



Agenda for

22nd GST Council Meeting

6 October 2017

New Delhi



File No: 155/22nd GSTC Meeting/GST Council/2017
GST Council Secretariat

Room No.275, North Block, New Delhi
Dated: 29 September, 2017

Notice for the 22nd Meeting of the GST Council scheduled on 6 October 2017

The undersigned is directed to refer to the subject cited above and to say that the 22nd Meeting of the GST Council will be held on 6 October 2017 at Hall No 2-3, Vigyan Bhavan, New Delhi. The schedule of the meeting is as follows:

- Friday, 6 October 2017 : 10:30 hours onwards

2. In addition, an Officer's Meeting will be held on 5 October 2017 at Hall No 2-3, Vigyan Bhavan, New Delhi as follows:

- Thursday, 5 October 2017 : 15:00 hours onwards

3. The agenda items for the 22nd Meeting of the GST Council will be communicated in due course of time.

4. Please convey the invitation to the Hon'ble Members of the GST Council to attend the Meeting.

-Sd-

(Dr. Hasmukh Adhia)

Secretary to the Govt. of India and ex-officio Secretary to the GST Council

Tel: 011 23092653

Copy to:

1. PS to the Hon'ble Minister of Finance, Government of India, North Block, New Delhi with the request to brief Hon'ble Minister about the above said meeting.

2. PS to Hon'ble Minister of State (Finance), Government of India, North Block, New Delhi with the request to brief Hon'ble Minister about the above said meeting.

3. The Chief Secretaries of all the State Governments, Delhi and Puducherry with the request to intimate the Minister in charge of Finance/Taxation or any other Minister nominated by the State Government as a Member of the GST Council about the above said meeting.

4. Chairperson, CBEC, North Block, New Delhi, as a permanent invitee to the proceedings of the Council.

5. Chairman, GST Network

Agenda Items for the 22nd Meeting of the GST Council on 6 October 2017

1. Confirmation of the Minutes of 21st GST Council Meeting held on 9 September 2017
2. Decisions of the GST Implementation Committee (GIC) for information of the Council
3. Minutes of 1st Meeting of Group of Ministers (GoM) on IT Challenges in GST Implementation for information of the Council and discussion on GSTN issues.
4. Note on revenue collected in August and September, 2017 under Goods and Services Tax (GST) and Compensation paid to States for the period July – August, 2017
5. Report and Recommendations of the Committee on Exports
6. Issues for consideration for relief to small taxpayers
 - i. Proposal for increasing the aggregate annual turnover threshold under Composition scheme from Rs. 75 lakh (Rs. 50 lakh in special category States except Uttarakhand and J & K) to Rs. 1 Crore; and not taxing the exempt supplies made by a composition dealer
 - ii. Proposal for quarterly filing of returns along with quarterly payment of taxes by taxpayers having annual turnover upto Rs. 1.5 Crore
 - iii. Proposal for suspension of application of provisions of sub-section (4) of section 9 till 31 March, 2018
 - iv. Proposal for deciding the date for the operationalization of provisions of nationwide e-way bill
7. Issues recommended by the Fitment Committee for consideration of the GST Council
 - i. GST Rate in respect of government works contract services having high labour content
 - ii. Definition of Governmental Authority and GST on Government Grants
 - iii. Rate of tax on car leasing, sale of leased cars, sale of old & used cars and reverse charge mechanism on sale of used /seized vehicles, scrap etc by government departments
 - iv. GST on renting of motor cab and transport of passengers by motor cab services
 - v. Reduction in rate of tax on some Job Work Services
 - vi. Rate of tax on works contract in offshore Areas beyond twelve nautical miles and Transportation of natural gas through pipeline
 - vii. Reverse charge mechanism for Overseeing Committee of Reserve Bank of India (RBI) under GST
 - viii. Amendment in GST notifications in respect of 5% GST rates on cereals, pulses and flours etc. put up in unit container and bearing a brand name
 - ix. Changes in GST rates on certain goods / clarifications to be issued
8. Issues recommended by the Law Committee for consideration of the GST Council
 - i. Extension of timelines for filing of FORM GSTR-5A and FORM GST ITC-01
 - ii. Amendment of some provisions of CGST Rules, 2017 [relating to invoice (rule 46, 54 (2), additional instruction in FORM GSTR 4)]
 - iii. Inclusion of additional items in Notifications No. 32/2017-Central Tax and No. 8/2017-Integrated Tax (handicraft items)
 - iv. Clarification regarding the due dates for the generation of FORM GSTR-2A and FORM GSTR-1A for the month of July, 2017
9. Proposal for issuing notifications on cross-empowerment for ensuring single interface under GST
10. Proposal for deemed ratification of notifications, circulars and orders by the GST Council
11. Procedure for implementing GIC decisions of urgent nature requiring immediate implementation
12. Issues carried forward from the 21st GST Council Meeting: -
 - i. Approach Paper on principles for Fitment post-implementation of GST
 - ii. Issues listed in Annexure IIB of Agenda item 7 of 21st GST Council Meeting (List of goods discussed by the Fitment Committee where no change in rate of tax was proposed)
 - iii. Issues listed in Annexure III of Agenda item 7 of 21st GST Council Meeting (GST rates on services – Proposals found NOT acceptable by the Fitment Committee)
 - iv. List of Acts from the Central and State Governments as per Section 5(4) of the GST (Compensation to States) Act, 2017
13. Any other agenda item with the permission of the Chairperson
14. 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 21st GST Council Meeting held on 9 September 2017

Draft Minutes of the 21st GST Council Meeting held on 9 September, 2017

The twenty first Meeting of the GST Council (hereinafter referred to as ‘the Council’) was held on 9 September, 2017 in Hotel Novotel, Hyderabad, Telangana, under the Chairpersonship of the Hon’ble Union Finance Minister, Shri Arun Jaitley. A list of the Hon’ble Members of the Council who attended the meeting is at **Annexure 1**. A list of officers of the Centre, the States, the GST Council and the Goods and Services Tax Network (GSTN) who attended the meeting is at **Annexure 2**.

2. The following agenda items were listed for discussion in the 21st Meeting of the Council: –
 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 and Services Tax Act, 2017 (Category of Registered Persons not eligible for refund)
 - ii. Extension of date for opting for composition till 30 September, 2017 in respect of such migrated taxpayers, who have not exercised their option till 16 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
3. At the start of the meeting, on behalf of the Hon'ble Chief Minister of Telangana, Shri Etela Rajender, Hon'ble Finance Minister, Telangana, welcomed the Hon'ble Union Finance Minister, the Union Minister of State for Finance and the Hon'ble Members of the Council and also the officers of the Central and the State Governments. He informed that the Hon'ble Chief Minister of Telangana had personally monitored the arrangements for the Council's meeting and the stay of the delegates. He added that his State was honoured to host the 21st Meeting of the Council in Telangana.
4. The Hon'ble Chairperson commenced the 21st meeting of the Council. On behalf of all the Hon'ble Members of the Council, he thanked the Hon'ble Chief Minister of Telangana, Shri K. Chandrashekar Rao, the Hon'ble Finance Minister of Telangana and his team of officers for the excellent arrangements made for the meeting. The House endorsed this statement with a loud round of applause. The Hon'ble Chairperson also thanked the Hon'ble Deputy Chief Minister of Telangana, Md. Mohamood Ali, for the excellent arrangements. He further stated that Shri Santosh Gangwar, the erstwhile Hon'ble Minister of State for Revenue has been entrusted other responsibilities in the Government and welcomed the new Hon'ble Minister of State for Finance, Shri Shiv Pratap Shukla, as the new Member of the Council. He thereafter commenced discussion on the agenda items.

