it would be implemented from a date to be notified. The Hon'ble Minister from Kerala enquired whether RFID could be made mandatory for all transport vehicles. The Secretary stated that there was a need to look at infrastructure issues and to work in consultation with the Ministry of Road Transport and Highways. He informed that there was a Working Group in the GST Council on this subject which also had a representative from the Ministry of Road Transport and Highways.

11. For **agenda item 4**, the Council approved the e-Way Bill Rules along with Forms as presented with the following modifications: (i) e-Way Bill Rule would be implemented from a date to be notified, and the target date was 1 October 2017; (ii) e-Way Bill will be generated for movement of goods of consignment value exceeding Rs. 50,000 and not Rs. One lakh as proposed in the Rules and this value limit shall be reviewed after some reasonable time; (iii) e-Way Bill shall be valid for a period of one day for every 100 km or part thereof of the distance travelled by a conveyance; (iv) coral, worked and unworked, would be kept in the list of the goods for which e-Way Bill was not required; (v) to correct a typographical error in Rule 138(12)(d) by adding the missing word 'not'; (vi) In FORM GST EWB-01, HSN Code in column A.6 shall be indicated at minimum two-digit level for taxpayers having annual turnover of up to Rs. five crore in the preceding financial year and at four-digit level for taxpayers having annual turnover above Rs. five crore in the preceding financial year.

11.1. The Council also agreed that: (a) no State shall keep check posts; (b) e-Way Bill System shall be preferably technology enabled but the Commissioner shall have power to authorise checks; and (c) functioning of the e-Way Bill System shall be reviewed after a reasonable period of time.

Agenda item 5: Recommendations of the Fitment Committee (Goods):

12. The Secretary introduced this agenda item and stated that after implementation of GST with effect from 1 July, 2017, a number of representations were received from various stakeholders regarding rates on different goods and services. References were also received from Ministers, Ministries and Secretaries and other officers of the Centre and the States. These references were compiled in a broadsheet. The CCT, West Bengal, had also compiled the issues raised by different States, namely, Chhattisgarh, Gujarat, Haryana, Kerala, Maharashtra, Nagaland, Puducherry, Rajasthan, Karnataka, Tamil Nadu, Telangana, Uttar Pradesh and West Bengal. All these broadsheets were discussed by the Fitment Committee in its meetings held on 25 July, 31 July, and 1 August, 2017 and the recommendations of the Committee were placed before the Council. He pointed out that Annexure I of Agenda Notes for Agenda Item 5 (Volume-1), contained the list of goods on which change in GST rate was proposed by the Fitment Committee. Due to lack of time, only a few goods could be taken up for discussion. A record of these discussions is as below:

Concentrated milk or milk powder consumed by distinct persons as per Section 25(4) for conversion into milk for distribution through dairy cooperatives (HSN Code 0402) (Sl.No.1 of Annexure I of Agenda Notes, Volume-1):

12.1. The Fitment Committee proposed to issue a notification to enable refund of 5% of IGST paid on milk powder used for conversion into milk for distribution through dairy co-operatives, on which 5% GST rate was prescribed. The CCT, Karnataka, stated that giving refund would imply zero rating of such supplies which was not desirable. He suggested that these should be exempted from payment of GST. The Council agreed to this suggestion.

Tractor Parts (Sr. No.23 of Annexure I of Agenda Notes, Volume-1):

12.2. The Secretary drew attention to the agenda note on tractor parts where it was stated that certain specified parts of tractor attracted 28% GST and that reference had been made to the Department of Heavy Industry (DHI), Government of India regarding parts of tractor that could be taxed at the rate of 18%. He informed that DHI had got the issue examined in consultation with the Automotive Research Association of India (ARAI), Pune; the International Centre for Automotive Technology (ICAT), Manesar; and the Automotive Component Manufacturers Association (ACMA), and based on this, the Secretary, DHI [in his DO letter No.12/31/2017/AE.I(Pt.) dated 2 August, 2017] had recommended a list of parts that are used exclusively for tractors and which could be kept in the tax slab of 18%. The Secretary, DHI had also suggested that a separate identification code be considered so that identification of tractor parts could be done seamlessly and also that the lower rate of tax, as permitted for tractor parts, was not misused. The parts, as recommended by DHI, are as follows (with proposed HSN Code in brackets): (i) Agricultural diesel engine of capacity exceeding 250 cc for Tractor (8408 2020); (ii) Radiator assembly for tractors and parts thereof (8708 9100); (iii) Cooling system for tractor engine and parts thereof (8708 9100); (iv) Silencer assembly for tractors and parts thereof (8708 9200); (v) Transaxles and parts thereof for tractors (8708 5000); (vi) Gear boxes and parts thereof for tractors (8708 4000); (vii) Hydraulic and parts thereof for tractors (8708 9900); (viii) Brakes assembly and parts thereof for tractors (8708 3000); (ix) Clutch assembly and parts thereof for tractors (8708 9300); (x) Road wheels and parts and accessories thereof for tractors (8708 7000); (xi) Steering wheels and parts thereof for tractors (8708 9400); (xii) Bumpers and parts thereof for tractors (8708 1010); (xiii) Fender; Hood Wrapper; Grill, Side panel, Extension plates, Fuel tank and parts thereof for tractors (8708 9900); (xiv) Hydraulic pumps for tractors (8413 8190); (xv) Tyre for tractors (4011 7000); and (xvi) Tube for tractor tyres (4013 9049). The Council approved that the above listed tractor parts be taxed at the rate of 18%.

12.3. A discussion took place on the Fitment Committee recommendation on **tamarind dried (HSN Code 0813)** (Sl.No.2 of Annexure I of Agenda Notes, Vol.-1) to reduce the rate of GST from 12% to 5%. The Hon'ble Minister from Odisha suggested that 'tamarind dried' should be exempted from GST. The Secretary stated that all spices such as mustard seed, *jeera*, etc. were taxed at the rate of 5%, and therefore, 'tamarind dried' was also proposed to be taxed at the rate of 5%. Dr. C. Chandramouli, Additional Chief Secretary, Tamil Nadu, stated

that fresh tamarind was exempt from GST and 'tamarind dried' was not defined as a spice by the Spices Board. He observed that it was an ingredient for staple food like *rasam*, *sambhar*, etc. and not used as spices. The Hon'ble Chief Minister of Puducherry stated that when fresh tamarind was not taxed, 'tamarind dried' should also be exempt as it was a staple food for poor people in the coastal areas. The Hon'ble Minister from Assam supported the reduction of GST rate on 'tamarind dried' from 12% to 5%. The Hon'ble Minister from Goa supported this view. The Hon'ble Minister from Kerala stated that the time available was not sufficient for discussion on the proposals for changes in GST rates of goods as recommended by the Fitment Committee and that such important proposals for change in rates of tax would require adequate time to deliberate upon. The Council decided to defer discussion on the proposals on goods to the next meeting of the Council, except the proposal regarding concentrated milk or milk powder consumed by distinct persons as per Section 25(4) for conversion into milk for distribution through dairy cooperatives and tractor parts.

12.4. The Hon'ble Minister from Maharashtra stated that idols made of clay of Ganapati (Sl.No.17 of Annexure I of Agenda Notes, Volume-1) should be kept at nil rate. The Hon'ble Minister from West Bengal also supported the proposal and stated that idols of Goddess *Durga* and *Kali* were made of clay. The Hon'ble Minister from Goa also supported this proposal and stated that in his State, *Ganesh* festival was celebrated with clay idols.

12.5. The Hon'ble Minister from Maharashtra suggested that roasted gram (Sl. No. 4 of Annexure I of Agenda Notes, Volume-1), which was presently being taxed at the rate of 5% should be exempted from tax. He also suggested that plastic raincoats (Sl.No.10 of Annexure I of Agenda Notes, Volume-1) should be taxed at the rate of 12% instead of 18%. The Hon'ble Minister from West Bengal suggested that dry fish should be exempt from tax as it was used by poor people and all other types of fish were exempt. The Hon'ble Minister from Tamil Nadu supported this suggestion and stated that naturally dried fish was prepared by women self-help Group from the fishermen community. The Hon'ble Chairperson suggested that recommendations of the Fitment Committee should be taken up for discussion in a systematic manner as they had spent three days discussing the proposals on goods and services.

12.6. Shri R.K. Tiwari, Additional Chief Secretary (Finance), Uttar Pradesh, suggested that in order to take a more considered view on the tax rate related proposals, the following information should be provided in the agenda notes: (i) Pre-GST incidence of tax; (ii) Estimate of likely revenue loss due to proposed reduction in tax rate; (iii) Detailed minutes of the Fitment Committee shared in advance.

12.7. The Hon'ble Minister from Assam stated that States should get a chance to know how much revenue was being lost by the States on account of a proposal for tax reduction in a commodity. He added that information regarding loss of revenue to the States was also important for the Central Government as such revenue loss would need to be compensated by the Central Government. The Hon'ble Deputy Chief Minister of Gujarat stated that the recommendations of the Fitment Committee were formulated on the basis of suggestions made by the States, and therefore, it was desirable that the Fitment Committee's recommendations

should be deliberated upon and decided at an early date. He also suggested that the recommendations of the Fitment Committee should indicate the name of the State(s) from which the proposal for reconsideration of the rate on a particular good or service had been received.

12.8. The Hon'ble Minister from Jammu & Kashmir stated that there should be some rational basis for recommending rates of tax. He observed that the Fitment Committee's recommendations had been *ad hoc* and advised against responding to pressures for rate reduction. He observed that the comments in respect of items like *Saree* Fall (Sl. No.15 of Annexure I of Agenda Notes, Volume-1) that "it is like a fabric used to ensure proper fall in Sarees"; and Custard powder (Sl.No.5 of Annexure I of Agenda Notes, Volume-1) that it is "used by lower and middle income families" did not appear rational. He also stated that *puja samagri*, *hawan samagri*, etc. were appearing frequently as proposals for rate reduction. He observed that his State was struggling in relation to the rate of tax for handicrafts, hand-made carpets, walnuts and almonds but he had refrained from bringing these issues to the Council. He suggested that fixation of rates should be attempted in a more refined fashion and floor rate could be considered for fixation through a method of statistical distribution under a Sub-Group of Hon'ble Ministers. The Hon'ble Minister from Punjab suggested that some finality should be reached regarding rates instead of considering them in every Council meeting as this was leading to political disputes in the States. He also suggested to adopt certain broad principles for fixing tax rate, like the rate of tax on job work and on the related good should be the same; and identifiable parts of a machine should have the same rate of tax as the machine itself.

12.9. The Hon'ble Minister from Telangana stated that the Council had taken broad based outlook on issues of national importance like fertilizers but some other issues were of regional and local character such as marble and small granite units which were very important for States like Telangana and Rajasthan as they provided large scale employment in their States. He stated that if only broad-based issues were taken up, it could undermine items of local importance for the States. He observed that dry tamarind might look a small issue but it had an impact on the price of food commodities and it was very important for some States as it was consumed by the lower strata of the society.

12.10. The Hon'ble Chairperson stated that the recommendations on rate reduction needed to be balanced with revenue requirements. He observed that if each State put pressure to reduce tax rate on different items, it would adversely affect the revenue. The Hon'ble Minister from Telangana observed that tax rate on items like *Bidi* and granite were linked to the larger livelihood issues. The Hon'ble Chairperson responded that tax was ultimately paid by the consumers. The Hon'ble Minister from Telangana observed that when increased tax incidence was passed on to the consumers, it had a ripple impact by lowering sales.

12.11. The Hon'ble Minister from Punjab stated that certain issues were emotive for his State and needed to be addressed. He raised the issue of exemption from tax on goods purchased for the *langar* of the Golden Temple, which had never been taxed in the last 350 years. The Hon'ble Chairperson observed that *langar* and *prasad* were already exempt. However, ingredients for preparing *langar* like sugar and *ghee* were not exempt

as it was not desirable to have end-use based exemption of taxes. He pointed out that cement and steel used for building temples would also pay tax. He added that Punjab earlier levied purchase tax on rice and wheat. The Hon'ble Minister from Punjab stated that there was a refund mechanism for the purchase tax paid by the Golden Temple. The Hon'ble Chairperson observed that the same procedure could be continued by the State Government for their share of tax.

Recommendations of the Fitment Committee (Services):

13. Introducing the recommendations of the Fitment Committee on Services, the Secretary stated that the Fitment Committee in its meetings held on 25 July, 31 July and 1 August, 2017 deliberated upon the representations regarding the rate of tax on services received from Hon'ble Ministers, Ministries and Secretaries and other officers of the Centre and the States. He drew attention to Annexure I of Agenda Notes, Volume-2 relating to recommendations on rate of tax on services and proposed that these recommendations could be accepted. He stated that the two main issues covered in Annexure I of Agenda Notes, Volume-2 related to the rate of GST for job work in textile sector and the rate of GST for supply of Works Contract services to the Government.

13.1. With reference to rate of tax on job work in textile sector, the Secretary stated that presently tax on job work for textiles was at the rate of 5% only upto the fabric stage. He placed before the consideration of the Council, a proposal to extend the GST rate of 5% upto the stage of processing of textile fabrics. The Secretary drew attention to the recommendations of the Fitment Committee contained in Annexure I of Volume 2 of the agenda notes relating to reduction in the rate of tax on supply of the following job work services in the textile sector and proposed that tax on all these job work related services could be reduced to 5%: (i) Services in relation to man-made filament yarn from 18% to 5% (S.No.2 of Annexure I of Agenda Notes, Volume-2); (ii) Services in relation to shawls and other garments and made-ups from 18% to 5% (S.No.3 of Annexure I of Agenda Notes, Volume-2); (iii) Services in relation to *jari kasab* and embroidery to be reduced from 18% to 12% or 5% (S.No.4 of Annexure I of Agenda Notes, Volume-2); (iv) Services in relation to handmade carpets to be reduced from 18% to 5% (S.No.5 of Annexure I of Agenda Notes, Volume-2).

13.2. The Council approved the proposal to reduce the rate of GST on the textile related job work services listed in paragraph 13.1. above to 5%.

13.3. The Hon'ble Minister from West Bengal stated that he not only supported the proposal to reduce the rate of tax on job work on textiles up to the fabric level, but further proposed that this 5% rate of tax should be extended to job work on garments such as embroidery, stitching, ironing, etc. as these activities were done by the poor people. He stated that by extending the rate of tax of 5% for job work on garments, the job work services in the entire textile chain would be subject to a uniform tax rate of 5%.

13.4. The Secretary stated that the apparel had two tax rates viz. one for apparel sold at a price of less than Rs. 1,000 (5%) and the other for apparel sold at a price above Rs. 1,000 (12%). He placed for consideration before the Council whether the rate of tax on job work on apparel should be 5% or 12%.

13.5. The CCT, Gujarat observed that if the rate of tax on job work was very high, compliance would be difficult. He pointed out that tax on job work in textile sector was being imposed for the first time. He suggested that 5% rate of tax should not only be on job work for garment but also for made-ups, *jari* work, stitching of saree fall, embroidery, *butta* work, stone work, mirror work etc. on fabrics, garments and made-ups. The Hon'ble Minister from West Bengal reiterated that tax on job work services for the entire textile chain, i.e. for the textiles and textile products falling within Chapters 50 to 63 of the First Schedule to the Customs Tariff Act should be kept at 5%. After deliberation, the Council agreed to this proposal.

13.6. The Secretary stated that Annexure I of Agenda Notes, Volume-2, relating to Services (S.No.13) proposed to reduce GST rate on Works Contract services provided to the Government, local authority or government authority from 18% to 12%. He stated that the Fitment Committee had recommended this reduction keeping in mind the fact that Works Contract service provided to the Government was earlier exempt from service tax. The proposed reduction broadly included services in respect of a historical monument, archaeological site or remains of national importance; canal, dam or other irrigations works; pipeline for water supply, water treatment, sewerage treatment or disposal; bridge, tunnel or terminal for road transportation for use by general public; a residential complex predominantly meant for self-use or for use of employees; a road, bridge, tunnel or terminal for road transportation for use by general public; civil structure or any other original work pertaining to a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana; civil structure or any other original works pertaining to *in situ* rehabilitation or existing slum dwellers under the Housing for All (Urban) Mission/*Pradhan Mantri Awaas Yojana*, etc. He observed that services/labour component constituted 30% to 40% of the value of such Works Contract which was exempted from service tax (only if the contractor used his own labour and did not use the services of a manpower supplier). Tax incidence on such Works Contract service on account of VAT on material components came to around 12% or less. He, therefore, proposed that the Council could accept the recommendation of the Fitment Committee to reduce tax on Works Contract Services provided to the Government, local authority or governmental authority from 18% to 12%.

13.7. The Hon'ble Minister from Telangana stated that it was the duty of a democratically elected government to provide facilities of drinking water, irrigation, housing and roads. He stated that in his State, projects worth Rs. 2,00,000 crore were underway under these heads. He stated that pre-GST, works contract was given taking into account existing exemptions like Central excise duty exemption on pipes and now a tax rate of 18% would lead to additional financial burden of about Rs. 19,000 crore to his State. He observed that the State budget had already been presented and to tide over the present situation, his State had to take loan from financial institutions. He proposed that the rate of tax should be 5% for the following Works Contract services: (i) Any work given to an agency prior to 1 July, 2017 with a sunset clause of 2 years for such projects; (ii) Drinking water projects;

(iii) Projects with low material and high labour component. He added that Projects with high material component could be taxed at the rate of 12%.

13.8. The Hon'ble Minister from Telangana added that he had taken note of the arguments given earlier regarding devolution of funds by the Centre to the States and higher availability of input tax credit to works contractors but after factoring these, additional financial burden on his State still came to about Rs. 15,000 crore. He stated that if his plea was not addressed, there might be large scale litigation. He also reminded that during this year, States were to make expenditure for 12 months but the revenue available was only for 11 months. Keeping all this in mind, he requested to keep the rate of tax at 5% for the three categories of Works Contract mentioned in paragraph 13.7. above.

13.9. The Secretary stated that prior to GST, service tax of 6% was levied on normal Works Contract and the rate for the Government Works Contract was nil. However, such Works Contract suffered VAT and Central Excise duty on construction material and no input tax credit was available for the same. In view of this, the proposed tax rate of 12% with full input tax credit eligibility on input materials was a reasonable proposal. He informed that as per the rough calculation done by the Fitment Committee, 12% tax rate could be recovered through the input tax credit available and keeping this in mind, it had proposed to bring the tax rate down from 18% to 12%. He stated that if the rate of tax was further reduced to 5%, then the Works Contractors would be encouraged to use non-GST paid materials procured from grey market. The Hon'ble Minister from Telangana stated that 12% rate of tax still left an additional tax burden of Rs. 15,000 crore. The Secretary pointed out that the gap could not be so high as in pre-GST period, there was 14.5% tax on cement and iron rods in all States. The Hon'ble Minister from Telangana reiterated that there was a need to apply the old rate of tax for contracts prior to 1 July, 2017. The Hon'ble Deputy Chief Minister of Bihar observed that the burden projected by Telangana appeared to be very high and their calculation needed be looked into again.

13.10. The Hon'ble Minister from West Bengal stated that the proposed tax rate of 12% on Works Contract services provided to the Government was acceptable except for those Works Contract services where the material component was low, like irrigation and water supply works for which the tax rate should be 5%. The Hon'ble Deputy Chief Minister of Gujarat suggested to apply the rate of tax on Works Contract services at the pre-GST level as otherwise it would lead to extra tax burden of about Rs. 800 to Rs. 900 crore on the contractors. The Secretary stated that if the rate of tax was kept at 5% and refund of accumulated input tax credit was blocked, there was a likelihood that, on this pretext, the contractor would charge extra from the Government and at the same time, use the so-called blocked input tax credit for payment of tax in the supply of non-Government Works Contract services.

13.11. The Hon'ble Minister from Telangana stated that all Works Contract projects had come to a standstill. He also pointed out that for cement, the rate of tax in the pre-GST period was 2% CST. The Secretary stated that in the new tax regime, the understanding was that due to availability of input tax credit, cost of raw materials used in making the supply would get reduced and the same logic applied to the supply of Works Contract

services to the Government. He suggested that the Governments should work out the revised tax liability based on the eligibility of input tax credit. The Hon'ble Chairperson observed that the rate of tax of 12% with full availability of input tax credit would make a significant difference compared to the earlier tax rate of 18%. The Hon'ble Minister from Telangana stated that the tax rate of 12% was acceptable for prospective Works Contract services but for the past projects, the rate of tax should be 5% with a sunset clause of two years for such projects. The Hon'ble Minister from Jharkhand expressed his strong support to the proposal of the Hon'ble Minister from Telangana and the Deputy Chief Minister of Gujarat. He observed that the payment of bills to the contractors had stopped due to the uncertainty and that the payment for Works Contract services was as per the Schedule of Rates at the rate of 10% and the contractor could not be expected to pay the additional tax from his pocket. He stated that for old contracts before 1 July, 2017, the old tax rates should be continued so that the Government did not suffer loss. He warned that increased rate of tax could affect projects like *Pradhan Mantri Awaas Yojana* and also those relating to affordable housing, toilet construction, etc.

13.12. The Hon'ble Minister from Haryana stated that in the earlier meeting of the Council, the subject of Works Contract services was discussed extensively and it was recognized that construction materials were evasion prone commodities, and therefore, Works Contract services should be brought under GST with full input tax credit. He stated that keeping in view the fact that the rate of tax on inputs used in rendering Works Contract services was at 18%, the proposed tax rate of 12% for Works Contract services provided to the Government was reasonable. He supported the suggestion that a committee could be set up to examine the principles for rate fixation for Works Contract services for the Government. He informed that his State faced a similar situation where the contractors and the Government Departments did not know their tax liability and he had constituted a committee of three officers, one each from Taxation, General Administration and Finance Departments to examine and advise on the impact of GST on the ongoing projects and procurements. He advised against running two tax regimes in parallel as the difference in rate of tax for the two tax regimes, i.e., pre-GST and post-GST could give opportunity for tax evasion. He also stated that as GST was in the offing for last few years, the work order and tenders for the last few years should have provided for a suitable clause to factor in the new tax regime.

13.13. The Hon'ble Deputy Chief Minister of Gujarat stated that earlier the rate of service tax was 6% and now since the rate of tax on supply of services had become 18%, it clearly reflected an increased burden of 12%. Therefore, it would need to be considered as to who would bear this additional burden of tax, the Government or the contractor. There was no logic in setting up a committee to look into the principles for fixing the rate of tax on Works Contract services supplied to the Government as the increase in rate of tax was clearly visible. He added that it was difficult to factor in GST in the Works Contracts awarded during the last few years, as GST was under discussion for the last 10 years and no one was aware about the GST rates which became known only some days before the implementation of GST. He warned that there was a risk that the contractors might renege from their contracts and entering into new contracts would lead to higher expenditure due to higher tax rate and also delay in execution of projects leading to public inconvenience. He therefore suggested to find a solution regarding old contracts. The Hon'ble Minister from Chhattisgarh supported the proposed tax rate of

12% for Government contracts. He observed that earlier there was service tax of 6%, VAT of 2%-3% in some States under the composition scheme and rebate of input tax was not available whereas now they would get full input tax credit. He added that for irrigation projects, cement attracted tax at the rate of 28%, in water projects, pipe attracted tax. He stated that the present tax proposal would not cause additional financial burden as earlier too, they faced a tax burden of about 8% and now they would also get input tax credit of about 6% to 8%. The Hon'ble Deputy Chief Minister of Bihar observed that the calculations indicated that the tax burden would even out with the availability of input tax credit. The Hon'ble Minister from Assam also supported the proposed tax rate of 12% with full input tax credit for the Works Contract service supplied to the Government. The Hon'ble Minister from Rajasthan suggested to presently keep the tax rate on Works Contract services supplied to the Government sector at 12% but to review it subsequently with an open mind. For labour intensive work, he suggested a lower rate of tax of 5%. The Hon'ble Chairperson suggested that the rate of tax on supply of Works Contract services to the Government could presently be kept at 12%. The Hon'ble Minister from Telangana emphasised that their demand for a lower rate was only for projects prior to 1st July 2017. The Council approved the recommendation of the Fitment Committee for the proposed reduction in the rate of tax for supply of Works Contract services generally provided to the Government which were earlier exempt from Service Tax under Sl. Nos. 12, 13 and 14 of notification number 25/2012-Service Tax dated 20.06.2012 (except the works contract service covered by entry (c) of Sl. No. 13 of the said notification) and which are mentioned at Sl. No. 13 of annexure I of Agenda Notes for agenda item 5, Volume-2, from 18% to 12% with full input tax credit.

13.14. The Council also approved the other proposals listed in Annexure I of the Agenda Notes for Agenda Item 5 in Volume 2 including the revised GST rates on specified services, which *inter alia* includes: (i) the proposed rate of tax of 12% with full input tax credit in respect of printing of newspapers, books (including Braille books), journals and periodicals where only content was supplied by the publisher and physical inputs including paper used for printing belonged to the printer (S. No.6 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2); (ii) the proposed rate of tax of 5% on services by way of printing of newspapers, books (including Braille books), journals and periodicals using physical inputs owned by others (S. No. 7 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2); (iii) the proposed rate of tax of 12% with full input tax credit for Rent-a-Cab Service along with the existing tax rate of 5% with no input tax credit (S.No.9 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2); (iv) the proposed rate of 12% with full input tax credit on forward charge basis as an additional option to Goods Travel Agency (GTA) services, with the condition that where a GTA service opted to pay tax under forward charge, it would have to pay GST in respect of all supplies under forward charge [which is in addition to the existing option to GTA services to pay tax at the rate of 5% with no input tax credit under the Reverse Charge Mechanism for those GTA services which did not opt for 12% rate with full input tax credit under forward charge (S. No. 12 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2)]; (v) To put the liability of paying GST on the E-Commerce Operator in respect of small house keeping service providers like plumbers, carpenters, etc. who supplied their services through an E-Commerce Operator (S. No. 1 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2); (vi) To exempt from tax any commission paid to the Fair Price Shops by the Central Government or the State Governments (S. No. 14 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2); (vii) To exempt from tax, the services supplied

by and to FIFA (Federation Internationale de Football Association) and its subsidiaries in connection with FIFA Under-17 Football World Cup to be hosted in India in 2017 subject to suitable conditions (S.No.15 of Annexure I of Agenda Notes for Agenda Item 5, Volume-2).

13.15. The Secretary informed that there was a proposal from the Department of Sports, Government of India, to also exempt goods imported for FIFA Under-17 Football World Cup from IGST and Cess in respect of goods listed at S.No.30 of Annexure I of Agenda Notes for Agenda Item 5 in Volume-1 which, *inter alia* included sports goods; sports requisites; fitness equipment; team uniform/clothing; spares, accessories and consumables; broadcast equipment; doping control equipment, satellite phones/GPS, paging communication systems and other communication equipment; video/plasma screen, electronic score board for display; time control devices, stop watches, timing, scoring and result management systems, marquees, tents and other IT equipment such as projectors, smart phones, routers, etc.; food stuffs, energy drinks, isotonic, tonic water carried by the players and the teams, etc. He further informed that the event would involve around 5 States. After deliberation, the Council approved the proposal to exempt IGST and Cess on goods imported for FIFA Under-17 Football World Cup to be hosted in India in 2017.

13.16. Due to paucity of time, the Council could not discuss Annexure II of the Agenda Notes for Agenda Item 5 in Volume-2 containing proposals for reduction in the GST rate on specified services which the Fitment Committee did not find acceptable. The Council agreed that Annexure II could be discussed in its next meeting.

14. In view of the above discussion, for Agenda Item 5 relating to the recommendation of the Fitment Committee on Goods and Services, the Council approved the following: -

Goods

- (i) To exempt from payment of tax, concentrated milk or milk powder (HSN Code 0402) consumed by distinct persons as per Section 25(4) of the CGST/SGST Act for conversion into milk for distribution through dairy cooperatives;
- (ii) To tax specified tractor parts, namely, (i) Agricultural diesel engine of capacity exceeding 250 cc for Tractor (8408 2020); (ii) Radiator assembly for tractors and parts thereof (8708 9100); (iii) Cooling system for tractor engine and parts thereof (8708 9100); (iv) Silencer assembly for tractors and parts thereof (8708 9200); (v) Transaxles and parts thereof for tractors (8708 5000); (vi) Gear boxes and parts thereof for tractors (8708 4000); (vii) Hydraulic and parts thereof for tractors (8708 9900); (viii) Brakes assembly and parts thereof for tractors (8708 3000); (ix) Clutch assembly and parts thereof for tractors (8708 9300); (x) Road wheels and parts and accessories thereof for tractors (8708 7000); (xi) Steering wheels and parts thereof for tractors (8708 9400); (xii) Bumpers and parts thereof for tractors (8708 1010); (xiii) Fender; Hood Wrapper; Grill, Side panel, Extension plates, Fuel tank and parts thereof for tractors (8708 9900); (xiv) Hydraulic pumps for tractors (8413 8190); (xv) Tyre for tractors (4011 7000); and (xvi) Tube for tractor tyres (4013 9049) at the rate of 18% instead of 28%;

(iii) to exempt IGST and Cess on goods imported for FIFA Under-17 Football World Cup to be hosted in India in 2017, which *inter alia* includes the following: sports goods; sports requisites; fitness equipment; team uniform/clothing; spares, accessories and consumables; broadcast equipment; doping control equipment, satellite phones/GPS, paging communication systems and other communication equipment; video/plasma screen, electronic score board for display; time control devices, stop watches, timing, scoring and result management systems, marquees, tents and other IT equipment such as projectors, smart phones, routers, etc.; food stuffs, energy drinks, isotonic, tonic water carried by the players and the teams, etc.;

(iv) To discuss the proposals on goods listed in the detailed Agenda Notes under Agenda item 5 for the 20th Council Meeting (Volume -1) in the next meeting of the Council;

Services

(v) to reduce the rate of tax on job work services for the entire textile chain, i.e. textiles and textile products falling within Chapters 50 to 63 of the First Schedule to the Customs Tariff Act, to 5%;

(vi) to reduce the rate of tax on supply of Works Contract services generally provided to the Government which were earlier exempt from Service Tax under Sl. Nos. 12, 13 and 14 of notification number 25/2012-Service Tax dated 20.06.2012 (except the works contract service covered by entry (c) of Sl. No. 13 of the said notification) and as recommended by the Fitment Committee at Sl. No. 13 of Annexure I of Agenda Notes for agenda item 5, Volume-2, from 18% to 12% with full input tax credit;

(vii) to approve the other proposals listed in Annexure I of the Agenda Notes for Agenda Item 5 in Volume 2 including the revised GST rates on specified services, which *inter alia* includes: (a) tax rate of 12% with full input tax credit in respect of printing of newspapers, books (including Braille books), journals and periodicals where only content was supplied by the publisher and physical inputs including paper used for printing belonged to the printer; (b) tax rate of 5% on services by way of printing of newspapers, books (including Braille books), journals and periodicals using physical inputs owned by others; (c) tax rate of 12% with full input tax credit for Rent-a-Cab Service along with the existing tax rate of 5% with no input tax credit; (d) tax rate of 12% with full input tax credit on forward charge basis as an additional option to Goods Travel Agency (GTA) services, with the condition that where a GTA service opted to pay tax under forward charge, it would have to pay GST in respect of all supplies under forward charge [which is in addition to the existing option to GTA services to pay tax at the rate of 5% with no input tax credit under the Reverse Charge Mechanism and this option to apply for those GTA services which did not opt for 12% rate with full input tax credit under forward charge]; (e) An E-Commerce Operator shall be liable to pay tax in respect of small house keeping service providers like plumbers, carpenters, etc. who supplied their services through the E-Commerce Operator; (f) To exempt from tax any commission paid to the Fair Price Shops by the Central Government or the State Governments; (g) To exempt from tax, the services supplied by and to FIFA (Federation Internationale de Football Association) and its

subsidiaries in connection with FIFA Under-17 Football World Cup to be hosted in India in 2017 subject to suitable conditions;

(viii) To discuss in the next meeting of the Council, Annexure II in Volume-2 of the Agenda Notes circulated for the 20th Council Meeting (relating to Agenda Item 5) containing proposals for reduction in the GST rate on specified services which the Fitment Committee did not find acceptable.

Agenda Item 6: Proposals regarding changes to Central Sales Tax (CST) Rules:

15. Introducing the agenda item, the Secretary informed that this agenda item proposed to amend Central Sales Tax (Registration and Turnover) Rules, 1957 by inserting the following Rule:

“2A. Manufacturer or processor of goods. - For the purposes of sub-section (3) of Section 8, manufacture or processing of goods includes manufacturer or processor of all materials, articles, commodities and all other kinds and movable property, other than newspapers, actionable claims, stocks, shares and securities.”

15.1. He informed that the purpose of this proposal was to ensure that the cost of production or manufacture of goods covered under GST did not increase sharply as these manufacturers would not be eligible for Form-C under the CST Act. This would imply that they would have to procure petroleum products after paying the prevalent VAT rate in the State of purchase (ranging between 15% to 30%) and not at the concessional rate of 2% under the CST Act even if they procured these inputs from another State. Further, since no input tax credit would be available on the taxes paid on petroleum products in the GST regime, the additional taxes paid as VAT would lead to an increase in the cost of manufacturing in the country. He mentioned that some States had imposed Entry Tax on petroleum products imported by manufacturers from other States. These States were apprehensive that if such manufacturers were allowed to import petroleum products at concessional rate of 2% on C-Form, they would lose revenue. At the same time, there were a number of States where Entry Tax on petroleum products was less than 10% and thus the manufacturers in those States were presently getting petroleum products on C- Form from other States.

15.2. The Secretary informed that this agenda item was discussed in detail during the meeting of the officers of the Central Government and the State Governments held in the morning. Shri Udai Singh Kumawat, Joint Secretary, Department of Revenue, had made a presentation on this subject in the morning (**Annexure 5** of the Minutes) where he had informed that if Form-C on petroleum products was not allowed to other manufacturers, the input cost of petroleum products, particularly natural gas, presently being imported by manufacturers at 2% on C-Form could go up to 15% to 20% VAT rate, which would make the cost of such inputs prohibitively expensive and the concerned industry unviable. He further informed that the Department of Fertilizers and the Department of Steel had informed the Department of Revenue that in the absence of the facility of C Form, the additional cost implication of natural gas being taxed at VAT rate for fertiliser companies would be around Rs. 1,000 crore and for steel companies would be around Rs. 535 crore.

15.3. The Secretary informed that in the morning meeting, the officers of the States had almost unanimously expressed reservation on the proposal in this agenda item as they feared that this would lead to large scale revenue loss to States. The States feared that all producers would buy petroleum products inter-State and not pay the local VAT and there was no entry tax to offset the revenue loss on this account. He stated that during the Officers' meeting, it came to light that in some States like Maharashtra and Delhi, manufacturers were allowed to take input tax credit up to a specific percentage on VAT paid on high speed diesel and petrol, when these products were used as inputs by manufacturers. Some States like Gujarat and Tamil Nadu provided input tax credit on use of natural gas by manufacturers up to a certain extent while States like Uttar Pradesh even had lower VAT rates on high speed diesel and natural gas being used as inputs by manufacturers. He stated that there was a broad consensus in the Officers meeting that the States shall cap the VAT rate on natural gas at 5% for manufacturers and keep the VAT rates of other petroleum products like diesel and petrol being used as inputs by manufacturers at a lower, reasonable rate so as not to adversely affect their viability. He suggested that the States could work out a scheme where all States should have a low rate of VAT (say 5%) on those petroleum products which were presently out of GST, when they were used as inputs for manufacture of any product. He proposed to defer this agenda item and requested that the States could evolve such a scheme. The Council agreed to this proposal.

15.4. The Secretary further informed that in the Officer's meeting in the morning, it was mentioned by some VAT Commissioners that on the issue of amendments to the Central Sales Tax Act, a group of CCTs had prepared a Report . The report had suggested giving option to State Governments to prohibit issue of C-Forms to purchasing dealers except in case of resale. He observed that this would not be required since as per amended CST Act, issuance of C-Form to manufacturers of GST goods was not possible. However, in case State Governments would like to raise any issue with respect to any other amendment to CST Act, the same could be discussed by the Officers' Committee and the Government of India.

16. For **agenda item 6**, the Council agreed to defer consideration of the proposal regarding changes to the Central Sales Tax Rules and agreed that the States could work out a scheme where all States had a low rate of VAT (say 5%) on those petroleum products which were presently out of GST, when they were used as inputs for manufacture of any product.

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

Agenda Item 7(i): Amendments to CGST and SGST Rules:

17. Introducing this agenda item, the Chairman, CBEC informed that during the meeting of the Officers held in the morning, the Commissioner (GST Policy Wing), CBEC, gave a presentation on the proposed amendments in the CGST and SGST Rules and the connected Forms (**Annexure 4** of the Minutes). She further

informed that there was an agreement in the Officers meeting to carry out these amendments and suggested that the Council could approve these proposed amendments. The Council agreed to the proposed amendments.

18. For **agenda item 7(i)**, the Council approved the proposed amendments in the CGST and SGST Rules and the connected Forms as highlighted in the presentation at **Annexure 4** of the Minutes.

Agenda Item 7(ii): Constitution of Standing Committee for Anti-profiteering:

19. Introducing this agenda item, the Chairman, CBEC stated that the Council had to take a decision regarding the constitution of the Standing Committee on Anti-profiteering under Rule 123 of the CGST Rules, 2017 consisting of such officers of the State Governments and the Central Government, as may be nominated by the Council. The Secretary informed that this agenda item was discussed in the Officers meeting held in the morning wherein it was agreed that the Standing Committee should have two officers of the rank of Principal Commissioner/Commissioner from the Central Government and two officers of the rank of Commissioner from the State Governments who could be appointed by the Hon'ble Chairperson. It was also decided in the Officers meeting that as the Standing Committee would need to meet frequently, it would be logistically convenient to have an officer each from the State of Delhi and Haryana to represent the State Governments in the Standing Committee on Anti-profiteering. The Council agreed to this proposal.

19.1. The Hon'ble Minister from Kerala stated that the experience during the last one month was that there was a big reluctance on the part of the traders to pass on the reduction of tax to the consumers and they had used this opportunity to increase the price. He stated that the State Governments were not in a position to enforce the requirement of passing on reduction of tax to the consumer. He suggested that the Council should send a message to trade at large that once the present stock of goods was exhausted, the manufacturers should reduce the Maximum Retail Price (MRP) on the new stock. The Hon'ble Chairperson observed that this was a serious issue and informed that he had received a representation from an NGO with a group of disabled ladies in Chennai regarding increase in price of goods for the disabled, whereas with the availability of the input tax credit, the price should have gone down. He had asked the Chief Commissioner of Central GST in Chennai to investigate the issue and his report showed that due to availability of input tax credit, price of goods for the disabled should have come down by about Rs. 30, but in reality, it had gone up by Rs. 30. He observed that the Council was being blamed unfairly for increase in prices.