Discussion on agenda items:

Agenda item 1: Confirmation of the Minutes of the 20th GST Council meeting held on 5 August, 2017

5. The Hon'ble Chairperson invited comments of the Hon'ble Members on the draft Minutes of the 20th Meeting of the Council held on 5 August, 2017 (hereinafter referred to as the 'Minutes').

5.1. The Hon'ble Minister from Punjab stated that in paragraph 15.3 of the Minutes regarding discussion on changes to Central Sales Tax (CST) Rules, there was a reference that States could work out a scheme where all States should have a low rate of Value Added Tax (VAT) (say 5%) on those petroleum products which were presently out of GST, when they were used as inputs for manufacture of any other product. He stated that a uniform decision was required to be taken at an early date as otherwise interest of some States would get adversely affected. Dr. Hasmukh Adhia, Secretary to the Council (hereinafter referred to as the 'Secretary') stated that the observations recorded in paragraph 15.3 of the Minutes were only suggestions from the Council and this issue would need to be discussed separately by the Hon'ble Finance Ministers of the States in the Empowered Committee of the State Finance Ministers or in some other forum.

5.2. Shri V.K. Garg, Adviser to the Chief Minister of Punjab, stated that the Hon'ble Supreme Court had delivered a judgment during the pre-GST period that Form 'C' could be issued for goods which were not under CST. He stated that as per the Hon'ble Supreme Court judgment, newspapers were outside the CST, but the ink for printing of newspapers could be brought into the State under Form 'C'. He further explained that the GST goods today stood on the same footing as the newspaper in the pre GST period. The Hon'ble Supreme Court had said that the meaning of the word 'goods' in Section 8 of the CST Act was that for the first three times when it was used in the definition, it referred to the raw material but the fourth time, it referred to the output goods and the Hon'ble Court further held that one

could not deny the use of anything which was within the CST law for making of something which was outside the CST law. He stated that recently, there had also been a judgment by the Hon'ble High Court of Karnataka that Form 'C' could be issued for petroleum products for producing goods like electricity. He urged that in order to have a uniform practice, the Central Government should study the judgment, even though it was an interim one, to examine whether there was a need to amend Section 8(3) of the CST Act. He further pointed out that unlike other goods which could be moved to the importing State as stock transfer which would then suffer normal VAT in the importing State, natural gas could not be transferred to a depot and would be directly supplied to the importing State and thus the entire revenue would go to the exporting State. He suggested that the same low rate should apply for supply made outside the State. The Secretary stated that during the last meeting of the Council, the view of the Central Government was that Form 'C' should be allowed to be issued for petroleum products used for manufacture of other goods. However, during the discussion in the Council, the Hon'ble Members felt that Form 'C' should be limited only for manufacture of petroleum products. He added that it needed consideration whether a circular should be issued. The Hon'ble Deputy Chief Minister of Gujarat stated that there was no need to issue a circular. The Secretary observed that if the judgment of the Hon'ble Supreme Court was delivered prior to the implementation of GST, its applicability post-GST period would need to be examined. He stated that the judgment of the Hon'ble High Court of Karnataka, being a later one, needed to be considered. Shri Ritvik Pandey, Commissioner, Commercial Tax (CCT), Karnataka, stated that the judgment of the Hon'ble High Court of Karnataka was only an interim order to permit issue of Form 'C' for goods used for manufacture of products other than petroleum products but the order had a caveat that if the petition was dismissed, the tax would have to be paid at the normal rate.

5.3. Dr. P.D. Vaghela, CCT, Gujarat, stated that last time, the discussion was that all States should ensure that there was no cascading on natural gas and that the States should charge 6% VAT on supplies where cascading was taking place but this rate need not be applied where input tax credit was being denied earlier too like natural gas supplied for manufacture of fertilisers or electricity. He added that discretion should be left with the States as to for which goods, Form 'C' could be issued and that the wisdom of the States should be trusted as no State would harm its own revenue. He suggested to form a small group of officers of the Centre and the State Governments to further examine this issue. The Secretary stated that in order to ensure that the downstream industry did not suffer, the States would need to keep a low rate of tax on natural gas used in production of other goods. He stated that either he or the Additional Secretary, Department of Revenue, would hold a meeting of the officers of the States to discuss this issue further. The Hon'ble Chairperson observed that for a constructive discussion, the State of Punjab could make a reference along with the relevant judgments of the Courts. He observed that the State of Maharashtra had also sent a reference to the Central Government on this issue, and therefore, the matter would need to be decided quickly. The Hon'ble Deputy Chief Minister of Gujarat stated that the rate of tax on natural gas had been reduced to 6% in his State in consultation with the stakeholders in order to remove cascading because of GST. He further stated that his State was also examining to reduce the rate of VAT on natural gas for supplies made outside the State.

5.4. The Hon'ble Minister from Odisha stated that his version was not recorded in paragraph 12.5. of the Minutes relating to discussion on dry fish. He requested to add his following version in paragraph 12.5. of the Minutes: 'The Hon'ble Minister from Odisha stated that dry fish was consumed by poor people and it was exempted under Odisha VAT Act. Dry Fish should be exempted under GST'. The Council agreed to add the version of the Hon'ble Minister from Odisha in paragraph 12.5. the Minutes.

5.5. The Hon'ble Minister from Odisha stated that in paragraph 41.4 of the Minutes, it is recorded that 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 tribals of Mayurbhanj district and suggested that the Fitment Committee should examine these items. He stated that besides *sal*, *siali* leaves and *sabai* grass, he had also raised the issue of cups and plates stitched or made of *sal*, *siali* leaves and *sabai* ropes and also for exempting handicrafts. He requested to replace his version recorded in paragraph 41.4 of the Minutes with the following version: 'The Hon'ble Minister from Odisha stated that tax on *sal* and *siali* leaves and cups and plates made thereof and *sabai* grass and *sabai* rope 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. He further stated that the Finance Department of the State of Odisha had written a letter to the GST Council requesting to consider exemption of handicraft goods. He requested that the Fitment Committee should examine to exempt handicraft goods as poor artisans are engaged in making handicraft articles.' The Council agreed to add the version of the Hon'ble Minister from Odisha in paragraph 41.4 of the Minutes.

5.6. The Hon'ble Minister from Goa stated that his version was not recorded correctly in paragraph 41.3. of the Minutes. He did not state that a declared tariff was needed and that this position existed in the service tax regime. He stated that this version should be replaced with the following: - 'The Hon'ble Minister from Goa stated that there was no clarity on charging tax on declared tariff and that tax rate may be fixed on transaction value on the best available rate of the day.' The Council agreed to replace the version of the Hon'ble Minister from Goa in paragraph 41.3 of the Minutes.

5.7. The Hon'ble Minister from Karnataka stated that in paragraph 37.5 of the Minutes, it was recorded that he had requested that the State officers should also get an opportunity to join the briefing meeting with the learned Attorney General of India on the subject of Extra Neutral Alcohol and to convey their views to him. He stated that his version was not correctly recorded and the same should be replaced by the following version: 'The Hon'ble Minister from Karnataka suggested that the Members of the Council should also get an opportunity to interact with the learned Attorney General of India on the subject of Extra Neutral Alcohol and to convey their views to him.'

5.8. The Hon'ble Deputy Chief Minister of Gujarat stated that he had written a letter dated 7 September, 2017 to the Secretary wherein it was highlighted that though comments given in column 4 against entry No.13 of Annexure I for Agenda item 5, Volume II of 20th Council Meeting relating to rate of tax on works contract services generally provided to Government was that 12% rate would be applicable to those services, which were exempt from tax in the earlier Service Tax regime, the Council, after discussing the issue, had recommended to reduce the rate from 18% to 12% with full input tax credit on all types of works contract services to the Government, local bodies or Governmental authorities. He pointed out that the said decision of the Council was not recorded accordingly in paragraph 24 of the Minutes and it was erroneously recorded that the Council approved the recommendations of the Fitment Committee for the rate of tax on works contract services generally provided to the Government.

5.9. The Hon'ble Deputy Chief Minister of Gujarat further pointed out that the Government notification issued vide No.20/2017-Central Tax (Rate) did not include composite supply of works contract as defined in Clause (119) of Section 2 of the CGST/SGST Acts supplied to the Government, a local authority or a Governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of – (i) a civil structure or any other original works predominantly for use other than for commerce, industry, or any other business or profession; (ii) a structure meant predominantly for use as an educational, clinical, art

or cultural establishment; (iii) a residential complex predominantly meant for self-use or for use of employees; (iv) a road, bridge, tunnel, or terminal for road transportation for any purpose (e.g. services provided for construction of road to BSF for exclusive military use, construction of runway for Air Force, construction of jetty and allied infrastructure for Navy). He pointed out that the above composite supply of works contract shall attract a tax rate of 18% instead of 12% which was against the decision of the Council. He suggested that keeping in view the deliberations in the Council in its 20th Meeting held on 5 August 2017, the Minutes should be amended accordingly and works contract services provided to the Government, local bodies or Governmental authorities should be levied to tax at the rate of 12% instead of 18%.

5.10. The Hon'ble Minister from Karnataka supported the observations of the Hon'ble Deputy Chief Minister of Gujarat. He observed that building construction like schools, hospitals, etc. was a major part of works contract service. He stated that there was no exclusion mentioned during the discussion in the Council. He stated that new buildings should not have been left out of the scope of the tax rate of 12% in view of the Council's deliberations. He added that it was also important to have clarity regarding the definition of Government works, as Government sets up special purpose vehicles for irrigation works, water works, road works, etc. to speed up the work and to ensure that the allocated funds did not lapse. He stated that it would be important to have a clear definition of Government works. The Hon'ble Minister from Maharashtra also supported the observations of the Hon'ble Deputy Chief Minister of Gujarat and stated that construction of buildings should be added into the scope of 12% tax rate. The Hon'ble Minister from Andhra Pradesh stated that a heavy pay out of tax was involved in Government contracts and the financial burden of the States should be lessened by reducing the tax rate.

5.11. The Hon'ble Minister from West Bengal observed that in paragraph 24 of the Minutes, reference to buildings was left out. He added that the Government budgetary grants to Corporations, statutory bodies and Boards was getting taxed. He suggested that these bodies should be regarded as part of the Government as otherwise, there would be a heavy burden of tax on the States. He suggested that the definition of Government should include those bodies which received Government grants. The Hon'ble Chief Minister of Puducherry stated that the contractors wanted to withdraw from the Government contracts and suggested that the rate of tax on construction of buildings etc. for the Government should be 12% and not 18%. He stated that if this was not done, the contractors would increase the cost of construction. He also expressed support to the suggestion of the Hon'ble Minister from West Bengal that local bodies and municipal bodies should be included in the definition of Government.

5.12. The Hon'ble Minister from Uttar Pradesh stated that the rate of tax for construction of Government building should be reduced from 18% to 12%. He stated that contracts relating to earth work, etc. should not be taxed. He also supported the proposal that the bodies that execute projects based on grant of budgetary provision from the Government should be covered within the definition of State. The Hon'ble Minister from Rajasthan stated that the rate of tax on labour intensive works like irrigation should be 5%.

5.13. The Hon'ble Minister from Telangana stated that the Hon'ble Chief Minister of his State had written to the Hon'ble Union Finance Minister that earlier there was Central Excise exemption for pipes above 10 cm diameter for drinking water, irrigation and sewerage. He pointed out that the cost of irrigation projects in his State was about Rs. 1,800 crore and there would be additional tax burden of about Rs. 200 crore if the rate of tax was not reduced. He stated that the tax rate on works relating to

irrigation, sewerage, etc. should be kept at the pre-GST level and the burden of embedded tax could be shared between the Centre and the States. The Hon'ble Minister from Kerala stated that in the last Council's meeting, it was decided that the rate of tax on public works would be reduced to 12% and on this basis, they had issued a circular to contractors as to how to work out the cost. He, therefore, urged that rate of tax on all Government works should be reduced to 12%. He also supported the suggestion that the term and scope of 'Government works' should be expanded. The Hon'ble Deputy Chief Minister of Gujarat stated that the cost of on-going irrigation works in his State was to the tune of about Rs. 12,000 crore and suggested to retain the old tax rate for the old contracts entered into before the implementation of GST. He added that for new contracts, the rate of tax could be kept at 18%. He expressed an apprehension that if higher tax rate was kept for on-going projects, the contractors could give up work and this would lead to difficulties for the people. The Hon'ble Minister from Maharashtra supported the proposal to lower the rate of tax on Works Contract for Government buildings.

5.14. The Secretary clarified that in the agenda notes, it was mentioned that the rate of tax should be 12% on those Government works contract where service tax was exempt. He stated that service tax exemption was not available in relation to works contract for Government buildings. He informed that from 1 March, 2015, service tax exemption for construction of Government buildings was withdrawn but due to opposition to such withdrawal, the Works Contract entered into prior to 1 March, 2015 were grandfathered. He explained that if tax on construction of all buildings was kept in the 12% rate slab including those where there was no service tax exemption, there would be substantial loss of revenue. He pointed out that the relevant notification had been issued as per the earlier decision of the Council and if the Council took a new decision on this issue, a fresh notification could be issued accordingly.

5.15. The CCT, Gujarat stated that according to the explanation under Clause 16 of Section 2 of the IGST Act, 2017, 'Governmental authority' means an authority or Board or any other body set up by an Act of Parliament or a State legislature; or established by Government with 90% or more participation by way of equity or control, to carry out any function entrusted to a municipality under Article 243W of the Constitution. He stated that the same definition was provided under Notification No.12/2017-Central Tax (Rate) dated 30.06.2017 and the effect of this definition was that it excluded a Governmental authority from tax exemption which carried out functions of a Panchayat as provided under Article 243G of the Constitution. He suggested to modify the definition provided under Notification 12/2017-Central Tax (Rate) dated 30.06.2017 by explicitly incorporating reference in the definition of the Governmental authority to Article 243W as well as Article 243G of the Constitution.