19.2. The Hon'ble Minister from Kerala stated that his State was very sensitive to political criticism and they were facing the criticism of having forced the price up, and hardly anyone believed that on 90% of commodities, taxes had been reduced. He suggested that the Council should request the traders to reduce the MRP proportionate to the reduction in the rate of tax or the availability of input tax credit on the new stock, and the Council should warn that if this was not done, the Anti-profiteering mechanism would be brought into effect. The Hon'ble Chairperson observed that the mechanism consisting of State level Screening Committees, a Standing Committee at the Central level and an anti-profiteering authority could be set up now as the experience of last one month was that the prices had come down in some sectors, but not in many sectors and some of them

could be taken up for examination through this mechanism. The Hon'ble Minister from Jammu & Kashmir stated that it would be too early to evaluate increase or decrease in price due to GST. He cautioned against moving towards a system of controls and suggested that GST should be allowed to operate for three months and then to evaluate as to how the system was unfolding. The Hon'ble Chief Minister of Puducherry stated that the people had expectation that prices of essential commodities would come down after the implementation of GST, but the prices had increased in sectors like hotel industry and consumer industry. He expressed the hope that this was only a transitional phase. The Hon'ble Deputy Chief Minister of Bihar stated that the Standing Committee on Anti-profiteering should be constituted at the earliest and a message should be sent to the public at large by making an example of four to five defaulters, preferably some big companies selling goods. The Secretary informed that the Central Government would be shortly giving the list of Central tax officers who would be the members of the State Level Screening Committees. Each State should then nominate one officer and thus the State Level Screening Committee would be constituted soon which could look into local level complaints. He added that the agenda was to create national level Standing Committee which would consist of four officers, two from the Central Government and two from the State Governments who would screen complaints relating to national level companies and after screening, those that deserved to be acted upon, would be referred to the Anti-profiteering authority.

19.3. The Hon'ble Minister from Punjab stated that implementing Anti-Profiteering measure could lead to turmoil in the field. He observed that prices were largely market driven and Anti-Profiteering investigation should be kept at the Central level and not to carry out such investigation at the State level. He also supported the idea of catching a few big fish indulging in profiteering. The Hon'ble Minister from Kerala observed that the Anti-Profiteering Authority was not envisaged to be a permanent price control mechanism. He expressed that while the forces of demand and supply would take care of the prices in due course, at this stage, the higher headline rate of taxes made it appear that taxes had gone up in the GST regime and this was attracting tremendous public criticism. The Hon'ble Minister from Punjab suggested to wait for three months before initiating Anti-profiteering action. The Hon'ble Minister from Jammu & Kashmir observed that all the Finance Ministers were facing criticism regarding price rise but it was better to handle this issue through empowered customers. He observed that Anti-profiteering measures could vitiate competitive market conditions. He suggested to wait for three months and in the meantime, do a better job of communicating to the public as to on which commodities, the taxes had come down, and to convey through advertisements, etc. that the prices should come down due to the lowering of GST rates.

19.4. The Hon'ble Minister from Kerala stated that in the GST regime, rates had been reduced significantly but no one believed so and the traders and manufacturers were reaping windfall gains. He added that it was important that at this stage, proportionate reduction in prices took place. He observed that Anti-profiteering was part of law and it should not be reduced to a dead letter and the market forces could be allowed to operate subsequently. The Hon'ble Deputy Chief Minister of Bihar stated that for about 150 to 200 items, wide publicity should be given regarding tax rates pre-GST and post-GST. He also suggested to give publicity regarding Anti-profiteering mechanism and to invite people to file their complaints before the Anti-profiteering bodies and seek

information as to where the prices had gone up. The Hon'ble Chairperson observed that this mechanism should be used more as a deterrent by only taking up a few big cases. He cautioned that if complaints were invited as suggested by the Hon'ble Deputy Chief Minister of Bihar, there was a risk that the Anti-profiteering authorities would be inundated with complaints and there might not be adequate machinery to handle it.

19.5. The Hon'ble Minister from Telangana stated that Anti-profiteering authority should not be looked upon as a price control mechanism but rather as a transitional management mechanism. He stated that GST was the biggest tax reform in the country and the first few months were crucial both from the consumer and the government perspective. He observed that some tax payers could be charging higher tax due to profiteering motives, but some others might have genuine misunderstanding. He informed that in Telangana, campaigns had been carried out to clear doubts and that his State had organised more than 60 meetings sector-wise involving more than 30,000 participants where they had tried to clear their confusion but confusion still persisted. He suggested that instead of inviting complaints, it would be advisable to carry out more sensitization and publicity including on tax rate reduction on essential commodities. He observed that after three months, once prices got fixed, it would be more difficult to ask for price reduction. He added that along with an intense public relations and sensitisation programme, an example should also be made out of a few defaulters.

19.6 The Hon'ble Deputy Chief Minister of Bihar stated that tax rates of 28% and 18% with components of Central GST and State GST was not clearly understood by consumers as Central Excise was not a visible tax earlier and it was a part of the price. He suggested to publicise the fact that the tax hitherto charged as Central Excise had become visible as the Central component of GST. The Hon'ble Minister from West Bengal observed that at the ground level, people's perception was that they had not benefitted from GST yet, as the prices had not come down. People did not know about embedded taxes of Central Excise and VAT in the MRP. As regards the issue of a choice between a control mechanism and the inter-play of market forces to address the issue of price rise, he advised caution in taking a call immediately as implementation mechanism for a control system also needed to be understood. He pointed out that it took almost six months to impose anti-dumping action, and during this period, dumping would have caused harm to the domestic industry. He suggested to collect data from different States on some selected 100 items to see whether the prices had gone down. He also observed that the body to be created for Anti-profiteering should be at arm's length from the Government and should be able to act in an objective and independent manner. He supported the suggestion that officers of the Central and the State Governments should together constitute such a body but expressed an apprehension that this body would have no data on prices. He suggested that the State Screening Committees should send information regarding prices and the Standing Committee should absorb and use this information and the Anti-Profiteering Authority could take action. He further suggested that only the outliers, i.e. those falling beyond the regression line of normal price, should be taken to task. The Hon'ble Chairperson stated that the process of creating a body consisting of Central and State Government officials would take time of about 3 to 4 months. The Hon'ble Minister from West Bengal observed that once the Anti- profiteering authority was formed, action should be taken to show seriousness regarding the law. He also suggested to review the working of the Anti-profiteering authority after six months to see whether it had been effective in doing something good for the people.

19.7. The Hon'ble Minister from Kerala stated that in their civil supplies outlets, prices of about 150 commodities had been reduced after taking into account the tax applicable prior to and after the implementation of GST. He informed that these outlets were initially adding GST to MRP but it had now been corrected and they were selling goods at the declared MRP. He observed that while price of the commodities like rice depended on the demand and supply situation, for industrial products, the price was fixed on cost-plus basis. He questioned the rationale of waiting for a few months for things to settle down and suggested that Anti-profiteering action could be initiated in some big cases for people to take note. He added that after a few months, there would be no ground to control prices as many other factors would have had an impact on prices whereas presently, other than tax, nothing else had changed. The Hon'ble Deputy Chief Minister of Delhi stated that they had collected the data of prices in June 2017 and were now collecting price data post-GST on the same products and this data could help the work of the Anti-profiteering body.

19.8. The Hon'ble Minister from Jammu & Kashmir cautioned that it was important to see what sort of a system was being built in relation to Anti-profiteering as once a monstrosity was created, it could be misused by the tax department. He added that one of the strengths of GST was that due to inbuilt transparency, it would bring corruption down and one needed to be cautious that measures like this did not bring back corruption. He emphasised that customer empowerment was more important but expressed that he was willing to go along with the proposal regarding the constitution of Standing Committee on Anti-profiteering. The Hon'ble Minister from Telangana stated that by way of consumer empowerment, they had developed an application in partnership with IIT, Hyderabad which calculates what should be the rate of tax on a good and what should be the reduction in the tax. He informed that about 342 commodities were under monitoring in his State and 88% had shown reduction in price but many business houses were not passing on the benefit of the input tax credit. He added that an appeal could be made from the Council to the traders to pass on the benefit of input tax credit. He also suggested to develop an IT application to enable the customers to check what was the change in the rate of tax pre-GST and post-GST to enable them to verify whether the benefit of rate reduction was being passed on to them. The Hon'ble Minister from West Bengal observed that sufficient effort had not gone into highlighting the items where taxes had been lowered and that this should be done immediately. He also cautioned against starting a witch hunt as many big suppliers had also reduced the prices. He stated that even after public awareness campaign, if profiteering continued, then some concrete action could be taken. He also clarified that the cost-plus mechanism of costing for industries worked only in oligopolistic situations. He favoured undertaking large scale awareness campaigns regarding reduction in prices and advised that the structure of Anti-profiteering could be worked upon further. He reminded that experience was not good with other similar bodies like the Competition Commission and the Monopolies and Restrictive Trade Practices Commission. The Hon'ble Minister from Goa stated that the Council was trying to have things fall in place too fast and expected things to be ideal. He observed that Kerala and Goa are tourism States and the perception was that the tax rate would be reduced post-GST. He stated that in restaurants, while the charges were kept at the same level as earlier, GST was being added on to it and that corrective action was needed in this regard. He stated that effort was being made to explain these issues to the stakeholders and to persuade the hoteliers to reduce the prices.

The Hon'ble Chairperson observed that Five Star restaurants had become somewhat cheaper but mid-level restaurants had become slightly more expensive.

19.9. The Principal Secretary, Telangana, stated that where the rate of tax had reduced, there had been reduction in price but reduction in price was not visible where the input tax credit had been made available. He suggested that there should be a joint campaign by the State and the Central tax departments and it should be carried out State-wise. He also suggested to work with the Ministry of Consumer Affairs as they also issued certain circulars on the MRP. He observed that many in the tax department felt that the work of price monitoring and price control was not in the domain of the tax department and there was a need to dispel this perception. The Hon'ble Chief Minister of Puducherry and the Hon'ble Minister from Tamil Nadu supported the idea that an appeal should be made to the traders to reduce the price. The Hon'ble Minister from Haryana suggested that the Standing Committee could be constituted at this stage and the State Level Screening Committees could be operationalised at a later date. The Hon'ble Minister from West Bengal suggested that the mechanism being set up should be reviewed after six months for its effectiveness. Summing up, the Hon'ble Chairperson stated that the Council would make an appeal to reduce prices where the rate of tax had been reduced or input tax credit had been made available; and steps would be taken to constitute State Level Screening Committees and the Central Standing Committee and to start the process of setting up the Anti-profiteering Authority.

20. For **agenda item 7(ii)**, the Council approved the following: (i) The Council to make an appeal to reduce prices where rate of tax had been reduced or input tax credit had been made available; (ii) To constitute State Level Screening Committees; (iii) To constitute a Central Standing Committee on Anti-profiteering consisting of two officers of the rank of Principal Commissioner/Commissioner from the Central Government and two officers of the rank of Commissioner from the State Governments of Haryana and Delhi to be appointed by the Hon'ble Chairperson; (iv) to start the process of setting up the Anti-profiteering authority.

Agenda Item 7(iii): Development of e-Way Bill system by NIC

21. Introducing this Agenda item, the Secretary stated that this Agenda item was placed before the Council to enable the development of an e-Way Bill System by National Informatics Centre (NIC) through GSTN. He informed that this issue was discussed during the meeting of the Officers in the morning and it was concluded that the Council should not take decisions of a commercial nature and that it should be left to the GSTN Board to take such decision. It only needed to be specified that GSTN shall be responsible for this work and that they would get it executed through NIC. He added that a resolution to this effect had been prepared in the Officers' meeting in the morning, and the same could be adopted by the Council. The Council adopted the resolution which reads as follows:

“GSTN has sought clarification as to which agency will be responsible for implementation of Electronic Way Bill System Module. The Council clarified that GSTN will be responsible for the same. States have been demanding immediate rollout of e-Way Bill System to safeguard their revenue. Hence in the interest of speedy implementation, GSTN may consider possibility of giving this work to a government agency like NIC which has executed similar work in the past.”

22. For **agenda item 7(iii)**, the Council approved the resolution as at para 21 above.

Agenda Item 7(iv): GST rate on Works Contract Services provided to the Government

23. The Secretary stated that this Agenda Item had already been covered during discussion on S.No.13 of Annexure I of Agenda Notes to Agenda Item 5 in Volume-2 relating to recommendations of the Fitment Committee on Services dealing with the proposal to reduce GST rate on Works Contract services provided to the Government from 18% to 12%. He stated that the Council's decision taken on this subject [as recorded in paragraphs 14 (vi) of the Minutes] would hold good. The Council approved the proposal.

24. For **agenda item 7(iv)**, the Council approved that the decision taken in relation to the recommendations of the Fitment Committee for the rate of tax on Works Contract services generally provided to the Government (S.No.13 of Annexure I of Agenda Notes to Agenda Item 5 in Volume-2) shall apply [as recorded in paragraph 14 (vi) of the Minutes].

Agenda Item 7(v): GST on Profit Petroleum and clarification on Cost Petroleum

25. The Secretary invited Shri Amitabh Kumar, Joint Secretary (TRU-II) to explain this Agenda Item. Joint Secretary (TRU-II) explained that the Oilfields (Regulation & Development) Act (ORD Act) provided that the holder of a mining lease shall pay royalty in respect of any mineral oil mined/quarried or collected by him from the leased area at the specified rates. He stated that Production Sharing Contract (PSC) provided for payment of pre-determined share of Profit Petroleum to the Government as a condition for grant of mining lease. He explained that Profit Petroleum was the value of petroleum produced by the oil exploration company in a year minus the Cost Petroleum, i.e. total cost of exploration, development and production during the year. He explained that like royalty, profit share paid to the Government by oil exploration companies for acquiring the right to explore and exploit mineral oils was a payment for service and liable to GST on reverse charge basis and the proposal was to exempt this tax. He stated that in the overall scheme laid down by the Government for oil and natural gas exploration and production sector under New Exploration Licensing Policy (NELP), treating Government share of Profit Petroleum as a cost and levying GST on it appeared to be not proper and appeared to be a tax on profit and it was proposed to exempt it. On the subject of Cost Petroleum, he explained that the portion of the value of petroleum which the contractor was entitled to take in a year for recovery of contract cost was called "Cost Petroleum" and stated that Cost Petroleum was not a consideration for service to the Government and was not taxable *per se*. He said that it was proposed to issue a clarification to this effect for Cost Petroleum.

25.1. Shri V.K. Garg, Adviser to the Chief Minister, Punjab, stated that in respect of production sharing contract between the Government and contractor, another view could be that both have come together for a common objective and were partners for commercial purpose and thus became an Association of Persons (AOP)

which was recognised as a separate legal entity. Services provided by one partner of AOP to another was not liable to be taxed and if an exemption was given, it would lead to reversal of input tax credit. He added that the Government gave right of extraction and one view was that profit petroleum and cost petroleum was a consideration for the same. However, an alternative view was that all petroleum belonged to the Government and, therefore, extraction of petroleum and making payment for it would not be liable to tax as it would be violative of Article 297 of the Constitution (which dealt with things of value within territorial waters or continental shelf and resources of the exclusive economic zone to vest in the Union). He added that it needed to be considered whether AOP was different from the operating member. He suggested that the issue should also be discussed with the Petroleum Ministry through the Petroleum Sectoral Group to decide whether profit petroleum should be exempted from GST. The Joint Secretary (TRU-II) stated that the operator and the AOP were two different persons under the erstwhile Finance Act 1994 (which governed Service Tax) and the GST Act. The Secretary suggested that this agenda item could be deferred and studied further. The Council agreed to the proposal.

26. For **agenda item 7(v)**, the Council agreed to defer its consideration till it was studied further.

Agenda Item 7(vi): Payment Process for Tax Deducted at Source under GST

27. Introducing this Agenda Item, the Secretary stated that this issue was discussed in the Officers meeting in the morning and a presentation was made by the Joint Secretary, Department of Revenue (attached as **Annexure 6** of the Minutes). He informed that during the Officers meeting, there was a suggestion by Commissioner (GST Policy Wing), CBEC that generation of challan for TDS for every payment made during a month could be a problem and that it would be advisable to give an option to make one monthly payment of TDS through one challan. The Secretary suggested that the payment process for TDS under GST could be approved by the Council along with the change proposed during the Officers meeting. The Council agreed to the same.

28. For **agenda item 7(vi)**, the Council approved the payment process of Tax Deduction at Source under GST as outlined in the presentation at **Annexure 6** of the Minutes with the modification that the DDO (Drawing and Disbursing Officer) may be given an option of bunching together the TDS deducted from bills on a weekly, monthly or any other periodic basis. However, in case TDS payments are bunched together, the actual expenditure from the relevant expenditure Head of Centre and States shall only be to the extent of payment to the agency/contractor. Drawal from expenditure Head for TDS payment shall be made only when the bunched TDS payment is being made.

Agenda Item 7(vii): Amendment of the Procedure and Conduct of Business Regulation of the GST Council

29. The Secretary informed that the present Procedure and Conduct of Business Regulations of the GST Council did not prevent the conduct of meetings through video conferencing but it would be desirable that a

provision be incorporated in the Regulations to explicitly provide for conduct of the Council meetings through video conferencing. He informed that this issue was discussed in the Officers meeting in the morning and the proposal was approved with certain modifications viz., that where a proposal under discussion was required to be decided by voting, it should be deferred and taken up in the next physical meeting of the Council. In the Officers meeting, it was also agreed that this amendment to the Procedure and Conduct of Business Regulations of GST Council shall be deemed to have come into force with effect from 1 July 2017. The Secretary proposed that the Council may approve the amendment to the Procedure and Conduct of Business Regulations to be made effective from 1 July 2017. The Council approved the same.

29.1. The Secretary informed that the decision of the 19th meeting of the Council held by video conferencing was proposed to be ratified by signature of the Members who attended the meeting by video conferencing on a resolution deciding to recommend increase in the rate of compensation cess on cigarettes. The Hon'ble Members agreed to the same and those who had attended the 19th Meeting of the Council through video-conferencing signed the Resolution.

30. For **agenda item 7(vii)**, the Council approved the following amendment to the Procedure and Conduct of Business Regulations of the GST Council:

(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:

Provided that where a proposal under discussion is required to be decided by voting, it shall be deferred and taken up in the next physical meeting of the Council.

30.1. The Council also approved that this amendment to the Procedure and Conduct of Business Regulations of the GST Council shall be deemed to have come into force with effect from 1 July 2017.

Agenda Item 7(viii): Review of the ceiling rate of the Compensation Cess on motor vehicles

31. Introducing this Agenda Item, the Secretary explained that while fixing the ceiling rate for Compensation cess on motor vehicles, there was a calculation error 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 duty. On account of this, the price of luxury cars had come down. He stated that in order to address this anomaly, the present ceiling rate of 15% Compensation cess on motor cars under Schedule to Section 8 of the Goods and Services Tax (Compensation to a State) Act 2017 would need to be amended. He stated that as a principle, Council could agree that no tax should exceed the rate of 50% and keeping this in view, he proposed that the ceiling rate of Compensation cess on motor cars could be enhanced from 15% to 25%.

32. For **agenda item 7(viii)**, the Council agreed to increase the ceiling rate of Compensation cess on motor vehicles falling under Chapter heading 8702 and 8703 from 15% to 25%.

Agenda Item 7(ix): Special provisions in GST in case of supplies to/from Nepal and Bhutan

33. Introducing this Agenda Item, the Secretary stated that in case of supplies to/from Nepal and Bhutan (landlocked countries), certain provisions under the existing laws were proposed to be continued. The first was that GST should not be leviable on supply of services associated with transit cargo to Nepal and Bhutan in line with the provisions existing prior to GST. The Secretary suggested that the Council could, in principle, approve that GST would not be leviable on supply of such services and the Law Committee could work out the modalities to implement this decision.

33.1. The second proposal was to provide for receipt of payment in Indian rupees for export of services to Nepal and Bhutan. He stated that the proposal was to continue the earlier practice, namely, not to levy GST if services were supplied to Nepal and Bhutan for which payment was received in Indian rupees and to zero rate only such supplies where payment for export was received in convertible foreign exchange. He suggested that the Council could give in-principle approval for the same and the Law Committee would provide a suitable formulation to implement the decision. The Council approved the same.

34. For **agenda item 7(ix)**, the Council approved the following:
- (i) GST shall not be levied on supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries);
 - (ii) GST shall not be levied on services supplied to Nepal and Bhutan for which payment was received in Indian rupees;
 - (iii) Exports to Nepal and Bhutan shall be zero rated only where payment for such exports was received in convertible foreign exchange;
 - (iv) The Law Committee shall provide a suitable formulation to implement the above decisions.

Item 7 (x): Modification in FORM REG-13 to remove mandatory requirement of PAN for Embassies/Consulates and other UN Organizations

35. Introducing this Agenda Item, the Secretary stated that the Ministry of External Affairs has raised an issue that Embassies/Consulates/Diplomatic Missions and other UN organizations and their authorised representatives did not have a Permanent Account Number (PAN) and, therefore, they were facing a challenge to get a Unique Identification Number (UIN) under GST. He stated that this issue was discussed in the meeting of the Law Committee held on 11.07.2017 and the Committee recommended that the mandatory requirement of PAN for Embassies/Consulates/Diplomatic Missions and other UN Organizations or their authorised representatives may be removed and FORM REG-13 may be amended accordingly. He also stated that the proposed revised FORM was placed as part of the Agenda Note for the approval of the Council. The Council approved the proposal.

36. For **agenda item 7(x)**, the Council approved the proposal to remove the mandatory requirement of PAN for giving Unique Identification Number under GST to Embassies/Consulates/Diplomatic Missions and other UN Organizations or their authorised representatives and to amend the FORM REG-13 accordingly.

Item 7(xi): Taxation of rectified spirit/Extra Neutral Alcohol (ENA) under GST

37. Introducing this Agenda Item, the Secretary stated that on the subject of levy of GST on Extra Neutral Alcohol (ENA)/Rectified Spirit supplied for manufacture of alcoholic liquor for human consumption, there was a difference of opinion regarding the Constitutional power of taxation on such goods. Shri Alok Shukla, Joint Secretary(TRU-I), CBEC, further explained that the State of West Bengal and some other States were of the view that in the case of Bihar Distillery Vs Union of India & Others, the Hon'ble Supreme Court clearly recognised the jurisdiction of the States with regard to ENA as ENA could be used by both potable and industrial sector equally. It also recognised that without the control of the State, the ENA/Rectified Spirit meant for industrial sector, if not de-natured, could easily be diverted illegally to the potable sector. On the other hand, the view of the Central Government was that the Bihar Distillery case of 1997 was of a Division Bench of the Supreme Court where the essential question of law to be decided was regarding regulation of industries engaged in manufacture of alcoholic liquors. As against this, there was a Seven Judge Constitution Bench of the Supreme Court in the case of Synthetics and Chemicals etc. vs. State of U.P. and Others wherein the Hon'ble Court had observed as under:-

“The expression ‘alcoholic liquor for human consumption’ was meant and still means that liquor which, as it is, is consumable in the sense capable of being taken by human beings as such as beverage of drinks. Hence, the expression under Entry 84 List I must be understood in this light.”

37.1. The Joint Secretary(TRU-I), CBEC, further explained that the Hon'ble Supreme Court had observed that ethyl alcohol (95%) is not alcoholic liquor for human consumption but can be used as raw material input after processing and substantial dilution in the production of whisky, Gin, Country Liquor, etc. From the ratio of this judgement, it follows that ENA was not outside the ambit of GST and therefore GST could be levied on supply of ENA and not only on denatured ethyl alcohol. In fact, unless exempted, supply of ENA was liable to 9% CGST and 9% SGST under the residual Entry No.453 of the Schedule III of GST notification No.1/2017 dated 28.06.2017 of CGST and SGST respectively. He pointed out that demand of ENA for potable purposes was more than 1000 million litres valued at about Rs. 6,000 crore (at the rate of about Rs. 60 per litre) and at 18% GST rate, it involved a revenue of about Rs.1,100 crore.

37.2. The Secretary suggested that the Council could consider recommending to presently exempt GST on supply of ENA for manufacture of alcoholic liquor for human consumption and to seek legal opinion regarding the taxation jurisdiction of the Centre and the States on alcohol under the amended Constitution in view of the GST. The Hon'ble Minister from West Bengal wanted to know whether in pre-GST regime, Central Excise duty was levied on ENA. He stated that ENA was used for Homeopathy, industry and production of potable

alcohol. He stated that as potable alcohol was outside GST, ENA that was used for making potable alcohol was also outside GST and, therefore, outside the purview of the Council. He stated that only industrial alcohol for use in chemicals and in Homeopathy was under GST. He urged that what was not in GST today, i.e. potable ENA should not be recommended to be exempted from tax by the Council. He suggested that potable ENA should be kept out of any discussion in the Council.

37.3. The Joint Secretary(TRU-I), CBEC, stated that in pre-GST regime, there was no Central Excise duty on ENA and that there was Central Excise duty only on denatured ethyl alcohol. He pointed out that what was outside the GST was alcoholic liquor for human consumption and the issue to be decided was whether ENA supplied for use in the manufacture of potable alcohol was potable alcohol and thus could be considered to be outside GST. He referred to the judgements of the Hon'ble Supreme Court as mentioned above and expressed that two Judge Bench judgement of the Hon'ble Supreme Court could not possibly overrule a seven Judge Bench decision on the same issue wherein it was held that ethyl alcohol of 95% purity could not be consumed as such and therefore could not be termed as alcoholic liquor for human consumption. He also pointed out that if the Council took a view that it could not exempt ENA from GST, then a situation could arise where one manufacturer might like to pay the tax whereas another one might not. Therefore, there was a need to arrive at finality and it would be a reasonable presumption that ENA was under GST and the Council could recommend to exempt it from tax.

37.4. The Hon'ble Minister from West Bengal stated that the origin of potable alcohol was ENA and therefore ENA supplied for manufacture of potable alcohol could be kept out of GST as per the decision of the two Judge Bench of the Hon'ble Supreme Court. The Secretary stated that in order to ensure that no one misused the ratio of the two different judgements of the Hon'ble Supreme Court, it would be desirable to exempt ENA from GST and to take a legal opinion regarding the judgement of the seven Judge Bench to ascertain whether ENA could be regarded as potable alcohol and the legal opinion once received, would be followed.

37.5. The Hon'ble Minister from Karnataka stated that this issue existed even in the pre-GST period and it was tackled by officers of States and Central Excise though there was a scope for evasion even then. He observed that there was very little possibility of leakage of tax on liquor for human consumption as State excise had full control over it and there would be a mechanism in the GST regime to address issues relating to evasion. He also raised the question whether one product, and in particular this one, could exist under both the Union and the State List. The Hon'ble Chief Minister of Puducherry suggested that States could presently administer ENA and the issue could be re-visited after obtaining the legal opinion. The Hon'ble Chairperson stated that an opinion would be taken from the Learned Attorney General of India and till then it would be desirable to agree that as far as ENA supplied for making potable alcohol is concerned, the status quo would continue. He observed that the issue was complicated because of the differing judgements on the same issue. The Council agreed to the same. The Hon'ble Minister from Karnataka stated that the State officers should also get an opportunity to join the briefing to the Learned Attorney General of India to convey their views to him. The Council agreed to this suggestion.

38. For **Agenda Item 7(xi)**, the Council agreed that till an opinion is obtained from the Learned Attorney General of India on the subject, the status quo shall continue, i.e. Extra Neutral Alcohol supplied for industrial purpose shall attract GST at the rate of 18%. Those State officers desirous of joining the briefing to the Learned Attorney General of India on this issue, could do so on the date to be informed by the Joint Secretary(TRU-I), CBEC.

Agenda Item 7(xii): Exemption from IGST on temporary import of goods

39. Introducing this Agenda Item, the Secretary stated that the proposal placed before the Council was that for temporary import of goods, there was a liability to pay customs duty on goods imported and also a liability to pay IGST on lease. He stated that the proposal was not to have double levy and to exempt IGST leviable under Section 3(7) of the Customs Tariff Act on temporary import of machinery, equipment or tools falling under any chapter of First Schedule of the Customs Tariff Act subject to the following conditions:

- (i) The import of such machinery, equipment or tools is covered under item (b) of clause 1 and item (f) of clause 5 of Schedule II of CGST Act, 2017; and
- (ii) IGST is paid at the appropriate rate on such supply of machinery, equipment or tools as import of service.

He recommended that the Council may approve the same. The Council agreed to the same.

40. For **Agenda Item 7(xii)**, the Council agreed to exempt IGST leviable under Section 3(7) of the Customs Tariff Act on temporary import of machinery, equipment or tools falling under any chapter of First Schedule of the Customs Tariff Act subject to the following conditions:

- (i) The import of such machinery, equipment or tools is covered under item (b) of clause 1 and item (f) of clause 5 of Schedule II of CGST Act, 2017; and
- (ii) IGST is paid at the appropriate rate on such supply of machinery, equipment or tools as import of service.

Other Issues:

41. The Hon'ble Minister from Tamil Nadu circulated a written speech during the Council Meeting which was taken on record. He stated that he was happy to note that the Fitment Committee had recommended to exempt/lower the rate of tax for 30 commodities. He observed that in spite of specific request made by the State of Tamil Nadu, the Fitment Committee had not considered many genuine demands which he reiterated strongly. He stated that *Idli/Dosa* batter was not a ready-to-eat food mix but only a mix of wet form of cereal and leguminous flour and therefore it should be exempted from tax. He added that roasted gram which was a main ingredient of *chutney*, another staple food item, was taxed at the rate of 5% and he recommended to exempt it as it could not be equated with *namkeen*, *bhujia* and mixture. He added that the process involved in making roasted grams was only roasting and no additives or preservatives were added and a similar process was

followed in preparation of *muri* (puffed rice) which was exempted from tax. He also proposed to reduce the rate of tax on Phosphoric Acid to 5% as it was a main raw material for manufacture of fertilizers which was taxed at the rate of 5%. He also proposed to reduce/exempt tax on the following goods: (i) Food and drinks; (ii) Rice Bran; (iii) Packaged Drinking Water; (iv) Fishnet and Fishnet Twine; (v) Biscuits; (vi) Wet Grinders; (vii) Weighing Machines; (viii) Compressors; (ix) Furniture; (x) Dried Fish; (xi) Sago; (xii) Common Effluent Treatment Plants; (xiii) Re-cycled plastic; (xiv) Job work relating to leather industry; (xv) Goods used by differently abled persons; (xvi) Motor Cycles (Cess to be levied only for bikes with capacity of more than 500cc); (xvii) Textile Machinery parts; (xviii) Chewing Tobacco; (xix) Bleach liquid; (xx) Pickles; (xxi) Matches; (xxii) Unbranded Sugar boiled confectionery; (xxiii) *Kadalai Mittai* (groundnut sweet); (xxiv) Wires and Cables; (xxv) Pump Sets; (xxvi) Sea Shell and Handicrafts of Seashell; (xxvii) Glass for corrective spectacles; (xxviii) Frames and mounting for Spectacles; (xxix) Tractor attachments; (xxx) Auto parts; (xxxi) Tyre Retreading; (xxxii) Concrete Blocks; (xxxiii) Fly Ash; (xxxiv) Educational Institutions; (xxxv) Amusement Parks; (xxxvi) Weaning Foods through Integrated Child Development Services; (xxxvii) Service tax on insurance; (xxxviii) Packing Machines; (xxxix) Job work service relating to garment, made ups; (xl) Fireworks; (xli) Sanitary Napkins; (xlii) *Korai pai* (Grass mat); (xliii) Silver anklet, silver toe ring and silver waist cord; (xliv) *Mangalsutra* and similar items of wedlock; (xlv) Granite and marble; (xlvi) Silk fabrics; (xlvii) Silk yarn and (xlviii) *zari* made of gold or silver.

41.1. The Hon'ble Minister from Uttarakhand stated that he had repeatedly raised the issue of exempting tax on *kulia*, which was exempted under VAT owing to the fact that it was consumed by the weaker sections of the society. He added that it was generally consumed as a replacement of *khandsari*/sugar. He pointed out that cane jaggery (*gur*), *misri*, *batasha* and *boora* were kept under nil rate under GST. He further added that *kulia* was prepared by *chura* of *batasha* and lower grade sugar/*khandsari*, and hence, it should also be kept at nil rate under GST. He observed that this product did not find mention in the list of goods considered by the Fitment Committee though his State had sent a written suggestion in this regard. He requested that the same should be considered by the Fitment Committee.

41.2. The Hon'ble Minister from West Bengal noted that India's Manufacturing PMI had shrunk to the lowest in the last 9 years and the services had also shrunk to the lowest in the last 4 years and some newspaper reports attributed this partly to the introduction of GST. He suggested that a watch should be kept on this economic trend and some study could also be done.

41.3. The Hon'ble Minister from Goa stated that there was a confusion regarding declared tariff for Hotels as tariff rate varied from season to season. The Hon'ble Chairperson observed that this issue was discussed in the Fitment Committee with the State officials but no agreement could be reached. The Hon'ble Minister from Goa stated that a declared tariff was needed and this position existed in the service tax. The Hon'ble Chairperson stated that as such a provision existed earlier in the Service Tax and VAT, it could be continued in the GST regime.

41.4. The Hon'ble Minister from Odisha stated that tax on *sal* and *siali* leaves and *sabai* grass should be exempt as taxing these goods would affect the livelihood of the tribals of Mayurbhanj district and suggested that the Fitment Committee should examine these items.

41.5. The Hon'ble Minister from Karnataka suggested that the Council Meetings should commence earlier in the day rather than in the afternoon so that more time was available for the Council to discuss the agenda items. The Hon'ble Chairperson responded that this suggestion would be kept in mind.

41.6. The Hon'ble Minister from Punjab suggested that other States should also be allowed to be a member of the Fitment Committee. The Hon'ble Chairperson stated that an invitation would be sent to the State of Punjab to attend the meetings of the Fitment Committee.

Agenda Item 8: Date of the next meeting of the GST Council

42. The Hon'ble Minister from Telangana offered to host the next meeting of the Council in Hyderabad. The Council agreed to this proposal. The Hon'ble Chairperson stated that the next meeting of the Council would be held in **Hyderabad on 9 September, 2017.**

43. The Meeting ended with a vote of thanks to the Chair.

Annexure 1
List of Ministers who attended the 20th GST Council Meeting on 05 August 2017

S No	State/Centre	Name of the Minister	Charge
1	Govt. of India	Shri Arun Jaitley	Finance Minister
2	Govt. of India	Shri Santosh Kumar Gangwar	Minister of State (Finance)
3	Puducherry	Shri V. Narayanasamy	Chief Minister
4	Bihar	Shri Sushil Kumar Modi	Deputy Chief Minister
5	Delhi	Shri Manish Sisodia	Deputy Chief Minister
6	Gujarat	Shri Nitinbhai Patel	Deputy Chief Minister
7	Andhra Pradesh	Shri Yanamala RamaKrishnudu	Minister - Finance, Planning, Commercial Taxes & Legislative Affairs
8	Assam	Shri Himanta Biswa Sarma	Finance Minister
9	Chhattisgarh	Shri Amar Agrawal	Minister, Commercial Taxes
10	Goa	Shri Mauvin Godinho	Minister - Panchayat
11	Haryana	Captain Abhimanyu	Minister - Excise & Taxation
12	Jammu & Kashmir	Dr. Haseeb Drabu	Finance Minister
13	Jharkhand	Shri C.P. Singh	Minister - Urban Development, Housing & Transport
14	Karnataka	Shri Krishna Byregowda	Minister - Agriculture
15	Kerala	Dr. Thomas Isaac	Finance Minister
16	Maharashtra	Shri Sudhir Mungantiwar	Finance Minister
17	Odisha	Shri Shashi Bhusan Behera	Finance Minister
18	Punjab	Shri Manpreet Singh Badal	Finance Minister
19	Rajasthan	Shri Rajpal Singh Shekhawat	Minister, Industries
20	Tamil Nadu	Shri D. Jayakumar	Minister - Fisheries, Finance, Personnel & Admin. Reforms
21	Telangana	Shri K T Rama Rao	Minister - Industries, Municipal administration, mines & IT
22	Uttar Pradesh	Shri Rajesh Agrawal	Finance Minister
23	Uttarakhand	Shri Prakash Pant	Finance Minister
24	West Bengal	Dr. Amit Mitra	Finance Minister

Annexure 2

List of Officials who attended the 20th GST Council Meeting on 05 August 2017

S No	State/Centre	Name of the Officer	Designation
1	Govt. of India	Dr. Hasmukh Adhia	Revenue Secretary
2	Govt. of India	Ms. Vanaja N. Sarna	Chairman, CBEC
3	Govt. of India	Shri Mahender Singh	Member (GST), CBEC
4	Govt. of India	Shri R.K. Mahajan	Member (Budget), CBEC
5	Govt. of India	Shri J P Chawla	Principal Chief Controller of Accounts, CBEC
6	Govt. of India	Shri P.K. Mohanty	Advisor (GST), CBEC
7	Govt. of India	Shri Alok Shukla	Joint Secretary (TRU), Dept. of Revenue
8	Govt. of India	Shri Upender Gupta	Commissioner (GST), CBEC
9	Govt. of India	Shri Udai Singh Kumawat	Joint Secretary, Dept. of Revenue
10	Govt. of India	Shri Amitabh Kumar	Joint Secretary (TRU), Dept. of Revenue
11	Govt. of India	Shri Manish Kumar Sinha	Commissioner, CBEC
12	Govt. of India	Shri G.D. Lohani	Commissioner, CBEC
13	Govt. of India	Shri Vishal Pratap Singh	Joint Commissioner, GST Policy wing
14	Govt. of India	Shri D.S.Malik	ADG, Press, Ministry of Finance
15	Govt. of India	Ms. Sheyphali B. Sharan	ADG, Press, Ministry of Finance
16	Govt. of India	Shri Hemant Jain	OSD to MoS (Finance)
17	Govt. of India	Shri S.K. Rai	Director (UT), Ministry of Home Affairs
18	Govt. of India	Shri G.G. Pai	Director, TRU
19	Govt. of India	Shri Reyaz Ahmed	Director, TRU
20	Govt. of India	Ms. Aarti Saxena	Deputy Secretary, Dept. of Revenue
21	Govt. of India	Shri Pramod Kumar	OSD, TRU
22	Govt. of India	Shri Paras Sankhla	OSD to FM
23	Govt. of India	Shri Ravneet Singh Khurana	Joint Commissioner, CBEC Policy Wing
24	Govt. of India	Shri Arjun Raghavendra M	OSD to Revenue Secretary
25	Govt. of India	Shri Siddharth Jain	Assistant Commissioner, GST Policy
26	GST Council	Shri Shashank Priya	Joint Secretary
27	GST Council	Shri Dheeraj Rastogi	Joint Secretary
28	GST Council	Shri Rajesh Kumar Agarwal	Additional Commissioner

S No	State/Centre	Name of the Officer	Designation
29	GST Council	Shri G.S. Sinha	Joint Commissioner
30	GST Council	Shri Jagmohan	Joint Commissioner
31	GST Council	Ms. Thari Sitkil	Deputy Commissioner
32	GST Council	Shri Rakesh Agarwal	Assistant Commissioner
33	GST Council	Shri Kaushik TG	Assistant Commissioner
34	GST Council	Shri Mahesh Kumar S	Assistant Commissioner
35	GST Council	Shri Mukesh Gaur	Superintendent
36	GST Council	Shri Sandeep Bhutani	Superintendent
37	GST Council	Shri Manoj Kumar	Superintendent
38	GST Council	Shri Shekhar Khansili	Superintendent
39	GST Council	Shri Amit Soni	Inspector
40	GST Council	Shri Anis Alam	Inspector
41	GST Council	Shri Sharad Verma	STA
42	GSTN	Shri Navin Kumar	Chairman
43	GSTN	Shri Prakash Kumar	CEO
44	GSTN	Ms. Kajal Singh	EVP (Services)
45	GSTN	Shri Jagmal Singh	Vice President
46	Andhra Pradesh	Shri J. Syamala Rao	Commissioner (Commercial Taxes)
47	Andhra Pradesh	Shri T. Ramesh Babu	Additional Commissioner (CT)
48	Andhra Pradesh	Shri D. Venkateswara Rao	OSD to Special Chief Secretary
49	Arunachal Pradesh	Shri Tapas Dutta	Asst. Commissioner
50	Assam	Dr. Ravi Kota	Principal Secretary (Finance)
51	Assam	Shri Anurag Goel	Commissioner, Commercial Taxes
52	Bihar	Ms. Sujata Chaturvedi	Principal Secretary & Commissioner, Commercial Taxes
53	Bihar	Shri Arun Mishra	Additional Secretary, Commercial Taxes
54	Bihar	Shri Ajitabh Mishra	Assistant Commissioner
55	Chandigarh	Shri Ajit Joshi	ETC Chandigarh
56	Chandigarh	Shri Sanjeev Madan	ETC Chandigarh
57	Chhattisgarh	Shri Amitabh Jain	Principal Secretary (Finance)
58	Chhattisgarh	Ms. Sangeetha P	Commissioner, Commercial Taxes
59	Delhi	Shri H. Rajesh Prasad	Commissioner, VAT