5.16. The CCT, Gujarat stated that a second important issue to be addressed was that the transfer of budgetary grant by the Government to entities like Boards/Corporations/Societies/Institutes created by the State to implement various schemes of the Government and to carry out functions on its behalf should not be liable to tax. He explained that the transfer of budgetary grants to these entities could be construed as a consideration as such institutes performed certain activities on behalf of the Government and Section 2(17) of the IGST and SGST Acts defined the term 'business' very broadly to include any trade, commerce, manufacturing, profession, etc. whether or not for pecuniary benefit. It also included an activity or a transaction undertaken by the Central Government, State Government or any local authority in which it is engaged as a public authority. He added that the explanation to Section 15(5) of the IGST/SGST Act and Section 2(84) of the CGST/SGST Act made it appear that the Government, Government-owned companies, Corporations, Trusts, Societies, etc. are also persons as the Government controls them directly or indirectly and because of this, it could be argued that such a supply was taxable unless specifically exempted. He stated that such transactions between the Government and the various Boards/Corporations, etc. set up by the same Government should be declared as neither supply of goods

nor supply of services under Section 7(2)(b) of the CGST/SGST Act. The Secretary stated that the Fitment Committee could examine these proposals and its recommendations could be considered by the Council.

5.17. The Hon'ble Minister from Karnataka expressed support to the suggestion of Gujarat and stated that some broad principles could be given to the Fitment Committee in this regard, like any project taken up with the State funding, directly or indirectly. He suggested that the Fitment Committee could examine the definition. The Hon'ble Chairperson stated that the expanded definition of Government or State could potentially include all public undertakings which were doing commercial activities. He observed that this could lead to a situation where a building under construction by Hindustan Petroleum Corporation or Indian Oil Corporation could also get exemption. He also pointed out that there was a series of judgments of the Courts laying down as to which bodies would come within the ambit of State and the general principle was that only such bodies that discharge the sovereign purposes of the State could be regarded as State. He stated that the definition of Governmental authority should be narrow as otherwise there could be loss of revenue. He further expressed that the issue should be examined by the Fitment Committee. The Hon'ble Minister from Karnataka concurred that the Governmental bodies should be only such bodies which were entrusted with sovereign functions like building roads, irrigation works, etc.

5.18. The Hon'ble Minister from Telangana stated that they had sent written comments that during the 20th Meeting of the Council, the Hon'ble Chairperson had mentioned that lowering of rate of tax further to 5% on certain types of Works Contracts and the issue of rate of tax in the case of on-going works would be examined and taken up in the next meeting of the Council but this assurance of the Hon'ble Chairperson was not mentioned in the relevant paragraphs, namely, paragraphs 13.7 to 13.13, of the Minutes. The Hon'ble Chairperson observed that the implication regarding suggestion to reduce the rate of tax further to 5% needed to be studied by the officers. The Secretary stated that the Works where labour was pre-dominantly involved, the question was as to what was the material component in such Works Contracts. The Fitment Committee would need to examine it. He informed that as per the letter received from the Hon'ble Minister from Telangana, it was stated that the tax on material component was to the tune of 3% and if the embedded tax of 5% was taken on it, then there would be input tax of 8% and the rate of 5% would lead to a situation of refund of input tax. He stated that this needed to be studied by the Fitment Committee.

5.19. The Hon'ble Minister from Kerala observed that contractors were in a state of great confusion and there was need to give a clear-cut guidance on this issue in this meeting. The Hon'ble Chairperson stated that the matter could be taken up in the next meeting after examination by the Fitment Committee.

5.20. The Hon'ble Minister from West Bengal stated that if the definition of Governmental authority was to be given on the basis of performance of sovereign obligation like irrigation, water works, etc., then equity participation by the Government should be taken as 51% instead of 90% and such bodies should also be registered with the Registrar of Companies (ROC). He suggested that the externally aided projects such as those by the Asian Development Bank or the World Bank should also be covered under the ambit of Governmental authority. He suggested that a decision in principle could be taken on these issues in this meeting and details could be worked out later.

5.21. Shri Somesh Kumar, Principal Secretary (Finance), Telangana, stated that for the on-going Works which commenced prior to the implementation of GST, tax should be exempted and the burden of embedded tax could be shared between the Centre and the State. He also suggested that the Drawing and Disbursing Officer (DDO) of the relevant Department that was responsible for the Works Contract

could certify that only tax paid inputs were used in the construction work. He informed that due to high rate of tax, all projects had come to a standstill. He also suggested to do a reciprocal audit of Governmental works i.e. the Central Government officers could audit the Works Contract of the State Government and *vice versa*. The Secretary observed that pre-GST, Works Contracts were charged to 5% VAT without input tax credit, and therefore, at this stage, there was no question of exempting the on-going Works Contract from the GST. The only issue to be examined was that in a labour-oriented contract, how much material was used and whether the rate of tax for such works could be taken to 5% by working out the actual incidence of embedded taxes and the headline rate. For that, he asked the States to submit the component of labour and material (on actual basis) in a works contract which is labour intensive. He stated that this issue could be examined by the Fitment Committee. He added that the second issue to be considered by the Fitment Committee related to the definition of Governmental authority. He stated that both these issues could be examined by the Fitment Committee instead of taking an *ad hoc* decision in this meeting of the Council.

5.22. The CCT, Gujarat stated that if a Corporation was granted funds by the State Government to construct a jail, such Corporation should be regarded as a Governmental authority. He stated that he had already submitted two agenda points on this issue for consideration of the Fitment Committee. The Hon'ble Minister from Punjab observed that in Governmental contracts, work done was shoddy, and therefore, for future works, no rate reduction should be considered. The Hon'ble Minister from Kerala observed that while the Fitment Committee could look into the issue of material component in labour intensive works and the scope of the term Governmental authority, it was important to address the issue regarding the rate of tax on on-going works for construction of buildings as the States had already informed that the rate of tax would be 12%. Shri J. Syamala Rao, Chief Commissioner of Commercial Tax (CCCT), Andhra Pradesh, stated that the issue relating to execution of Works Contract by Corporations and Public-Sector Undertakings as well as grants given to them needed to be examined at the earliest.

5.23. The Hon'ble Chairperson observed that various issues had been raised, such as whether Governmental authorities should be those which perform sovereign functions; whether the equity participation or control of the Government in a body should be 90% or 51% for it to be considered as Government; whether commercial activities of such bodies should be kept out of the expanded scope of definition of Government and only the sovereign functions should be considered. He stated that all these issues should be examined by the Fitment Committee and brought up before the Council in its next meeting. The Hon'ble Minister from West Bengal urged to take an in-principle decision in this meeting as this would help the officers to come to a conclusion more quickly. The Hon'ble Chairperson observed that the definition of Governmental authority should be very precise and limited to such bodies that performed sovereign functions on behalf of the Government and should exclude other State instrumentalities. He stated that the Fitment Committee should consider this issue and its recommendation be brought before the Council. The Secretary observed that the term public interest was a very broad concept. He stated that industrial development was an activity in public interest and if a public corporation was being used to promote industry, it was a commercial activity and allotment of land for it was a commercial service. He stated that the definition of Governmental authority should be limited to the sovereign functions and sovereign grants. The Hon'ble Deputy Chief Minister of Gujarat stated that the issue needed to be decided urgently and preferably today. The Secretary stated that it would not be advisable to take a decision in such a rush and suggested that the Council could authorise the GST Implementation Committee (GIC) to decide on the basis of the recommendations of the Fitment Committee. He added that no distinction could be made between the existing contracts and the new ones and that the only point of examination by the Fitment Committee would be the relative

component of materials *vis-a-vis* labour in the labour intensive contracts on actual basis which could be studied by the Fitment Committee and brought before the Council in the next meeting. He added that in today's meeting, the Council could take a decision that the rate of tax for Works Contract for construction of Government buildings shall be 12%. The Hon'ble Chief Minister of Puducherry stated that the rate of tax for drainage schemes for Government should also be at the rate of 12%. The Hon'ble Minister from Karnataka expressed that the issues framed by the Secretary reflected the sentiment of the Council and he expressed support for the same.

5.24. The Hon'ble Minister from West Bengal stated that the issue could be considered by the GIC after which the Council could consider the issue through video conference. The Hon'ble Chairperson stated that for arriving at some correct decision, detailed data would need to be worked out. The Secretary stated that for labour intensive works, there was a need to examine the percentage of materials used on actual basis and the tax rate on the same.

5.25. The Council agreed that the rate of tax on services provided to the Central Government, State Government, Union Territory, a local authority or a Governmental authority (a) by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of civil structure for use other than for commerce, industry or any other business or profession; (b) a structure meant predominantly for use as an educational, clinical, art or cultural establishment; (c) a residential complex predominantly meant for self-use or for use by their employees or other persons specified in paragraph 3 of Schedule III of the CGST/SGST Act shall be reduced from 18% to 12%. The Council further agreed that the issue of definition of a Governmental authority and the rate of tax on labour intensive works contract would be studied by the Fitment Committee and its recommendations shall be placed before the Council.

6. In view of above discussion, for **agenda item 1**, the Council decided to adopt the Minutes of the 20th meeting of the Council with the changes as recorded below: -

6.1. To replace the version of the Hon'ble Minister from Goa in paragraph 41.3. of the Minutes with the following: 'The Hon'ble Minister from Goa stated that there was no clarity on charging tax on declared tariff and that tax rate may be fixed on transaction value on the best available rate of the day.'

6.2. To add the following version of the Hon'ble Minister from Odisha in paragraph 12.5. of the Minutes: 'The Hon'ble Minister from Odisha stated that dry fish was consumed by poor people and it was exempted under Odisha VAT Act. Dry Fish should be exempted under GST.'

6.3. To replace the version of the Hon'ble Minister from Odisha recorded in paragraph 41.4. of the Minutes with the following: 'The Hon'ble Minister from Odisha stated that tax on *sal* and *siali* leaves and cups and plates made thereof and *sabai* grass and *sabai* rope 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. He further stated that the Finance Department of the State of Odisha had written a letter to the GST Council requesting to consider exemption of handicraft goods. He requested that the Fitment Committee should examine to exempt handicraft goods as poor artisans are engaged in making handicraft articles.'

6.4. To replace the version of the Hon'ble Minister from Karnataka recorded in paragraph 37.5 of the Minutes with the following: 'The Hon'ble Minister from Karnataka suggested that the Members of the Council should also get an opportunity to interact with the learned Attorney General of India on the subject of Extra Neutral Alcohol and to convey their views to him.'

7. The Council also decided the following while discussing the Minutes of the 20th Meeting of the Council:

7.1. The issue of Form C under the Central Sales Tax Act shall be examined further in light of the Court decisions.

7.2. The rate of tax on services provided to the Central Government, State Government, Union Territory, a local authority or a Governmental authority (a) by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of civil structure for use other than for commerce, industry or any other business or profession; (b) a structure meant predominantly for use as an educational, clinical, art or cultural establishment; (c) a residential complex predominantly meant for self-use or for use by their employees or other persons specified in paragraph 3 of Schedule III of the CGST/SGST Act shall be reduced from 18% to 12%.

7.3. The issue of definition of a Governmental authority and the rate of tax on labour intensive works contract shall be studied by the Fitment Committee and its recommendations shall be placed before the Council.

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

8. Shri Upender Gupta, Commissioner, (GST Policy Wing), CBEC, made a presentation on the decisions taken by the GST Implementation Committee (GIC) since the 20th Meeting of the Council held on 5 August, 2017. The presentation is at **Annexure III** of the Minutes.

8.1. The Hon'ble Minister from West Bengal stated that the GIC was taking decisions and notifications were being issued and then it was being brought before the GST Council on *post facto* basis. He stated that some decisions were substantive in nature like the one relating to exemption from Compensation Cess under Section 9(4) of the CGST Act, 2017 for dealers availing the margin scheme and the other regarding amendment to the CGST Act, 2017 to provide that the goods moving across the Line of Control (LOC) from Jammu & Kashmir, was to be declared as deemed export under Section 147 of the CGST Act, 2017 and the goods coming from across the LOC to be charged to CGST and SGST on reverse charge basis under Section 9(3) of the CGST Act, 2017. He suggested that the Council could take an in principle decision that the GIC would decide and notify issues which were procedural in nature. However, for non-procedural issues, GIC would recommend and then the Council would decide through video conference. He further stated that GIC could consider serious issues relating to policy, but it should be brought before the Council for discussion and decision. The Hon'ble Chairperson stated that there could potentially be a grey area as to what was a substantial issue and what was not substantial in nature. The Hon'ble Minister from Punjab stated that excessive delegation to GIC should be avoided. The Secretary stated that the purpose of GIC was that for urgent issues where it was not possible to wait for the Council Meeting, GIC could decide and the decision could be notified. The Hon'ble Minister from Kerala stated that the Council could decide urgent matters through video conferencing. The Hon'ble Chairperson suggested that the GIC could decide on issues of routine nature, but if there was a substantial policy related issue, the Council could decide, either through video conferencing or by a physical meeting.

8.2. The Hon'ble Minister from Kerala stated that the CBEC had issued a circular clarifying that if there was an air-conditioned room in a restaurant, then the entire billing by the restaurant would have to be done at the rate of 18% whereas the rate for non-air-conditioned restaurant was 12% and also food

from take away counters of such AC restaurant would attract tax at the rate of 18%. He observed that before issuing such clarification, it should also be considered by the States. The Secretary stated that such clarifications were normally examined by the Fitment Committee before issuance.

9. For **agenda item 2**, the Council took note of the decisions of the GIC. It also approved that the GIC could decide on procedural issues and for substantial policy related issues, the GIC should send its recommendations to the Council which could then be decided either through video conference or by a physical meeting of the Council.