S No	State/Centre	Name of the Officer	Designation
60	Delhi	Shri Anand Kumar Tiwari	Additional Commissioner
61	Goa	Shri Dipak Bandekar	Commissioner, Commercial Taxes
62	Gujarat	Dr. P.D. Vaghela	Commissioner, Commercial Taxes
63	Gujarat	Shri Sanjeev Kumar	Secretary (Economic Affairs)
64	Gujarat	Ms. Aarti Kanwar	Special Commissioner of State Taxes
65	Haryana	Shri Sanjeev Kaushal	Additional Chief Secretary (Finance)
66	Haryana	Ms. Ashima Brar	Excise & Taxation Commissioner
67	Haryana	Shri Vidya Sagar	Additional Excise & Taxation Commissioner
68	Haryana	Shri Rajeev Chaudhary	Deputy Excise & Taxation Commissioner
69	Himachal Pradesh	Shri Tarun Kapoor	Additional Chief Secretary (Excise & Taxation)
70	Himachal Pradesh	Shri Rakesh Sharma	Dy. Excise and Taxation Commissioner (LTPU)
71	Jammu & Kashmir	Shri Naveen K. Choudhary	Principal Secretary
72	Jammu & Kashmir	Shri P. K. Bhat	Additional Commissioner
73	Jammu & Kashmir	Ms. Anoo Malhotra	Additional Commissioner
74	Jharkhand	Shri. K.K. Khandelwal	Principal Secretary
75	Jharkhand	Shri Sanjay Kumar Prasad	Joint Commissioner
76	Karnataka	Shri Ritvik Pandey	Commissioner, Commercial Taxes
77	Karnataka	Shri M. S. Srikar	OSD, Commercial Taxes
78	Kerala	Dr. Rajan Khobragade	Commissioner, Commercial Taxes
79	Kerala	Shri Anoop. M.	ALO, Kerala House
80	Madhya Pradesh	Shri Raghwendra Kumar Singh	Commissioner, Commercial Taxes
81	Madhya Pradesh	Shri Sudip Gupta	Deputy Commissioner
82	Maharashtra	Shri Rajiv Jalota	Commissioner, Commercial Taxes
83	Maharashtra	Shri Sudhir Rathod	OSD to Finance Minister
84	Manipur	Shri R.K. Khurkishor Singh	Assistant Commissioner
85	Meghalaya	Shri. L. Khongsit	Deputy Commissioner
86	Mizoram	Shri Vanlalchhuanga	Secretary
87	Mizoram	Shri R. Zosiamliana	Deputy Commissioner
88	Nagaland	Shri Wochamo Oduyo	Addl. Commissioner of Taxes
89	Odisha	Shri Ashok KK Meena	Special Secretary
90	Odisha	Shri Saswat Mishra	Commissioner, Commercial Taxes

S No	State/Centre	Name of the Officer	Designation
91	Odisha	Shri Sahadev Sahu	Joint Commissioner
92	Puducherry	Shri G. Srinivas	Commissioner, Commercial Taxes
93	Punjab	Shri V.K. Garg	Advisor to CM
94	Punjab	Shri Anurag Agarwal	Financial Commissioner
95	Punjab	Shri Vivek Pratap Singh	Excise & Taxation Commissioner
96	Punjab	Shri Rajiv Gupta	Advisor (GST)
97	Punjab	Shri. Pawan Garg	Deputy Excise & Taxation Commissioner
98	Rajasthan	Shri Praveen Gupta	Secretary, Finance
99	Rajasthan	Shri Alok Gupta	Commissioner, Commercial Taxes
100	Rajasthan	Shri Ketan Sharma	Joint Commissioner, Commercial Taxes
101	Sikkim	Shri Manoj Rai	Joint Commissioner, Commercial Taxes
102	Tamil Nadu	Dr. C. Chandramouli	Additional Chief Secretary
103	Tamil Nadu	Shri K. Gnanasekaran	Additional Commissioner, Commercial Taxes
104	Telangana	Shri Somesh Kumar	Principal Secretary
105	Telangana	Shri Anil Kumar	Commissioner, Commercial Taxes
106	Telangana	Shri Laxminarayan Jannu	Joint Commissioner
107	Tripura	Shri Ashin Barman	Nodal Officer (GST)
108	Uttarakhand	Shri Shridhar Babu Addanki	Commissioner, Commercial Taxes
109	Uttarakhand	Shri Piyush Kumar	Additional Commissioner, Commercial Taxes
110	Uttar Pradesh	Shri R.K. Tiwari	Additional Chief Secretary (Finance)
111	Uttar Pradesh	Shri Mukesh Kumar Meshram	Commissioner, Commercial Taxes
112	Uttar Pradesh	Shri Vivek Kumar	Additional Commissioner
113	Uttar Pradesh	Shri Niraj Kumar Maurya	Assistant Commissioner
114	Uttar Pradesh	Shri Jitendra Pratap Singh	Assistant Commissioner
115	West Bengal	Shri H K Dwivedi	Principal Secretary (Finance)
116	West Bengal	Ms. Smaraki Mahapatra	Commissioner, Commercial Taxes
117	West Bengal	Shri Khalid A. Anwar	Senior Joint Commissioner

Annexure 3

List of decisions of the GST Implementation Committee (GIC) approved by the Council *post facto*:

- (1) Exemption of levy of IGST on import of aircraft, aircraft engines and other parts brought into India on lease and the decisions implemented under Notification No.65/2017-Customs dated 8 July, 2017 issued by the Department of Revenue, Union Ministry of Finance.
- (2) Amendment to the CGST Act and the IGST Act so as to extend territorial jurisdiction of the said Acts to the State of Jammu and Kashmir [decision implemented by promulgation of the CGST (Extension to Jammu & Kashmir) Ordinance, 2017 and the IGST (Extension to Jammu and Kashmir) Ordinance, 2017 by the Hon'ble President of India on 8th July, 2017].
- (3) Exemption from Compensation Cess under Section 9(4) of the Central Goods and Services Tax Act, 2017 for dealers availing the Margin Scheme. The decision was implemented by issue of Notification No. 04/2017-Compensation Cess (Rate) dated 20 July 2017 issued by Department of Revenue, Union Ministry of Finance.
- (4) Amendment to the CGST Act to provide that the goods moving across the Line of Control (LOC) from Jammu & Kashmir to be declared as deemed export under Section 147 of the CGST Act and to provide that the goods coming from across the LOC shall be charged to CGST and SGST on reverse charge basis under Section 9(3) of the CGST Act. It was noted that notifications for implementing this decision had not yet been issued as concurrence of the other relevant Ministries of the Central Government was awaited.
- (5) Issuance of clarification that as per the provisions of Section 11(2) of the GST Compensation Cess Act, the provisions of Section 16 of the IGST Act, 2017 shall also apply for the purposes of Compensation Cess. The decision was implemented by issuing Circular No.1/1/2017-Compensation Cess dated 26 July, 2017 by the Department of Revenue, Union Ministry of Finance.
- (6) Issuance of the following Circulars and Notification: -
 - (i) Circular No.2/2/2017-GST dated 4 July, 2017 clarifying that RFD-11 can be submitted manually to the jurisdictional Assistant/Deputy Commissioner, until the online facility for its submission is enabled.
 - (ii) Notification No.16/2016-Central Tax dated 7 July, 2017 notifying the class of exporters eligible to file LUT in place of the bond.
 - (iii) Circular No.4/4/2017-GST dated 7 July, 2017 clarifying the procedure for furnishing the bond, and the amount of bank guarantee to be given.
- (7) Proposal to make certain changes in CGST and SGST Rules, as listed below:-

(i) Extension of date for availing composition - It was decided that an amendment in the rules was not required and that this shall be done by an Order drafted by CBEC which would then be circulated to the States to follow suit.

(ii) Extending the date for cancellation of registration - In rule 24(4), the words “thirty days” shall be substituted by 30th September, 2017 and the amendment shall be made effective from 1st July/22nd June (for the purpose of deciding whether it should be 22nd June 2017 or 1st July 2017, view of the Union Law Ministry shall be taken). On the issue of cancellation of PID (Provisional ID), it was decided that till 30th September, no deemed cancellation should be done and in the meanwhile, efforts should be made to contact the taxpayers who have not migrated.

(iii) Exchange rate for invoicing of the export of goods – It was decided that Rule 34 be amended to provide that in case of export of goods, for the purposes of ascertaining value for payment of refund under rule 96 or 96A, the exchange rate for conversion of foreign currency into Indian currency and *vice-versa* shall be the rate notified by the Board under section 14 of the Customs Act, 1962. As far as services are concerned, the applicable rate of exchange will be as per the generally accepted accounting principles at the time of supply.

(iv) Amendment of FORM TRAN-1 - It was proposed to amend the table at Sl. No. 7 in FORM TRAN-1 notifying different categories of suppliers who are required to mention nil, 2 and 4 digits of HSN.

(v) In the second proviso of Rule 83(3), the words “clause (b) of sub-section (1)” have to be replaced with “sub-rule (1)”

(vi) In clause (E) of Rule 89(4), the words “sub-section (112)” has to be replaced with “clause (112)”.

(vii) In the case of export of goods or services - It was decided that in the third proviso to rule 46, the expression “SUPPLY MEANT FOR EXPORT/SEZ ON PAYMENT OF INTEGRATED TAX” OR “SUPPLY MEANT FOR EXPORT/SEZ UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX” shall be substituted by the expression “SUPPLY MEANT FOR EXPORT ON PAYMENT OF INTEGRATED TAX”/ “SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS ON PAYMENT OF INTEGRATED TAX” OR “SUPPLY MEANT FOR EXPORT/ SUPPLY TO SEZ UNIT OR SEZ DEVELOPER FOR AUTHORISED OPERATIONS UNDER BOND OR LETTER OF UNDERTAKING WITHOUT PAYMENT OF INTEGRATED TAX”. Rules shall be amended accordingly.

(viii) Submission of Form GSTR-3B and Form GSTR-3 - GIC approved the proposal and decided that Sub-rule (5) of rule 61 shall be substituted and a new sub-rule (6) shall be added as below:

(5) Where the time limit for furnishing of details in FORM GSTR-1 under section 37 and in FORM GSTR-2 under section 38 has been extended and the circumstances so warrant, the Commissioner shall, by notification, specify that return shall be furnished in FORM GSTR-3B electronically through the common portal, either directly or through a Facilitation Centre notified by the Commissioner.

(6) Where a return in FORM GSTR-3B has been furnished, after the due date for furnishing of details in FORM GSTR-2—

(a) Part A of the return in FORM GSTR-3 shall be electronically generated on the basis of information furnished through FORM GSTR-1, FORM GSTR-2 and based on other liabilities of preceding tax

periods and PART B of the said return shall be electronically generated on the basis of the return in FORM GSTR-3B furnished in respect of the tax period;

(b) the registered person shall modify Part B of the return in FORM GSTR-3 based on the discrepancies, if any, between the return in FORM GSTR-3B and the return in FORM GSTR-3 and discharge his tax and other liabilities, if any;

(c) where the amount of input tax credit in FORM GSTR-3 exceeds the amount of input tax credit in terms of FORM GSTR-3B, the additional amount shall be credited to the electronic credit ledger of the registered person.

Accordingly, Notification No. 17/2017-Central Tax dated 27 July 2017 was issued by CBEC.

(8) To ensure uniformity all Notifications to be notified simultaneously by the Centre and States, a time period of three working days shall be given to the States from the time the draft prepared by CBEC on the basis of decisions of the GIC/GST Council after vetting by the Union Law Ministry, is shared with the States. The GIC agreed that the decision regarding exchange rate for invoicing of the export of goods by amendment to Rule 34 shall be notified with immediate effect.

(9) Amendment to Anti-profiteering provisions in the State GST Rules, as follows:-

(i) For Rule 122, the following shall be substituted, namely;

“122. Constitution of the Authority. - The constitution of the Authority shall be in accordance with the provisions of rule 122 of the Central Goods and Services Tax Rules 2017.”

(ii) For Rule 123, the following shall be substituted, namely;

“123. Constitution of the Standing Committee and Screening Committee. - The constitution of the Standing Committee and Screening Committee shall be in accordance with the provisions of rule 123 of the Central Goods and Services Tax Rules 2017.”

(iii) For rule 124, the following shall be substituted, namely;

“124. Appointment, salary, allowances and other terms and conditions of service of the Chairman and Members of the Authority. - The appointment, salary, allowances and other terms and conditions of service of the Chairman and Members of the Authority shall be in accordance with the provisions of rule 124 of the Central Goods and Services Tax Rules 2017.”

(iv) For rule 125, the following shall be substituted, namely;

“125. Secretary to the Authority. - The Secretary to the Authority shall be in accordance with the provisions of rule 125 of the Central Goods and Services Tax Rules 2017.”

(v) For rule 126, the following shall be substituted, namely;

“126. Power to determine the methodology and procedure. - The power to determine the methodology and procedure of the Authority shall be in accordance with the provisions of Rule 126 of the Central Goods and Services Tax Rules 2017.”

(vi) For rule 137, the following shall be substituted, namely;

“137. Tenure of Authority. - The tenure of Authority shall be in accordance with the provisions of Rule 137 of the Central Goods and Services Tax Rules 2017.”

Annexure 4

Presentation on e-Way Bill Rules and on changes to CGST and SGST Rules



Agenda



- E-Way Bill Rules
- Amendment in Rules

E-Way Bill Rules



- E-way Bill (EWB-01) to be generated when consignment value exceeds one lac rupees
 - Optional if value is less than one lac rupees
- Registered person (RP) to generate E-Way bill as supplier or recipient whether transporting in his own conveyance or hired one or through road/air/railways
 - E-way Bill to be generated by the transporter (if RP has not generated)
- No need of conveyance details when the distance between POB of consignor & of transporter is less than 10 kms within the State

E-Way Bill Rules



- Unique E-way Bill No. (EBN) generated for tracking
- Transporter to update details of conveyance in case of transfer of goods to another conveyance
 - No need of conveyance details when the distance between POB of transporter & of consignee & is less than 10 kms within the State
- Transporter to generate a consolidated E-Way Bill for multiple consignments in one conveyance

E-Way Bill Rules



- E-Way Bill details to be provided to RP so as to furnish details in GSTR – 1
- Provision for cancellation of E-Way Bill provided
 - Cannot be cancelled if verified during transit
- Prescribed time for validity of E-Way Bill in accordance with distance (in KMs)
 - Validity period can be extended by Commissioner
 - In exceptional cases, transporter may generate another e-way bill

E-Way Bill Rules



- Option for acceptance or rejection of E-Way Bill by the registered recipient
 - Deemed acceptance if not accepted within 72 hours
- E-way bill not required
 - List of items mentioned in Annexure I
 - If transported by non-motorized conveyances
 - goods transported from international ports, etc. to hinterland ports for clearance by customs
 - Intra-State supplies within a specific limit as mutually decided by Centre- State

E-Way Bill Rules



- RP may generate Invoice Reference Number (IRN)
 - Valid for 30 days from date of uploading
- In case IRN generated – Part A of EWB-01 to be auto-populated
- Documents & devices to be carried by a person-in-charge of a conveyance
 - Physical Invoice or E-Invoice Generated through GSTN or Delivery Challan or Bill of Supply
 - E-Way Bill or its number

E-Way Bill Rules



- In exceptional circumstances, Commissioner may notify that only tax invoice/ bill of entry/ delivery challan may be carried instead of e-way bill
- Commissioner may notify that a class of transporters to obtain a unique RFID and get the device embedded on the conveyance & mapped e-way bill to RFID
- Commissioner to get RFID readers installed

E-Way Bill Rules



- Commissioner to authorise officers to carry out verification of documents and conveyances
- Online reporting of inspection and verification of documents
 - Interim report within 24 hrs and final report within 3 days
- Generally physical verification only once
- Transporter can upload information of detention for more than 30 minutes

Amendments to be carried in Rules



- Certain Amendments in only CGST / SGST Rules and some amendments in both
- FORM GST TRAN-1 amended to add details of the input tax credit on account of any services received prior to the appointed day by an ISD
- Rule 103 amended to appoint an officer not below the rank of Joint Commissioner as a member of the Authority for Advance ruling
- Form RFD-01 amended to remove HSN / SAC and UQC, remove information from GSTR-1 and GSTR-2 and insertion of instructions

Amendments to be carried in Rules



- Rule 117 (SGST), if any State has added the words “of eligible duties and taxes as defined in Explanation 2 to section 140”, then the same needs to be omitted
- Rule 119 (SGST) needs to be amended as declaration of stock held by a principal and agent, a reference to section 141 is also required as it deals with stock held by principal and job-worker.
- Rule 122, 123, 124, 125, 126 and 137 (SGST) to be amended
 - In the Anti-profiteering provisions in the SGST Rules, instead of cross referencing them to the CGST Rules, provisions of CGST Rules were adopted



Changes proposed in Central Sales Tax Rules

1

Definition of 'goods' in CST Act

- Section 2(d) of the Central Sales Tax Act, 1956, has been amended as follows:
(d) "goods" means — (i) petroleum crude; (ii) high speed diesel; (iii) motor spirit (commonly known as petrol); (iv) natural gas; (v) aviation turbine fuel; and (vi) alcoholic liquor for human consumption;
- This was done to limit the levy of CST on the inter-State sales of only those commodities which are outside the scope of GST.

2

Provisions of Section 8(3) of CST Act

- Section 8(3) of the CST Act:
*(b) are goods of the class or classes specified in the certificate of registration of the registered dealer purchasing the goods as being intended for re-sale by him or subject to any rules made by the Central Government in this behalf, for use by him in the **manufacture or processing of goods** for sale or in the tele-communications network or in mining or in the generation or distribution of electricity or any other form of power;*
- **Therefore, Manufacturers of GST goods cannot procure petroleum products @2% CST from another State, under section 8(3) of CST Act, 1956.**
- This may lead to increase in cost of manufacturing and inflation across the country.

3

Prior to Introduction of GST

- Before the introduction of GST, some States had imposed Entry Tax on procurement of petrol and HSD by manufacturers, which effectively increased the incidence of tax on these goods on inter-State purchases made by manufacturers.
- However, data shows that only 11 States had levied Entry tax at rates higher than 10% on HSD imported by Manufacturers.

4

Rates of Entry Tax on Manufacturers

S. No.	State/Item	HSD	Petrol	S. No.	State/Item	HSD	Petrol
1	Andhra Pradesh	Not leviable	Not leviable	17	Manipur	Not leviable	Not leviable
2	Arunachal Pradesh*	12.50%	20%	18	Meghalaya	Not leviable	Not leviable
3	Assam	4%	Not leviable	19	Mizoram	4%	4%
4	Bihar	16%	16%	20	Nagaland	Not leviable	Not leviable
5	Chhatisgarh	25%	25%	21	Odisha	1%	1%
6	Delhi	Not leviable	Not leviable	22	Puducherry	20%	20%
7	Goa	20%	15%	23	Punjab	8.75%	Not leviable
8	Gujarat	24%	Not leviable	24	Rajasthan	3%	3%
9	Haryana	2%	2%	25	Sikkim	Not leviable	Not leviable
10	Himachal Pradesh	12%	0%	26	Tamil Nadu	22%	30%
11	Jammu & Kashmir	16%	24%	27	Telangana	23%	Not leviable
12	Jharkhand	Not leviable	Not leviable	28	Tripura	Not leviable	Not leviable
13	Karnataka	Not exceeding 5%	Not exceeding 5%	29	Uttar Pradesh	5%	0%
14	Kerala	Not leviable	Not leviable	30	Uttarakhand	Not leviable	Not leviable
15	Madhya Pradesh	25%	25%	31	West Bengal	0%	0%
16	Maharashtra	24% + Rs. 2/lt	26% + Rs. 11/lt	32	Andaman & Nicobar	5%	5%

*100 % ITC available, gets adjusted with VAT liability

5

Representations Received in the Matter

- Ministry of Chemicals and Fertilisers, Government of India: *Adverse impact of Rs. 1000 crores on fertilizer companies*
- Ministry of Steel, Government of India: *Adverse impact of Rs. 535 crores on steel companies*
- Industry:
 - Indian Steel Association
 - Steel Authority of India
 - Sponge Iron Manufacturers Association
 - Bharat Mining and Engineering Company

6

Opinion of DIPP

- Matter was referred to DIPP for examination
- Opinion of DIPP:
The proposal to deny the issuance of C Form under the CST Act would adversely affect the manufacturers due to increase in costs and non-availability of input tax credit. In order to bring uniformity and provide input credit, petroleum products should be brought under the ambit of Goods and Service Tax. Till such time the existing dispensation of C Forms needs to be continued.

7

Proposed Amendment in CST Rules

- Insertion of Rule 2A in the CST (Registration and Turnover) Rules, 1957, and renaming of the said Rules as CST Rules.
- Proposed Rule 2A:
2A. Manufacturer or processor of goods.- For the purposes of sub-section (3) of section 8, manufacture or processing of goods includes manufacturer or processor of all materials, articles, commodities and all other kinds and movable property, other than newspapers, actionable claims, stocks, shares and securities.

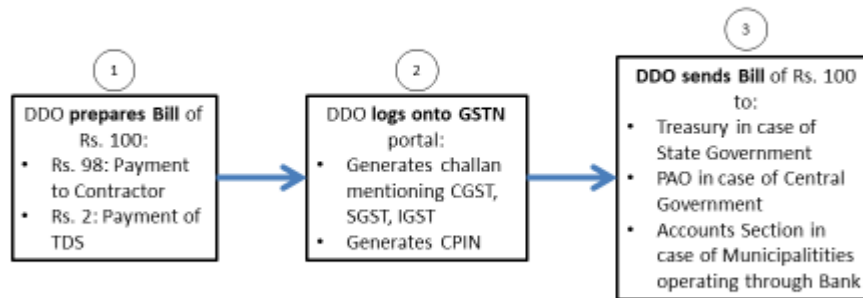
8

Thank You

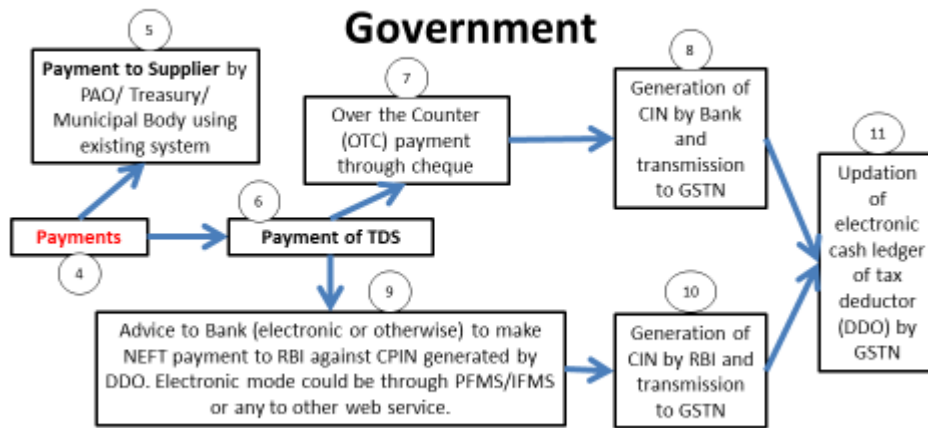
9

TDS Rules

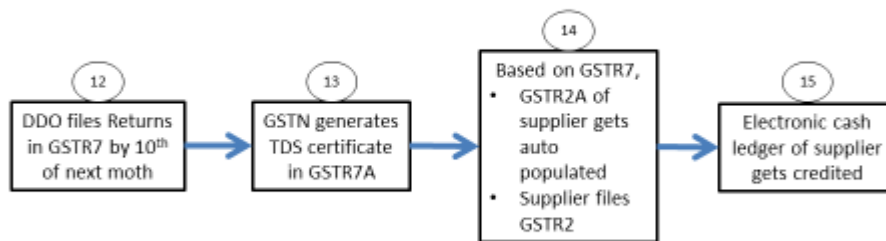
Preparation of Bill and Generation of CPIN



Payment to Supplier and TDS to Government



Filing of Returns by DDO and updating of Cash Ledger of Contractor (Deductee)



Agenda Item 2: Decisions of the GST Implementation Committee (GIC) for information of the Council

1. Between 5 August 2017 (when the 20th GST Council Meeting was held) and 31 August 2017, 2 Meetings of GIC were held – the 7th GIC Meeting on 25 August 2017 and 8th GIC Meeting on 31 August 2017. In addition, due to the urgency involved, certain decisions were taken after obtaining approval by circulation from the Members of GIC. The details of the Meetings of the GIC and decisions taken are given below.

2. Decisions by Circulation – 16 August 2017

2.1. An email was sent to members of GIC on 16 August 2017 with the following agenda items:

- Agenda Note 1 - Amendments to be made to the CGST Rules (some already approved by GST council and others for consideration by GIC)

In this agenda, the following changes to the Central Goods and Services Tax Rules, 2017 were proposed –

- (i) Amendment to Rule 3(4): Extending the time limit to furnish the details of stock held by migrating taxpayer who want to opt to pay the tax under composition scheme from sixty days to ninety days.
- (ii) Amendment to Rule 17(2): Amending the rule for assigning of Unique Identity Number on the recommendation of the Ministry of External Affairs, Government of India
- (iii) Amendment to Rule 40(1)(b): Making provision for the Commissioner to extend the time limit for furnishing the details by a newly registered taxable person for claiming credit of eligible input tax on the stock available by way of a notification and to state that any extension of the time limit notified by the Commissioner of State tax or the Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.
- (iv) Insertion of Rule 44A: for restricting the CENVAT credit of CVD availed at the time of importation of gold dore bar, on the stock of gold dore bar held on 1st of July, 2017 or contained in gold or gold jewellery held in stock on 1st of July, 2017 made out of such imported gold dore bar.
- (v) Amendment of Rule 61(5): To provide for the Commissioner to specify the manner and conditions subject to which the return shall be furnished in FORM GSTR-3B.
- (vi) Amendment of Rule 87(2): Allowing a person supplying online information and database access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 to deposit amount in electronic cash ledger through the Board's Excise and Customs payment system Electronic Accounting System in Excise and Service Tax (EASIEST), from the date to be notified by the Board.
- (vii) Amendment of Rule 87(3): Allowing a person supplying online information and database access or retrieval services from a place outside India to a non-taxable online recipient referred to in section 14 of the Integrated Goods and Services Tax Act, 2017 to deposit amount in electronic cash ledger through international money transfer through Society for Worldwide Interbank Financial Telecommunication (SWIFT) payment network, from the date to be notified by the Board.
- (viii) Amendment of Rule 103: Providing for the Government to appoint an officer not below the rank of Joint Commissioner as member of the Authority for Advance Ruling.

- (ix) Amendment of FORM GST REG-01: Adding serial no.16 in the instructions of the said FORM to read as “Government departments applying for registration as suppliers may not furnish Bank Account details.”
 - (x) Amendment of FORM GST REG-13: Making PAN non-mandatory for entities specified in clause (a) of sub-section 9 of section 25 of the CGST Act and to bring about certain other changes as detailed in the amended FORM in track change mode.
 - (xi) Amendment of FORM GST TRAN-1:
 - i. in Sl. No.7, for the word “and”, the article “,” shall be substituted and after the numbers and figures “140(6)”, the words, figures and brackets “and 140(7)” shall be inserted;
 - ii. in Sl. No. 7, in Table (b), in the heading, after the words, numbers and figures “section 140(5)”, the words, figures and brackets “and section 140(7)” shall be inserted;
 - iii. in Sl. No. 7, in Table (b), for the heading of column (1), the heading “Registration No. of the supplier /Input service distributor” shall be substituted;
 - iv. in Sl. No. 7, in Table (b), in the heading of column (8), after the words “Eligible duties and taxes”, the brackets and words “(central taxes)” shall be inserted.
- Agenda Note 2 - To specify the conditions and date for filing the return in Form GSTR-3B

In this agenda, a notification was proposed to be issued specifying the conditions and date for filing return in FORM GSTR-3B electronically. Accordingly, it was specified that the last date for filing the return in FORM GSTR-3B for the registered persons entitled to avail input tax credit in terms of section 140 of the CGST Act, 2017 read with Rule 117 of the CGST Rules, 2017 but opting not to file FORM GST TRAN-1 shall be on or before 20th August, 2017 while for those registered persons entitled to avail input tax credit in terms of section 140 of the said Act read with Rule 117 of the said Rules and opting to file FORM GST TRAN-1, the last date for filing the FORM GSTR-3B shall be on or before 28th August, 2017. For the second category, the following conditions were proposed to be specified:

- (i) Compute the tax payable under the said Act for the month of July, 2017 and deposit the same in cash as per the provisions of rule 87 of the said Rules on or before 20th August, 2017;
- (ii) file FORM GST TRAN-1 under sub-rule (1) of rule 117 of the said Rules before the filing of GSTR-3B;
- (iii) where the amount of tax payable under the said Act for the month of July, 2017, as detailed in the return furnished in FORM GSTR-3B, exceeds the amount of tax deposited in cash as per clause (i) above, the registered person shall pay the amount of such excess amount in cash in accordance with the provisions of rule 87 of the said rules on or before 28th August, 2017 along with the applicable interest calculated from the 21st day of August, 2017 till the date of such deposit.

A draft notification vetted by the Law Ministry was placed for approval of GIC.

- Agenda Note 3 - Notification under section 54(6), prescribing conditions for grant of provisional refund.

In this agenda, it was proposed that certain categories of registered persons making zero-rated supply of goods or services or both may not be provided the facility for refund on a provisional basis.

2.2. Approval was received from members of the GIC for Agenda Item 1 [Amendments to be made to the CGST Rules (some already approved by GST council and others are for consideration by GIC)] and Agenda Note 2 (To specify the conditions and date for filing the return in Form GSTR-3B) by email.

- GIC approved Agenda Item 1, and accordingly, Notification No. 22/2017 – Central Tax dated 17th August 2017 was issued.
- GIC approved Agenda Item 2 and accordingly, Notification No. 23/2017 – Central Tax dated 17th August 2017 was issued.
- Agenda Item 3 was not approved since some members of GIC felt that the Council could take a decision on this agenda.

3. Decisions by Circulation – 18 August 2017

3.1. An email was sent to members of GIC on 18 August 2017 containing a proposal for extension of the date for filing the return in Form GSTR-3B to 10 September 2017 for registered persons in the State of Jammu and Kashmir. It was mentioned that the Hon'ble Finance Minister of Jammu & Kashmir had requested for this vide letter dated 17 August 2017 since the progress of migration had not yet been completed.

3.2. Approval for the proposal to extend date for filing return in Form GSTR-3B for registered persons in Jammu & Kashmir to 10 September 2017 was received from members of the GIC by email. However, no notification to this effect has been issued.

4. Decisions by Circulation – 19 August 2017

4.1. An email was sent to members of GIC on 19 August 2017 containing a proposal for extension of the date for filing of return in FORM GSTR-3B and date for payment of tax by registered persons for the month of July, 2017 from 20 Aug 2017 to 25 Aug 2017. It was mentioned that concerns had been raised by the trade about whether transitional credit would be available for discharging the tax liability for the month of July and that the figures, as provided by GSTN, showed that only 5,65,000 registered taxpayers had filed the return in FORM GSTR-3B. In addition, States such as Jammu & Kashmir and Bihar had been ravaged by floods. Taking into account all these factors, it was accordingly proposed that the due date for filing of return in FORM GSTR-3B as well as for payment of GST for the month of July, 2017 may be extended till 25.08.2017 for those registered persons who did not intend to file TRAN-1 and avail transitional ITC for discharging their liability for the month of July, 2017.

4.2. Approval for the proposal to extend the date for filing of return in FORM GSTR-3B and date for payment of tax by registered persons for the month of July, 2017 from 20 Aug 2017 to 25 Aug 2017 was received from the members of GIC by email and accordingly, Notification No. 24/2017 – Central Tax dated 21st August 2017 was issued.

5. 7th GIC Meeting – 25 August 2017

5.1. The 7th GIC Meeting was held on 25 August 2017 at Kalpvriksha, North Block in which a few members also participated through Video Conference. The agenda items for the meeting were:

1. Agenda Item 1 – Amendment of Forms and Issuance of Circular
 - a. Amendment in FORM GST ENR-01:
 - i. Information to be filed under only 9 heads, as opposed to 14 in the current format.
 - ii. Details relating to bank account, date of commencement of business, details relating to Proprietor/all Partners/Karta/Managing Directors and whole time Director/Members of Managing Committee of Associations/Board of Trustees etc are omitted.
 - b. Amendment in FORM GST TRAN-02:
 - i. in Serial No. 4, for the words “appointment date”, the words “appointed date” shall be substituted;
 - ii. in Serial No. 5, for the words “credit on”, the words “credit of” shall be substituted.
 - c. Issuance of Circular No. 5/5/2017 dated 11.08.2017 to further clarify the doubts inter alia, about eligibility to file LUT along with its format and time limit to furnish the same and exports to Nepal/Bhutan and SEZs
2. Agenda Item 2 – Amendment to SGST Rules

- a. In rule 117 of the State rules, the words “of eligible duties and taxes as defined in Explanation 2 to section 140” shall be omitted.
- b. in rule 119, -
 - i. in the heading after the words “stocks held by a”, the words “principal and job-worker or” shall be inserted;
 - ii. after the words “the provisions of”, the words and figures “section 141 or” shall be inserted;

3. Agenda Item 3 – Division of taxpayers between Centre and the States

5.2. Following were approved by GIC during the meeting –

1. Agenda Item 1 –

- a. Amendment in FORM GST ENR-01 – GIC approved the amendments to FORM GST ENR-01 as suggested
- b. Amendment in FORM GST TRAN-02 - GIC approved the amendments to FORM GST TRAN-02 as suggested
- c. Ex Post-facto approval for issuance of Circular No. 5/5/2017 dated 11.08.2017 - GIC approved the issuance of notification and circular on ex-post facto basis in light of the need to clarify to trade and industry regarding the procedure to be followed for furnishing LUT or Bond for export.

2. Agenda Item 2 – Proposal to inform the State governments about amendments to be made in SGST rules (Rules 117, 119 and Anti-profiteering provisions in SGST Rules of certain States)

GIC approved the proposed changes to the SGST Rules.

3. Agenda Item 3 – Division of Taxpayers between the States and the Centre

It was decided that the Centre would compile segmented turnover data of Service Tax assesseees having centralized registration and the same shall be shared with members of GIC. Thereafter, a decision regarding division of taxpayers between the Centre and the States could be finalized.

5.3. Notification No.27/2017 – Central Tax dated 30th August 2017 was issued in respect of amendments to be carried in the CGST Rules as per the agenda items 1 and 2 approved by GIC. The Minutes of the 7th GIC Meeting were circulated to the States by email on 26 August 2017 to enable them to issue the notification in respect of changes to be made in the SGST Rules.

6. 8th GIC Meeting – 31 August 2017 & 1 September 2017

6.1. The 8th GIC Meeting was held on 31 August 2017 & 1 September 2017 at New Delhi in which a few members also participated through Video Conference. The agenda items taken up for discussion in the meeting were:

1. Agenda Item 1 – National Anti-Profiteering Authority (NAA)
2. Agenda Item 2 – Approval of Draft Circular on reconciliation of information furnished in FORM GSTR-1 and FORM GSTR-2 with FORM GSTR-3B
3. Agenda Item 3 – Procedure for implementing GST Council decision on single interface

6.2. For Agenda Item 1, on the issue of Work experience for appointment as Technical Members, due to paucity of time, the discussion could not be completed and it was decided that this issue could be discussed in the next meeting of the GST Council. On the issue of Rationalisation of pay of Technical Members of NAA, it was decided to provide that the Technical Member, NAA shall be entitled to his regular salary and allowances as admissible to him when holding an equivalent Group ‘A’ post in the Government of India and in case a retired officer was appointed as Member Technical, NAA, his salary would be fixed as the last pay drawn (as per the recommendation of the 7th Pay Commission) minus the pension being drawn by the retired officer. With regard to Review of performance of the NAA, GIC approved the proposal to remedy a situation of non-performance by the Chairman/Technical Member by terminating his/her service in principle. It was further agreed that the language proposed for amendment of Rule 124 of the CGST Rules should be refined and the Rule should provide that NAA shall give a Report regarding its work to the Council at a prescribed periodicity.

6.3. For Agenda Item 2, GIC approved issue of a circular for clarifying the system-based reconciliation of information furnished in FORM GSTR- 1 and FORM GSTR-2 with the return furnished in FORM GSTR-3B with a few changes as discussed during the meeting. GIC also approved that a separate administrative instruction shall be issued that where the adjustment made by the taxpayer in the returns in FORM GSTR-1 and GSTR-2 as compared to the returns in FORM GSTR-3B was more than a certain percentage, then the same shall be taken up as a risk parameter for Audit/Scrutiny.

6.4. For Agenda Item 3, GIC agreed to the following broad principles for division of taxpayers between the Centre and the States and desired that the State-level coordination committee complete the process of division of taxpayers on the basis below in a time- bound manner:

- (i) For taxpayers registered only under VAT, the total annual State turnover under VAT (including inter-State sales, exports and exempt goods) shall be taken as the basis for division;
- (ii) For taxpayers registered under both VAT and Central Excise, the annual State turnover under VAT shall be taken as the basis for division as State-level Central Excise turnover is already included in it;
- (iii) For taxpayers registered only under Central Excise (and not under VAT), the total annual turnover declared in Central Excise returns shall be taken as the basis for division;
- (iv) For taxpayers registered only under Service Tax in a State on a stand-alone basis, the annual turnover of the Services declared in the Service Tax returns shall be taken as the basis for division;
- (v) For taxpayers registered only under Service Tax having centralized registration, the annual all-India turnover of the Services declared in the Service Tax returns shall be taken as the basis for division;
- (vi) For taxpayers registered under both VAT and Service Tax, the total non-overlapping turnover (total of VAT and Service Tax, excluding any turnover which is included in both) shall be calculated and used as the basis for division. The Service Tax turnover shall be on the basis of clauses (iv) and (v) as the case may be.

7. Decision by Circulation – 4 September 2017

7.1. An email was sent to members of GIC on 4 September 2017 with the following agenda items:

- Extension of time limit for furnishing details in FORM GSTR-1, FORM GSTR-2 and the return in FORM GSTR-3 for the months of July and August, 2017

7.2. It was mentioned that number of taxpayers who have furnished details in FORM GSTR-3B is 43.77 lakh whereas, the number of taxpayers whose details of outward supplies in FORM GSTR-1 have been filed till 4 September 2017 is only 7.66 lakh. Considering the fact that there was a big difference between the numbers of FORM GSTR-3B filed with that of FORM GSTR-1 with 5 September 2017 being the last date for filing the latter, coupled with difficulties being faced by taxpayers in filing of FORM GSTR-1, the Law Committee in its meeting held on 4 September 2017 proposed to extend the time limit for furnishing the details in FORM GSTR-1 and FORM GSTR-2 and the return in FORM GSTR-3 for the months of July and August, 2017 as follows –

Month	Return	Current	Proposed
July, 2017	GSTR-1	1—5 th September, 2017	Upto 10 th September, 2017
	GSTR-2	6—10 th September, 2017	11—25 th September, 2017
	GSTR-3	11—15 th September, 2017	Upto 30 th September, 2017
August, 2017	GSTR-1	16—20 th September, 2017	Upto 5 th October, 2017

	GSTR-2	21—25 th September, 2017	6—10 th October, 2017
	GSTR-3	26—30 th September, 2017	Upto 15 th October, 2017

7.3. Approval was received from members of the GIC for the above agenda item was received and accordingly, Notification 29/2017 dated 5 September 2017 was issued.

8. These decisions of the GST Implementation Committee are put up for information of the Council.

Agenda Item 3: Nomination of Director in the Board of GSTN from Group B (State Governments)

1. As per Article 41 of the Article of Association (AoA) of the Goods and Services Tax Network (GSTN) (relevant extracts placed at **Annexure-A**), the number of Directors on Board including any additional or alternate Director for the time being, shall not be less than two (2) and not more than fourteen (14) at any time. Group-wise details with present status in this regard are as under:

Sl. No.	Name of the entities	Nos. of Members allowed	Present Status / in position
1.	Group - A (Central Government)	3 (three)	(i) Addl. Secy. (Rev.), Deptt. of Revenue (ii) Member (GST), CBEC (iii) Joint Secy. & FA, Deptt. of Revenue
2.	Group - B (State Governments and the EC collectively)	3 (three)	(i) Addl. Secretary, GST Council Sectt. (ii) Addl. Chief Secy, Govt. of Tamil Nadu (iii) Pr. Secy (Fin.), Govt. of West Bengal (vacated)
3.	Group - C (Non-Government Institution collectively)	3 (three)	(i) From LIC Housing Finance Ltd. (ii) From HDFC Bank Ltd. (iii) ICICI Bank Ltd.
4.	Nominated persons of eminence having technical, legal, accountancy or any other professional qualification as Directors	3 (three)	(i) Shri R. Chandrashekar, President, NASSCOM (ii) Shri Anand Sinha, Retired Deputy Governor, Reserve Bank of India
5.	Chairman, GSTN	1 (one)	Secretary (Revenue) – as additional charge
6.	Chief Executive Officer (CEO), GSTN	1 (one)	CEO, GSTN
TOTAL		14	12

2. As per Article 42 of the Articles of Association of the Goods and Services Tax Network (GSTN), Members of Group A (Central Government) and Group B (Empowered Committee of State Finance Ministers (EC) & State Governments collectively) shall be entitled to appoint up to three (3) Directors each.
3. As per Article 48 of the Article of Association, the Directors to be appointed by the Member(s) of Group B shall as far as possible be as: (a) Ex-officio Member Secretary, EC; (b) One person nominated by the Group B; and (c) One person nominated by the Group B.
4. Previously, the EC had been nominating Directors on the Board of Directors of GSTN from Group B. After the passage of Constitution (One Hundred and First Amendment) Act, 2016, as per Article 279A of the Constitution, GST Council has been making all important GST related recommendations to the

Centre and State Governments. Therefore, following decisions of the GST Council made in its 14th meeting held on 18th and 19th May, 2017 was communicated to GSTN:

- (a) To nominate Additional Secretary, GST Council Secretariat as ex-officio Director on the Board of GSTN in place of the erstwhile Member Secretary, EC, and;
- (b) To amend GSTN's Article of Association to the effect that all references to the Empowered Committee of State Finance Ministers may, post amendment, refer to GST Council.

However, decision with regards to 4(b) above is still under implementation in GSTN.

- 5. In terms of Section 167(1)(b) of the Companies Act, 2013, the office of a Director shall become vacant in case he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board. GSTN has informed that Shri H. K. Dwivedi, Principal Secretary (Finance), Govt. of West Bengal was nominated on the Board of Directors of GSTN by Group B (States) under Article 48 of the AoA and his Directorship took effect from 28th July, 2016. Shri Dwivedi did not attend any Board meeting during the period of 28th July, 2016 to 27th July, 2017, therefore, his office of Directorship with GSTN has fallen vacant w.e.f. 27th July, 2017 in terms of Section 167(1)(b) of the Companies Act, 2013.
- 6. It is, therefore, proposed that:
 - (i) henceforth, all nominations by States on the Board of Directors of GSTN may be made by the GST Council, and;
 - (ii) suitably nominate a Director on the Board of Directors of GSTN in place of Shri H. K. Dwivedi, Principal Secretary (Finance), Govt. of West Bengal.
- 7. The Council may consider and approve the above proposals.

THE COMPANIES ACT, 1956
COMPANY NOT FOR PROFIT
(Section 25 Company)
COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION
OF
GOODS AND SERVICES TAX NETWORK

DEFINITIONS

1. In the interpretation of these Articles, the following expressions shall have the following meanings, unless there be in the subject or context anything inconsistent or repugnant thereto:-
 - a) "Act" means the Companies Act, 1956 and includes any statutory modification or re enactment thereof for the time being in force and all rules made there under.
 - b) "Board" means the Board of Directors of the Company.
 - c) "Capital" means the capital raised or authorized to be raised for the purpose of the Company.
 - d) "Central Government" means the Government of India and includes any organization, agency, institution, body or department under it.
 - e) "Chairman" means the Chairman of the Board or the person elected or appointed to preside over the Board or/and General meetings of the Company.
 - f) "Chief Executive Officer" means Chief Executive Officer of the Company.
 - g) "Committee" means a committee duly constituted under these Articles.
 - h) "Company" means **GOODS AND SERVICES TAX NETWORK**, registered under the Act.
 - i) "Director" means a Director of the Company for the time being.
 - j) "EC" means the Empowered Committee of State Finance Ministers constituted as a society under the Societies Registration Act, 1860 for the time being and includes its successors and for the purposes of the Company and these Articles, represents all State Governments in the Company.

(or their nominees) present in such meeting, then such matter(s) shall be decided upon accordingly.

EXCLUSION OF SECTION 171 TO SECTION 186 OF THE ACT

40. Except as otherwise provided in these Articles, nothing contained in sections 171 to 186 of the Act shall apply to the Company.

DIRECTORS

41. The number of Directors on Board including any additional or alternate Director for the time being, shall not be less than two (2) and not more than fourteen (14) at any time.
42. The Members of Group A and Group B shall be entitled to appoint up to three (3) Directors each. In addition, the Chairman shall be nominated through a joint approval mechanism of Central Government and State Governments. Subject to filling of the positions of Directors during the initial period post incorporation of the Company and subject to filling of a casual vacancy in accordance with Article 52 (a) and Article 52 (b), at any point of time, the Directors (including the Chairman) on the Board appointed by the Members of Group A and Group B, collectively, shall not exceed fifty percent (50%) of the total number of Directors present on the Board. The Members of Group A and Group B shall have the power to remove and replace the Directors appointed by them. Subject to filling of a casual vacancy in accordance with Article 52 (a) and Article 52 (b), the number of Directors on the Board to be nominated by Members of Group A and Group B shall always be equal.
- 43 (a) The Members of the Group C shall be entitled to appoint up to three (3) Directors on the Board. The Non-Government Institution which holds maximum equity amongst Member of Group C shall always have the right to appoint one Director and if such Non-Government Institution holds 21% equity in the Company, the Director appointed by such Non-Government Institution shall be a permanent Director on the Board. Subject to the foregoing, the first two Non-Government Institutions that become Members of the Company shall have the right to appoint one (1) Director each in the Company. The Members of the Group C shall have the right to replace their appointed Directors with any other person.
- (b) In case any one or more of the first two Non-Government Institutions that become Members of the Company do not wish to appoint a Director, or fail to appoint a Director, within fifteen (15) days of their becoming a Member, then the Non-Government Institution that subsequently becomes a Member shall have the right to appoint one (1) Director. The process shall be repeated till two (2) Directors are appointed by the Members of the Group C.
- (c) The Non-Government Institutions (Group C of Table I in Article 6) that subsequently become Members of the Company and have not got the right to appoint a Director shall be authorized to appoint a member each

in the Advisory Committee or the IT Advisory Committee, if any, constituted under these Articles.

- (d) The appointees of the Members from the Non-Government Institutions (Group C of Table I in Article 6) on the Board and in Committees, as stated in the sub-clause (a) to (c) of this Article 43, may be rotated inter-se the Board and said Committees if, and in accordance with the terms and procedure, decided by the Board.

44 The person who holds the position of Chief Executive Officer of the Company shall be one of the Directors. The Chief Executive Officer shall be selected through an open selection process.

45 Notwithstanding the foregoing, the Directors in Article 42 - 44 above may, by majority, nominate up to three (3) persons of eminence having technical, legal, accountancy or any other professional qualification as Directors. Further, if any or all of the Members of Group C fail to nominate a requisite number of Directors as per the Articles above, the Board shall have the power to appoint any person as Director till the time such Director is appointed by Member of Group C, provided such Directors do not represent Members of Group A and Group B.

46 If a Member who has nominated a Director as per these Articles transfers its Shares, the Director so appointed by such Member, shall cease to be a Director on the Board from the effective date of such transfer of Shares. If a Member of Group C transfers its Shares, then the other Members of Group C shall immediately nominate a person as the Director in his stead. If a Member of Group C transfers its Shares, the vacancy shall be immediately filled by the other Members of Group C in consultation with the other Directors on the Board.

47. One of the Directors to be appointed by the Member(s) of Group A shall always be Ex-officio Member, CBEC. The other Directors to be appointed by the Member(s) of Group A shall as far as possible be as under:

- (a) Ex-officio Additional Secretary, Department of Revenue, Ministry of Finance; and
- (b) Ex-officio Financial Advisor, Department of Revenue, Ministry of Finance

48. The Directors to be appointed by the Member(s) of Group B shall as far as possible be as under:

- (a) Ex-officio Member Secretary, EC;
- (b) One person nominated by the Group B; and

- (c) One person nominated by the Group B.

49. The first Directors of the Company shall be:

1. Smt. Jane Mary Shanti Sundharam, Member (Computerisation), CBEC
2. Rashmi Verma, Additional Secretary, Department of Revenue, Ministry of Finance
3. Shri. Satish Chandra, Member Secretary, EC
4. Dr. Hasmukh Adhia, Principal Secretary (Finance), Government of Gujarat

50. The Directors shall not be required to hold any qualification shares in the Company.

51. The tenure of Directors appointed in accordance with Article 45 shall be for such period as shall be determined by the Board.

52. (a) If a Director (other than a Director appointed according to Article 45) vacates office as a Director before his term of office for any reasons whatsoever or expires in the normal course, the resulting vacancy shall be deemed to be a casual vacancy and shall be filled immediately by the Board in the next Board meeting, or as soon as possible from the date of occasion of such casual vacancy. Such person so appointed shall retain his office so long only as the vacating director would have retained the same if the vacancy had not occurred. The new Director shall be the representative / nominee of the Member(s) of Group A, Group B or Group C, whose Director has vacated such office and may be reappointed as a Director.

(b) If a Director appointed according to Article 45 vacates office as a Director before his term of office for any reasons whatsoever or expires in the normal course, the resulting vacancy shall be deemed to be a casual vacancy and shall be filled immediately by the Board in the next Board meeting, or as soon as possible from the date of occasion of such casual vacancy, in the same manner as mentioned in Article 45 and the tenure of such new Director shall be the full term commencing his appointment as determined by Board under Article 51.

CHAIRMAN OF THE BOARD

53. After the finalization of the process of the nomination of the Chairman through a joint approval mechanism of Central Government and State Governments, the Secretary in the Department of Revenue, Ministry of Finance, Government of India, shall communicate the name and other details of such nominated person to the Company. On receipt of such communication by the Company, the named functionary shall be deemed to be the Chairman of the Board of Directors without any further act or deed. The Company shall intimate about such appointment to the Registrar of Companies. Till such time, any communication is not received from the Secretary in the Department of Revenue, Ministry of Finance, Government of India, the Directors on the Board

Agenda Item 4: List of Acts of the Central Government and State Governments as per Sections 5 (4) and 5(6) of the Goods and Services Tax (Compensation to States) Act, 2017

1. Section 5(5) of the Goods and Services Tax (Compensation to States) Act, 2017, states as follows: *“The base year revenue shall be calculated as per sub-sections (1), (2), (3) and (4) on the basis of the figures of revenue collected and net of refunds given in that year, as audited by the Comptroller and Auditor-General of India”.*
2. Accordingly, the Accountant General (Audit) of all the States/UTs with Legislature were asked to provide audited figures of revenue collected by the State Government during 2015-16 (Base Year). The figures received from the Accountant Generals have been sent to the State Government for information.
3. As per Section 5 (4) of the Goods and Services Tax (Compensation to States) Act, 2017, *“The Acts of the Central Government and State Governments under which the specified taxes are being subsumed into the goods and services tax shall be such as may be notified.”* The Accountant Generals were also asked to certify the Acts under which the taxes collected had been imposed.
4. Further, as per Section 5(6) of the Act, *“In respect of any State, if any part of revenues mentioned in sub-sections (1), (2), (3) and (4) are not credited in the Consolidated Fund of the respective State, the same shall be included in the total base year revenue of the State, subject to such conditions as may be prescribed.”*
5. The draft Notification for notifying the Acts of the Central and State Governments as per Sections 5(4) and 5(6) of the Goods and Services Tax (Compensation to States) Act, 2017 is put up for approval of the Council.

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Revenue)**

Notification No. /2017 – Goods and Services Tax Compensation

New Delhi, the **September, 2017**
, Saka 1939

G.S.R.(E).— In exercise of the powers conferred by sub-sections (4) and (6) of Section 5 of the Goods and Services Tax (Compensation to States) Act, 2017 (15 of 2017), the Central Government hereby notifies the following Acts of the Central Government and State Governments under which the specified taxes are being subsumed into the goods and services tax:

Acts of Central Government:

1. The Central Sales Tax Act, 1956
2. Duties of Excise on Medicinal & Toilet preparations levied under the erstwhile article 268 of the Constitution

Acts of State Governments:

1. Andhra Pradesh

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Andhra Pradesh VAT Act 2005
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Andhra Pradesh Entertainments Tax Act, 1939 • Andhra Pradesh Horse Racing and Betting Tax Regulation 1358 F • Andhra Pradesh Tax on Luxuries Act, 1987
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Andhra Pradesh Tax on Entry of Motor Vehicles into Local Areas Act, 1996
4	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Andhra Pradesh Rural Development Act 1996

2. Arunachal Pradesh

S. No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Arunachal Pradesh Goods Tax Act, 2005

2	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Arunachal Pradesh Entry Tax Act 2010
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3. Assam

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Assam Value Added Tax Act, 2003
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Assam Amusement & Betting Tax Act, 1939 • The Assam Tax on Luxuries (Hotels & Lodging Houses) Act, 1989
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Assam Entry Tax Act, 2008
4	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Assam Health Infrastructure and Services Development Fund Act, 2009

4. Bihar

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Bihar Value Added Tax Act, 2005
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Bihar Entertainment Tax Act, 1948 • The Bihar Taxation on Luxuries in Hotel Act, 1948
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Bihar Tax on Entry of Goods into Local Areas for Consumption, Use or Sale therein Act, 1993
4	Taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Bihar Advertisement Tax Act, 2007

5. Chhattisgarh

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Chhattisgarh Value Added Tax Act, 2005

2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Chhattisgarh Entertainment Tax & Advertisement Tax Act, 1936 • Chhattisgarh Luxury Tax Act, 1988
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Chhattisgarh Entry Tax Act, 1976

6. Delhi

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Delhi VAT Act, 2004
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Delhi Entertainment and Betting Tax (Amendment) Act and Rules 1996 • The Delhi Tax on Luxury Act and Rules, 1996
3	Taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Delhi Municipal Corporation Act, 1957

7. Goa

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Goa Value Added Tax Act, 2005.
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Goa Entertainment Tax Act, 1964 • The Goa Public Gambling Act, 1976 • The Goa Tax on Luxuries Act, 1988
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Goa Tax on Entry of Goods Act, 2000

8. Gujarat

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Gujarat Value Added Tax Act, 2003
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Gujarat Entertainment Tax Act, 1977 • The Gujarat Luxury Tax Act, 1978
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Gujarat Tax on Entry of Specified Goods into Local Areas Act, 2011

9. Haryana

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Haryana Value Added Tax Act, 2003
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Punjab Entertainment Duty Act, 1955 Haryana Tax on Luxuries Act, 2007
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Haryana Tax on Entry of Goods into Local Area Act, 2008
4*	Taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> Haryana Municipal Corporation Act, 1994

With respect to the amount collected as Taxes on Advertisement which is not accounted in State Finance Accounts as it is collected by local bodies, the Finance Department, Government of Haryana shall be treated as the certifying authority.

10. Himachal Pradesh

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Himachal Pradesh Value Added Tax Act 2005
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Himachal Pradesh Entertainment Acts, 1968 The Himachal Pradesh Luxuries Act, 1979
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010 The Himachal Pradesh Taxation (on Certain Goods Carried by Road) Act, 1999 The Himachal Pradesh Passenger and Goods Taxation Act, 1955
4	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Himachal Pradesh Toll Acts, 1975

11. Jammu & Kashmir

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax and Sales Tax on Services	<ul style="list-style-type: none"> The Jammu & Kashmir Value Added Tax Act, 2005 The J&K General Sales Tax Act, 1962

2	Entertainment Tax	<ul style="list-style-type: none"> The J&K Entertainment Tax (Cinematograph Shows) Act, 1962
3	Entry Tax	<ul style="list-style-type: none"> The J&K Entry of Goods Act, 2000
4	Surcharge on Sales Tax	<ul style="list-style-type: none"> The J&K General Sales Tax Act, 1962

12. Jharkhand

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Jharkhand VAT Act
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Jharkhand Entertainment Tax Act Jharkhand Hotel and Luxury Tax Act
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> Jharkhand Entry Tax Act, 2011

13. Karnataka

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Karnataka Value Added Tax Act, 2003 The Karnataka Sales Tax Act, 1957
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Karnataka Entertainments Tax Act, 1958 The Mysore Betting Tax Act, 1932 The Karnataka Tax on Luxuries Act, 1979
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Karnataka Tax on Entry of Goods Act, 1979

14. Kerala

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Kerala Value Added Tax Act, 2003
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Kerala Tax on Paper Lotteries Act 2005 Kerala Tax on Luxuries Act 1976

3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Kerala Tax on Entry of Goods into Local Area Act 1994
4	Taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Advertisement Tax in Kerala Municipality Act 1994 • Kerala Panchayathi Raj Act 1994
5	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Essential Necessities Cess introduced by section 10 of Kerala Finance Act, 2011 • Mangalyanidhi Cess introduced by section 11 of Kerala Finance Act, 2011 • Section 3(1A) and 3(1AA) of Kerala surcharge on Taxes Act 1957

With respect to the amount collected by local bodies towards tax on advertisement, the Finance Department, Government of Kerala shall be treated as the certifying authority.

15. Madhya Pradesh

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Madhya Pradesh VAT Act, 2002
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Madhya Pradesh Vilasita, Manoranjan, Amod Evam Vigyapan Kar Adhiniyam, 2011
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam, 1976

16. Maharashtra

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Maharashtra Value Added Tax, 2005 • Maharashtra Purchase Tax on Sugarcane Act, 1962 • Maharashtra Forest Development Tax Act, 1983
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Maharashtra Entertainment Duty Tax Act, 1923 • Maharashtra Tax on Lottery Act, 2006 • Maharashtra Betting Tax Act, 1925 • Maharashtra Tax on Luxuries Act, 1987
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Maharashtra Tax on Entry of Goods into Local Area Act, 1987

		<ul style="list-style-type: none"> • Mumbai Municipal Corporation Act, 1888 • Maharashtra Municipal Corporation Act, 1949
4	Taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • Maharashtra Advertisement Tax Act, 1967

17. Manipur

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Manipur Value Added Tax Act, 2004
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Assam Amusement and Betting Tax Act, 1936 (as extended to Manipur)

18. Meghalaya

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Meghalaya Value Added Tax, 2003 • Meghalaya Sales of Petroleum and Petroleum products including motor spirit Taxation Act, except in respect of goods kept outside the ambit of GST
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Meghalaya Amusement and Betting Tax Act • The Meghalaya Tax on Luxuries (Hotels and Lodging Houses) Act, 1991
3	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Meghalaya Cement Cess Act, 2010 • The Meghalaya Clinker Cess Act, 2015

19. Mizoram

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Mizoram Value Added Tax Act, 2005
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Mizoram Entertainment Tax Act, 2013
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Mizoram Entry Tax Act, 2016

20. Nagaland

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Nagaland Value Added Tax Act, 2005 The Nagaland (Sales of Petroleum & Petroleum products including motor spirit and lubricants) Taxation Act 1967 except in respect of goods kept outside the ambit of GST
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Nagaland Amusement Tax Act, 1965 The Nagaland Professions Trades, Calling and Employment Taxation Act, 1968
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Nagaland Entry Tax Act, 2013

21. Odisha

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Odisha Value Added Tax Act 2004
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Odisha Entertainment Tax Act 2005
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Odisha Entry Tax Act, 1999

22. Puducherry

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Puducherry Value Added Tax Act, 2007
2	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Puducherry Sugar Development and Levy of Cess Act, 1965

23. Punjab

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Punjab VAT Act 2005

2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Punjab Entertainment Act, 1955 • The Punjab Tax on Lotteries Act, 2005
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Punjab Tax on Entry of Goods into Local Areas Act, 2000 • The Punjab Municipal Act, 2005 • The Punjab Municipal Corporation Act, 1976
4	Taxes on advertisement or any other tax levied by the concerned State under the erstwhile entry 55 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Punjab Municipal Act, 2005 • The Punjab Municipal Corporation Act, 1976
5	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Punjab Infrastructure (Development & Regulation), Act, 2002 • The Punjab Municipal Act, 2005 • The Punjab Municipal Corporation Act, 1976

With respect to the contribution from VAT to Punjab Municipal Fund (PMF) and Punjab Municipal Infrastructure Development Fund (PMIDF) excluded by the AG as the same was not credited to the Consolidated Fund, the Finance Department, Government of Punjab shall be treated as the certifying authority.

24. Rajasthan

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Rajasthan Value Added Tax Act, 2003
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Rajasthan Entertainments and Advertisements Tax Act, 1957 • The Rajasthan Tax on Luxuries (in Hotels and Lodging Houses) Act, 1990
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The Rajasthan Tax on Entry of Goods into Local Areas Act, 1999
4	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • Chapter XI (Infrastructure Development Cess) of the Rajasthan Finance Act, 2014

25. Sikkim

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Sikkim Value Added Tax Act, 2005 Sikkim Sales Tax Act, 1983
2	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Sikkim Ecology Fund & Environment Cess Act 2005 Sikkim Transport Infrastructure Development Fund (STIDF) Act, 2004

26. Tamil Nadu

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Tamil Nadu Value Added Tax Act, 2006
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Tamil Nadu Entertainments Tax Act, 1939 Tamil Nadu Betting Tax Act, 1935 Tamil Nadu Tax on Luxuries Act, 1981
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990 Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001
4	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> Tamil Nadu Sugar Cane Cess (Validation) Act, 1963

27. Telangana

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Telangana Value Added Tax Act, 2005
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Telangana Entertainments Tax Act, 1939 The Telangana Horse Racing and Betting Tax Regulations, 1358f The Telangana Tax on Luxuries Act, 1987
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Telangana Tax on Entry of Motor Vehicles into Local Areas Act, 1996
4	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to	<ul style="list-style-type: none"> The Telangana Rural Development Act, 1996

	the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	
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With respect to the Advertisement Tax collected by local bodies, for which AG has no data, the Finance Department, Government of Telangana shall be treated as the certifying authority.

28. Tripura

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Tripura Value Added Tax Act, 2004
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Tripura Entertainment Tax Act, 1997 The Tripura Tax on Luxuries in Hotels and Lodging Houses Act, 1990

29. Uttar Pradesh

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Uttar Pradesh Value Added Tax Act, 2008
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Uttar Pradesh Entertainment and Betting Tax Act, 1979 The Uttar Pradesh Tax on Luxuries Act, 1995
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Uttar Pradesh Tax on Entry of Goods into Local Areas (Amendment) Act, 2008

30. Uttarakhand

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Uttarakhand VAT Act, 2005
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> The Uttarakhand Cinema (Regulation) Act, 1955 The Uttarakhand Entertainment and Betting Tax Act, 1979 The Uttarakhand (Uttar Pradesh Taxation and Land Revenue Laws Act, 1975) Adaptation and Modifications Order, 2002
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> The Uttarakhand Tax on Entry of Goods into Local Areas Act, 2008

4	Any cess or surcharge or fee leviable under entry 66 read with entries 52, 54, 55 and 62 of List-II of the Seventh Schedule to the Constitution by the State Government, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The Uttarakhand Cess Act, 2015
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31. West Bengal

S.No.	Type of Tax	Act vide which imposed
1	Value Added Tax or any other tax levied by the concerned State under the erstwhile entry 54 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The West Bengal Value Added Tax Act, 2003
2	Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling or any other tax levied by the concerned State under the erstwhile entry 62 of List-II (State List) of the Seventh Schedule to the Constitution, net of exclusions under clause 5(1) of the GST Compensation Bill	<ul style="list-style-type: none"> • The West Bengal Amusements Tax Act, 1922 • The West Bengal Entertainment cum Amusement Tax Act 1982 • The West Bengal Sales Tax Act, 1994 • The West Bengal Entertainments & Luxuries (Hotels & Restaurants) Tax Act, 1972 • The West Bengal Luxury Tax Act, 1994
3	Entry tax, octroi, local body tax or any other tax levied by the concerned State under the erstwhile entry 52 of List-II (State List) of the Seventh Schedule to the Constitution	<ul style="list-style-type: none"> • The West Bengal Tax on Entry of Goods into Local Area Act, 2012

[F. No. S-31011/03/2014- SO(ST)- Part 1]

(Mahendra Nath)
Under Secretary to the Government of India

Agenda Item 5: Issues recommended by the Law Committee for consideration of the GST Council

Agenda Item 5(i) - Notification with respect to sub-section 6 of Section 54 of Central Goods & Services Act, 2017 (Category of Registered Persons not eligible for refund)

1. As per sub-section (6) of Section 54 of Central Goods and Services Tax Act, 2017 (hereinafter referred to as, “CGST Act”), certain category of registered persons may be notified by the Government, on recommendation of the Council, who shall not be eligible for facility for sanctioning of refund on a provisional basis, in relation to zero-rated supplies.

2. The Law Committee in their meeting held 10.08.2017 and 11.08.2017 has proposed category of registered persons who shall not be eligible for refund as per the sub-section (6) of Section 54 of the Act. The conditions along with the rationale behind the same are explained hereunder-

- i. Any registered person who has been granted registration under the said Act or under the existing law within a period of six months from the date of application for refund.**

Rationale: The rationale behind this condition is to exclude “fly by night” exporters who might misuse the facility of provisional refund. Refund on provisional basis should be available only to genuine exporters. Those who have registered for lesser periods are more susceptible to misuse of this facility. It is understood that time period for which an exporter has been registered with the tax authority can give a good indication about the genuineness of the tax payer.

- ii. Any registered person who has not furnished returns for three consecutive tax periods immediately preceding the date of application for refund.**

Rationale: Filing of returns is a crucial aspect in the entire taxation cycle as it forms the basis for availment of Input Tax Credit, claiming of refunds etc. In the GST regime, where the focus is on mitigation of cascading of taxes, Input Tax Credit availability is a key parameter which itself is based on filing of returns by the supplier and recipient. The importance which has been given to return filing can be gauged from the fact that non furnishing of returns for 6 months is one of the conditions for cancellation of registration as given in clause (c) of sub-section (2) of Section 29 of CGST Act, 2017. It is to be noted that even availment of refund of taxes paid will be dependent upon the filing of return.

3. Therefore, it is proposed that the Hon’ble Council may kindly approve the issuance of notification detailing the conditions mentioned in Para 2 above in relation to ineligibility for availing the facility for sanction of refund as per sub- section (6) of Section 54 of CGST Act, 2017.

Agenda Item 5(ii) - Extension of date for opting for composition till 30th September, 2017 in respect of such migrated taxpayers, who have not exercised their option till 16th August, 2017

1. The Law Committee in its meeting held on 04.09.2017 and 05.09.2017 had proposed extending the date for opting for composition till 30th September, 2017, in respect of such migrated taxpayers who have not exercised their option till 16th August, 2017. It was proposed that such persons may be permitted composition with effect from 1st October, 2017. To give effect to the same, sub-rule (1A) is proposed to be inserted in Rule 3 of the CGST Rules, 2017. The proposed sub-rule shall read as –

*(1A) Notwithstanding anything contained in sub-rule (1), a person who has been granted registration on a provisional basis under rule 24 may opt to pay tax under section 10 with effect from the first day of October, 2017 by electronically filing an intimation in **FORM GST CMP-02**, on the common portal either directly or through a Facilitation Centre notified by the Commissioner, before the said date and shall furnish the statement in **FORM GST ITC-03** in accordance with the provisions of sub - rule (4) of rule 44 within a period of ninety days from the said date:*

*Provided that such person shall not be allowed to furnish the declaration in **FORM GST TRAN-1** after the statement in **FORM GST ITC-03** has been furnished.*

2. Further, as a consequence of the introduction of the said sub-rule, sub-rule (5) of rule 3 of CGST Rules, 2017 would need a consequential amendment to include a reference to sub-rule (1A) as follows –

(5) Any intimation under sub-rule (1) or sub-rule (1A) or sub-rule (3) in respect of any place of business in any State or Union territory shall be deemed to be an intimation in respect of all other places of business registered on the same Permanent Account Number.

3. Similar changes would have to be carried out in the SGST Rules, 2017.

4. The approval of the GST Council is sought for the proposals at para 1, 2 and 3 above.

Agenda Item 5(iii) - Exemption from the requirement of registration to the persons making supplies of handicraft goods in different states

1. Trade and industry from the State of Jammu and Kashmir have requested for an exemption from registration to the persons making supplies of handicraft goods in different States.

2. The Law Committee in its meeting held on 04.09.2017 and 05.09.2017 proposed that small artisans/traders of another State selling handicraft goods in a State may be exempted from the requirement of registration. It was also proposed that instead of granting this facility only to the artisans belonging to J&K, the facility can be extended to artisans of all States.

3. To give effect to this exemption, two notifications have been proposed under sub-section (2) of section 23 of the Central Goods and Services Tax Act, 2017, subject to certain conditions as detailed below -

- (i) The first notification would exempt a person making inter-State taxable supplies of handicraft goods from the requirement to obtain registration subject to the condition that the aggregate value of such supplies does not exceed ten lakh of rupees (*five lakh of rupees in case of Special Category States , other than the State of Jammu and Kashmir*) in a month and the limit of twenty lakh of rupees in a financial year (*ten lakh of rupees in case of Special Category States, other than the State of Jammu and Kashmir*), computed on an all-India basis.
- (ii) The second notification would exempt a casual taxable person making taxable supplies of handicraft goods from the requirement to obtain registration subject to the condition that the aggregate value of such supplies does not exceed ten lakh of rupees (*five lakh of rupees in case of Special Category States , other than the State of Jammu and Kashmir*) in a month and the limit of twenty lakh of rupees in a financial year (*ten lakh of rupees in case of Special Category States, other than the State of Jammu and Kashmir*), computed on an all-India basis.
- (iii) The said exemptions shall be subject to the condition that the person obtains a PAN.
- (iv) The generation of an e-way is to be a prerequisite for availing the said exemptions. Accordingly, the following proviso is proposed to be introduced as the second proviso to sub-rule (2) of rule 138 of the CGST Rules, 2017 –
“Provided also that where handicraft goods are transported from one State to another by a person who has been exempted from the requirement of obtaining registration under clauses (i) and (ii) of section 24, the e-way bill shall be generated by the said person irrespective of the value of the consignment.”

4. Similar changes would have to be carried out in the SGST Rules, 2017.

5. In-principle approval of the GST Council is sought for the proposals at para 3 and 4. Notifications as drafted by the Law Committee shall be got legally vetted by the Union Law Ministry.

Agenda Item 5(iv) - Exemption to a job-worker making inter-State supply of services to a registered person from the requirement of obtaining registration under clause (i) of section 24 of the CGST Act, 2017 and consequential amendments

1. Trade and industry have requested for an exemption from registration to job-workers making inter-State supply of services to a registered person. The Law Committee in its meeting held on 04.09.2017 and 05.09.2017 proposed to exempt a job-worker making inter-State supply of services to a registered person from the requirement of obtaining registration under clause (i) of section 24 of the CGST Act, 2017. This exemption shall not be available if the job-worker is liable to be registered under sub-section (1) of section 22 or opts to take voluntary registration under sub-section (3) of section 25 of the said Act.

2. Further, it was proposed that no exemption from the requirement of e-way bill shall be granted even if the value of consignment is less than Rs. 50,000. In such cases the e-way bill shall be generated by the recipient of the service viz. the principal. Hence, consequential amendments would be needed in rule 138 of the CGST Rules, 2017. In this regard, it is proposed to introduce a proviso to sub-rule (2) of rule 138 of the said rules to read as –

“Provided that where goods are sent by a principal located in one State to a job-worker located in any other State, the e-way bill shall be generated by the principal irrespective of the value of the consignment.”

3. Similar changes would have to be carried out in the SGST Rules, 2017.

4. In-principle approval of the GST Council is sought for the proposal at Para 1, 2 and 3 above. The draft notifications prepared by the Law Committee shall be got legally vetted before issuance.

Agenda Item 5(v) - Notifying the date from which section 51 of the CGST Act, 2017 shall come into force as 18.09.2017 and notifying certain persons or category of persons as deductors under clause (d) of sub-section (1) of section 51 of the said Act

1. The Law Committee in its meeting on 04.09.2017 and 05.09.2017 proposed that section 51 of the CGST Act, 2017, containing provisions for Tax Deduction at Source (TDS) be notified to come into force with effect from 18th September, 2017 with respect to the persons specified under clauses (a) and (b) of sub-section (1) and the persons specified in the notification to be issued under clause (d) of sub-section (1) as the persons liable to deduct tax at source from payments/credits made by such persons with effect from a date to be notified by the Government on the recommendations of the Council. This will enable the registration process to begin while actual deductions may begin when systems and deductors are ready.

2. In this regard, it is proposed that a notification be issued under clause (d) of sub-section (1) of section 51 of the said Act for notifying the following persons or category of persons as deductors -

“(a) an authority or a board or any other body, -

- (i) set up by an Act of Parliament or a State Legislature; or*
- (ii) established by any Government,*

with fifty-one per cent. or more participation by way of equity or control, to carry out any function;

(b) Society established by the Central or State Government or a Local Authority under the Societies Registration Act, 1960;

(c) public sector undertakings;”

3. In principle approval of the GST Council is sought for the proposals at para 1 and 2 above.

Agenda Item 5(vi) - Constitution of the Standing Committee, Screening Committees and National Anti-profiteering Authority (NAA)

1. **Standing Committee on Anti-profiteering:** As decided by the Council in its earlier meeting, the Standing Committee would have four members, one each from Delhi and Haryana States and two from the Central Government (CBEC). Nominations have been received from the States and CBEC. The order establishing the Standing Committee would be issued shortly with the approval of the Hon'ble Union Finance Minister.

2. **State level Screening Committees:** Chief Commissioners of Central Tax have intimated the names of the Central Governments' nominees to respective Chief Secretaries of the States. A confirmation regarding the constitution of the said Screening Committees is awaited from the States.

3. **National Anti-profiteering Authority (NAA):** A Cabinet Note was submitted for creation of the posts of Chairman and Technical Members of the NAA. The consultations thereon highlighted certain issues, which were examined by the GIC on 31.08.2017 and 01.09.2017. The GIC took the following decisions:

(a) **Pay of Technical Members:** There is at present a wide gap between the fixed pay of Rs.2,05,400/- equal to that of an Additional Secretary (HAG+) being offered to a Technical Member and what would be his present salary as Commissioner (SAG). During discussion one view was that as the NAA would be headed by a Secretary-level officer, having a minimum period of experience as Commissioner of State Tax/Central Tax for a Technical Member may be desirable. The experience of say, one or two years could also be in the field of finance, expenditure control, banking, etc. The GIC decided to rationalize the salary gap so that the Technical Member gets his regular salary and allowances, as admissible to him in an equivalent Group 'A' post in the Government of India. Also, in case a retired officer is appointed as Technical Member, his salary could be fixed as the last pay drawn in terms of the accepted recommendation of the 7th. Pay Commission minus his pension. This requires amendment to Rule 124 of the CGST Rules, 2017.

(b) **Review of the performance of the NAA:** The GIC decided to provide a mechanism for the Council to review the performance of the NAA on the basis of prescribed periodic reports. The Council could then, if needed, recommend the termination of the appointment of the Chairman and Technical Members. This requires amendment to Rules 124 and 127 of the CGST Rules, 2017.

4. Further progress in setting up the NAA would be made once the above issues are finalized.

5. In this regard, it is proposed to amend rules 124 and 127 of the CGST Rules, 2017 as below –

(i) In rule 124,

(a) for sub-rule (3), the following shall be substituted, namely: -

"(3) *The Technical Member shall be paid a monthly salary and other allowances and benefits as are admissible to him when holding an equivalent Group 'A' post in the Government of India:*

Provided that where a retired officer is selected as a Technical Member, he shall be paid a monthly salary equal to his last drawn salary reduced by the amount of pension in accordance with the recommendations of the Seventh Pay Commission, as accepted by the Central Government."

(b) in sub-rule (4), after the first proviso, the following shall be inserted, namely: -

"Provided further that upon the recommendations of the Council, the Central Government may terminate the appointment of the Chairman at any time."

(c) in sub-rule (5), after the first proviso, the following shall be inserted, namely: -

"Provided further that upon the recommendations of the Council, the Central Government may terminate the appointment of a Technical Member at any time."

(ii) in rule 127, insert clause (iv), as follows. -

"(iv) to furnish a performance report to the Council by the tenth of the close of each quarter."

6. Similar changes would have to be carried out in the SGST Rules, 2017
7. Approval of the GST Council is sought to carry out the proposals at para 5 and 6 above.

Agenda Item 5(vii) - Transitional provisions and filing of FORM GST-TRAN-1

The issue of filing a revised FORM GST TRAN-1 was discussed in the Law Committee on 04.09.2017 and 05.09.2017 and the following proposals are made:

1. Revision of TRAN-1: -

(i) Section 140 of the CGST Act, 2017 read with rule 117 of the CGST Rules, 2017 contains transitional provisions for carrying forward credit of tax on inputs, input services and capital goods. As per rule 117, every registered person entitled to take credit of tax under Section 140 shall within ninety days from the appointed date submit a declaration in FORM GST TRAN-1. However, the statute does not provide any specific provision for revision of FORM GST TRAN-1.

(ii) Feedback received from the trade suggests that lots of assesseees have made errors in filing FORM GST TRAN 1 and with no specific provisions allowing revising of the same there is confusion among the trade regarding further course of action.