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

10. Introducing this agenda item, the Secretary stated that previously, the Empowered Committee had been nominating Directors on the Board of Directors of GSTN from State Governments and the Empowered Committee (EC). After passage of the Constitution (101) Amendment Act, 2016, as per Article 279A of the Constitution, GST Council has been making all important GST related recommendations to the Central and the State Governments. In view of this, it was decided in the 14th Council Meeting held on 18-19 May, 2017: (a) to nominate the Additional Secretary, GST Council Secretariat as ex-officio Director on the Board of GSTN in place of the erstwhile Member Secretary, Empowered Committee; and (b) to amend GSTN's Articles of Association to the effect that all references to the Empowered Committee of State Finance Ministers may, post Constitutional amendment, refer to GST Council. (However, decision with regard to (b) above was still under implementation in GSTN). He added that one Directorship in GSTN had fallen vacant on 27 July, 2017 due to application of the provision under Section 167(1)(b) of the Companies Act, 2013 under which if a Director absents himself from all meetings of the Board of Directors held during a period of 12 months with or without seeking leave of absence of the Board, his post of Directorship shall become vacant. He stated that Shri H.K. Dwivedi, Principal Secretary (Finance), Government of West Bengal, was unable to attend any of the Board meetings during the 12-month period of his Directorship, and therefore, his office of Directorship with GSTN had fallen vacant with effect from 27 July, 2017 in terms of Section 167(1)(b) of the Companies Act, 2013. The Secretary suggested that any State interested in becoming Director on the Board of GSTN could send nomination in writing to the GST Council by the end of the day and the Hon'ble Chairperson could then decide on the nomination. The Council agreed to the suggestion.

11. For **agenda item 3**, the Council approved the following: -

- (i) Henceforth, all nominations by States on the Board of Directors of GSTN shall be made by the GST Council; and
- (ii) The Hon'ble Chairperson shall suitably nominate a Director on the Board of Directors of GSTN on the basis of nominations to be received from the State Governments.

Agenda item 4: List of Acts from the Central and State Governments as per Section 5(4) of the GST (Compensation to States) Act, 2017

12. Introducing this agenda item, the Secretary informed that this issue was discussed in detail during the meeting of the officers of the Central Government and the State Governments held on 8 September, 2017 in Hyderabad. He informed that written comments on this agenda item were received from the States of Himachal Pradesh and Maharashtra. He further informed that during the Officers' meeting, the States of Uttar Pradesh, Odisha, Andhra Pradesh, Goa and Telangana had also raised the issue that some of the Acts listed were not repealed by their States in entirety but only certain Sections

were omitted or that some Acts were missing or needed to be added in the proposed notification. He stated that during the Officers' meeting, he had advised the States to send in writing, all discrepancies relating to addition or deletion of the Acts subsumed under the Goods and Services Tax Act. He proposed that this agenda item could be deferred in view of the need for further corrections in the draft notification.

12.1. The Hon'ble Chief Minister of Puducherry stated that the auditors had excluded certain revenue from the base year for compensation which was not correct. The Secretary stated that only the eligible amounts could be considered for compensation and the law in this regard had already been framed. He suggested that the Acts not included or modified should be forwarded through the Auditor General of the States to enable suitable modification to the draft notification presented under this agenda item. After discussion, the Council agreed to defer this agenda item.

13. For **agenda item 4**, the Council agreed to defer this agenda item.

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

14. The Commissioner (GST Policy Wing), CBEC, made a presentation on the issues recommended by the Law Committee for consideration of the GST Council. The presentation is attached at **Annexure 3** of the Minutes. Thereafter, a discussion took place on individual agenda items, which are recorded as below:

Agenda item 5(i): Notification with respect to sub-section 6 of Section 54 of Central Goods and Services Tax Act, 2017 (Category of registered persons not eligible for refund)

15. The Commissioner (GST Policy Wing), CBEC explained during the presentation that the Law Committee had recommended that under Section 54(6) of the Central Goods and Services Tax Act, 2017, two categories of suppliers making zero-rated supplies could be notified as not eligible for sanction of 90% refund on provisional basis within seven days of filing of the refund application. The first category was any registered person who has been granted registration under the CGST Act/SGST Act or under the existing law within a period of six months from the date of application for refund and the second category was any registered person who has not furnished return for three consecutive tax periods immediately preceding the date of application for refund.

15.1. The Hon'ble Minister from West Bengal stated that while provisional refund of 90% within seven days could be denied to persons who defaulted in filing returns for three consecutive months but it was not proper to deny 90% provisional refund within seven days to those exporters who were registered under the GST or under the existing law within six months. He stated that several exporters were start-up companies and they should be allowed the facility of provisional refund. He pointed out that the Chief Economic Adviser, in his presentation (which is recorded under agenda item 9), had dwelt upon the means to encourage export but this proposal went against this spirit. The Commissioner (GST Policy Wing), CBEC, explained that this provision was meant to exclude fly by night operators from availing the benefit of this provision. The Hon'ble Minister from West Bengal observed that the worst scenario should not be taken as the basis for making law. Shri Arun Mishra, Additional Secretary, Commercial Taxes, Bihar, stated that as input tax credit was allowed for two months, there was a risk that some people could claim refund and then vanish. Shri R.K. Tiwari, Additional Chief Secretary (ACS), Uttar Pradesh, stated that his State agreed to the proposal to deny the provisional refund to newly registered persons but had reservations regarding denial of provisional refund only to tax payers who had not filed three consecutive returns. He suggested that this provision should be made more

stringent and the facility of provisional refund should be denied to a taxpayer if he had not filed even one return. The Secretary stated that one-month period for not filing return was too less, and suggested to keep it as three months. The Additional Secretary, Commercial Taxes, Bihar, stated that for provisional refund, the first level of check would be done through the Shipping Bill filed for the exported consignment and the Return would be the second document for verification. He explained that if an exporter did not file three returns consecutively, he would be denied the provisional refund and his refund claim would be considered only after the scrutiny of his return.

15.2. The Hon'ble Minister from Punjab suggested that this issue could be studied by a Committee on Exports, which the CEA had suggested to constitute in his presentation (which is recorded under agenda item 9) and the Committee could give its recommendations to the Council. The Hon'ble Chairperson observed that the Committee on Exports could be constituted to look at larger issues relating to exports, and this could consist of officers from the Centre and four to five major exporting States. The Council authorised the Hon'ble Chairperson to set up such a Committee on Exports consisting of officers from the Centre and 4-5 major exporting States to look at the issues of export sector and to recommend to the Council suitable strategy for helping the export sector in the post-GST scenario. The Secretary informed that the States wanting to be a member of this Committee could send their nomination in writing. The Hon'ble Minister from Tamil Nadu stated that his State should be taken as a member of the Committee on Exports. The Council agreed to defer a decision on this agenda item and to refer this issue to the Committee on Exports to be constituted by the Hon'ble Chairperson.

16. For **agenda item 5(i)**, the Council approved to defer the decision and to await the recommendations of the Committee on Exports. The Council also approved to authorise the Hon'ble Chairperson to set up a Committee on Exports consisting of officers from the Centre and four to five major exporting States to recommend to the Council suitable strategy for helping the export sector in the post-GST scenario.