(iii) Additionally, an assessee may have to revise FORM GST TRAN-1 filed once, as additional credits may become available in due course after filing of FORM GST TRAN-1.

(iv) It is therefore felt that that a provision for one-time revision of FORM GST TRAN-1 within three months from the appointed date or such extended time as may be notified in relation to FORM GST TRAN-1 already filed, may specifically be provided in the rules. A new sub rule (2A), may be inserted in rule 117 of CGST Rules, 2017, to state the following:

“Every registered person who has submitted a declaration electronically in FORM GST TRAN-1 within the time period prescribed in sub-rule (1) may revise such declaration once and submit the revised FORM GST TRAN-1 within the time period prescribed in the said sub-rule or such extended period as may be notified by the Commissioner.”

(v) The draft rule would be finalised in consultation with Ministry of Law and *pari materia* changes in SGST rules would also be required to be made.

2. Credit under Section 140 (9) in TRAN-1: -

(i) Section 140 (9) of the CGST Act, 2017 provides that where any CENVAT credit availed for the input services provided under the existing law has been reversed due to non-payment of the consideration within a period of three months, such credit can be reclaimed subject to the condition that the registered person has made the payment of the consideration for that supply of services within a period of three months from the appointed day. In such cases under service tax, revised return was filed to claim such credit subsequently.

(ii) To make such credit available during transition, it is proposed that the heading of Table 5(a) of Form GST TRAN 1 may be amended to include credit flowing from section 140 (9). The revised heading may read as: -

“Amount of tax credit carried forward to electronic credit ledger as central tax (Section 140 (1), Section 140 (4) (a) and Section 140(9))

(iii) Further an instruction may be added in relation to filling Form GST TRAN 1 to say that “CGST credit in terms of Section 140(9) shall be availed in column 6 of table 5 (a)”.

(iv) It may also be noted that the issue relates to only CGST credit and not to SGST credit.

3. Credit of CTD under TRAN-1:-

(i) Trade has expressed doubts regarding procedure for filing of FORM GST TRAN-1 for availing credit through CTD (Credit Transfer Document) notified under CENVAT Credit Rules, 2017. In this regard, it may be noted that CTD is akin to an invoice for availing credit. Therefore, the details of CTD may be filled in row for “inputs” under table 7A of FORM GST TRAN-1 in the same manner as is filled for a situation where an invoice is available for inputs.

(ii) To achieve this, in the heading for table 7A, after the words “invoices”, the words “(including CTD)” shall be added to bring clarity.

(iii) Instruction may also be added that a registered person availing credit through CTD shall file FORM GST TRAN-3 also besides availing credit in table 7A under the heading “inputs”.

(iv) It may also be noted that the issue relates to only CGST credit and not SGST credit.

4. The approval of the GST Council is sought for the proposals at para 1, 2 and 3 above.

Agenda Item 5(viii) - Changes in Central Goods and Service Tax Rules, 2017

1. Certain changes are required in the GST forms as detailed below –

(a) It was noticed by the GST Policy Wing that in the CGST Rules, in **FORM GSTR-4**, in table 8, the entry at 8B(2) reads as “Intra-State Supplies (Rate Wise)”, whereas it should read as “Inter-State Supplies (Rate Wise)” since the entry at 8B(1) already captures the Intra-State Supplies details. This typographic mistake is sought to be corrected.

(b) The Law Committee in its meeting held on 04.09.2017 and 05.09.2017 proposed that a note should be inserted in FORM GST EWB-01 to read as –

“The details of bill of entry shall be entered in place of invoice where the consignment pertains to an import.”

2. Similar changes would have to be carried out in the SGST Rules, 2017

3. Approval of the GST Council is sought to carry out the proposals at para 1 and 2 above.

Agenda Item 6: Approach Paper on Principles for Fitment post implementation of GST

The GST Council in its 4th Meeting (held on 3-4 November, 2016) had set the following guiding principles in respect of bands of rates of GST and GST Compensation mechanism to be followed by the Fitment Committee, namely: -

- (i) There shall be a category of goods which shall be exempt from GST and this will include items like food grains;
- (ii) There shall be a low band of tax rate of 5% and would generally cover goods which presently attract combined tax rate of Central Excise and VAT (including cascading on account of these two taxes) between 3% and less than 9%. Such goods are normally consumed by the vulnerable sections of the society or have high impact on inflation;
- (iii) There shall be a standard tax rate of 12% and would generally cover goods which presently attract combined tax rate of Central Excise and VAT (including cascading on account of these two taxes) between 9% and less than 15%;
- (iv) There shall be another standard tax rate of 18% and would generally cover goods which presently attract combined tax rate of Central Excise and VAT between 15% and less than 21% (including cascading on account of these two taxes);
- (v) There shall be a higher band of tax rate of 28% and would generally cover goods which presently attract combined tax rate of Central Excise and VAT equal to or more than 21% (including cascading on account of these two taxes);

1.1 The Council also recommended that a Committee of officers of Central Government and State Governments shall carry out an exercise of fitment of goods in various slabs, namely, exempted category, lower rate, the two standard rates and the higher rate on the basis of the principles enumerated at S. No. (i) to (v) above, which are indicative and not fixed rules. The Council also recommended that for fitment in the slab rates of 12% and 18%, the Committee of officers shall take into account the current economic and social realities. The Council also recommended that the Committee of officers shall also examine as to what items presently attracting a combined VAT and Central Excise tax incidence of 28% or above could be put into 18% rate slab taking into account the present context in which goods earlier considered as luxuries are now largely used by all segments of society.

2. Accordingly, the Fitment Committee consisting of the Central Government and 10 State Governments met on three occasions (for a total of six days) and finalised its recommendations on GST rate structure, taking into account the pre-GST tax incidence on account of Central Excise, Service Tax and VAT (including cascading on account of these taxes) as well as embedded taxes and the incidence of CST, Octroi, Entry Tax, etc. In certain cases, the Committee had recommended lower GST rates, vis-à-vis pre-GST tax incidence (including embedded taxes) taking into consideration:

- (a) the current economic and social realities;
- (b) ensuring moderate tax incidence on items of common use; and
- (c) ensuring standard GST rate of 18% for intermediates and capital goods.

In respect of the rates of Compensation Cess, the Committee was largely guided by the pre-GST tax incidence.

3. Pre-GST changes in GST rate structure:

3.1 Based on the recommendations of the Fitment Committee, the GST Council deliberated upon the rate structure for goods [including the list of exemptions and rates of Compensation Cess] in its 14th

Meeting held on 18th and 19th May, 2017. Certain decisions regarding the rate structure on textiles, branded cereals, flour and pulses, puja samagri, etc. were taken in the 15th Council Meeting held on 3rd June, 2017.

3.2 Further, as decided by the GST Council in its Meeting held on 3rd June, 2017, the Fitment Committee met on the 7th and 8th June, 2017 to examine the representations received consequent to declaration of the GST rates as approved by the GST Council in its 14th Meeting held in Srinagar on 18th and 19th May, 2017. During the aforesaid meeting, GST rate related representations received by the Central Government and/or State Governments were examined by the Fitment Committee, generally with reference to the pre-GST tax incidence [estimated on the basis of 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.]. Based on the pre-GST tax incidence so estimated and as per the mandate of the Fitment Committee stipulated by the GST Council, the Fitment Committee made certain recommendations for changes in the rate structure which had been decided by the GST Council in its earlier meetings. The GST Council deliberated and approved the recommendations of the Fitment Committee in its 16th Meeting held on 11th June, 2017.

3.3 Certain changes in the rate structure were again recommended by the GST Council in its 17th Meeting held on 18th June, 2017 [dried *singhada*, *makhana*, all types of jaggery, including date jaggery and *Neera* including date and palm *Neera*], and in its 18th Meeting held on 30.06.2017 [fertilisers from 12% to 5%].

4. Post-implementation of GST examination for changes in GST rate structure:

4.1 Post-introduction of GST with effect from 01.07.2017 a number of representations were received from various stakeholders regarding GST rates on various goods 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, and a list of issues flagged for discussion by the Fitment Committee in its meeting on 25th July, 2017 was circulated to the members of the Fitment Committee.

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

4.2 In addition, issues flagged by various States namely, Nagaland, Haryana, Telangana, Chhattisgarh, Kerala, Puducherry, Andhra Pradesh, Rajasthan, West Bengal, Gujarat, Maharashtra, Tamil Nadu, Karnataka and Uttar Pradesh were compiled by West Bengal and circulated in the Fitment Committee, along with comments to facilitate discussion on issues listed therein.

4.3 The Fitment Committee met on 25.07.2017, 31.07.2017 and 01.08.2017 and discussed in detail on the issues flagged in aforesaid broadsheets, and finalised its recommendations regarding changes in the GST rates on certain goods. Based on the same, a detailed agenda note with the following two Annexures was circulated for consideration of the Council in its meeting on 5th August, 2017:

- (1) **Annexure I** containing certain recommendations for change in the GST rates of certain goods.

- (2) **Annexure II** containing a list of goods where the Fitment Committee had not recommended any change or had suggested that suitable FAQ may be issued to clarify the doubts relating to classification and rate of goods.

4.4 The GST Council in its 20th meeting held on 05.08.2017 considered the aforesaid recommendations of the Fitment Committee. However, taking note of the fact that the time available was not sufficient for discussion on the proposals for changes in GST rates of goods as recommended by the Fitment Committee, the GST Council deferred the discussion on the proposals on goods to the next meeting of the Council, except the proposal regarding GST rate on tractor parts. During the meeting Shri R.K. Tiwari, Additional Chief Secretary (Finance), Uttar Pradesh, suggested that in order to take a more considered view on the tax rate related proposals, details such as (i) Pre-GST incidence of tax (ii) Estimate of likely revenue loss due to proposed reduction in tax rate (iii) Detailed minutes of the Fitment Committee should be shared in advance. The Hon'ble Minister from Assam also stated that States should get a chance to know how much revenue was being lost by the States on account of a proposal for tax reduction in a commodity, which is also important for the Central Government as such revenue loss would need to be compensated by the Central Government. In this context, the Hon'ble Minister from Jammu & Kashmir stated that there should be some rational basis for recommending rates of tax; the Fitment Committee's recommendations had been *ad hoc* and advised against responding to pressures for rate reduction; the comments in respect of items like *Saree Fall* (S. No.15 of Annexure I of Agenda Notes, Volume-1) that it is like a fabric used to ensure proper fall in Sarees" and Custard powder (S.No.5 of Annexure I of Agenda Notes, Volume-1) that it is "used by lower and middle income families" did not appear rational. He also stated that *puja samagri*, *hawan samagri*, etc. were appearing frequently as proposals for rate reduction. He suggested that fixation of rates should be attempted in a more refined fashion and floor rate could be considered for fixation through a method of statistical distribution under a Sub-Committee of Hon'ble Ministers.

5. Way forward:

5.1 From the above, it may be seen that the Fitment Committee has already deliberated and examined two tranches of representations, one after announcement of GST rates and before implementation of GST, and the other after implementation of GST. While the changes in the GST rates recommended by the Fitment Committee in the first tranche were largely with reference to the calculation of pre-GST tax incidence with changes in the GST rates on grounds of common use and rationalisation being an exception, the changes in the GST rates recommended by the Fitment Committee in second tranche were largely with on the grounds of items of common use and rationalisation of rates and changes in GST rates with reference to the incorrect calculation of pre-GST tax incidence being an exception.

5.2 Therefore, as an inference, it appears that the present GST rate structure more or less reflects the pre-GST tax incidence on most of the goods, and any future review of the GST rate structure will, thus, be as per the perspective of policy objectives which the GST Council seeks to achieve from the GST rate structure of goods, rather than a mere fitment exercise.

5.3 In the above context, the following basic principles regarding GST rates on goods may be relevant for any future review of rates:

- a) The GST regime envisages a common market allowing for a free flow of ITC, thereby eliminating cascading of input taxes. Therefore, exemptions which break the ITC chain and result in cascading of input taxes should be kept to a bare minimum. In any case, the threshold exemption

limit of Rs.20 lakh and the threshold turnover of Rs.75 lakh for the Composition Scheme under the GST regime should take care of the compliance issues for small tax payers and tax incidence on goods supplied by them.

- b) Goods of local importance were exempt from VAT in various States. However, goods of local importance in one State may not be so in other States. In any case, such exemptions will not be in tune with GST, with underlining principle of One Nation One Tax. Further, the concerns of small dealers of such goods will in any case be taken care of by the Threshold Exemption and Composition Scheme. That being so, if any particular State desires to incentivize certain goods of local importance [for dealers with turnovers beyond the Threshold Exemption and Composition Scheme], it would be desirable that the same is done using a direct subsidy, rather than exemption from GST or reduction in GST rate.
- c) As per the National Treatment principle of WTO, imported and locally-produced goods should be treated equally. Nil GST on any goods, thus, results in Nil IGST on imports of such goods [thereby zero-rating imports] while similar domestic goods continue to bear the input taxes cascaded into their cost. Thus, Nil GST on any goods results in negative protection for the domestic goods, and goes against 'Make in India' policy. Thus, as a rule no manufactured goods shall be fully exempt from GST.
- d) In a similar way, concessional GST rate on any goods [lower than the GST rate on inputs for such goods] may result in accumulated/unutilised input tax credit. Though the GST law provides for refund of such unutilised ITC [unless otherwise blocked, as in case of fabrics], the same has its associated financial and administrative costs, and adds to the compliance burden for domestic dealers, putting them at a disadvantage vis-à-vis imports. Fertilizers and agarbattis are some such examples.
- e) Considering that the present GST rate structure reflects more or less the pre-GST tax incidence, it would be desirable to let the goods prices settle with the present GST rates and seamless flow of input tax credits. Already, there are concerns that the benefit of tax incidence reduction in GST or allowing full input tax credit across the value chain is not being passed on to the consumer. In such a situation, further changes in GST rates on goods, before the post GST introduction prices get settled, would not be advisable.
- f) Hence, any further changes in GST rates on goods may be considered only after a reasonable time gap, say three months. By then post GST prices will settle down and some reliable commodity wise value and revenue data will also be available, which in turn will enable a more meaningful analysis before considering any change in the rates.
- g) If the objective is to ultimately converge towards a single [say 18%] or two rates [12% and 18%] GST, it would be appropriate not to alter any rate which is at or below 18% GST. Any change in the GST rate on such goods will be against such long-term objective of a single rate/two rates GST.
- h) In respect of goods attracting 28% GST, the review may be done after a reasonable time gap of say three months based on the GST data, on the following lines:
 - a. Goods which satisfy the following criteria may not be considered for review, namely: -
 - i. Goods that yield high revenue;
 - ii. Luxury goods;
 - iii. Goods having negative externality;
 - iv. Sin goods.

- b. Goods which satisfy any of the following criteria may be considered for review subject to the revenue yardstick, namely: -
- i. Goods of mass consumption / public interest;
 - ii. Intermediate goods which are in the nature of B2B supplies
 - iii. Goods predominantly manufactured in the unorganised MSME sector;
 - iv. Export related items.

Based on the criteria, suitable guide lines for review of 28% GST rate may be formulated, with an aim to rationalise rates, with priority for items of consumption by common man and keeping in view the revenue impact of such changes.

6. Further, it has been observed that States are forwarding a huge number of representations, generally without any prior examination of the issues involved and without any recommendation from their side. It would be advisable that before forwarding any representation relating to rate changes, the State concerned does a preliminary analysis of the issue involved based on the principles to be enunciated by the GST Council and then forward the same with their recommendations along with supporting data, such as pre-GST tax incidence, estimated market size of goods concerned, estimated revenue loss on account of proposed change.

7. In the above background, it is felt that the way forward could be that the GST Council lays down the following principles:

- (1) To ensure a free flow of ITC, exemptions which break the ITC chain and result in cascading of input taxes should be kept to a bare minimum.
- (2) If any particular State desires to incentivize certain goods of local importance [for dealers with turnovers beyond the Threshold Exemption and Composition Scheme], it would be desirable that the same is done using a direct subsidy, rather than exemption from GST or reduction in GST rate.
- (3) As Nil GST on manufactured goods results in negative protection for the domestic goods, and thus goes against 'Make in India' policy, as a rule, no manufactured goods shall be fully exempt from GST.
- (4) As concessional GST rate on any goods [lower than the GST rate on inputs for such goods] results in additional costs to domestic dealers, putting them at a disadvantage vis-à-vis imports, concessional GST on goods lower than the GST rate on inputs should be generally discouraged.
- (5) Considering that the present GST rate structure reflects more or less the pre-GST tax incidence, it would be desirable to let the goods prices settle with the present GST rates and seamless flow of input tax credits. In view of the concerns that the benefit of tax incidence reduction in GST or allowance of full input tax credit across the value chain is not being passed on to the consumer, further changes in GST rates on goods, before the prices get settled post introduction of GST, would not be advisable.
- (6) Any further changes in GST rates on goods may be considered only after a reasonable time gap, say three months. By then post GST prices will settle down and some reliable commodity wise value and revenue data will also be available, which in turn will enable a more meaningful analysis before considering any change in the rates.
- (7) Thus, to ensure a meaningful and objective analysis of the costs and benefits of any intervention in GST rates and with an objective to converge towards a single [say 18%] or two rates [12% and 18%] GST, any further changes in GST rates on goods based on policy objectives rather than pre-

GST tax incidence on goods may be considered only after a reasonable time gap, say three months.

- (8) However, for any further changes in GST rates on goods based on pre-GST tax incidence on goods, the following procedure may be adopted:
- (a) Each State or Centre makes a list of goods where representations have been received seeking reduction in GST rates.
 - (b) Each State mentions VAT rates of different States for such goods and the Centre mentions the central excise duty rate for such goods.
 - (c) Considering the methodology adopted by the Fitment Committee, the pre-GST tax incidence is worked out.
 - (d) In case where the pre-GST tax incidence does not fall in the bracket as provided by the GST Council for the present GST rate, the GST rate may be considered for suitable modification keeping in view the overriding principles of (1) to (5) above.
- (9) Further, in respect of goods attracting 28% GST, the review may be done after a reasonable time gap of say three months based on the GST data, on the following lines:
- (a) Goods which satisfy the following criteria may not be considered for review, namely: -
 - i. Goods that yield high revenue;
 - ii. Luxury goods;
 - iii. Goods having negative externality;
 - iv. Sin goods.
 - (b) Goods which satisfy any of the following criteria may be considered for review subject to the revenue yardstick, namely: -
 - i. Goods of mass consumption / public interest;
 - ii. Intermediate goods which are in the nature of B2B supplies;
 - iii. Goods predominantly manufactured in the unorganised MSME sector;
 - iv. Export related items.

Based on the above criteria, the Council may consider suitable guide lines for review of 28% GST rate, with an aim to rationalise rates, with priority for items of consumption by common man and keeping in view the revenue impact of such changes.

Agenda Item 7: Recommendations of the Fitment Committee on goods and services
(Outstanding Agenda Item from 20th GST Council Meeting)

1. In the 20th GST Council Meeting held on 5 August 2017, it was decided to discuss the following proposals of the Fitment Committee in the next (i.e. 21st) GST Council Meeting –

- i. Goods listed at Annexure I and Annexure II of the detailed Agenda Notes (Volume 1) under Agenda item 5 for the 20th Council Meeting. It may be recalled that Annexure II relating to goods (List of issues discussed by the Fitment Committee) was further sub-divided into Annexure IIA (Slight Changes Proposed) and Annexure IIB (No Change Proposed) and circulated on the table during the 20th GST Council Meeting.
- ii. Annexure II in Volume-2 of the Agenda Notes circulated for the 20th Council Meeting (relating to Agenda Item 5) containing proposals for reduction in the GST rate on specified services which the Fitment Committee did not find acceptable

2. In respect of S. No. 74 of Annexure II of the Detailed Agenda Notes for Agenda Item 5 (Fitment Recommendations-Goods) for the 20th GST Council Meeting relating to Indigenous handmade musical instruments (HS Code 92) which attracts Nil rate of GST, it was indicated that in order to remove ambiguity, there was a need to define “Indigenous handmade musical instruments”. In this context, the Fitment Committee observed the following -

- i. West Bengal may provide a list of Indigenous handmade musical instruments
- ii. The entry in notification can be modified to say Indigenous handmade musical instruments including these instruments.

3. The Commissioner (Commercial Taxes), West Bengal, vide email dated 3 August 2017, forwarded a list of musical instruments for specific inclusion in the exemption list. The list is at **Annexure IV**. The Council may approve that the rate of GST on all indigenous handmade musical instruments as listed in **Annexure IV** shall be nil and to suitably modify the entry in Notification No.2/2017-Central Tax (Rate) dated 28 June 2017 and the corresponding SGST notifications.

4. Accordingly, following are the lists of goods/services from the 20th GST Council Meeting to be taken up for discussion in the 21st GST Council Meeting–

- i. **Annexure I** - List of goods for change in GST rate
- ii. **Annexure IIA** - List of issues relating to goods discussed by the Fitment Committee where slight changes are proposed
- iii. **Annexure IIB** - List of issues relating to goods discussed by the Fitment Committee where no change is proposed
- iv. **Annexure III** - GST Rate on Services- Proposals found NOT acceptable by the Fitment Committee for consideration of the GST Council during its 20th Meeting.
- v. **Annexure IV** - List of musical instruments for specific inclusion in the exemption list

Annexure – I

LIST OF GOODS FOR CHANGE IN GST RATE

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
1.	Concentrated milk or milk powder consumed by distinct persons as per section 25 (4) for conversion into milk for distribution through dairy cooperatives.	0402	5%	Refund 5% IGST paid	1. To enable refund of 5% GST paid on milk powder used for conversion into milk for distribution through dairy cooperatives, necessary notification to be issued.
2.	Tamarind dried	0813	12%	5%	1. Dried tamarind is used by common people in their daily food. 2. Dried tamarind was exempt from VAT in some States. 3. Fresh tamarind is at Nil GST.
3.	All goods i.e. cereals, put up in unit container and bearing a registered brand name	10	5%	5%	1. To check the tax avoidance, the following amendments are recommended in the definition of the registered brand name: a. A brand registered as on 15.05.2017 shall be deemed to be a registered brand for the purposes of levy of GST irrespective of whether or not the brand is subsequently deregistered. b. A brand registered as on 15.05.2017 under the Copyright Act, 1957 shall also be treated as a registered brand. c. A brand registered as on 15.05.2017 under any law for the time being in force in any other country shall be deemed to be a registered brand.
4.	Roasted Gram	2106	12%	5%	1. The process involved is only roasting. 2. Used for making sattu flour which attracts Nil / 5% GST and chutney powder.

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
5.	Custard powder	2106	28%	18%	<ol style="list-style-type: none"> Used by lower and middle income families. 28% rate is too high for such a product. Other similar food mixes are at 18%.
6.	Batters, including idli / dosa batter	2106	18%	12%	<ol style="list-style-type: none"> Idli Dosa Batter (wet flour) is a wet mix of cereal and leguminous vegetables [pulses] and thus classified under chapter 21. Flour of cereals (1102) and flour of dried leguminous vegetables (1106) are at Nil GST. These products are required to be cooked before they can be consumed, and are, thus, different from ready-to-eat food mixes. Many of these have short self-life and do not contain any preserving additives.
7.	Oil cakes	2304	Nil for cattle feed 5% for other uses	5% [irrespective of end use] Nil on cotton seed oil cake	<ol style="list-style-type: none"> Presently, oil cake for animal feed attracts Nil GST. Oil cake for other uses attracts 5% GST. Pre-GST, States levied 5% VAT on oil cakes in general, irrespective of its use, except in case of cotton seed oil cake which attracted Nil VAT. Therefore, oil cake other than cotton seed oil cake [except cotton seed oil cake] may be kept at 5% irrespective of its end use. Cotton seed oil cake is generally used as cattle feed. Therefore, cotton seed oil cake may be kept at Nil.
8.	Dhoop batti, dhoop, sambhrani and other similar items	3307 41 00	12%	5%	<ol style="list-style-type: none"> Agarbatti attracts 5% GST. Also, lobhan being puja samagri attract 5% GST. It is also proposed to put havan samagri at 5%. Dhoop batti, dhoop, sambhrani, etc., however, attract 12% GST.
9.	Medical grade sterile disposable gloves	3926	28%	18%	<ol style="list-style-type: none"> Used for medical purposes.
10.	Plastic raincoats	3926	28%	18%	<ol style="list-style-type: none"> Raincoats falling under Chapter 6201 attract 5% / 12%.

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
					2. Maharashtra suggested that the GST rate on plastic raincoats may be also be 12%, as applicable to raincoats falling under heading 6201.
11.	Rubber bands	4016	28%	18%	1. Rubber bands are items of common use. 2. Pre-GST, rubber bands attracted 12.5% excise duty and VAT rate on them in some states was 5%.
12.	Rice rubber rolls for paddy de-husking machine	4016	28%	18%	1. Pre-GST rice rubber rolls were exempt from excise duty, with embedded excise duty of about 4%. 2. VAT on them was, in general, at standard rate.
13.	Duty Credit Scrips	4907	12%	5%	1. Scrips are classifiable under heading 4907. 2. Pre-GST: a. There was no central excise duty on them, and b. VAT rate on them, in general, was 5%.
14.	Corduroy fabrics	5801	12%	5%	1. Fabrics falling under Chapters 56, 58 and 59 being in the nature of special fabrics, attract 12% GST. 2. Thus, corduroy fabrics also attract 12% GST. 3. Fabrics of silk, wool, cotton, manmade yarns, etc. falling under Chapters 50, 51, 52, 54 or 55 attract 5% GST. 4. Pre-GST tax incidence on fabrics ranged from 6.37% (wool) to 13.66% (manmade).
15.	Saree fall	5808	12%	5%	1. It is like a fabric used to ensure proper fall in Sarees. 2. GST on fabric is 5%. Sarees are also at 5% GST.
16.	Textile caps	6501	18%	12%	1. Are made of cotton, textiles and other clothing materials, and are generally used by the common people.
17.	Idols made of clay	6912	28%	5%	1. Generally used for puja purposes. 2. Earthen pots and clay lamps are at Nil.
18.	Idols of stone including marble	68	28%	?	1. GST Council may take a view as to what may be the appropriate rate

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
					for idols made of stone, including that of marble.
19.	Rough industrial diamonds including unsorted diamonds	7102	3%	0.25%	<ol style="list-style-type: none"> 1. Rough diamonds, other than rough industrial diamonds including unsorted diamonds, attract 0.25% GST. 2. Sometimes unsorted rough diamonds are also imported. 3. Will simplify assessment at the time of import, as all goods falling under 7102 will now be at 0.25%.
20.	Nozzles for drip irrigation equipment or sprinklers [mechanical appliances (whether or not hand operated) for projecting, dispersing or spraying liquids or powders]	8424	18%	12%	<ol style="list-style-type: none"> 1. Drip irrigation equipment or sprinklers are used for dispersing or spraying water and used mainly in agriculture. 2. The pre-GST tax incidence on them was about 15% [embedded excise duty, VAT and CST, Octori] 3. Thus, reduction in GST rate on them to 12%, would result in inverted tax structure and consequential accumulation of input tax credit and therefore will not be advisable. As these devices would include pipes and tubes also, a lower end use based rate may also be prone to misuse. 4. GST rate reduction is thus recommended only on nozzles of such equipments/systems.
21.	Charkha for hand spinning of yarns, including amber charkha	8445	Nil / 18%	Nil	<ol style="list-style-type: none"> 1. Ambar charkha is exempt from GST. 2. There are certain other types of charkhas, which are also used for hand spinning of yarn. 3. KVIC has requested to include other charkhas at Nil GST.
22.	Computer monitors upto 20"	8528	28%	18%	<ol style="list-style-type: none"> 1. At present, computer monitors, not exceeding 17 inches, attract 18% GST. 2. It is represented that most of the desktop computer use monitors of more than 17 inches.
23.	Tractor Parts	8708	28%	18% on specified parts	<ol style="list-style-type: none"> 1. Tractors attract 12% GST. 2. Presently, specified parts of tractors attract 18% GST:

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
					<ul style="list-style-type: none"> a. Rear Tractor tyres and rear tractor tyre tubes b. Rear Tractor wheel rim, c. Tractor centre housing, d. Tractor housing transmission, e. Tractor support front axle. <p>3. GST Council has recommended that GST rate on parts exclusively for use in tractors may be reduced.</p> <p>4. Reference has been made to Department of Heavy Industries regarding parts of tractors that may be kept at 18%. The same is awaited.</p>
24.	Cotton quilts	9404	18%	12%	1. Blankets (not exceeding Rs.1000 per piece) are at 5% GST, and those exceeding Rs.1000 per piece is at 12% GST.
25.	Worked corals	9601	28%	5%	<p>1. Unworked corals [heading 0508] are at 5% GST.</p> <p>2. Worked corals, in the form of sheets, plates, rods, etc., cut to shape (including square or rectangular) or polished or otherwise worked by grinding, drilling, milling, turning, etc., fall under 9601 and attract 28% GST.</p> <p>3. Precious and semi-precious stones attract 3% GST.</p> <p>4. It would not be advisable to prescribe 3% GST recommended by Council specifically for products falling under chapter 71, to products falling in other chapters, as it would prompt similar demands for other sectors.</p>
26.	Brooms and brushes, <u>consisting of twigs or other vegetable materials</u> , bound together, with or without handles	9603	5%	Nil	<p>1. Phool bahari jhadoo, falling under tariff item 9603 10 00, attracts Nil GST.</p> <p>2. However, there are other broomsticks which are made of twigs or other vegetable materials, bound together, with or without handles.</p>
27.	Kitchen gas lighters	9613	28%	18%	1. Kitchen gas lighters attracted 12.5% excise duty, 14.5% VAT,

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
					<p>2.5% incidence on account of CST, octroi, entry tax, etc. besides service tax incidence on post-removal services.</p> <p>2. Thus, pre-GST tax incidence was more than 28%.</p> <p>3. These are items of mass consumption.</p>
28.	Rosaries and prayer beads	Any Chapter	18%	5%	1. Specified puja samagri items are at Nil / 5% GST.
29.	Hawan samagri	Any Chapter	-	5%	<p>1. Havan samagri is a mixture of a large number of items which include jari booti, etc. Jari bootis attract 5% GST.</p> <p>2. Specified puja items and agarbattis are at Nil or 5%. 5% GST rate is also proposed for dhoop batti, dhoop, sambhrani.</p>
30.	Goods imported for FIFA under 17 Football World Cup	Any Chapter	Applicable rate	Nil	<p>1. Department of Sports has sought exemption from BCD and IGST on goods imported for FIFA under 17 Football World Cup. In general goods imported would fall in following category.</p> <p>a. All sports goods sports equipment and sports requisites; fitness equipments; team uniform / clothing; spares, accessories and consumables of the same imported by FIFA or its subsidiaries or affiliates or by the players or the teams</p> <p>b. Broadcast equipments and supplies used in organizing and during the event.</p> <p>c. Doping control equipment will also be used during the event.</p> <p>d. Satellite phones / GPS, paging communication systems and other communication equipments; video/plasma screen, electronic score board for display; time control devices, stop</p>

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
					<p>watches; timing, scoring and result management systems, marquees, tents and other IT equipment such as projectors, smart phones, routers etc</p> <p>e. Food stuff, energy drinks, isotonic, tonic water which may be carried by the players and teams.</p> <p>2. This exemption would be in line with Guarantee No.6 provided by Central Government to provide exemptions from import/customs duty to FIFA, FIFA subsidiaries, FIFA Confederations, Participating Member Associations (which are the participating teams), FIFA contractors, FIFA staff and others. This had the approval of the Union Cabinet.</p> <p>3. <u>Exemption from IGST may be considered.</u></p> <p>4. <u>Exemption from BCD, cess, as will also be provided.</u></p> <p>5. This exemption will be on the same line as that given for the Commonwealth Games 2010.</p>

Annexure – IIA

LIST OF ISSUES DISCUSSED BY FITMENT COMMITTEE – Slight changes proposed

<u>S. No.</u>	<u>HS Code</u>	<u>Goods</u>	<u>Present GST rate</u>	<u>Requested GST rate</u>	<u>Remarks/Reasoning</u>	<u>Comments of the Fitment Committee</u>
1.	8424	Sprinkler system and Drip Irrigation	18%	-	<ol style="list-style-type: none"> 1. In States like Rajasthan shortage of water is acute. 2. GST has exempted agricultural implements (manually operated or animal driven) under Heading 8201, however, there is no specific mention of mechanical appliances like Sprinklers used for agriculture, horticulture, forestry purpose. 3. The related entry 8424 is taxed at 28% which covers only fire extinguishers. 4. Rate on Sprinkler system and Drip Irrigation should be defined clearly. 	<ol style="list-style-type: none"> 1. Was examined by the Fitment Committee. 2. No change in 18% GST rate recommended on drip irrigation system, as 12% rate will resulting refund of input taxes to manufacturers [with associated administrative costs] and will also be prone to misuse, as PVC pipes will be supplied in the guise of drip irrigation systems. 3. GST rate on nozzles for drip irrigation system and sprinklers recommended for reduction to 12%. 4. No change.
2.	3923, 3926	Plastic Items	18%, 28%	-	<ol style="list-style-type: none"> 1. All India Plastic Manufacturers Association has requested that 80% of Plastic manufacturers are in MSME category. 2. So excise was applicable previously, only 5.5 VAT was imposed. 3. Reconsideration of Tax rate is requested. 	<ol style="list-style-type: none"> 1. Bulk plastics are at 18% GST, which is the general rate for intermediates. 2. Most of the plastic products are at 18% GST. 3. A few plastic products are at 28%, which is as per the pre-GST tax incidence. 4. In the Fitment Committee meeting on 25.07.2017, reduction in GST rate recommended on the: <ol style="list-style-type: none"> a) Medical grade sterile disposable gloves falling under heading 3926 may be kept at 18%. b) Plastic raincoats falling under heading 3926 may be kept at 18% GST.
3.	0508, 9601	Unworked and worked Coral	5% and 28%	0.25%, 3%	The Jewellers Association Jaipur requested to fix the rate in line with Precious Stones i.e., unworked Coral-0.25% and Worked Coral-3%	<ol style="list-style-type: none"> 1. Coral, unworked, or from which only the outer crust has been removed and Coral, simply prepared but not otherwise worked, i.e., coral not having undergone processes extending beyond simple cutting, falls under heading 0508 and attracts 5% GST. No change recommended in the GST rate on unworked corals. 2. Worked corals i.e. in the form of sheets, plates, rods, etc., cut to shape (including square or rectangular) or polished or otherwise worked by grinding, drilling, milling, turning, etc.

						<p>fall under heading 9601 and attract 28% GST.</p> <p>3. Fitment Committee has recommended reduction in GST rate on worked corals to 5%.</p>
4.	2106	Sharbat	18%	-	<ol style="list-style-type: none"> 1. Now, as per FSSAI norms, Shabbats are of two types:- <ol style="list-style-type: none"> a. Fruit sharbat (containing 25% or more fruit puree) b. Synthetic sharbat (containing less than 25% fruit puree) 2. GST does not any such segregation based on fruit content. 3. As per Central Excise Tariff, Sharbat under (a) above has HSN: 2106 90 11, whereas, a non-alcoholic fruit flavoured, but synthetic sharbat/syrup has a different HSN: 2106 90 40. 4. As per description given in GST rate schedule, there are different tax rates, but going by the HSN Code, synthetic syrup, also treated as Sharbat by FSSAI, may be sold at a lower rate of tax. 	<ol style="list-style-type: none"> 1. All sharbat falling under heading 2106 are at 18% GST. 2. May be clarified by FAQ. 3. No change.
5.	0910	Dried Fenugreek Leaves (Commonly known as dried methi patta)	5%	-	<ol style="list-style-type: none"> 1. Should be treated as spices. 2. But there is another view which says it is dried vegetables. 	<ol style="list-style-type: none"> 1. Dried fenugreek leaves fall under 0910 and attract 5% GST as spices. 2. May be clarified by FAQ.
6.	210690	Sweetmeats	5%	-	<ol style="list-style-type: none"> 1. This Chapter does not cover: (a) mixed vegetables of heading 0712; (b) roasted coffee substitutes containing coffee in any proportion (heading 0901); (c) flavoured tea (heading 0902); (d) spices or other products of headings 0904 to 0910; (e) food preparations, other than the products described in heading 2103 or 2104, containing more than 20% by weight of sausage, meat, meat offal, blood, fish or crustaceans, molluscs or other aquatic invertebrates, or any combination thereof (Chapter 16); (f) yeast put up as a medicament or other products of heading 3003 or 3004; or (g) prepared enzymes of heading 3507 2. Whether it will cover all chena products, halwa, barfi (i.e. khoa product), laddu, etc? 	<ol style="list-style-type: none"> 1. All chena products, halwa, barfi (i.e. khoa product), laddu are covered within the meaning of sweetmeats for the purposes of GST and attract 5% GST. 2. May be clarified by FAQ.

7.	0403	Curd, lassi, butter milk	Nil	-	<ol style="list-style-type: none"> 1. Curd is exempt from tax, but what will happen when it is supplied in a restaurant. 2. For bread and papad we have categorically mentioned “except when served for consumption”. 	<ol style="list-style-type: none"> 1. GST rate applicable to restaurant service will apply. 2. However, in order to avoid any confusion, the phrase “except when served for consumption” may be omitted from the said entries.
8.	1704	Peanut Chikki, Rajgira Chikki, Sesame Chikki, shakkarpara and kheer	18%	-	<ol style="list-style-type: none"> 1. By nature, a Chikki is not a sweetmeat but is a confectionery. 2. However, the GST rates covers only Sugar confectionery (excluding white chocolate and bubble / chewing gum) [other than bura, batasha] under HSN 1704 [vide Sl. 12 of Schedule IV]. 3. Now, Chikki is not even a sugar based confectionery. 4. It is made mostly of puffed rice/rice flakes/corn flakes/ (peanuts/ Sesame seeds etc. using only Sugar Cane Jaggery as sweetner and binding agent. 5. Considering general tax rate of goods, it may attract 18%. 6. But, it is a product, mostly of home based industry involving household women. 7. Also, it is consumed irrespective of any economic strata in India. 	<ol style="list-style-type: none"> 1. As per HSN explanatory notes, Heading 1704 covers most of the sugar preparations which are marketed in a solid or semi-solid form, generally suitable for immediate consumption and collectively referred to as sweetmeats, confectionery or candies. 2. These attract 18% GST. 3. May be clarified by FAQ.
9.	92	Indigenous handmade musical instruments	Nil	-	<ol style="list-style-type: none"> 1. Indigenous handmade musical instruments under Chap 92 are exempted from tax [vide S. No. 143 of exempted schedule]. 2. Other Musical instruments like Piano, String instrument, wind instruments, percussion, electrically amplified instruments, blow instruments etc. under Chap 92 are taxable @ 28% [vide Sl. Nos. 203-209 of Schedule IV goods] 3. Now, String instruments like Tanpura, Surmandal, Sarod, Sitar Blow instruments like Harmonium, Percussion like Tabla, Dholak, Blow instruments like Flute, Sehnai are all hand-made. To remove the ambiguity, we need to define “Indigenous, & Hand-made musical instruments” 4. As per list available in https://en.wikipedia.org/wiki/Indian_musical_instruments There are 134 different types of Indian Indigenous musical instruments. 	<ol style="list-style-type: none"> 1. WB may provide a list of Indigenous handmade musical instruments. 2. The entry in notification can be modified to say Indigenous handmade musical instruments, including these instruments.

10.	1213	Paddy husk	Nil	-	<ol style="list-style-type: none"> 1. According to the corrigendum dated 12/07/2017, code 2302 is also included under 5% bracket. 2. But the issue is in 2302, it is written bran and other residues. 3. Please clarify whether in other residues, paddy husk is covered or not. 	<ol style="list-style-type: none"> 1. Cereal straw and husks, unprepared, whether or not chopped, ground, pressed or in the form of pellets fall under heading 1213 and attract Nil GST. 2. Rice husks or Rice hulls are the tough protective covers of the rice grain. The husks or hull is formed during the growing season; and it includes the opaline silica and lignin content. The hull or husk is mostly indigestible to the humans. The rice husks can be composted; hence these are used in the vermicomposting techniques wherein these husks are converted into fertilizers. Also, the husks are used for building material, insulation material, and fuel purposes. 3. Rice bran is a byproduct obtained from the rice milling processes. It is especially obtained during the conversion of brown rice to white rice. 4. Though both, rice bran and husk are similar in structure and nature; but, in general they differ in their properties. That is, rice bran and its products can be consumed by human; while rice husk product cannot be consumed. 5. May be clarified by FAQ.
11.	5605	Imitation jari kasab (Thread)	12%	5%	<ol style="list-style-type: none"> 1. Imitation jari thread is made by gimping the silver coated copper wire on polyester, viscose or cotton yarn. 2. It is covered under heading no. 5605 of chap. 56 and taxable @12%. 3. It is mentioned as imi, jari, kasab and taxable @ 5% under heading no. 5809 & 5810 of chap. 58. 4. Actually, kasab is a thread only, whose synonym is imitation jari thread. 5. Imitation jari thread is covered under heading no. 5809 & 5810 of chap. 58 and taxable @ 5%. 6. Therefore, imitation jari thread should be taxed at 5%. 	<ol style="list-style-type: none"> 1. Imi jari kasab falling under 5809 and 5810 already attracts 5% GST. 2. Since imitation jari thread also falls under 5605, we may include the heading 5605 also for 5% GST rate.
12.	1211	Isabgol, fresh or dried	Nil if fresh 5% if dried	-	<ol style="list-style-type: none"> 1. "Isabgol" and "isabgol husk" are classifiable under the following chapter sub-heading : <ol style="list-style-type: none"> a. 1211 90 13– Psyllium seeds (isabgol) b. 1211 90 32– Psyllium husk (isabgol husk) 	<ol style="list-style-type: none"> 1. Isabgol seeds fresh attract Nil GST. 2. Isabgol seeds dried attract 5% GST. 3. May clarified by FAQ.

					2. A doubt regarding the rate of tax on “Isabgol seeds” has been raised.	
13.	84 or 85	IT hardware Printers, Monitors, projectors & IT accessories, LAN Data cable Monitors & Projectors	28%	18%	1. VAT Rates at: a. Karnataka, Rajasthan, Jharkhand 5.5% b. Gujrat & UP 5% c. Maharashtra, Bihar & Assam 6% d. Delhi, TN, WB, Kerala, Telangana, MP, AP & Orissa 5% e. Central Excise Duty 12.5%	1. However, Fitment Committee has recommended that the 17” upper limit for being eligible for 18% to be increase to 20” for desktop computer monitors. 2. No change in respect of other IT hardware.
14.	0910 0709	Turmeric, chilli	Nil	-	The fresh agricultural produce should not be included in spices.	1. Fresh turmeric falls under 0910 and attracts Nil GST. 2. May be clarified by FAQ. 3. Fitment Committee has recommended reduction in GST rate on dried tamarind to 5%.
15.	Any Chapter	ORTHO ROYAL INC	5%	-	1. Entry 257/Sch. I/90 Assistive devices rehabilitation aids - 5%. 2. Entry 251/Schedule II/9021 Orthopaedic appliances - 12% 3. Clarification may be issued.	1. It is quite likely that a commodity may be covered under more than one notification attracting different rates of duties. 2. In such cases, as per various judicial pronouncements on the subject, the benefit of lower rate of duty cannot be denied to the assessee provided he fulfils the conditions prescribed, if any, for such lower rate. 3. We may clarify the aforesaid legal position.
16.	2106	Nutritious diet (Pushtaahar) being distributed under the Integrated Child Development Scheme	18%	Nil	1. The nutritious diet (Pushtaahar) distributed to the children and pregnant mothers under the Integrated Child Development Scheme, is a mixture of proteins, various grains, wheat flour, sugar etc. and is covered under HSN Code 1901. 2. In Entry No. 13 of Schedule 9%. 3. The “Preparation suitable on Young Children Put up for retail sale” has been made taxable at the rate of 18 %, whereas others have been made taxable at the rate of 18% in Entry No. 14 of Schedule 14%. 4. As the mixtures distributed under Integrated Child Development Scheme cannot be considered as being “Put up for Retail Sale”. 5. Therefore, it is currently taxed at a rate of 28%, which is highly contrary to the basic objectives of the social welfare scheme. 6. It is also worth mentioning here that the whole expenditure of nutritious food being	1. There is no justification to exempt the supply. 2. Since the Pushtaahar distributed under the Integrated Child Development Scheme, is a mixture of proteins, various grains, wheat flour, sugar etc., it is covered under HSN Code 2106 and not 1901, and attracts 18% GST. 3. We may clarify by FAQ.

					<p>distributed under Integrated Child Development Scheme is being borne by the State Government and on account of being taxed at the rate of 28%, the expenditure of more than Rs. 500crore will be incurred by the State Government, which will not be prudent.</p> <p>7. Therefore, the nutritious food (Pushtaahar) being distributed under Integrated Child Development Scheme should be exempted under GST.</p>	
17.	58	Chikan Embroidery	12%	-	<ol style="list-style-type: none"> 1. In Schedule-2.5% S.No.220 the HSN Codes 5809 and 5810, define the types of Embroidery; Emi, Zari, Kasab, Saima, Dabka, Chumki, Gota Sitaara , Nakasi, Kora, Glass Beads, Badla etc. 2. These embroideries have been made taxable at the rate of 5%. 3. Whereas, embroideries other than these have been kept under Schedule 6% at Entry. No. 155 and in Schedule 12% at Entry. No 156. 4. While the Chikan Embroidery is also a Traditional Embroidery like the above embroideries and employs millions of people whose livelihood depends on it. 5. The fabric with such traditional embroidery may be covered under the Schedule 2.5 % so that tax impact on Chikankari is at 5%. 	<ol style="list-style-type: none"> 1. Chikan fabrics and saree attracts 5% GST. 2. Garments with Chikan work with sale value not exceeding Rs.1000 per piece attract 5% GST. 3. Garments with Chikan work with sale value exceeding Rs.1000 per piece attract 12% GST. 4. Chikan embroidery in the piece, in strips or in motifs falls under heading 5810 and attracts 12% GST. 5. We may clarify by FAQ.
18.	51, 54, 55	Banarasi Saree	5%	-	<ol style="list-style-type: none"> 1. As per the aforesaid, sarees with Emi, Zari, Kasab, Saima, Dabka, Chumki, Gota Sitaara , Nakasi, Kora, Glass Beads, Badla etc. are taxable at 5% whereas saree with embroidery other than these are taxable at the rate of 12% . 2. Banarasi saris are made by doing intricate embroidery from silk threads and threads made from precious metals. 3. This industry also employs millions of labourers of the state and is a traditional industry of Uttar Pradesh. 4. There was no tax liability on it uptill now. 5. Therefore, the Banarasi Embroidery and sari is also expected to be taxable at the rate of 5%. 	<ol style="list-style-type: none"> 1. Banaras saree also falling under Chapter 50, 54, 55 [as the case may] and attracts 5% GST. 2. We may clarify by FAQ.

Annexure – IIB

LIST OF ISSUES DISCUSSED BY FITMENT COMMITTEE – No changes proposed

<u>S.No.</u>	<u>HS Code</u>	<u>Goods</u>	<u>Present GST rate</u>	<u>Requested GST rate</u>	<u>Remarks/Reasoning</u>	<u>Comments of the Fitment Committee</u>
19.	9403	Bamboo furniture	18%	Not specified	1. Since bamboo products are among the few commercially viable commodities actually manufactured in the North east states due to readily available good quality raw material, the sector will be badly affected unless the tax rates are reduced. 2. Therefore, cane furniture falling under heading 9403 may also be considered to be kept at 18% to avoid disputes.	1. Fitment Committee had already recommended rate reduction from 28% [as per pre-GST tax incidence] to 18%, which has since been recommended by the GST Council also. 2. Further, reduction may not be justified.
20.	9403	Cane furniture	28%	Not specified		1. No change.
21.	4602	Basketry items made of bamboo	12%	Not specified		1. Fitment Committee had already recommended rate reduction from 18% [as per pre-GST tax incidence] to 12%, which has since been recommended by the GST Council also. 2. Further, reduction may not be justified. 3. No change.
22.	8432, 8433	Agriculture implements power driven- 8432 & 8433	12%	0 or 5%	1. Tax on agriculture implements would increase the input cost of agriculture and this cost is not accounted for in the Minimum Support Price (MSP) announced by the Government for agricultural products from time to time. 2. Power driven agriculture implements including thrashers, harvesters, Power driven sprayers and drip irrigation, equipments, tractor, disc ploughs, agricultural, horticultural, forestry and poultry machinery, machines for cleaning, salting, grading, seed, grain etc. have been placed in 12% slab. 3. These items were exempted in the State of Haryana under VAT. 4. During pre-GST regime, these items were placed in chapter-84 of Central Excise Tariff and were exempted under Central Excise. 5. These are agricultural input items and levy of tax including embedded tax should not increase.	1. GST rate of 12% is as per pre-GST tax incidence. 2. The GST rate on these implements was discussed at length in GST Council meeting, after which it recommended 12% GST rate on them. 3. Will not be advisable to change the rate. 4. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.

23.	Chapter 90	Scientific Instruments	12%, 18%, 28%	12%	<ol style="list-style-type: none"> 1. Most of the scientific apparatus and instruments have been placed in the slab of 18% and 28% under GST. 2. The apparatus like microscopes, direction finding compasses, hydrographic instruments, balances, length measuring instruments like rod and tapes, micro meters, clippers are placed in the slab of 28%. 3. Machines and appliances for testing the hardness strength, elasticity property of material etc., hydrometer, thermometer, pyrometers, barometers, hygrometers, polarimeters, refractometers, spectrometers, instruments for checking viscosity, instrument for surface tension, checking the quantities of heat, sound or heat, instruments for detecting alpha, beta, gamma, X-Ray etc. are placed under the 18% category. 	<ol style="list-style-type: none"> 1. Most of the instruments are at 18%, which corresponds to 5% VAT and 12.5% ED. 2. For other items, the rates have been fixed as per the pre-GST tax incidence. 3. No change
24.	9017 20	Other drawing, marking-out or mathematical calculating instruments:	12%	-	<ol style="list-style-type: none"> 1. The organization has submitted that there are 4000 units in Ambala out of which 2000 are registered in VAT accounting for an annual turnover of about 1500 crores. 2. The levy of VAT on these items was 5.25%. 3. Most of the supplies from this industry are to Schools and Educational Institutions. 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. Further, lower rate will result in refund of input taxes, with its associated financial and administrative costs, which will ultimately put the domestic goods at a disadvantage vis-à-vis imports. 3. Further, if the refund of unutilised ITC were to be blocked, it would put domestic goods at a much higher disadvantage vis-à-vis imports. 4. No economic justification for change in rate.
25.	9017 20 10	Drawing and marking-out instruments	12%	-	<ol style="list-style-type: none"> 1. Most of these instruments and appliances are being manufactured by small scale industries, so excise is not leviable. The present rates of 18% and, in particular 28%, are seemingly high, so it is proposed that the Fitment Committee may be requested to place all these items in the slab of 12%. 	<ol style="list-style-type: none"> 5. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
26.	9018 20 20	Mathematical calculating instruments	12%	-		
27.	9017 20 30	Pantograph	12%	-		
28.	9017 20 90	Other	12%	-		

29.	4412	Plywood and Ply-board	28%	18%	<ol style="list-style-type: none"> 1. The plywood/ply-board has been placed under the slab of 28% in the GST. 2. The association has submitted that most of the plywood manufacturing units fall under micro-small and medium enterprises segment having turnover of less than 4 Cr. 3. Moreover, excise duty was not leviable on the units having turnover of upto 1.5 Cr. 4. So, most of the ply, manufactured by the plywood industry, did not attract the excise duty. 5. So the rate of 28% on plywood has enhanced the actual levy on plywood exorbitantly, and requested for parity with sun mica which is @18%. 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. The GST rate on plywood has been discussed at length in GST Council meeting, after which it recommended 28% GST rate on them. 3. It was in this context, that the Council recommended increase in composition scheme turnover limit from Rs. 50 lakh to Rs. 75 lakh, instead of considering rate reduction individual items, claimed to be manufactured by SSI units in pre-GST regime. 4. Changing GST rate on one item, on these grounds would necessitate similar view to be taken for a number of other goods. 5. Reduction from 28% to 18% [by 10%] on all such goods would entail huger revenue loss. 6. No justification for changing the rate.
30.	2516	Granite Raw Blocks	12%	5%	<ol style="list-style-type: none"> 1. The Granite units in the state are mostly below Rs. 1.5 Crores turnover and hence were exempted from Excise duty. 2. Most of the units do inter-state trade and sales on CST of 2%. 3. The high rate of taxation will make the granite un-competitive and so the industry will suffer which is very labour intensive. 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. The GST rate on granite and marble has been discussed at length in GST Council meeting, after which it recommended 28% GST rate on them. 3. In the context of items attracting 28% GST [where the concerns were raised that substantial quantity of these goods were manufactured by SSI units, which were exempt from excise duty] the Council recommended increase in composition scheme turnover limit from Rs. 50 lakh to Rs. 75 lakh, instead of considering rate reduction individual items, claimed to be manufactured by SSI units in pre-GST regime. 4. Changing GST rate on one item, on these grounds would necessitate similar view to be taken for a number of other goods. 5. Reduction from 28% to 18% [by 10%] on all such goods would entail huger revenue loss. 6. No justification for change the rate.
31.	6802	Granite Finished Products	28%	12%		
32.	2403	Beedis	28%	Nil	<ol style="list-style-type: none"> 1. At present, beedi are exempted from taxation but 5% is levied on beedi / tendu leaves under the Value added tax (VAT). 2. However, there is a Central Excise duty at the rate of Rs. 16 per thousand beedis (handmade) and Rs. 23 per thousand beedis (machine 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. The GST rate on bidis was discussed in great detail in GST Council meeting, after which it recommended 28% GST rate on them. 3. Bidis are demerit goods, and there is no justification for having GST rate lower than pre-GST tax incidence on them.

					made) and beedi / tendu leaves are exempted.	
33.	1404	Tendu leaves	18%	5%	<ol style="list-style-type: none"> The high rate of taxation may result in fall in demand of beedis. Consequently this will have a detrimental effect on this industry with possible closure of many of these units thereby pushing lakhs of rural poor woman out of employment. 	<ol style="list-style-type: none"> The GST rate on tendu leaves was discussed in great detail in GST Council meeting, after which it recommended 18% GST rate on them. Tendu leaves are only used for making bidis [a demerit goods] which attracts 28% GST. No justification for lowering the rate on tendu leaves.
34.	1404	Bidi Leaf		Nil	<ol style="list-style-type: none"> Bidi making is a huge cottage industry providing self-employment to many women in Telangana State and bidi leaves are the major components for making bidis 	
35.	Chapter 90	Vision Aids and allied optical products a. all lenses b. Frames spectacle cases	12% 18% 28%	12%	<ol style="list-style-type: none"> In the proposed GST tax rates ignores the magnitude and relevance of vision correction requirements in India and its implications on overall health care, education and the economy. Vision Aids and allied products are required for every age group at affordable price. So many multiple slabs for different optical products is very complicated in GST System 	<ol style="list-style-type: none"> Fitment Committee has examined in detail the pre-GST tax incidence on optical aid products and accordingly recommended GST rates on them, which were also recommended by the Council. Spectacles are at 12% GST. ITC on tax paid on its inputs will be available to the dealers. No justification for suggested rate rationalisation. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
36.	Chapter 64	Footwear	Upto 500/- 5%	Upto 1500/- 5%	<ol style="list-style-type: none"> Low cost footwear such as plastic moulded footwear and hawai footwear are used by the weaker sections of the society. Telangana state having 2500 small scale manufactures in old city with 3000 small scale manufactures in adjacent localities. It is to ensure that these cottage industries not affected with high GST rate. 	<ol style="list-style-type: none"> GST rate on footwear was discussed in great detail by the GST council. The present GST rates are, in fact, lower than the pre-GST tax incidences. Rs. 500 per pair limit for 5% is also higher than the value limit for Nil or lower ED /nil or lower VAT. Increasing value limit will reduce IGST on imported footwear and put domestic footwear at a disadvantage, as domestic footwear manufacturers will have to claim refund of unutilised ITC [inputs for footwear being generally at 18%], which has its associated financial and administrative costs. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
37.	Chapter 64		Other-18%	Other-18%		
38.	2302	Rice bran	5%	Nil	<ol style="list-style-type: none"> This is a by-product of rice milling industry, where the main product rice is exempted. 	<ol style="list-style-type: none"> Rice bran is an oil bearing substance. All oil seeds and edible vegetable oils are also at 5%. Edible oil industry will get ITC.

39.	1103	Rava / suji	5% if , put up in unit container and bearing a registered brand name otherwise Nil	Nil	1. This is a by-product of flour milling industry where the main products of Atta and Rava are exempted.	1. GST rate for edible products [put up in unit containers and bearing a registered brand name] was discussed in great detail by the Council. 2. Will not be advisable to make an exception for one item. 3. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
40.	Chapter 84	IT products	18%	12%	1. The IT industry is the major industry propelling the economy of the country and providing huge employment to skilled persons	1. ITC of tax paid inputs will be available to the IT industry. 2. No justification for over rationalisation. 3. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
41.	2515 or 6802	Farshi Paththar (Flooring Stone)	5% or 28%	5%	1. There is difference of opinion on rate of GST on Farshi Paththar. Farshi Paththar is a kind of calcareous stone which is made from Lime stone. 2. It is used by lower or lower middle class. It is used like Kota stone. 3. It should be put up in lower slab of 5% with a specific entry.	1. GST rate of 28% for goods falling in chapter 68 is as per pre-GST tax incidence. 2. Will not be advisable to lower rate for one set of items, as it would necessitate similar reduction in a large number of similarly placed items, which would entail substantial revenue loss.
42.	2515	Calcareous building stone, Kota stone (2515)	5%			
43.	6810	Flag stone	28%			
44.	Chapter 26	Fly-Ash	18%	Nil	1. Under Chhattisgarh VAT both bricks and fly ash bricks were exempted. 2. Fly-ash is a pollutant. 3. To prevent pollution by fly-ash its use should be encouraged and therefore both Fly-ash and fly-ash bricks should be exempted from GST.	1. Manufacturers of fly ash products get ITC of tax paid on fly ash and other inputs. 2. GST rate on fly ash bricks and blocks [12%] is lower than the pre-GST tax incidence. 3. No economic justification for further reduction in rate. 4. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
45.	6815	Fly-Ash bricks	12%	Nil		
46.	3826	Bio-diesel/Bio-fuel	18%	Nil or 5%	1. Under Chhattisgarh VAT it was tax-free. Either it should be tax-free or should be put in lower slab of 5%. 2. It is produced from Vegetable oils, both edible and non-edible on which rate of GST is 5%. 3. To encourage production of bio-fuel it should be kept in lower slab of 5%.	1. Pre-GST bio-diesel attracted 6% excise duty, weighted average VAT 10.05% and CST, Octroi etc. of 2.5%. 2. The 18% GST rate is thus as per the pre-GST tax incidence. 3. Further, tax rate wise, bio-diesel is at a huge advantage vis a vis diesel on which the total ED and VAT incidence is about 100%. 4. No economic justification for change in GST rate on bio-diesel. 5. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of

						goods which are already at 18% or below.
47.	1517	Vegetable blended edible oil	5%	-	1. Blended vegetable oils fall under heading 1517 and attract 5% GST.	1. Blended vegetable oils are also at 5%.
48.	0305	Dried-fish	5%	Nil	1. Under VAT regime it was exempted and was produced by local fishermen having not much revenue significance. 2. There are no inputs in dried fish.	1. Generally, only the unprocessed edible products are at Nil. 2. Processed edible items are at 5%/12%/18% in general. 3. Benefit of threshold exemption and Composition scheme can be availed by eligible dealers. 4. Will not be advisable to change.
49.	6810	Hollow bricks, cement paver tiles and pre fab frames for windows / doors etc.	28%	12%	1. It is made from cement, crushed granite stones and sand and is done on small scale basis in our State and is a substitute for bricks used in construction. 2. It is taxed at 5% during VAT period. It is eco-friendlier.	1. Building materials are in general at 28%. 2. May not be advisable to disturb that. 3. Manufacturers of cement paver blocks will be eligible for ITC, including that on cement, which attracts 28% GST.
50.	5702.10	Carpets and floor coverings of coir	12%	12%	1. Higher tax incidence on these types of products will adversely affect the sale of these products in a market in which the competition with the alternative products are very high. 2. Similar commodity like jute product is taxed at 12%. 3. Therefore, coir products also may be taxed at 12%.	1. Coir products [9404] are at 12% GST. 2. Coir mattresses [9404] are 18% GST. 3. Coir mats, matting and floor covering [5705] are at 5% GST. 4. Apprehensions of 12% rate affecting market may not be well founded. 5. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
51.	9404	Mattresses of rubberised coir	28%			1. Rubberised coir mattresses are at 28% GST, as per the pre-GST tax incidence [ED 12.5% and VAT 14.5%, CST, Octroi 2.5%.]
52.	-	Mass Wine	-	Nil	Mass Wine "2204" manufactured under Excise Rules of the State.	1. Wine is not liable to GST.
53.	3915	Plastic Scrap	18%	Nil	1. For incentivise recycling of this products, the rate of tax may be exempted. 2. Municipal waste, sewage sludge, clinical waste is presently exempted. 3. But it would not include separated plastic waste and scrap. 4. This would attract tax of 18%. 5. Hence, it needs to be exempted.	1. Plastic scrap attracts 18% GST, at par with the virgin plastic. 2. In any case, ITC of GST paid will be available to user industry.
54.	4421	Match splints	12%	5%	1. The rate may be reduced to 5% otherwise cottage industry in Kerala will be wiped out.	1. 12% GST rate on match splints is as per pre-GST tax incidence. 2. User industry would get ITC. 3. No change

55.	Chapter 30	Classic Ayurvedic preparations and Medicines prepared under the formulae prescribed in classic ayurvedic texts	12%	5%	<ol style="list-style-type: none"> 1. Indigenous and traditional medicinal system is to be promoted. 2. Ayurveda sector is also identified as the main driving force of tourism in our State. 3. Hence the tax may be reduced to 5%. 	<ol style="list-style-type: none"> 1. 12% GST rate on ayurvedic medicines is as per the pre-GST tax incidence [ED 2% w/o ITC or 6% with ITC, 5% VAT and 2.5% CST, Ovtroti etc.] 2. Pre-GST more than 60% of ayurvedic medicines were paying excise duty at 6%. 3. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below. 4. No change
56.	3604 3605	Fireworks and Matches	28%, 18%	18%, 5%	<ol style="list-style-type: none"> 1. These units are highly labour intensive, with nearly 70% of the cost incurred towards wages of employees. 2. The input tax credit can be claimed also, is very less as compared to other industries. 3. Further, these high tax rates would lead to import of fireworks from China, which would kill the native industry, rendering lakhs of families unemployed and resulting in loss of livelihoods. 4. To save the local industry and livelihood of lakhs of families, dependent of these units, the rates may be kept at 18% on fireworks and 5% on matches. 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. In the context of items attracting 28% GST [where the concerns were raised that substantial quantity of these goods were manufactured by SSI units, which were exempt from excise duty] the Council recommended increase in composition scheme turnover limit from Rs. 50 lakh to Rs. 75 lakh, instead of considering rate reduction individual items, claimed to be manufactured by SSI units in pre-GST regime. 3. Changing GST rate on one item, on these grounds would necessitate similar view to be taken for a number of other goods. 4. Reduction from 28% to 18% [by 10%] on all such goods would entail huge revenue loss. 5. No change
57.	5608	Fishing Net	12%	5%	<ol style="list-style-type: none"> 1. Fishing twine, ropes and fishing nets were exempted from VAT in most States. 2. This increased tax burden under GST would significantly increase the operational costs. 3. Nearly 25% of the population of the Union Territory of Puducherry are dependent upon fishing for their livelihoods. 4. Therefore, to protect the livelihood of fisherman the tax incidence on fishing twine, ropes and fishing nets, may be taxed @ 5%. 5. The request was earlier placed before the Council by Goa & Tamil Nadu. 	<ol style="list-style-type: none"> 1. Fishnets are made of nylon which attracts 18% GST. 2. Fishnets are at 12% GST. 3. Even with 50% value addition the ITC would be sufficient to pay GST on fishnets, which will then flow as ITC in trading chain. 4. Lower than 12% rate would convert all manufacturers of fishnets into refund seekers, which has its associated financial and administrative costs. 5. Further lowering of GST rate would, thus, put domestic goods at a disadvantage vis-à-vis imports. 6. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
58.	Chapter 94	Furniture	28%	Wooden unbranded 12%,	<ol style="list-style-type: none"> 1. The furniture sector has been deeply impacted due to huge increase in the tax rates. 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. In the context of items attracting 28% GST [where the concerns were raised

				Plastic 18%	<ol style="list-style-type: none"> 2. The total tax incidence in VAT regime on the wooden furniture was 10%, unbranded steel furniture was 5% and plastic furniture was 17.5%. 3. The present tax incidence is 28% in respect of all the three categories of furniture. 4. This has resulted in steep increase in prices of these goods. 5. This furniture is primarily manufactured by tiny and small scale industries, which provide employment to thousands of skilled labour viz., carpenter, fitters and welders. 6. To make the furniture locally competitive and to protect the employment of these workers, the tax on wooden and unbranded steel furniture may be fixed at 12% and on plastic furniture @ 18%. 	<p>that substantial quantity of these goods were manufactured by SSI units, which were exempt from excise duty] the Council recommended increase in composition scheme turnover limit from Rs. 50 lakh to Rs. 75 lakh, instead of considering rate reduction individual items, claimed to be manufactured by SSI units in pre-GST regime.</p> <ol style="list-style-type: none"> 3. Changing GST rate on one item, on these grounds would necessitate similar view to be taken for a number of other goods. 4. Reduction from 28% to 18% [by 10%] on all such goods would entail huge revenue loss. 5. No change.
59.	Chapter 65	Helmets	18%	5%	<ol style="list-style-type: none"> 1. Helmets are considered as an essential safety gear for protection from head injury. 2. To encourage people to use helmets, the U.T of Puducherry has given total exemption to helmets from levy of VAT. 3. Considering the importance of helmets and to keep the cost of helmets affordable, helmets may be placed in the 5% slab. 	<ol style="list-style-type: none"> 1. Even 18% GST rate is lower than pre-GST tax incidence of about 28%. 2. GST rate on helmets was discussed specifically in the Council, and taking into consideration that users of helmet can bear the tax, the rate of 18% was decided. 3. All inputs of helmets are at 18%, and reduction to 12% may result in their manufacturers seeking refund of unutilised ITC, with associated financial and administrative costs. 4. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below. 5. No change.
60.	2515 or 6802	Napa Slabs or tiles	5% / 28%	5	<ol style="list-style-type: none"> 1. This is a commodity consumed only by lower income group people in house hold sector. 2. Further, it is ascertained that the Kota slab stone, (Rajasthan) which is of same category of lime stone is kept under 5% category (2515). 	<ol style="list-style-type: none"> 1. Other calcareous monumental or building stone of an apparent specific gravity of 2.5 or more, and alabaster, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape falling under heading 2515 attract 5% GST. 2. Thus, Napa stones, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape falling under heading 2515 attract 5% GST. 3. Napa tiles, however, fall under heading 6802 and attract 28% GST.

61.	8701	Tractors	12%	5%	<ol style="list-style-type: none"> 1. These are mostly used in farming activity. 2. The higher tax burden will affect farmers. 3. Hence tax may be reduced to 5%. 	<ol style="list-style-type: none"> 1. 12% GST rate is as per present tax incidence [embedded excise duty of more than 5%, VAT 5% and CST, Octroi, etc. 2.5%]. 2. 12% rate itself has created problem of duty inversions, which is yet to be resolved. 3. No change
62.	52	Cotton hank yarn	5%	Nil	<ol style="list-style-type: none"> 1. In VAT regime it was exempted but under GST it is taxable @ 5%. 2. This is mostly used by the Handloom weavers. 3. Levying tax on hank yarn 0 will adversely affect the weaving community. 4. Hence Cotton Hank Yarn may be exempted from tax. 	<ol style="list-style-type: none"> 1. Khadi yarn attracts Nil GST. 2. Nil GST results in breaking of ITC chain and cascading of upstream taxes. 3. Khadi yarn sector is already complaining of such cascading. 4. In any case, ITC of tax paid on hank yarn will be available to the weaver. 5. No Change
63.	Chapters 50 to 63	Textiles	5%	Nil	<ol style="list-style-type: none"> 1. But under GST, 5% rate is fixed which will affect the common man adversely. 2. Further Handloom weavers will be adversely affected due to levy of tax on handloom cloth. 3. Therefore, textiles may be exempted from tax under GST. 	<ol style="list-style-type: none"> 1. Nil GST results in breaking of ITC chain and cascading of upstream taxes. 2. Khadi yarn sector is already complaining of such cascading. 3. Nil GST also puts domestic manufacturers at a disadvantage vis-à-vis imports. 4. No change
64.	Chapter 50 to 63	Khadi fabrics, garments and made-up	5% 5%/12%	Nil	<ol style="list-style-type: none"> 1. Pre-GST khadi fabrics and khadi garments and made-up were exempt from excise duty as well as VAT. 	<ol style="list-style-type: none"> 1. Nil GST results in breaking of ITC chain and cascading of upstream taxes. 2. Khadi yarn sector is already complaining of such cascading. 3. Nil GST also puts domestic manufacturers at a disadvantage vis-à-vis imports. 4. No change
65.	2516	Granite Slabs	28%	Tax to be reduced	<ol style="list-style-type: none"> 1. These are mostly in SSI category and providing employment directly or indirectly to 5 lakh people in Andhra Pradesh. 2. The commodity is levied tax at highest slab of 28%. The rate of tax may be reduced. 	<ol style="list-style-type: none"> 1. In the context of items attracting 28% GST [where the concerns were raised that substantial quantity of these goods were manufactured by SSI units, which were exempt from excise duty] the Council recommended increase in composition scheme turnover limit from Rs. 50 lakh to Rs. 75 lakh, instead of considering rate reduction individual items, claimed to be manufactured by SSI units in pre-GST regime. 2. Changing GST rate on one item, on these grounds would necessitate similar view to be taken for a number of other goods. 3. No change.
66.	Chapter 87	Hybrid Cars	GST 28% + Cess 15%.	Cess to be reduced to 3%	<ol style="list-style-type: none"> 1. These cars are environment friendly and required to be encouraged. 2. But GST is levied not only at highest rate of 28%, but cess is also levied at 15% on 	<ol style="list-style-type: none"> 1. Detailed note has been circulated to States on this issue. 2. No change.

					<p>par with other costly luxury cars.</p> <ol style="list-style-type: none"> This is against the Government policy of Green environment. Therefore, the Cess may be removed or reduced to 3%. To encourage people to purchase these Hybrid cars. 	
67.	6802	Marble and Granite slabs and tiles	28%	18% for Marble and Granite (other than blocks) of Value Rs 100 / sqft and 28% for higher values	<ol style="list-style-type: none"> There is about 22 - 40% value addition in Indian marbles from block to slab and 5 - 15% for imported marbles. High value addition with 28% GST would cause hardship to industry. 	<ol style="list-style-type: none"> Present GST rate is as per pre-GST tax incidence. In the context of items attracting 28% GST [where the concerns were raised that substantial quantity of these goods were manufactured by SSI units, which were exempt from excise duty] the Council recommended increase in composition scheme turnover limit from Rs. 50 lakh to Rs. 75 lakh, instead of considering rate reduction individual items, claimed to be manufactured by SSI units in pre-GST regime. Changing GST rate on one item, on these grounds would necessitate similar view to be taken for a number of other goods. Reduction from 28% to 18% [by 10%] on all such goods would entail huge revenue loss. Rajasthan strongly pleaded for lowering the GST rates. No change.
68.	2517, 6807	Marble powder and chips	Not coloured 5%, Coloured 28%	Nil or 5%	Presently (pre-GST) tax free.	<ol style="list-style-type: none"> Heading 2517 includes granules, chippings and powder of stones heading 2515 or 2516 (other than artificially coloured) and attracts 5% GST. Heading 6802 includes artificially coloured granules, chippings and powder of marble or of other natural stones (including slate) (e.g., for shop window displays) and attracts 28% GST. A view may be taken to avoid disputes. No change in rate
69.	Chapter 54 or 55	Yarn or manmade fibre	18%	5%	<ol style="list-style-type: none"> GST rate on manmade fibre-18%, manmade yarn-18% and job work related to textile 5% with no accumulated ITC. The rate structure has created differentiation between integrated units which manufacture fabric from fibre and small units which manufacture fabric from yarn, since they have to pay tax on higher amount at the time of purchase of 	<ol style="list-style-type: none"> 18% GST rate for synthetic or manmade fibre is based on the pre-GST tax incidence, excise duty 12.5% and VAT rate of 5% and CST, octroi etc. 2.5%. Raw materials for manmade fibres are chemicals, which also attract 18% GST. Reduction in GST rate to 5% will result in thousands of crore of refund to MMF manufacturers. Otherwise, they would be at a disadvantage vis-a-vis imports. No change.

					yarn (due to value addition on spinning of fibre)	
70.	8203	Hand Tools	18%	Nil	<ol style="list-style-type: none"> 18% tax on these items will make the products made by small entrepreneur unviable; it will be difficult for them to survive. User of hand tools will not be liable to be registered so ITC chain will not develop. 	<ol style="list-style-type: none"> Hand tools, such as 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 falling under 8201 attracts Nil GST. Files, rasps, pliers (including cutting pliers), pincers, tweezers, metal cutting shears, pipe cutters, bolt croppers, perforating punches and similar hand tools fall under heading 8203 and attract 18% GST. The major raw materials for these tools are at 18% GST. Any reduction in GST rate on these goods will lead to ITC accumulation and refund. Threshold exemption and composition scheme will be available to small dealers. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below. No change.
71.	1404	Mehendi Powder and Mehendi Paste	5% if HSN 1404	5%	<ol style="list-style-type: none"> Mehendi leaves are GST exempted. Leaves are crushed to powder and paste is used for designing palm of women across all communities. No significant value addition in the process of crushing, items are also excise exempted. 	<ol style="list-style-type: none"> As per HSN explanatory notes, raw vegetable materials of a kind used primarily in dyeing or tanning, either directly or in the preparation of dyeing or tanning extracts, untreated, cleaned, dried, ground or powdered (whether or not compressed), including henna, fall under heading 1404, and will attract 5% GST.
72.	Any Chapter	Fabric	5%	Nil	<ol style="list-style-type: none"> Cloth has been historically exempted from VAT in all States. Dealers of fabric are not used to comply with tax system. Large number of persons is employed. It is requested to consider exemption. 	<ol style="list-style-type: none"> GST rate of 5% is as per pre-GST tax incidence. Nil GST will put domestic industry at a disadvantage. No change
73.	Any Chapter	Handicraft	Applicable rate	5%	<ol style="list-style-type: none"> Handicraft has not been anywhere indicating in the GST notification. In most of the States, handmade furniture of cane, bamboo, wood etc. are either tax free or in lower tax slab and also export industry will not be able to sustain the heat of higher rate in 	<ol style="list-style-type: none"> Matter has already been deliberated at length in the GST Council meeting held on 03.06.2017. There is no justification to reopen the issue. No change.

					<p>GST as it is a labour intensive sector where employees, artisans from remote cluster of States operate.</p> <p>Handicraft/Handmade furniture may be kept at lower rate of 5%.</p>	
74.	0101	Rajasthani Horses	12%	Nil	<ol style="list-style-type: none"> Horses are in 12% slab while no other livestock is within the ambit of GST. The Marwari Horses are renowned over the world for their beauty, poise and endurance. The commendable work of a few breeders has saved the rare indigenous breed from being extinct. We strongly request a distinction between indigenous Horse breeds and imported breeds used in racing and exempt the former from GST. 	<ol style="list-style-type: none"> A distinction cannot be made between imported horses and domestically bred horses for the purposes of levy of IGST as this will not be WTO compliant. No change
75.	3915	Waste Items (empty bottle, broken glass, plastic waste, HDPE bags)	18%	5%	<ol style="list-style-type: none"> Earlier taxed @ 5.5%. Collected by poor vendors from door to door who are not registered with Central Excise so total burden on this item is 5.5% as Central Excise is not applicable. May be fixed at 5%. 	<ol style="list-style-type: none"> Margin scheme is available to dealers of old and used goods. No change.
76.	58 or 59	Processed Wool Felt (NAMA DA)	12%	5%	<ol style="list-style-type: none"> VAT was @ 5.5% for machine made Wool felt. For handmade NAMADA it was exempted. Felt and Felt Products were also free from Excise. Manufacturing Units achieved excellence in product quality and 60% product is exported. There are also a lot of ecological benefits in the process of manufacturing which facilitates agricultural productivity. Approx. 200 houses of Tonk and Jaipur District have their source of livelihood on this activity. Rate may be fixed at 5%. 	<ol style="list-style-type: none"> The GST rate of 12% is applicable to all goods falling under chapter 58 and 59. No change.
77.	2106	Compound preparations for making non-alcoholic	28%	Lower rate		<ol style="list-style-type: none"> GST rate is as per the pre-GST tax incidence. No change.

		beverage s, having same HSN: 2106				
78.	2106	Churan and Churan Goli (tasteful churan powder, <i>churan goli</i> , <i>khatha mitha</i>) are not classified in any tax slab in GST.	28%	-	1. Churna for pan appears to be classified under Chapter 2106 leviable to 28% GST. 2. Other churna/churan appears to be leviable to 18% GST under Sr.No.453 [goods of any chapter] Schedule VI.	1. Food preparations not elsewhere specified or included falling under heading 2106 attract 28% GST. 2. Threshold exemption and Composition will be available to the MSME dealers.
79.	2106	Khakhra and <i>Khichia</i>	12%	-	1. Khakhara and Khichia may be classified under Chapter Heading 210690 leviable to 12% GST. 2. The said chapter head contains description of goods viz. "Namkeens, bhujia, mixture, chabena and similar edible preparations in ready for consumption form."	1. Classification of Khakhra and GST rate has been clarified by way of FAQ.
80.	2308	"Vegetable materials and vegetable waste, vegetable residues and by products, whether or not in the form of pellets of a kind used in animal feeding not elsewhere specified or included" is not shown under 'Nil' Rate	Nil	-	The request may be considered as not mentioning these items in Nil rate would attract residual GST rate.	1. Heading 2308 has been mentioned in the Nil schedule. 2. Therefore, all goods of 2308 attract Nil GST.
81.	210690	Sweetmeats	5%	-	When supplied in restaurant, what will be the rate?	1. GST rate applicable to restaurant service will apply.