Agenda item 5(ii): Extension of date for opting for Composition till 30 September, 2017 in respect of such migrated tax payers, who have not exercised their option till 16 August, 2017

17. The Commissioner (GST Policy Wing), CBEC explained during the presentation that the Composition scheme for migrated tax payers had closed on 16 August, 2017 and many people could not register or avail of this scheme. In view of this, it was proposed to extend the date for opting for Composition scheme for migrated taxpayers till 30 September, 2017 and to implement it by introducing Rule 3(1)(A) in the CGST Rules and by also making a small consequential change in Rule 3(5) of the CGST Rules. He also explained that those who avail of the new deadline would be eligible for Composition benefits from 1 October, 2017. He explained that once the scheme was availed under the CGST Act, 2017, it would automatically be available under the other Acts, namely SGST Act and UTGST Act and *vice versa*. He further informed that during the Officers' meeting held on 8 September, 2017, it was proposed that the new deadline for availing Composition scheme should also be allowed to newly registered tax payers.

17.1. The Hon'ble Minister from West Bengal and the Hon'ble Deputy Chief Minister of Bihar supported the proposal. The Hon'ble Minister from Punjab observed that the Composition scheme had not become popular due to some glitches like denial of this scheme to any taxpayer who supplied any service. The Secretary observed that no change in law could be made at this stage. The Adviser to the Chief Minister of Punjab suggested that amendments could be made under the clause relating to removal of difficulties. The Secretary responded that the clause regarding removal of difficulties could not be used to make changes in the law. After discussion, the Council agreed to the proposal to extend the

date for opting for Composition scheme to 30 September, 2017 and to allow the composition benefits with effect from 1 October, 2017 for both migrated as well as newly registered tax payers.

18. For **agenda item 5(ii)**, the Council approved to extend the date for opting for Composition scheme to 30 September, 2017 and to allow the composition benefits with effect from 1 October, 2017 for both migrated as well as newly registered tax payers.

Agenda item 5(iii): Exemption from the requirement of registration to the persons making supplies of handicraft goods in different States

19. During the presentation, the Commissioner (GST Policy Wing), CBEC, explained that this issue had primarily been raised by the State of Jammu & Kashmir to address the problem of small artisans of any State selling handicraft goods in other States and it was proposed to exempt them from the requirement of registration under Section 24(i) of the CGST Act, 2017 even if they make inter-State supplies. This exemption would be available for annual turnover of up to Rs. 10 lakh for the Special Category States (other than the State of Jammu & Kashmir) and up to Rs. 20 lakh for other States with the condition that their turnover in one month should not be more than Rs. 5 lakh in Special Category States (other than the State of Jammu & Kashmir) and Rs. 10 lakh in other States. He further added that such persons shall also be eligible for exemption from the requirement of registration under Section 24(ii) of the CGST Act, 2017 for casual taxable person. To give effect to these exemptions, two notifications were proposed to be issued. He added that for such persons, PAN and e-way bill shall be mandatory and they would need to generate e-way bill, irrespective of the value of consignment being transported. He informed that during the Officers' meeting held on 8 September, 2017, a few States had expressed concern that it would reduce the number of registered tax payers.

19.1. The Hon'ble Minister from Jammu & Kashmir stated that this was a very important issue for his State as about 11 lakh people (almost 10% of the population of the State of Jammu & Kashmir) sold their products in other States and they were adversely affected due to GST, including high rate of tax. He suggested that there should be no monthly cap of turnover and that there should be only an annual turnover cap. The Hon'ble Minister from Madhya Pradesh stated that art galleries were not allowing display of paintings of small artists until they took GST registration. The Hon'ble Minister from West Bengal supported the observation of the Hon'ble Minister from Madhya Pradesh and stated that tribal art, folk art, etc. were very important and artists should not be forced to get registered as they would then need to employ an accountant for compliance with GST law. The Hon'ble Chief Minister of Puducherry also supported the proposal of the Hon'ble Minister from West Bengal. The Secretary stated that painting was part of handicrafts and it would be covered in the decision for exemption for handicrafts.

19.2. The Hon'ble Deputy Chief Minister of Gujarat stated that Tibetans came to his State during winter to sell their products like clothes, shawls, etc. and their sale amounted to several lakh of rupees and that, under this provision, they would stand exempted from tax. The Commissioner (GST Policy Wing), CBEC, explained that handicraft items would be defined and only people selling such handicraft items would enjoy the benefit of this exemption from registration. He added that those enjoying the benefit of this exemption should have PAN and must generate e-way bill. The Hon'ble Deputy Chief Minister of Bihar observed that a large number of Tibetans came to his State as well to sell woollen garments and they would not be covered under handicrafts. The Commissioner (GST Policy Wing), CBEC stated that they would not be covered under handicrafts, and therefore, they would need to be registered.

19.3. The ACS, Uttar Pradesh, observed that an exception was being created for artisans of handicrafts making inter-State sales by exempting them from registration under GST and in future, similar benefits could be claimed for many other goods (like handloom) thus adversely affecting the expansion of the tax base. He suggested that registration should be done for as many persons as possible and compliance burden should be brought down. The Hon'ble Minister from Jammu & Kashmir responded that this was a very important issue for his State and it should not be objected to by the States which obtained exemption from tax for items like *hawan samigri*. The Hon'ble Minister from Tamil Nadu expressed an apprehension that small artisans might not be able to fulfil the requirements of e-way bill. The Hon'ble Chairperson observed that the benefit of exemption from registration could be given to suppliers of handicrafts as tax effect would not be very high but compliance burden would be high and cumbersome. The Hon'ble Minister from West Bengal supported this suggestion and added that folk painting should also be added to the list of handicrafts items to which the Secretary responded that this was already covered as handicraft. The list of items of handicrafts could be taken from paragraph 5 of Agenda Item 8(i).

19.4. After discussion, the Council approved the suggestion to exempt from registration the suppliers of handicrafts with annual turnover of up to Rs. 10 lakh for the Special Category States (other than the State of Jammu & Kashmir) and up to Rs. 20 lakh for other States making inter-State supply under Section 24(i) as also making supply as a casual taxable person under Section 24(ii). The Council also agreed that there shall be no monthly limit of turnover for handicraft suppliers to avail the benefit of this provision. It was also agreed that the list of handicraft items listed in paragraph 5 of Agenda Item 8(i) shall be taken as a basis for drawing the list.

20. For **agenda item 5(iii)**, the Council approved the following: (i) to exempt from registration the suppliers of handicrafts making inter-State supply under Section 24(i) as also making supply as a casual taxable person under Section 24(ii) if their annual turnover did not exceed Rs. 10 lakh in Special Category States (other than the State of Jammu & Kashmir) and Rs. 20 lakh for other States; (ii) there shall be no monthly limit of turnover for handicraft suppliers to avail the benefit of this provision; (iii) the list of handicraft items listed in paragraph 5 of Agenda item 8(i) shall be taken as a basis for drawing the list.