82.	2105	Kulfi	18%	-	<ol style="list-style-type: none"> 1. Sweetmeats are taxed @ 5% having HSN Code: 2106 90 [Sl. No. 101 of Sch: I.] 2. Ice creams are taxed @ 18% having HSN Code: 2105 00 00 [vide Sl. No. 22 Sch III] 3. HSN Code 2105 00 00 denotes Ice cream and other edible ice, whether or not containing cocoa. 4. By nature, Kulfi is neither ice cream nor ice. It is a dairy dessert made of milk blended with sweetening agents, nuts, flavouring substances & essence. 5. Currently, it may be interpreted as goods under general rate, i.e., 18%, [vide Sl. No. 453 Schedule III]. But this may be in contradiction with ice-cream, manufactured through machines, with brand names, which are taxed at the same rate. 	<ol style="list-style-type: none"> 1. It has been clarified that kulfi falls under heading 2105 and attracts 18% GST.
83.	1902	Macaroni / Pasta/ Noodles	18%	5%	<ol style="list-style-type: none"> 1. Vermicelli is taxed @ 5%, Macaroni/ Pasta/ Noodles are taxed @ 18% and Papad @ 0%. 2. There should be uniform tax rate for all these products as they are manufactured through the same set of machines and equipment. 	<ol style="list-style-type: none"> 1. The tax rates on these goods are as per the pre-GST tax incidence.
84.	4819	<p>What is the rate on Folding cartons, boxes and cases, of non-corrugated paper or paperboard?</p> <p>Cartons, boxes and cases of corrugated paper or paperboard attract 12% GST.</p>	18%	-	<ol style="list-style-type: none"> 1. Description of Goods under the broad head 4819 reads as “Cartons, Boxes, Cases, Bags And Other Packing Containers, Of Paper, Paperboard, Cellulose Wadding Or Webs Of Cellulose Fibres; Box Files, Letter Trays, And Similar Articles, Of Paper Or Paperboard of a kind used in offices, shops or the like”, but in the notification the description as given in 481910 has been included, resulting in confusion as to whether then entire goods covered under 4 digit HSN will be covered or not. 	<ol style="list-style-type: none"> 1. Folding cartons, boxes and cases, of non-corrugated paper or paperboard falling under heading 4819 attract 18% GST under residual entry. 2. FAQ clarifies the same.

85.	4008 19 10	Micro Cellular sheet	18%	5%	<ol style="list-style-type: none"> 1. Pre GST central excise was Nil and VAT was 5%. 2. They should have been placed at 5% and not 18%. 	<ol style="list-style-type: none"> 1. Blocks of microcellular rubber [intermediate product] for use in the manufacture of footwear attracted Nil excise duty. 2. However, microcellular sheets of rubber attracted 12.5% excise duty. 3. Therefore, GST rate is as per pre-GST tax incidence. 4. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
86.	8483	Housing / Blocks, Sleeves, Locating Ring	28%	18%	<ol style="list-style-type: none"> 1. Earlier incidence 5%+12.5%. 2. Should have been at 18% and not 28% 	<ol style="list-style-type: none"> 1. VAT rate on these products was 14.5% in general and excise duty was 12.5%. 2. The GST rate of 28% is, thus, as per the pre-GST tax incidence. 3. No change.
87.	8484	Oil seals	28%	18%	<ol style="list-style-type: none"> 1. Earlier incidence 5%+12.5%. 2. Should have been at 18 and not 28% 	<ol style="list-style-type: none"> 1. VAT rate on these products was 14.5% in general and excise duty was 12.5%. 2. The GST rate is as per the pre-GST tax incidence. 3. No change.
88.	5605	Real Jari Kasab (Thread)	12%	3%	<ol style="list-style-type: none"> 1. Jari kasab is tax free under VAT & Excise law 2. Real Jari Kasab is being made from gold, silver, pure silk and cotton yarn. 3. In GST, real jari kasab covered under the heading no. 5605 of chapter. 4. 56 classified as a metalized yarn and taxable @ 12%. 5. Basic raw material of real jari kasab are gold, silver (taxable @3%) pure silk & cotton yarn (taxable @5%). 6. Lower tax rate on raw-material & higher rate on finished goods will considerably increase the price of real jari kasab. 7. The product was tax free under previous act & becoming taxable under GST. 8. Because real jari is basically made from gold, silver and pure silk, it should be covered under chapter No. 71 of Gold, silver & diamond & taxable @3 %. 	<ol style="list-style-type: none"> 1. Real jari kasab falling under 5605. 2. 5% rate is applicable only to imitation jari kasab, also falling under 5605. 3. Real jari kasab will thus attract 12% GST.
89.	5809, 5810	Embroidery articles made from gold,	5%	3%	<ol style="list-style-type: none"> 1. In GST, Embroidery articles made from gold, silver & real jari are covered under heading no. 5809 & 5810 of chapter 58 and so is taxable @ 5%. 	<ol style="list-style-type: none"> 1. Classification is as per HSN and therefore, cannot be changed. 2. Rate of 3% is applicable only to goods of Chapter 71. 3. No change.

		silver & real jari			2. Considering that the embroidery articles are made from gold & silver , it should be excluded from chapter 58 and cover under Chapter 71 and so may be made taxable @ 3%.	
90.	2401	Tobacco Leaves	5%	-	<ol style="list-style-type: none"> 1. As per the current trade practice in Gujarat, traders (khali owners) purchase tobacco from farmers. 2. Such purchased tobacco is in the form of either leaves or in form of pieces of leaves along with stem. 3. The tobacco in the form of leaves or pieces of leaves purchased from farmers is classifiable under Chapter heading 2401. 4. May be clarified that tobacco in the form of leaves or pieces of leaves falls under heading 2401 and attracts 5% GST. 	<ol style="list-style-type: none"> 1. Already clarified by FAQ that for GST rate of 5%, tobacco leaves means leaves of tobacco as such or broken tobacco leaves or tobacco leaves stems.
91.	0804	Wet dates	12%	-	<ol style="list-style-type: none"> 1. There are doubts about the classification and GST rate of wet dates. 2. May be clarified. 	<ol style="list-style-type: none"> 1. Matter clarified by FAQ that wet dates attract 12% GST.
92.	2106	Namkeen , Bhujias, Farsan, Potato chips etc.	12%	5%	<ol style="list-style-type: none"> 1. More than 6% - 6 states (Assam, Karnataka, AP, Chandigarh, Goa, Nagaland. 0 to 6% - 27 States (Input Tax Credit - hardly any, as it is agro based) 	<ol style="list-style-type: none"> 1. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
93.	7321	Kerosene stoves	12%	All types be covered in one category only.	Schedule II, entry 183, Heading 7321	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence. 2. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
94.	7321	Oil pressure stoves	12%	-	Excise exemption / VAT at lower rate	<ol style="list-style-type: none"> 1. Kerosene oil pressure stoves are at 12% GST. 2. Present GST rate is as per pre-GST tax incidence, embedded excise duty, VAT and CST, Octroi etc.
95.	9405	Hurricane lanterns, kerosene lanterns	12%	-	Schedule. II, Entry 225, Heading 9405	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence. 2. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
96.	7321	LPG Stoves	18%	-	Schedule III, Entry 235, Heading 7321	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence. 2. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.

97.	9615	Hair Pin	12%	3% Under imitation jewellery	Gujarat, Rajasthan, UP, Delhi, WB – Tax free, Maharashtra - 12%, Other states - 5%	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence. 2. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
98.	Chapter 30	Anti D-Drug Rhoclane - to prevent – hac ASVS (used to treat snake bite), Berirab (used to treat rabies caused by animal bite, dog, cat, etc. , Thymogam (used in organ transplant cases)	12%	Same may be included in the list of ‘Life Saving Drugs’	<ol style="list-style-type: none"> 1. Excise Duty – 6%, VAT – 6%. The Drug – prevents a woman from forming antibodies that would attack RBCs of Thesis +ve baby in future pregnancy. 2. Such antibodies may make the baby anaemic and if serve cancer baby to die. 3. Central Excise Duty – NIL, VAT – 0 to 6%. 	<ol style="list-style-type: none"> 1. Specified drugs at 5% GST were identified by the Ministry of Health & Family Welfare after stakeholder consultations and based on the recommendations of a Standing Committee. 2. It would not be advisable to suo moto add other formulations in the list.
99.	Chapter 44	Ecofresh Board	28%	-	Eco friendly, manufactured out of FMCG products packing material by recycling method.	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence.
100.	Chapter 90	Xtronic Imaging Systems	12%	Exempt as ‘Life saving medical units’	(i) Mammography - breast cancer detection, (ii) Orthopantomography – oral cancer detection	<ol style="list-style-type: none"> 1. Specified drugs and medical devices at 5% GST were identified by the Ministry of Health & Family Welfare after stakeholder consultations and based on the recommendations of a Standing Committee. 2. It would not be advisable to suo moto add other formulations in the list.
101.	Any Chapter	Pyrolysis Oil	18%	5% (Green Technology)	Used in green Technology for converting plastic waste into fuel. - VAT - 6%	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence. 2. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
102.	6601	Umbrella	12%	5%	<ol style="list-style-type: none"> 1. VAT – 0 to 6%, Central Excise duty – 6%. 2. Most of the manufacturing were below 1.5 cr. MSMEs. 3. GST: Schedule II, Entry 172, Head 6601 	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence. 2. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
103.	9608	Writing instruments	12%, 18%	May be kept in - 5% below Rs. 200/-, -	<ol style="list-style-type: none"> 1. All pens upto Rs. 200/-. Central Excise Duty - Upto 6%, VAT 5%. 2. GST: Schedule II, Chapter 232, Head 9608 - 12%. 	<ol style="list-style-type: none"> 1. GST rate is as per pre-GST tax incidence. 2. It will not be advisable to have value based rates for too many goods.

				12% above Rs. 200/	3. Schedule III, Chapter 447, Head 9608 - 18%	3. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
104.	Chapter 50, 51, 52, 54 or 55, as the case may be	Paithani saree	5%	Nil	1. To exempt historical Paithani sarees being handloom. 2. Policy call may be taken along with other such similar products.	1. All sarees are at 5%. 2. Nil rate results in cascading of taxes and adds to costs. 3. No change.
105.	2201	Packaged Drinking Water	18%	Water sold in small pouches and refill cans with 20 Ltr capacity may be placed in "Nil" rate category	1. Water, including natural or artificial mineral water and aerated water, not containing added sugar or other sweetening matter nor flavoured are taxable at 18%. 2. Water in small plastic pouches and water supplied in refill cans (bubble top) with 20 Ltr capacity are commonly used by common public daily and since the supplies were from MSME units, they were not subjected to central excise earlier, and the combined incidence of tax was as below: Ave. VAT 10%, CE 0%, Combined incidence of tax 10%. 3. It is also to be noted that chemicals used in the process of water constitute less than 10% and use of plastic containers constitute another 5% of the cost production and the remaining 85% belongs to other non-taxable category like electricity, labour and other maintenance charges and thus, the manufacturer is left with less ITC. 4. Due to the increase in tax, the water suppliers have increased the price of water supplied in 20 Ltr refill cans from Rs.30/- to Rs.35-Rs.38/-. This sudden increase in price by Rs.5/- to Rs.8/- has created dissatisfaction among the public.	1. Pre-GST tax incidence was more than 28%. 2. As against this, the GST rate is 18%. 3. The matter was deliberated at length in the Fitment Committee as well as the GST Council and it was decided to maintain the rate at 18%. 4. No change.
106.	1905	Biscuits	18%	Biscuits with value above Rs.100/- per kg may be taxed at 18% and	1. Biscuits are being taxed at 18% without any distinction between biscuits made by Micro, Small and Medium Enterprises and big corporates like ITC and Britannia.	1. Present GST rate is as per pre-GST tax incidence. 2. GST rate for biscuits was discussed in great detail by the Council. 3. Will not advisable to make any change.

				<p>biscuits with value less than Rs.100/- per kg may be reduced to 5% as followed in the case of garments and footwear</p>	<ol style="list-style-type: none"> 2. In the pre-GST period, biscuit with a price above Rs.100/- per kg alone were subjected to Central Excise duty at 6% and below Rs.100/- no Central excise duty was levied. Earlier, Biscuits manufactured by Micro, Small and Medium Enterprises were subjected to lower rate at 5% under the un-branded category. 3. The combined incidence of tax on biscuits is as follows: 4. Biscuits with price above Rs.100/-per kg ED - 6%, VAT-14.5%, combined incidence - 20.5%. 5. Biscuits with price below Rs.100/-per kg ED 0%, VAT -5% , combined incidence - 5%. 6. Sugar and packing material alone are taxable purchases eligible for ITC which constitutes hardly 15% of the cost of production. The main input Maida and labour charges (directly employed) constitute the remaining 85% of the input cost and not eligible for ITC since these are exempted from levy. 7. Biscuits with low price are mainly consumed by rural and common people. 8. As the taxable person opting for composite scheme cannot claim ITC for the input and collect tax from the buyer, naturally the tax on purchases would be added to the cost of production and the buyer would indirectly pay the hidden cost, the Store/outlet through which the products are supplied would insist small scale manufacturer to issue tax invoice to claim ITC. Therefore, the argument that small scale manufacturer may opt for composition would not hold good. 	<ol style="list-style-type: none"> 4. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below. 5. No change.
107.	8509	Wet Grinders	28%	18%	<ol style="list-style-type: none"> 1. It is a common household appliance used primarily for making dough required for the preparation of idlies and dosas which are the staple food of South Indians. Our 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. Will not advisable to make any change. 3. No change.

					<p>late CM had distributed wet grinders free of cost to women in the State to ease them from their domestic chores.</p> <ol style="list-style-type: none"> 2. Wet grinder manufactured in Coimbatore has acquired “Geographical Indication No.25” which is an honour to our country. 3. Wet grinders are exported to other countries and all the inputs are “made in India” and no imported materials are used. 4. Electrical motor, ball bearings and Steel drums are the main inputs which are taxable at 18%. 5. The entire wet grinder manufacturers are from Small and Medium Scale Industries with less than Rs.1.50 crore turnover per annum and hence, they were earlier out of the purview of Central Excise. 6. The combined incidence of tax was as below: Ave. VAT 14.5%, CE 0%, Combined incidence of tax 14.5%. 7. As the taxable person opting for composite scheme cannot claim ITC for the input and collect tax from the buyer, naturally the tax on purchases would be added to the cost of production and the buyer would indirectly pay the hidden cost, the Store/outlet through which the products are supplied would insist small scale manufacturer to issue tax invoice to claim ITC. Therefore, the argument that small scale manufacturer may opt for composition would not hold good. 	
108.	8423	Weighing Machines	28%	18%	<ol style="list-style-type: none"> 1. Electric or electronic weighing machinery (excluding balances of a sensitivity of 5 centigrams or better), including weight operated counting or checking machines; weighing machine weights of all kinds are taxable at 28%. 2. 90% of the manufacturers are from small and medium 	<ol style="list-style-type: none"> 1. Present GST rate is as per pre-GST tax incidence. 2. Will not advisable to make any change. 3. No change.

					<p>scale industries and they were exempted from Central excise because the manufacturing value was less than Rs.1.50 crore.</p> <ol style="list-style-type: none"> The combined incidence of tax before GST was 14.5% i.e. VAT 14.5%, CE 0%. Fixing rate based on excise paid by the corporate manufacturer affects the small and medium scale industry. As the taxable person opting for composite scheme cannot claim ITC for the input and collect tax from the buyer, naturally the tax on purchases would be added to the cost of production and the buyer would indirectly pay the hidden cost, the Store/outlet through which the products are supplied would insist small scale manufacturer to issue tax invoice to claim ITC. Therefore, the argument that small scale manufacturer may opt for composition would not hold good. 	
109.	8414	Compressors	28%	18%	<ol style="list-style-type: none"> Compressor is taxed at 28%. 200 small industries and 600 tiny industries are engaged in the manufacture of Air-compressor in Tamil Nadu. It gives employment to 10000 workers. Air-compressor was sold as industrial inputs under VAT in all States under the lower tax rate of 5%. The combined incidence of tax before GST was 17.5% [12.5% ED and 5% VAT]. As the taxable person opting for composite scheme cannot claim ITC for the input and collect tax from the buyer, naturally the tax on purchases would be added to the cost of production and the buyer would indirectly pay the hidden cost, the Store/outlet through which the products are supplied would insist small scale manufacturer to issue tax invoice to claim ITC. Therefore, the argument that small scale 	<ol style="list-style-type: none"> Present GST rate is as per pre-GST tax incidence based on VAT rates provided by the Fitment Committee. Only a few States had lower VAT rates on compressors. No change.

					<p>manufacturer may opt for composition would not hold good.</p> <p>7. Compressors are also used in the pumps for drawing water from deep wells and bore wells for use by agriculture and domestic purpose due to depletion of ground water</p>	
110.	1106	Sago	5%	Nil	<p>1. Sago being a food product consumed by the common man should be NIL rated.</p>	<p>1. GST rate is as per pre-GST tax incidence.</p> <p>2. No change.</p>
111.	3915	Re-cycled plastic	18%	12%	<p>1. Plastic granules are produced by recycling the waste and disposed plastics by tiny and small scale industries.</p> <p>2. The recycling of waste and disposed plastics saves the environment.</p> <p>3. Since the poor people are engaged in collection of waste plastics, fixing tax rate on par with virgin plastics manufactured by corporates would affect their livelihood.</p> <p>4. Since recycled plastics are produced by tiny and small scale industries were not subjected to any excise duty because of low value of manufacture and the average VAT was 12.5%, the combined incidence of tax before GST was 12.5% [0 ED and 12.5% VAT].</p> <p>5. In view of the above, rate of tax on recycled plastic may be reduced to 12% from 18%.</p>	<p>1. GST rate is as per pre-GST tax incidence.</p> <p>2. In a multi stage tax like GST, it may not be possible to ascertain whether the granules are of recycled plastic or virgin plastic.</p> <p>3. Will be prone to misuse and difficult to administer.</p> <p>4. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.</p> <p>5. No change.</p>
112.	8703	Goods used by differently abled persons (Cars)	18%	5%	<p>1. Various goods used by differently abled persons are at a lower rate of 5%. The remaining goods used by them may also be brought down to 5%.</p>	<p>1. GST rate is as per pre-GST tax incidence.</p> <p>2. Nil GST results in cascading, adds to costs of domestic goods and puts them at a dis-advantage vis-à-vis imports.</p> <p>3. Direct subsidy is a better option than giving tax incentives.</p> <p>4. No change.</p>
113.	8711	Motor Cycles with engine capacity more than 350 and upto 500 cc	28% + 3% Cess	28%	<p>1. The cess leviable on Motor cycles with engine capacity of more than 350 cc has to be reconsidered for the reason that Motor Cycles with engine capacity from 350 cc to 500 cc are neither luxury nor demerit goods.</p> <p>2. The motor cycles with engine capacity upto 500 cc</p>	<p>1. The matter was discussed by the GST Council and Cess rates has been was fixed based on the recommendations of the GST Council.</p> <p>2. 3% rate is not too high for high engine capacity bikes.</p>

					are used mainly for commuting purpose only. 3. Further, Royal Enfield is the only Indian Company which make vehicles with more than 350 cc and thus it fulfils the ambition of our PM's "Make in India" initiative.	
114.	8448, 8487	Textile Machinery parts	18%	5%	1. Textile Machinery parts are taxed at 18%. 2. Textiles related job work, yarn and fabrics are being taxed at 5% under GST and 18% of levy on textile machinery shall result in accumulation of working capital due to inverse rate structure. 3. 98% of the textile machinery manufacturers were not subjected to Central Excise duty. 4. They were earlier granted concessional rate of 5% under VAT. 5. In view of the above, the rate of tax on Textile Machinery parts may be taxed at 5% on par with the rate of tax applicable to other textile products.	1. GST rate is as per pre-GST tax incidence. 2. Most raw materials such as iron or steel, etc. attract 18%. 3. Reduction to 5% will lead to accumulation of ITC and refund. 4. It will also make import competitive vis-à-vis domestic manufacture. 5. In order to achieve the larger goal of a single rate GST, it may not be appropriate to tweak GST rates of goods which are already at 18% or below.
115.	2403	Chewing Tobacco	28% + Cess	28%	1. Unmanufactured tobacco; tobacco refuse [other than tobacco leaves] taxable at 28%. 2. Chewing tobacco is falling under this category and this one of the agricultural produce and different from other tobacco products like pan masala, gutkha and jarda. 3. This has to be categorized along with beedi, for which compensation cess has not been levied. 4. Hence, the chewing tobacco without involving any process may also be exempted from Compensation cess.	1. GST rate is as per pre-GST tax incidence. 2. Being demerit goods, there is no justification to reduce tax incidence on these goods.
116.	28	Bleach liquid	18%	5%	1. Bleach liquid i.e., Calcium Hypochlorite is an inorganic chemical, to be taxed at 18%. 2. Textiles related job work, yarn and fabrics are being taxed at 5% under GST and 18% of levy on textile machinery shall result in accumulation of working	1. All goods falling under Chapter 28 being in the nature of intermediates, in general attract 18% GST. 2. The GST rate is as per the pre-GST tax incidence.

					<p>capital due to inverse rate structure.</p> <ol style="list-style-type: none"> 3. This is mainly used for the purpose of bleaching of textiles 4. It was exempted from tax under earlier VAT. 5. Considering that bleach liquid is mainly used in textile industry, the rate may be reduced to 5% on par with rate applicable to service and products relating to textiles. 	
117.	2106	Chutney powder	18%	12%	<ol style="list-style-type: none"> 1. Currently classified under miscellaneous edible preparations and attracts 18% rate. 2. It is like a masala that is not used for cooking but is used along with food like pickle. 	<ol style="list-style-type: none"> 1. The GST rate is as per the pre-GST tax incidence. 2. No change.
118.	2001	Pickle	12%	5%	<ol style="list-style-type: none"> 1. Pickle – VAT is 5% and we need to confirm if Central Excise is 6%. 2. Same treatment can be given to Chutney powder above. 	<ol style="list-style-type: none"> 1. GST rate on pickles is as per the pre-GST tax incidence. 2. No change.
119.	8443	Multi function printers	28%	18%	<ol style="list-style-type: none"> 1. Multi fiction printers-all printers enjoy concessional rate in VAT. 2. Therefore there is no reason why it should be in GST. 3. Today MFPs are sold more than printers and standalone printers are getting restricted to specialised ones. 4. Like monitors, this also hits only individual buyers. 	<ol style="list-style-type: none"> 1. GST rate is as per the pre-GST tax incidence based on VAT rates provided by the members of Fitment Committee. 2. No change.
120.	Chapter 38, 84 or 85	Biodiesel, the machinery used in the production of biodiesel and machines that run on biodiesel	18%	Nil	<ol style="list-style-type: none"> 1. Presently these are taxed at the rate of 18% under GST. Encouraging the use of biodiesel is very beneficial from the environmental perspective. 2. Therefore, it will be advisable to be consider exemption for Biodiesel, the machinery used in the production of biodiesel and machines that run on biodiesel. 	<ol style="list-style-type: none"> 1. GST rate on capital goods is as per the pre-GST tax incidence. 2. Any reduction in GST rate on capital goods will lead to ITC accumulation and refund. 3. Bio-diesel at 18% GST has substantial tax advantage over diesel which bears about 100% tax. 4. No change.
121.	Any Chapter	Pooja bells, Artidaaan and 6-inch idols	18%, 28%	Nil	<ol style="list-style-type: none"> 1. These objects are used for worship by the general public. 2. Under GST, they are taxable at the rate of 12 %. 3. Considering the religious sentiments of people. 4. Also, pan-India turnover of these items is very low. 	<ol style="list-style-type: none"> 1. All raw materials for bells or artidaaan attract 18% GST. 2. Present rates are as per pre-GST rates. 3. Fitment Committee has decided that idols of clay may be kept at 5%. 4. No change for other items.

					5. Therefore, there will be no adverse effect on revenue due to these considered for tax exemption.	
122.	Any Chapter	Goods supplied by the State Employee Welfare Corporation, similar to the CSD canteens	Applicable rate	50% exemption goods supplied.	<ol style="list-style-type: none"> 1. Families of about 11 lakh employees of the State Government benefit from this. 2. In the VAT regime, it was exempted, but due to tax incidence in GST, the value of the commodities was instantaneously increased by the State Employee Welfare Corporation, which resulted in evident dissatisfaction among the state employees. 3. Therefore, it will be advisable to provide 50% tax exemption to the goods supplied by State Employee Welfare Corporation similar to the CSD canteens. 	<ol style="list-style-type: none"> 1. The GST Council has already discussed in detail and decided to extend concession only to CSD and not to extend any concession to Central Police Organisation or other organisations. 2. This will lead to similar demands from various such organisations. 3. Direct budgetary support will be better than tax incentive.
123.	9619	Sanitary pads, napkins	12%	Nil	<ol style="list-style-type: none"> 1. The rate of tax on sanitary pads, napkins etc. has been kept at 12% under GST. 2. Sanitary Pads, Napkins are made available to the rural women under National Rural Health Mission and its entire expenditure is borne by the State and Central Government. 3. Therefore, in public interest, it will be appropriate to make the Unbranded Sanitary Napkins tax free. 	<ol style="list-style-type: none"> 1. Sanitary napkins are classifiable under heading 9619. In pre-GST era, sanitary napkins attracted 6% excise duty and 5% VAT. Thus, in the pre-GST era the total tax incidence [including tax incidence on account of CST, Octroi and VAT] on sanitary napkins was more than 12%. 2. As against that, the GST rate on sanitary napkins is 12%. 3. Major raw materials for manufacture of sanitary napkins and applicable GST rates on them are as under: <ul style="list-style-type: none"> a) 18% GST rate <ul style="list-style-type: none"> o Super Absorbent Polymer o Poly Ethylene Film o Glue o LLDPE 50 GSM – Packing Cover b) 12% GST rate <ul style="list-style-type: none"> o Thermo Bonded Non-woven o Release Paper o Wood Pulp 4. In GST, raw materials for manufacture of sanitary napkins attract 18% of 12% rate. Thus, even with 12% GST on sanitary napkins, the GST rate structure from them will be inverted, leading to possible accumulation of input tax credit. 5. Though, the GST law provides for refund of such accumulated input tax credit, there are associated financial costs with such refunds, putting domestically manufactured napkins at dis-advantage vis-à-vis imports

						<p>coming at 12% IGST, with no such additional financial costs on account of fund blockage.</p> <p>6. If the GST rate on sanitary napkins were to be reduced from 12% to 5%, it will further accentuate the tax inversion and result in even higher accumulated ITC, with correspondingly higher financial costs, putting domestic manufacturers at even greater disadvantage vis-à-vis imports.</p> <p>7. Reducing the GST rate on sanitary napkins to Nil, will in fact result in complete denial of the input tax credit to their domestic manufacturers while simultaneously zero rating imports. This will saddle domestic manufacturers of sanitary napkins at a huge disadvantage vis-à-vis imports.</p> <p>8. An PIL has been filed before Hon'ble High Court of Delhi, which has fixed the matter in November, 2017 for hearing, and directed the counter affidavit to be filed within 4 weeks.</p> <p>9. Matter, therefore, sub-judice at present.</p>
124.	57	Handmade Carpets and Dari	12%	5%	<ol style="list-style-type: none"> 1. The handmade carpet industry runs as a cottage industry in Varanasi and its adjoining districts and provides employment to millions of people. 2. Currently it is in Schedule 6 from entry number 142 to 146, taxable at the rate of 12%. 3. There was no taxation on the carpets till now; and keeping taxation at 12%, this cottage industry will have a massive anomalous effect and the employment of lakhs of people will be affected. 4. Therefore, it should be kept in Schedule 2.5%, so that tax rate may be 5%. 	<ol style="list-style-type: none"> 1. MSME can avail composition scheme where limit has been increased from Rs 50 Lakh to Rs 75 Lakh 2. GST rate is as per the pre-GST tax incidence.
125.	28 / 31	Gypsum, zinc sulphate, bio-fertiliser and organic manure	5%, 12%, 5%	Nil	<ol style="list-style-type: none"> 1. According to the decision of the GST Council, the rate of tax on Gypsum is 5% while on Zinc Sulphate it is 12% (entry no. -56). 2. And branded bio fertiliser and organic manure (entry no. -182) have also been kept at tax rate 5%. 3. While in the meeting of GST Council on 30.06.2017, the rate of tax on chemical fertilizer was 	<ol style="list-style-type: none"> 1. Zinc sulphate falling under Chapter 28 is a 12%. 2. Chemical fertilisers falling under Chapter 31 are at 5%. 3. Bio fertilisers / Organic fertilisers unbranded are at Nil. 4. No further concession can be extended to fertilisers. 5. All inputs to these fertilisers are at 18%.

					<p>reduced from 12 to 5 percent.</p> <p>4. The above items are also used by the farmers as compost and it will not be advisable to put any tax liability on these items.</p> <p>5. Therefore, the GST Council is requested to reconsider the tax rate on these items, it would be appropriate to be considered for tax exemption.</p>	
126.	96	Handmade furniture	28%	5% / 12%	<p>1. Under GST all types of furniture are kept under tax rate of 28%.</p> <p>2. Wooden furniture usually is handmade employing unorganized artisans.</p> <p>3. Wood carving was kept tax free under VAT regime.</p> <p>4. Wooden handmade furniture employs skills of small craftsmen and it is used mostly by middle class families.</p> <p>5. Therefore, it would be appropriate to have a tax rate of 5% or 12%.</p>	<p>1. Present GST rate is as per pre-GST tax incidence.</p> <p>2. In the context of items attracting 28% GST [where the concerns were raised that substantial quantity of these goods were manufactured by SSI units, which were exempt from excise duty] the Council recommended increase in composition scheme turnover limit from Rs. 50 lakh to Rs. 75 lakh, instead of considering rate reduction individual items, claimed to be manufactured by SSI units in pre-GST regime.</p> <p>3. Changing GST rate on one item, on these grounds would necessitate similar view to be taken for a number of other goods.</p> <p>4. Reduction from 28% to 18% [by 10%] on all such goods would entail huge revenue loss.</p>
127.	14	Kattha	18%	5%	<p>1. In GST Kattha has been kept under 18% tax rate, whereas, under the VAT Act it was taxable at the rate of 5%.</p> <p>2. Therefore, reduction in the rate of tax on Kattha is requested.</p>	<p>1. GST rate is as per the pre-GST tax incidence.</p> <p>2. No change.</p>
128.	8701, 8702, 8703 etc.	Old & used vehicles, sold by leasing companies, GTA	12% / 28%	-		<p>1. Applicable GST rate on different segments of vehicle will apply.</p> <p>2. Margin scheme is available to dealers of old and used vehicles.</p> <p>3. No change.</p>
129.	Any Chapter	Handicrafts	Applicable rates	Nil	<p>1. J&K has pointed out the difficulty faced by small dealers of handicrafts who travel interstate and sell their goods.</p> <p>2. They have stated that such dealers will find it very difficult to take multiple registrations.</p>	<p>1. The issue has been referred to the Law Committee, as per the discussions in the Fitment Committee.</p>
130.	9024	Soil testing	18%	-	<p>1. Soil testing equipment attracts 18% GST.</p>	<p>1. Most inputs attract 18% GST.</p> <p>2. Present rate is as per pre-GST tax incidence.</p>

		equipments			2. Excise duty on soil testing equipment was 12.5%.	3. No change.
131.	8703	Fuel cell vehicles	28% + 15% Cess	28%	1. Request is to provide a lower GST rate/Compensation Cess for fuel cell vehicles.	1. No change.
132.	3808	Bio-stimulants	18%	-		<ol style="list-style-type: none"> 1. Bio-stimulants being in the nature of plant growth regulators fall under heading 3808 and attract 18% GST. 2. In pre-GST regime, bio-stimulants attracted 12.5% excise duty, 14.5% VAT, 2.5% incidence on account of CST, octroi, entry tax, etc. besides service tax incidence on post-removal services. 3. These are used in small proportions as compared to fertilisers. 4. Their inputs are mainly chemicals which attract 18% GST. 5. No change.
133.	3926	High Density Polyethylene / polypropylene fabrics	28%	18%	<ol style="list-style-type: none"> 1. It is classified under heading 3926 and attracts 28% GST, which is as per pre-GST tax incidence. 2. VAT was assumed at 14.5%. 3. However, PP/HDPE granules, strips and finished goods, like tarpaulin, are at 18%. 	3. No change.

Annexure - III

GST Rate on Services - Proposals found NOT acceptable by Fitment Committee for GST Council Meeting on 5th August 2017

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 available to hotels at these rates. Rates were decided after extensive deliberations in the GSTC.
3	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	Multiple slabs for restaurants are very complicated. GST rates are high.	May not be accepted Tax incidence on services provided by restaurants has gone down under GST. Any more reduction will impact revenue adversely.

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	not serve liquor should be taxed at 12% instead of 18%.		
4	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.	For promotion of Indian arts and culture.	<p>May not be accepted.</p> <p>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>
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>
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</p>

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
			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. WB has come up with a subsidy scheme. Fitment Committee felt that other States could also evolve similar subsidy scheme.
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.	May not be accepted. 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.
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 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.	May not be accepted. The service was taxable under service tax also. Exemption will block ITC of Antrix.
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	Leather goods industry works on a narrow margin and is considerably dependent on skilled labour through contract manufacturing and job	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
	<p>relation to manufacture of all leather goods.</p> <p>2. GST of contract manufacturing may be reduced from 18% to 5% for leather goods industry</p>	<p>work. High rates will significantly impact the industry, block working capital of manufacturer/ exporter, hamper production and raise end product price leading to huge loss of business.</p>	
12	<p>Exemption limit provided to Cooperative Housing Societies is for a limit of Rs. 5000/. This should be increased.</p>		<p>May not be accepted. 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	<p>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 predominantly for religious use by general public.</p>		<p>May not be accepted. 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. Further, conduct of all religious activities is exempt from GST.</p>
14	<p>CETP (Common Effluent Treatment Plant) operators may be exempted from GST</p>	<p>18% GST would make the service provided by CETPs costly and uncompetitive.</p>	<p>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.</p>

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
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 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;	May not be accepted. Even services provided by ISRO attract GST; it would not be possible to carve out exemption for RSAC of UP.
17	Services of digitisation of land records and other Government records and documents may be exempted from GST.	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.	May not be accepted. [However, services provided by Government or a local authority to an individual are exempt.]

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 b. Stitching or attaching borders, falls, tikkies, glass beads, stones buttas c. Embroidery d. Charak & Roll press	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 easier for tax administration also if liability to pay GST is placed on principal supplier of saree/dress material under RCM.	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.
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%.	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.

S.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	Printing press should be charged: <ol style="list-style-type: none"> 1. 5% for turnover < 1.5 Cr 2. 12% with turnover up to 50 Cr 18% with turnover > 50 Cr 		
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%.	<p>May not be accepted.</p> <p>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.</p> <p>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 may lead to evasion and disputes.</p>

Annexure - IV

List of musical instruments for specific inclusion in the exemption list

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|--|--|
| 1. Bulbul Tarang | 46. Santoor - Hammered chord box |
| 2. Dotar, Dotora, or Dotara | 47. Pepa |
| 3. Ektara | 48. Pungi or Been |
| 4. Getchu Vadyam or Jhallari | 49. Indian Harmonium: Double reed |
| 5. Gopichand or Gopiyantra or Khamak | 50. Kuzhal |
| 6. Gottuvadhyam or Chitravina | 51. Nadaswaram |
| 7. Katho | 52. Shehnai |
| 8. Sarod | 53. Sundari |
| 9. Sitar | 54. Tangmuri |
| 10. Surbahar | 55. Alghoza - double flute |
| 11. Surshringar | 56. Bansuri |
| 12. Swarabat | 57. Venu (Carnatic flute) Pullanguzhal |
| 13. Swarmandal | 58. Mashak |
| 14. Tambura | 59. Titti |
| 15. Tumbi | 60. Sruti upanga |
| 16. Tuntuna | 61. Gogona |
| 17. Magadi Veena | 62. Morsing |
| 18. Hansaveena | 63. Shruti box |
| 19. Mohan Veena | 64. Harmonium (hand-pumped) |
| 20. Nakula Veena | 65. Ekkalam |
| 21. Nanduni | 66. Karnal |
| 22. Rudra Veena | 67. Ramsinga |
| 23. Saraswati Veena | 68. Kahal |
| 24. Vichitra Veena | 69. Nagphani |
| 25. Yazh | 70. Turi |
| 26. Ranjan Veena | 71. Dhad |
| 27. Triveni Veena | 72. Damru |
| 28. Chikara | 73. Dimadi |
| 29. Dilruba | 74. Dhol |
| 30. Ektara violin | 75. Dholak |
| 31. Esraj | 76. Dholki |
| 32. Kamaicha | 77. Duggi |
| 33. Mayuri Vina or Taus | 78. Ghat singhari or gada singari |
| 34. Onavillu | 79. Ghumot |
| 35. Behala (violin type) | 80. Gummata |
| 36. Pena or Bana | 81. Kanjira |
| 37. Pulluvan veena - one stringed violin | 82. Khol |
| 38. Ravanahatha | 83. Kinpar and Dhobar (tribal drums) |
| 39. Folk sarangi | 84. Maddale |
| 40. Classical sarangi | 85. Maram |
| 41. Sarinda | 86. Mizhavu |
| 42. Tar shehnai | 87. Mridangam |
| 43. Gethu or Jhallari | 88. Pakhavaj |
| 44. Gubguba or Jamuku - Percussion string instrument | 89. Pakhavaj jori - Sikh instrument similar to tabla |
| 45. Pulluvan kutam | 90. Panchamukha vadyam |
| | 91. Pung |

- | | | | |
|------|--|------|---|
| 92. | Shuddha madalam or Maddalam | 114. | Pambai - unit of two cylindrical drums |
| 93. | Tabala / tabl / chameli - goblet drum | 115. | Parai thappu, halgi - frame drum played with two sticks |
| 94. | Tabla | 116. | Sambal |
| 95. | Tabla tarang - set of tablas | 117. | Stick daff or stick duff - daff in a stand played with sticks |
| 96. | Tamte | 118. | Tamak' |
| 97. | Thanthi Panai | 119. | Tasha - type of kettledrum |
| 98. | Thimila | 120. | Urumee |
| 99. | Tumbak, tumbaknari, tumbaknaer | 121. | JaltarangChimpta - fire tong with brass jingles |
| 100. | Daff, duff, daf or duf Dimdi or dimri - small frame drum without jingles | 122. | Chengila - metal disc |
| 101. | Kanjira - small frame drum with one jingle | 123. | Elathalam |
| 102. | Kansi - small without jingles | 124. | Geger - brass vessel |
| 103. | Patayani thappu - medium frame drum played with hands | 125. | Ghatam and Matkam (Earthenware pot drum) |
| 104. | Chenda | 126. | Ghungroo |
| 105. | Dollu | 127. | Khartal or Chiplya |
| 106. | Dhak | 128. | Manjeera or jhanj or taal |
| 107. | Dhol | 129. | Nut - clay pot |
| 108. | Dholi | 130. | Sankarjang - lithophone |
| 109. | Idakka | 131. | Thali - metal plate |
| 110. | Thavil | 132. | Thattukazhi mannai |
| 111. | Udukai | 133. | Kanch tarang, a type of glass harp |
| 112. | Chande | 134. | Kashtha tarang, a type of xylophone |
| 113. | Nagara - pair of kettledrums | | |

Agenda Item 8: Other Recommendations of the Fitment Committee

Agenda Item 8(i) - Alternative approach for GST Rate Structure for Handicrafts

Briefly stated, in the Central Excise regime, handicrafts were exempted from the whole of the duty of excise, *vide* notification No. 76/1986-CE or notification No. 17/2011-CE. Articles of jewellery falling under heading 7113 were, however, excluded from this exemption, after imposition of Central Excise on articles of jewellery in 2016.

2.1 However, central excise exemption for handicrafts had resulted in varying interpretation as to whether an item is a handicraft or not. Whether any particular article merits classification as ‘handicraft’ had been decided by the Hon’ble Supreme Court in the case of Collector of Central Excise, New Delhi Vs Louis Shoppe [12.03.1995], wherein the Hon’ble Apex Court had held that:

“It must be said straight away that furniture as such does not qualify as handicrafts. It may be characterised as “handicrafts” if the following tests are satisfied:

- (1) It must be **predominantly** made by hand. It does not matter if some machinery is also used in the process.*
- (2) It must be graced with visual appeal in the nature of ornamentation or in lay work or some similar work lending it an element of **artistic improvement**. Such ornamentation must be of **substantial** nature and not a mere pretence.*
- 3. Whenever the above question arises, the authorities shall examine the matter from the above stand-point and pass orders accordingly.*
- 4. The above principles shall apply to all pending matters and to all matter arising hereinafter.”*

2.2 Thus, an article made by hand as such **does not qualify as handicraft** and that whenever the question of treating an article by itself as handicraft arises, the authorities will have to examine whether in respect of such article work done by hand brings out an element of **artistic improvement and such ornamentation is of substantial nature and not a mere pretence.**

2.3 Further, **in the case of Padmini Products Vs Collector of Central Excise** [1989 (43) ELT 195 (SC)], the Hon’ble Supreme Court upheld the view that it was difficult to accept that items in question (*agarbatties*) were handicrafts merely because some authorities [letter of Deputy Director, All India Handicrafts Board, certifying that the agarbatties were the products of the Indian Handicrafts Board, Ministry of Commerce] have chosen to treat them as handicrafts.

2.4 Thus, central excise exemption for handicraft will always have subjectivity attached to it, requiring case to case assessment of facts, resulting in increased interface between the taxpayer and the tax administration, which would not be in sync with the proposed GST administration, which is envisaged to be a completely self-assessed tax.

2.5 In this context, it is worthwhile to note that subsequent to imposition of Central Excise duty on articles of jewellery in the Union Budget 2016-17, the industry did try to claim that **since most of the jewellery is made by hand, it ought to be treated as handicraft and, thus, be eligible for general excise duty exemption for handicraft.** In this context, a WP was also filed before the Hon’ble Madras High Court by the Coimbatore Jewellery Manufacturers Association. It was on account of these claims that the Government had to exclude articles of jewellery from the purview of Central Excise duty exemption for handicraft.

2.6 Moreover, handicrafts as such are not classifiable under any particular HS Code and generally get classified under different HS Code depending on the material they are made of. For example, handicrafts made of copper get classified as articles of copper under chapter 74 and handicrafts made of wood get classified under chapter 44. In GST, some of these goods attract 28% GST.

2.7 This subjectivity involved in interpreting as to whether an article will qualify to be handicraft, resultant increased interface between tax administration and taxpayers and avoidable disputes make it equally difficult to prescribe a concessional GST rate for handicrafts *per se*. However, the handicraft sector being one of the biggest employment provider wherein the sector generally having large in-house skill up gradation possibilities, there might be a justification for prescribing a somewhat general lower GST rate for items, which are largely made by hand, though without extending such a concession to handicrafts *per se*.

3. In this context it is mentioned that, the website of the Development Commissioner, Handicrafts, under the Ministry of Textiles, Government of India [<http://handicrafts.nic.in>], lists out various categories of goods, which are also manufactured by the craftsmen across the country, apart from their mechanized production, if any. This list has been examined and categorised under different group and has been noticed that a general lower GST rate has been prescribed, on the following set of goods, irrespective of the fact whether they are handmade or machine made:

- a) Textiles/Carpet/handloom/Zari threads/textile hand printing.
- b) Metal table and kitchen ware (copper, brass ware)
- c) Folk paintings, madhubani, patchitra, Rajasthani miniature etc.
- d) Dolls & toys.

4. Therefore, one possible way to resolve the issue of GST rates on handicrafts may be to consider general lower rate for goods which are largely made by hand and thus constitute important segments of the Indian handicraft sector. This approach will obviate any need to define handicraft, *per se*.

5. Accordingly, list of various categories of handicrafts has been examined and pre-GST, Central Excise duty and VAT rates for these goods, present GST rates along with suggested GST rates on them are summarised as under:

S. No.	Handicraft Products.	Excise Duty rate	*VAT rate	GST rate	Suggested GST rates
1.	Leather articles (bags, purses, saddlery, harness, garments etc.) [4201, 4202, 4203]	12.5%	14.5% in general	Saddlery, harness, trunks, suitcases, vanity cases, executive cases, brief cases, binocular cases, camera cases, musical instrument cases and other similar cases, leather apparel and clothing - 28%	No change
2.	Carved wood products (boxes, inlay work, cases, casks etc.) [4415, 4416]	12.5%	5% in general	Boxes, inlay work, cases, casks etc. Of wood - 12%	No change
3.	Carved wood products (Table & kitchenware etc.) [4419]	12.5%	14.5% in general	Table & kitchenware etc. of wood - 18%	12%
4.	Carved wood products [4420]	12.5%	5%	1. Statuettes, animals, figures and other ornaments, 2. Panels of wood marquetry and inlaid wood small articles of cabinetwork (for	

S. No.	Handicraft Products.	Excise Duty rate	*VAT rate	GST rate	Suggested GST rates
				example, caskets and jewel cases); 3. Small furnishing goods; 4. Decorative articles, coat or hat racks, clothes brush hangers, 5. Letter trays for office use, ashtrays, pen-trays and ink stands of wood - 12%	No change
5.	Wood turning and lacquer ware [4421]	12.5%	5%	1. Articles of wood manufactured by turning or by any other method, or of wood marquetry or inlaid wood – 12%	No change
6.	Bamboo products [decorative and utility items,] [46]	6%	NIL/5%	1. Goods, like bamboo/rattan mats, mattings, screens, basketwork, wickerwork - 12%	No change
7.	Grass, leaf and reed and fibre products, mats, pouches, wallets, [4601, 4602]	6%	5%	Grass, leaf and reed and fibre products mats, mattings, screens, basketwork, wickerwork - 12%	No change
8.	Paper mache articles [4823]	12.5%	5%/14.5%	Paper mache articles [4823] – 18%	12%
9.	Textile (handloom products) [50, 58, 62, 63 etc.]	Nil (without ITC) / 6% (with ITC for 100% cotton) / 12.5% (with ITC for other than 100% cotton)	Nil/5%	5%/12%	No change
10.	Textiles hand printing [50, 52, 54]	Nil (without ITC) / 6% (with ITC for 100% cotton) / 12.5% (with ITC for other than 100% cotton)	5%, in general	5%/12%	No change
11.	Zari thread [5605]	12.5%	5%, in general	5%	No change
12.	Carpet, rugs & durries [57]	Nil [handmade]	Nil [handmade]	12%	No change
13.	Textiles hand embroidery [58]	Nil	5%, in general	5%/12%	No change
14.	Theatre costumes [61, 62, 63]	Nil (without ITC) / 6%	5%, in general	5%/12%	No change

S. No.	Handicraft Products.	Excise Duty rate	*VAT rate	GST rate	Suggested GST rates
		(with ITC for 100% cotton) / 12.5% (with ITC for other than 100% cotton)			
15.	Coir products (mats, mattresses etc.) [5705, 9404]	6%	Nil	Coir mats – 5% Coir products [except coir mattresses] - 12 %	No change
16.	Leather footwear [6403, 6405]	6% [MRP levy with 30% abatement]	5% [footwear with MRP less than Rs. 500] 14.5% otherwise	18%	No change
17.	Carved stone products (statues, statuettes, figures of animals, writing sets, ashtray, candle stand etc.) [6802]	12.5%	14.5% in general	Statues, statuettes, pedestals; high or low reliefs; crosses; figures of animals; bowls, vases, cups; cachou boxes; writing-sets; ashtrays; paper weights; artificial fruit and foliage, etc.; other ornamental goods essentially of stone – 28%	12%
18.	Stones inlay work [68]	12.5%	14.5% in general	28%	12%
19.	Pottery & clay products, including terracotta [6901, 6909, 6911, 6912, 6913, 6914]	12.5%	Nil/5%	a) Earthen pot and clay lamps [6912 00 40] - Nil; b) Pots, jars and similar articles of a kind used for the conveyance or packing of goods of ceramic, 6909 – 28% c) Tableware, kitchenware, other household articles [including small accessory bathroom or sanitary fittings, such as soap dishes, sponge baskets, tooth-brush holders, towel hooks and toilet paper holders] of porcelain of china or ceramic 6911 or 6912 – 18%; d) Statues and other ornamental articles. [6913] – 28%	No change 12% [Other than earthen pot which will continue at Nil]

S. No.	Handicraft Products.	Excise Duty rate	*VAT rate	GST rate	Suggested GST rates
20.	7018 90 10	12.5%	14.5%	Glass statues-18%	12%
21.	Jewellery [7113]	1% [w/o ITC] or 12.5% [with ITC]	1% in general	3%	No change
22.	Filigree and silver ware [71]	Nil	1% in general	3%	No change
23.	Metal table and kitchen ware (copper, brass ware) [7418]	12.5%	5%, in general	a) Table, kitchen or other household articles and parts thereof, of copper; pot scourers and scouring or polishing pads, gloves and the like, of copper are at 12% [7418 10]	No change
24.	Metal statues, images/statues vases, urns and crosses of the type used for decoration of metals of chapters 73 and 74 [8306]	12.5%	Nil (Earthen) /5%(wo od / base metal) and 14.5% (ceramic)	a) All goods [of heading 8306] i.e Bells, gongs and the like, non-electric, of base metal; statuettes and other ornaments, of base metal; photograph, picture or similar frames, of base metal; mirrors of base metal are at 18%.	12%
25.	Metal bidriware [8306]	12.5%	5% in general	18%	12%
26.	Musical instruments [92]	12.5%	Nil for handma de indigeno us instrume nts 5%, in general;	Nil - Indigenous handmade musical instruments; 28%, otherwise	No change
27.	Horn and bone products [96]	12.5%	5% in general	a) Worked ivory, bone, tortoise-shell, horn, antlers, coral, mother-of-pearl and other animal carving material, and articles of these materials (including articles obtained by moulding) are at 28% GST [HSN 9601]	All goods of HSN 9601 may be reduced to 12%
28.	Conch shell crafts [96]	12.5%	5% in general		12%

S. No.	Handicraft Products.	Excise Duty rate	*VAT rate	GST rate	Suggested GST rates
29.	Furniture, Bamboo, Cane/Rattan furniture	12.5%	14.5% in general	Bamboo furniture [9403] – 18% Cane/Rattan furniture - 28%	Cane/Rattan furniture 18%
30.	Dolls & toys [9503]	4.23% [embedded tax]	5% in general	12%	No change
31.	Folk paintings, madhubani, patchitra, Rajasthani miniature etc. [97]	12.5%/NIL [Depending on base material]	14.5% [wall papers in Rajasthan]	Paintings, drawings and pastels, executed entirely by hand, other than drawings of heading 4906 and other than hand-painted or hand-decorated manufactured articles; collages and similar decorative plaques are at 12% GST	No change

***States are requested to check and confirm VAT rates.**

5. The suggestions, as discussed in preceding paragraphs are for placed for consideration and approval of the GST Council.

Agenda Item 8(ii) - Compensation Cess on Motor Vehicles

Briefly, in view of media reports that post introduction of GST, tax incidence on motor vehicles has come down, 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, and it was decided that to enable further examination of the matter, the Commissioners (Commercial Taxes) of motor vehicles manufacturing States such as Tamil Nadu, Karnataka, Maharashtra and Haryana would provide detailed data regarding pre-GST total tax incidence vis-à-vis total tax incidence in GST.

2. Subsequently, Tamil Nadu had provided a detailed worksheet 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.

Model	Assessable value		Dealer margin		Ex- show room price		Reduction in price [Net of reduction in dealer's margin]
	<i>Pre- GST</i>	<i>Post GST</i>	<i>Pre- GST</i>	<i>Post GST</i>	<i>Pre- GST</i>	<i>Post GST</i>	
Small Car (=>< 1.2P and <4M)	2,31,517	2,31,517	13,269	11,576	3,19,048	3,13,589	5,459
Medium Car (=>> 1.2P and <4M)	5,06,901	5,06,901	32,727	25,345	7,86,916	6,97,242	89,673
Medium Car (=>> 1.2P and > 4M)	12,14,655	12,14,655	80,243	60,733	19,29,447	18,23,805	1,05,642
Large Car (=>> 1.5P and >170GC)	18,13,445	18,13,445	1,22,521	90,672	29,46,015	27,22,888	2,23,127
Small Car (=>< 1.5D and < 4M)	4,71,696	4,71,696	27,388	23,585	6,58,541	6,48,818	9,722
Medium Car (=< 1.5D and > 4M)	5,89,882	5,89,882	38,084	29,494	9,15,736	8,85,708	30,028
Medium Car (=>> 1.5D and <4M)	7,53,134	7,53,134	49,754	37,657	11,96,333	11,30,831	65,502

3. 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 was worked out as under:

In Rs.

Model	Excise duty rate/ NCCD/ Infrastructure cess,	Pre- GST total tax* [Excise duties + Auto cess + VAT 14.5%]	Pre-GST Tax incidence*	Pre-GST Tax incidence*	GST rate + Compensation 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%	74,263	30%	31.25%	29% [28%+1%]	70,497	3,766
Medium Car (= > 1.2P and < 4M)	24%+ 1%+ 4%	2,47,288	46%	47.85%	43% [28%+15%]	1,64,996	82,292
Medium Car (= > 1.2P and > 4M)	27%+ 1%+ 4%	6,34,549	49%	51.28%	43% [28%+15%]	5,48,417	86,132
Large Car (= > 1.5P and > 170GC)	30%+ 1%+ 4%	10,10,049	52%	54.72%	43% [28%+15%]	8,18,771	1,91,278
Diesel							
Small Car (= < 1.5D and < 4M)	12.5%+ 1%+ 2.5%	1,59,457	32%	32.96%	31% [28%+3%]	1,53,537	5,920
Medium Car (= < 1.5D and > 4M)	24%+ 1%+ 4%	2,87,770	46%	47.85%	43% [28%+15%]	2,66,332	21,438
Medium Car (= > 1.5D and < 4M)	27%+ 1%+ 4%	3,93,445	49%	51.28%	43% [28%+15%]	3,40,040	53,405

* Not including CST, Octroi etc.

4. Against the above background, an agenda note was placed before the GST Council to review the rate of Compensation cess on motor vehicles falling under heading 8702 and 8703, so as to maintain total pre-GST tax incidence on such motor vehicles. The GST Council, in its 20th Meeting held on 5.08.2017, deliberated the said agenda note and recommended increase in the maximum rate at which Compensation Cess can be levied on motor vehicles falling under headings 8702 and 8703 from 15% to 25%.

5. In line with the approval of the GST Council, the Finance Ministry sought the approval of the Cabinet, to amend the Schedule to the Goods and Service Tax (GST) (Compensation to States) Act 2017 by promulgating an ordinance to increase the maximum rate at which the compensation cess can be levied from 15% to 25% on:

- a) motor vehicles for transport of not more than thirteen persons, including the driver [falling under sub-headings 8702 10, 8702 20, 8702 30 or 8702 90]; and
- b) motor vehicles falling under heading 8703.

6 The Union Cabinet, in its meeting on 30th August, 2017, considered and approved the promulgation of an Ordinance to amend the Goods and Services tax (Compensation to States) Act, 2017, so as to increase the maximum rate at which the compensation cess can be levied from 15% to 25% on:

- a) motor vehicles for transport of not more than thirteen persons, including the driver [falling under sub-headings 8702 10, 8702 20, 8702 30 or 8702 90]; and
- b) motor vehicles falling under heading 8703.

7 Accordingly, an Ordinance was promulgated on 02.09.2017 so as to amend the Schedule to the Goods and Service Tax (GST) (Compensation to States) Act 2017 to increase the maximum rate at which Compensation cess can be levied to 25% on-

- a) motor vehicles for transport of not more than thirteen persons, including the driver [falling under sub-headings 8702 10, 8702 20, 8702 30 or 8702 90]; and
- b) motor vehicles falling under heading 8703.

8 In the meanwhile data has been also received from CCT Maharashtra and CCT Karnataka, which has been analysed and sent separately by email as an Excel sheet [**Annexure I**]. Based on the same, **Table 1** below summarises the pre-GST tax incidence on specified motor vehicles, **based on value inclusive of dealer's margin**, as under [aligned with the pre-GST excise duty rates applicable on such vehicles]:

Table 1

Segment	Excise Duty	Pre-GST incidence with 2.5% CST	Present total GST rate [GST + Comp Cess]
Passenger Vehicles			
Small Cars (length < 4 m ; Petrol<1200 cc)	12.5%	32% to 33%	29% [28%+1%]
Small Cars (length < 4 m ; Diesel < 1500 cc)	12.5%	34% to 35%	31% [28%+3%]
Mid Segment Cars (engine < 1500 cc)	24%	48% to 49%	43% [28%+15%]
Large Cars (engine > 1500 cc)	27%	51% to 53%	43% [28%+15%]
Sports Utility Vehicles (length > 4m ; engine > 1500 cc; ground clearance > 170 mm)	30%	54%	43% [28%+15%]

The variation in pre-GST tax incidence is primarily on account of variation in dealer's margin, freight for different makes of motor vehicles. The higher the dealer's margin and freight, the lower is the tax incidence.

9. During the discussions in the Fitment Committee it was mentioned that the tax on inter-state stock transfer or sale on motor vehicles charged by some of the motor vehicle producing States were as under:

- a) Haryana – Inter-State sale – 1% CST;
- b) Tamil Nadu – Inter-State sale – 2% CST;
- c) Maharashtra -- Inter-State sale – 2% CST; Inter-State stock transfer 3% to 4% ITC reversal.

10. No data has been received for motor vehicles for transport of not more than thirteen persons, including the driver [falling under sub-headings 8702 10, 8702 20, 8702 30 or 8702 90], which attracted 27% excise duty and 1% NCCD in the pre-GST regime. As these vehicles did not attract any infrastructure cess, the total pre-GST tax incidence on such vehicles would be marginally less than the motor vehicles,

which attracted 24% excise duty, 1% NCCD and 4% Infrastructure Cess. The revised rate of Compensation Cess on such vehicles may be accordingly considered by the GST Council.

11. As stated above, the pre-GST tax incidence varies with the dealer's margin and freight. The higher the dealer's margin and freight, the lower being the tax incidence. That being so, if the Compensation cess rate is fixed, keeping in view the highest pre-GST tax incidence [which corresponds to lowest dealer's margins/freight], it may result in increase in tax on vehicles with higher dealer's margin/freight. It may, therefore, be advisable to consider the lower limit of pre-GST tax incidence, for arriving at the rate of Compensation cess for a particular type of vehicle. Further, there is a significant variation in pre-GST tax incidence for mid and large segment motor vehicles. It may be, therefore, advisable to have separate rate of Compensation cess for mid and large segment motor vehicles.

12. **Table 2** below, accordingly, summarises the segment wise pre-GST tax incidence, present GST rate [GST rate + Compensation cess] and **Corresponding total GST rate [GST + proposed Compensation Cess rate]** for different segments of motor vehicles:

Table 2

Segment	Excise Duty	*Pre-GST incidence [with 2.5% CST, Octroi etc.]	Present total GST [GST + Comp Cess]	Corresponding Total GST rate [GST rate + Compensation Cess rate]
Passenger Vehicles of heading 8703				
Small Cars (length < 4 m ; Petrol<1200 cc)	12.5%	32% [32% to 33%]	29% [28%+1%]	32% [28% +4%]
Small Cars (length < 4 m ; Diesel < 1500 cc)	12.5%	34% [34%-35%]	31% [28%+3%]	34% [28% +6%]
Mid Segment Cars (engine < 1500 cc)	24%	48% [48%-49%]	43% [28%+15%]	48% [28% +20%]
Large Cars (engine > 1500 cc)	27%	51% [51%-53%]	43% [28%+15%]	51% [28% +23%]
Sports Utility Vehicles (length > 4m ; engine > 1500 cc; ground clearance > 170 mm)	30%	54%	43% [28%+15%]	53% [28% +25%]

13. In view of the above, there are the following two options:

- a) To fix revised Compensation cess rates as per the estimated pre-GST tax incidence;
- or
- b) As in the case of the Sports Utility Vehicles [because of the maximum rate of Compensation cess being 25% only], the Compensation cess rate approved for such vehicles would be lower than the pre-GST tax incidence at least by 1%, the Council may like to consider a corresponding lower increase in Compensation cess rates for other types of motor vehicles.

14. As discussed above, increase in Compensation cess on motor vehicles for transport of not more than thirteen persons, including the driver [falling under sub-headings 8702 10, 8702 20, 8702 30 or 8702 90] may be considered in line with the increase recommended for mid segment motor vehicles.

15. Further, a view needs to be taken regarding increase in Compensation Cess on mid and large Hybrid vehicles which at present attract 15% Compensation Cess. In pre-GST regime, these vehicles attracted 12.5% excise duty, 1% NCCD, 0.125% Automobile Cess and 14.5% VAT in general. A detailed

note on hybrid vehicles was circulated earlier, a copy of which is enclosed herewith as **Annexure II**. **Presently, small petrol and diesel hybrid cars are exempted from Compensation cess, while mid and large segment hybrids motor vehicles attract 15% Compensation cess, at par with normal IC engine motor vehicles.**

16. **The motor vehicles, which attract Nil compensation cess, will continue to bear NIL compensation cess.** The present effective rates of the Compensation cess on motor vehicles are at **Annexure III**.

17. **The proposals, as discussed in preceding paragraphs, are for placed for consideration and approval of the GST Council.**

Annexure II - Note on Hybrid vehicles

I. **Technical specification:** At present, in India, there are two types of Hybrid motor vehicle technologies in use.

A. **Strong Hybrid:**

- a) This technology uses both electric as well as internal-combustion engine, wherein the electric motor can run the vehicle, but only for shorter distances.
- b) It manages input from each power source depending on the driving situation, to provide the optimum balance of performance and fuel economy.
- c) Toyota Camry, Honda Accord, Toyota Prius are cars using this technology.
- d) These types of cars are relatively expensive

B. **Mild Hybrid:**

- a) This technology uses only internal-combustion engine.
- b) Battery only assists engine operations.
- c) It has stop-start function, regenerative braking and modest electric-only propulsion to provide fuel economy gain up to 35%.
- d) Mild HEV systems utilize a 36V/ 42 V battery and a belt-alternator system or integrated starter-generator.
- e) Maruti Ciaz, Ertiga etc. are cars using this technology.
- f) These cars are relatively cheaper [vis-à-vis strong hybrid].

II. **Present tax structure:** Hybrid vehicles attract 12.5% central excise duty and 1% NCCD and VAT at standard rate that is 14.5% or 15% or 20%. As against this, similar normal internal combustion engine cars attract central excise duty of 24%/27%/30% [depending on length of vehicle and/or engine capacity], 1% NCCD and 2.5% or 4% Infrastructure Cess, and VAT at standard rate of 14.5% or 15% or 20%. In addition, in some States these vehicles attract Octroi/entry tax upto 4.5%.

III. **Other fiscal concessions:** In addition to lower excise duty on hybrid vehicles, **full exemption from basic customs duty [BCD]** has also been provided on the following specified parts for manufacture of hybrid motor vehicles:

- 1) Battery pack;
- 2) Battery Charger;
- 3) AC or DC Motor;
- 4) AC or DC Motor Controller;
- 5) Engine for xEV (hybrid electric vehicle);]
- 6) Transaxle for HV (split power device);
- 7) Power Control unit (inverter, AC/DC converter, condenser);
- 8) Control ECU for HV, Generator;
- 9) Brake system for recovering;
- 10) Energy Monitor;
- 11) Electric Compressor

IV. **Domestic clearance value of Hybrid cars over last two years:** The domestic clearance value of hybrid cars during 2015-16 and 2016-17 was Rs 2912 crore and Rs 6822 crore respectively, showing a substantial increase in value of clearances of hybrid cars during 2016-17 over the previous year.

V. **GST Rates for high end cars [including hybrid cars] and high end motor cycles:**

- a) Keeping in view this fact, as well the need for ensuring sufficient accruals to the GST Compensation Fund and the purchasing power of people buying hybrids in general and strong hybrids in

particular, the GST Council, in its meeting on 18th May, 2017, had discussed the issue of Compensation cess on hybrid vehicles in detail and recommended:

- i. That there may be no Compensation cess on small hybrid petrol cars [of engine capacity upto 1200 cc] and small diesel hybrid cars [of engine capacity upto 1500cc]
 - ii. Impose 15% Compensation cess [at par with same capacity normal cars] on other hybrid cars.
- b) On similar ground, the GST Council has also recommended imposition of Compensation cess @ 3% on motor cycles of engine capacity exceeding 350 cc.

VI. Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India [FAME]:

- a) Department of Heavy Industry (DHI) has notified Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India with effect from 1st April 2015, with the objective to support hybrid/electric vehicles market development and Manufacturing eco-system.
- b) The FAME Scheme is aimed at incentivizing all vehicle segments that is 2-Wheeler, 3-Wheeler Auto, Passenger 4-Wheeler Vehicle, Light Commercial Vehicles and Buses.
- c) **The scheme initially covered Hybrid & Electric technologies like Mild Hybrid, Strong Hybrid, Plug in Hybrid & Battery Electric Vehicles.**
- d) The scheme has 4 focus areas, namely:
 - i. Technology development,
 - ii. Demand Creation,
 - iii. Pilot Projects and
 - iv. Charging Infrastructure.
- e) The Phase-I of the scheme was being implemented for a period of 2 years that is FY 2015-16 and FY 2016-17 commencing from 1st April 2015 and has been extended for six months.
- f) This scheme provided benefit of Rs 13000 for mild hybrid and Rs 70,000 for strong hybrid.
- g) **However, with effect from 1st April, 2017, mild Hybrid has been removed from FAME benefit list by DHI.**

VII. Cost of hybridization:

a) As per data provided by M/s Toyota, the cost of hybridization for strong hybrid Camry in September 2016 [when M/s Toyota had sold last gasoline Camry] was about Rs. **2.75 lakh**. M/s Toyota have also stated that similar comparison [made on the basis of the current hybridization cost for Hybrid Camry, **over the gasoline Camry in September, 2016**], would be about Rs. 3.87 lakh.

b) As per the Department of Heavy Industry, the cost of hybridization per car for the two types are as follows:

S. No.	Type of Hybrid	Cost of hybridization (Rs.)
1	Mild hybrids	a) 60,000 to 70,000 for lead acid battery b) 90,000 to 100,000 lithium ion battery
2	Strong hybrids	a) 2,00,000 to 2,50,000 lithium ion battery

VIII. Factory gate prices of normal and hybrid vehicles:

a) As per details provided by M/s Toyota, the factory gate prices [transaction values] for gasoline Camry and Hybrid Camry were as under:

Type of vehicle	Factory gate price (Rs.)
Gasoline Camry	19,36,794
Hybrid Camry	25,22,720

Thus, as against the cost of hybridization of about Rs. 2.75 lakh, the difference in factory gate prices of gasoline Camry and Hybrid Camry is about Rs. 5.86 lakh, despite the FAME subsidy of Rs. 70,000.

IX. **Fuel Efficiency:** M/s Toyota have also stated that Hybrid Camry, has about **47%** higher fuel efficiency over gasoline Camry. In fact, such an improvement in efficiency itself would be sufficient to ensure market penetration for such vehicles and thus there is no need for any fiscal incentives to promote such vehicles.

X. **Conclusion:**

- a) Hybrid vehicles attract concessional 12.5% central excise duty and no infrastructure cess as against excise duty of 24%/27%/30% [depending on length of vehicle and/or engine capacity], 1% NCCD and 2.5% or 4% Infrastructure Cess on normal internal combustion engine cars attract. In addition, such vehicles get a FAME subsidy of Rs. 70,000 in case of strong hybrid.
- b) Cost of hybridization ranges from Rs. 60,000 to Rs. 100,000 for mild hybrids and Rs. 2.1 Lakh to Rs. 2.75 Lakh for strong hybrids,
- c) Strong hybrids like Camry hybrid are about 47% more fuel efficient than the gasoline version of same car.
- d) Difference in factory gate prices is **about Rs. 5.85 lakh between hybrid Camry and normal Camry, as against cost of hybridization of Rs. 2.75 lakh. Thus, it appears that the manufacturer is not passing on the benefit of lower central excise duty to end customers.**
- e) Improved fuel efficiency itself seems to be attraction enough for the consumers to prefer Hybrid Camry over gasoline Camry [despite substantial loading in factory gate prices]. In fact, after September, 2016 M/s Toyota have not sold any gasoline Camry.
- f) In case of mild hybrids, even the DHI has withdrawn the FAME subsidy.
- g) Thus, there is no economic justification for not imposing Compensation cess on large hybrid cars.

Annexure-III - Present Effective Rates of the Compensation Cess on Motor Vehicles

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods	Compensation cess rate
(1)	(2)	(3)	(4)
1.	8702 10, 8702 20, 8702 30, or 8702 90	Motor vehicles for the transport of not more than 13 persons, including the driver	15 per cent
2.	8703	Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles	NIL
3.	8703 10 10, 8703 80	Electrically operated vehicles, including three wheeled electric motor vehicles.	NIL
4.	8703	Three wheeled vehicles	NIL
5.	8703	Cars for physically handicapped persons, subject to the following conditions: a) an officer not below the rank of Deputy Secretary to the Government of India in the Department of Heavy Industries certifies that the said goods are capable of being used by the physically handicapped persons; and b) the buyer of the car gives an affidavit that he shall not dispose of the car for a period of five years after its purchase.	NIL
6.	8703 40, 8703 50,	Following Vehicles, with both spark-ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion; a) Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles b) Three wheeled vehicles c) Motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm. Explanation.- For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under.	NIL
7.	8703 60, 8703 70	Following Vehicles, with both compression -ignition internal combustion piston engine [diesel-or semi diesel) and electric motor as motors for propulsion; a) Motor vehicles cleared as ambulances duly fitted with all the fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such motor vehicles b) Three wheeled vehicles c) Motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm.	NIL

S. No.	Chapter / Heading / Sub-heading / Tariff item	Description of Goods	Compensation rate
(1)	(2)	(3)	(4)
		<i>Explanation.</i> - For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under.	
8.	8703	Hydrogen vehicles based on fuel cell tech and of length not exceeding 4000 mm. <i>Explanation.</i> - For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under.	NIL
9.	8703 21 or 8703 22	Petrol, Liquefied petroleum gases (LPG) or compressed natural gas (CNG) driven motor vehicles of engine capacity not exceeding 1200cc and of length not exceeding 4000 mm. <i>Explanation.</i> - For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under.	1 per cent
10.	8703 31	Diesel driven motor vehicles of engine capacity not exceeding 1500 cc and of length not exceeding 4000 mm. <i>Explanation.</i> - For the purposes of this entry, the specification of the motor vehicle shall be determined as per the Motor Vehicles Act, 1988 (59 of 1988) and the rules made there under.	3 per cent
11.	8703	All goods other than those mentioned at S. Nos. 2 to 10 above	15 per cent
12.	711	Motorcycles of engine capacity exceeding 350 cc.	3 per cent

Agenda Item 8(iii) - Exemption from GST on the services provided to both international and domestic customers by ANTRIX Corporation Limited from levy of GST

The Chairman, Space Commission, Department of Space, Government of India has requested to exempt satellite launch services provided to both international and domestic customers by ANTRIX Corporation Limited from levy of GST. Antrix Corporation Limited is a wholly owned Government of India Company under the administrative control of Department of Space (DOS).

2. Following justification has been given by Department of Space for granting exemption:

(i) Share of ANTRIX in the global launch services market is merely 0.60% in terms of revenue. This is a growing field and being part of the quaternary sector, high end technology, the same needs support to compete against the global pioneers.

(ii) The provision of these services garners foreign exchange and this segment has huge revenue potential. In order to be competitive and to increase foreign exchange earnings, it is necessary to bring down the launch service cost by exempting it from taxation.

(iii) The lack of clarity on whether the satellite launch service constitutes "export of service" is leading to the service being taxed and thus affecting the international competitiveness.

(iv) ISRO's Launch Vehicle places the customer satellites in space, which is outside the territory of India and these satellites are being controlled, monitored and utilized from the customer's country after launch.

3. The issue has been examined. Primary question is whether the launch services provided by ANTRIX qualifies to be considered as export of service or not.

Export of services is defined in IGST Act in Section 2(6) where the following 5 conditions have been prescribed as necessary for a supply to qualify as export of service:

- (i) *the supplier of service is located in India;*
- (ii) *the recipient of service is located outside India;*
- (iii) *the place of supply of service is outside India;*
- (iv) *the payment for such service has been received by the supplier of service in convertible foreign exchange; and*
- (v) *the supplier of service and the recipient of service are not merely establishments of a distinct person in accordance with Explanation 1 in section 8;*

One of the five conditions for a supply of service to be considered as "export of service" is that the place of supply of service is outside India.

3.1 It is also pertinent to note that import of spacecraft including satellites are exempt from levy of basic customs duty and IGST [notification No. 50/2017-Customs(T) at Sl. no. 539 of table (subject to condition at Sl. No. 78. of Annexure) and 2/2017-Integrated Tax (Rate at S.No. 140)].

4. Section 13(9) of the IGST Act provides that where location of supplier of services or location of recipient of services is outside India, the place of supply of services of transportation of goods, other than by way of mail or courier, shall be the place of destination of such goods. However, where location of supplier and recipient of services is in India, then the place of supply is governed by section 12 (8) of the IGST Act, which stipulates that place of supply will be the location of the recipient of services provided he is registered; if not registered, then the place of supply will be the place where goods are handed over for their transportation.

5. In view of the above, place of supply of satellite launch services by ANTRIX to international customers would be outside India in terms of section 13(9) of IGST Act, 2017 and where such supply meets the requirements of section 2(6) of IGST Act and thus constitutes export of service shall be zero rated. Where satellite launch service is provided to a person in India, the place of supply of satellite launch service would be governed by section 12 (8) of the IGST Act and would be taxable.
6. The matter was discussed in the Fitment Committee meeting held on 05.09.2017. The Fitment Committee recommended that a clarification on the above lines may be issued.
7. The GST Council may approve the recommendation of the Fitment Committee.

Agenda Item 8(iv) - Exemption from GST on the supply of nuclear fuel and heavy water by DAE to NPCIL

The Cabinet Secretariat has forwarded letter of Chairman, Atomic Energy Commission & Secretary, Department of Atomic Energy, wherein it has been requested to exempt levy of GST on lease of nuclear fuel and heavy water by DAE to NPCIL (Nuclear Power Corporation of India Limited).

2. DAE has provided the following justification for seeking exemption

(i) DAE and Nuclear Power Corporation of India Limited (NPCIL) are related persons as per definition of “related person” in Explanation to Section 15 of CGST Act. This is because one of them directly or indirectly controls the other. Thus, supply of goods and services, even if made without consideration, when made in the course or furtherance of the business, and shall attract GST.

(ii) DAE being a Government Department is not an assessee under GST Act. Thus, NPCIL being an assessee under GST Act will be required to pay GST under reverse charge and file returns under GSTR1, GSTR2 and GSTR3, which will capture the sensitive details regarding **strategic materials** being used in **unsafeguarded reactors**. This is a matter of concern to DAE.

3. Thorium oxalate, Enriched potassium fluoborate, enriched elemental boron, Nuclear fuel, Nuclear grade sodium, **Heavy water and other nuclear fuels**, attract GST of 5% [Schedule I to notification No. 1/2017-Central Tax (Rate)]. In view of the same, heavy water and nuclear fuel leased by DAE to NPCIL will attract the same rate of GST as on supply of like goods involving transfer of title in goods, i.e, 5% [Sl. No. 15 or 17 of notification No. 11/2017-Central Tax (Rate)].

3.1 The rationale for seeking exemption by DAE is disclosure of data (owing to the requirement of filing returns) pertaining to strategic material used in unsafeguarded reactors.

3.2 In pre-GST regime, heavy water and nuclear fuel did not attract Central Excise duty by tariff / notification. [Sl.No. 94 of notification No. 12/2012-CE]

In this regard, it is submitted that scope of supply has been defined in GST Act so as to include *all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made* [section 7 of CGST Act]. That being so, it is felt that the supply of heavy water and nuclear fuels, by DAE to NPCIL, maybe exempted from GST (by a standalone notification).

4. The matter was discussed in the Fitment Committee meeting held on 05.09.2017. The Fitment Committee recommended that the supply of heavy water and nuclear fuels, by DAE to NPCIL may be exempted from GST.

5. The GST Council may approve the recommendation of the Fitment Committee.

Agenda Item 8(v) - GST on admission tickets for FIFA Under-17 Football World Cup-2017

Ministry of Youth Affairs and Sports (MoYAS) have requested [letter dated 17 August, 2017] to exempt admission tickets for FIFA U-17 Football World Cup- 2017 event from GST. MoYAS was requested to provide the details of ticket price structure and whether it is obligatory on the Government to exempt admission tickets for FIFA events organised by All India Football Federation (AIFF). MoYAS has furnished the price structure and also stated that 6 State Governments (Assam, Goa, Kerala, Maharashtra, NCT Delhi and West Bengal), where the events will be held, have given guarantee to exempt Entertainment Tax on sale of tickets by AIFF, which is the host association. Therefore, it is obligatory on Government to provide exemption from GST.

2. During discussion with the officials of MoYAS, it was informed by them that guarantee in respect of service tax on admission tickets for the above event was not given as there was an exemption from Service Tax on admission to all recognized sporting events. However, under GST exemption has been limited to recognized sporting events having admission ticket of Rs. 250/- or less. It is seen from the price structure furnished by MoYAS that 76.5% of tickets shall be below Rs. 250/- and thus covered by GST exemption.

3. Guarantee was given in the period when there was Entertainment Tax. Now there is no such tax in the era of GST. Apex court has ruled that Government can change its promise in case there is a supervening public interest.

Shrijee Sales Corporation v/s Union of India [1997 (89) E.L.T. 452 (S.C.)], wherein the Hon'ble Supreme Court has held that the principle of promissory estoppels is applicable against the Government, but in case there is a supervening public equity, the Government would be allowed to change its stand; it would then be able to withdraw from representation made by it which induced persons to take certain steps which may have gone adverse to the interest of such persons on account of such withdrawal. However, the Court must satisfy itself that such a public interest exists.

D.P.F. Textiles Ltd. v/s Union of India [1997 (92) E.L.T. 28 (S.C.)] and **Union of India v/s Victory Plastic Pvt. Ltd. [1996 (83) E.L.T. 481 (SC)]**, wherein the Hon'ble Supreme Court relying on the judgment in the case of Kasinka Trading v/s Union of India has held that doctrine of promissory estoppels is not applicable in the case of supervening public interest.

4. The matter was discussed in the Fitment Committee. Keeping in view the fact that 3/4th of tickets are covered by the existing exemption from levy of GST, one view was that further exemption may not be warranted. However, the Fitment Committee in its meeting held on 05.09.2017 recommended exempting admission to FIFA U-17 Football World Cup- 2017 event from GST.

5. The GST Council may approve exempting admission tickets for FIFA U-17 Football World Cup-2017 event from GST.