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

21. The Commissioner (GST Policy Wing), CBEC, during his presentation, explained that as per the law, a job worker was liable to take mandatory registration for inter-State supply of services but the trade community had requested that small job workers with annual turnover of less than Rs. 20 lakh should be exempted from such mandatory registration. The Law Committee had recommended to exempt such job workers from registration requirement under Section 24(i) of the CGST Act and the SGST Acts but the benefit should not be available once he crossed the annual threshold of Rs. 20 lakh or if he took voluntary registration. He further informed that e-way bill was proposed to be made mandatory for movement of goods by such job workers, even if the value of their consignment was less than Rs. 50,000.

21.1. The Secretary informed that this agenda item was discussed during the meeting of the Officers of the Central Government and the State Governments held on 8 September, 2017 at Hyderabad, and while some States supported the proposal, others thought that this would lead to reduction in the number

of registered tax payers. The Hon'ble Minister from Kerala observed that such type of exemption could lead to tax evasion and cautioned against accepting the recommendation. The Hon'ble Minister from West Bengal stated that this exemption would be beneficial for job workers of textile and jewellery as those with turnover below Rs. 20 lakh would not be saddled with compliance burden. The Hon'ble Deputy Chief Minister of Gujarat observed that this could encourage splitting of turnover by members of a family. The Commissioner (GST Policy Wing), CBEC, stated that in every case, the principal would pay tax on reverse charge basis. The Hon'ble Chairperson echoed the view of the Hon'ble Minister from West Bengal that relief should be given to persons with small turnover even at the cost of loss of some taxpayer base.

21.2. Shri Sanjeev Kaushal, ACS, Haryana, stated that a similar demand could come in respect of goods as well. He stated that for movement of goods between Delhi and Gurugram (Gurgaon), splitting of transactions was easy and cautioned against allowing such an exemption. The Hon'ble Deputy Chief Minister of Gujarat stated that a distinction should be made between an industrial job work and other types of job worker. He cautioned that there was a lot of movement of goods between Vapi and Mumbai and such an exemption would lead to large amount of tax evasion. The Commissioner (GST Policy Wing), CBEC reiterated that even if there was splitting of turnover, tax would be paid on reverse charge basis and also reminded that the provisions of e-way bill Rules would apply for movement of such goods. The Secretary observed that as jewellery, goldsmiths' and silversmiths' wares and other articles under Chapter 71 were excluded from the scheme of e-way bill to ensure security for such consignments as contents of the package and the truck number could be available to third parties, the job workers for such goods should not be extended the benefit of exemption from registration for inter-State supply of services to a registered person having an annual turnover of less than Rs.20 lakh. The Council agreed to this suggestion.

21.3. The Hon'ble Deputy Chief Minister of Gujarat stated that presently no checking was being done at check posts and no one knew the quantum of goods moving across the border. He also informed that many transporters were charging extra amount for moving the goods without e-way bill. The Secretary stated that the provisions of State level e-way bill could be tightened. The CCT, Assam, stated that a lot of non-tax paid goods were coming to his State and sought to know whether anti-evasion action could be taken on the basis of any information. The Secretary clarified that such an action could be taken against such tax evaders.

22. For **agenda item 5(iv)**, the Council approved the following: (i) to exempt from registration job workers making inter-State supply of job work services (except in case of jewellery, goldsmiths' and silversmiths' wares and other articles under Chapter 71) to a registered person and having an annual turnover of less than Rs. 20 lakh for normal States and Rs. 10 lakh for Special Category States; (ii) the benefit of exemption from registration mentioned in clause (i) shall not be available to those who opt to take registration voluntarily under Section 25(3) of the CGST Act/SGST Acts; (iii) generating e-way bill shall be mandatory for movement of goods by such job workers, even if the value of their consignment is less than Rs. 50,000.

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

23. The Commissioner (GST Policy Wing), CBEC, stated that it was proposed to notify Section 51 of the CGST Act, 2017 with effect from 18.09.2017 to enable registration of tax deductors but actual

deduction of tax at source (TDS) could start at a later date. He added that the following persons were proposed to be notified as tax deductors under clause (d) of sub-section (1) of Section 51 of the CGST Act, 2017: -

- (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.

23.1. He informed that during the Officers' meeting held on 8 September, 2017, there was a view that Section 52 of the CGST Act, 2017 relating to Tax Collection at Source (TCS) should also be notified but it was pointed out that if Section 52 was notified, then tax collection at source would have to be started, which might not be feasible immediately. He stated that taking this into account, it was suggested that registration for TCS could be started by issuing a circular to this effect rather than by notifying Section 52. The Council agreed to the suggestion to notify Section 51 to start registration for tax deductors at source but to notify the requirements of tax deduction at source at a later date. The Council also approved the notification of categories of persons under Section 51(1)(d) of the CGST Act, 2017 as mentioned in paragraph 23 above who would also be liable to deduct tax at source. The Council further agreed to start registration for persons liable to TCS by issuing a circular to this effect by the respective Governments.

24. For **agenda item 5(v)**, the Council approved the following: (i) to notify Section 51 of the CGST Act, 2017, the SGST Acts and the UTGST Acts with effect from 18.09.2017; (ii) actual tax deduction at source (TDS) to start at a date to be decided later; (iii) to notify under Section 51(1)(d) of the CGST Act, 2017, the SGST Acts and the UTGST Acts, the categories of persons as mentioned in paragraph 23 above who would be liable to deduct tax at source; (iv) to start registration for persons liable to TCS by issuing a circular to this effect by the respective Governments.

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

25. During the presentation, the Commissioner (GST Policy Wing), CBEC, informed that amendments were proposed to Rule 124(3), 124(4) and 124(5) and Rule 127 of the CGST Rules, 2017. In Rule 124(3), it was proposed that Technical Members shall get the same salary as admissible to him in an equivalent Group 'A' post in the Government of India and in case of retired officer, his salary shall be fixed as the last pay drawn as reduced by pension in accordance with the recommendations of the 7th Pay Commission as accepted by the Government. In sub-rules (4) and (5) of Rule 124, it was proposed to insert a mechanism to review the performance of the National Anti-profiteering Authority (NAA) by the Council and also removal of the Chairman/Technical Member on the recommendations of the Council. In Rule 127, it was proposed that the NAA shall submit a quarterly performance report to the Council. The Secretary suggested that minimum one year's experience could be prescribed at the level of Commissioner to be a Member of the NAA.

25.1. The Hon'ble Minister from West Bengal suggested not to provide the minimum experience and to just keep the eligibility at the level of Commissioner. After discussion, the Council approved the proposed amendment to Rules 124(3), 124(4), 124(5) and 127 of the CGST Rules, 2017, as discussed above. The Council also agreed that the Technical Members of the NAA shall have at least one year's experience as Commissioner.

25.2. The Hon'ble Minister from Kerala stated that Maximum Retail Price (MRP) had not been reduced on new stocks and it was important to demand that MRP on new stocks should be reduced as the Anti-profiteering bodies would take some time to get operational. The Secretary stated that this issue was raised during the last meeting of the Council and the Hon'ble Chairperson had made a public appeal to reduce the price of fresh stocks. He also explained that State-level complaints relating to State-level companies would be forwarded to the State-level Screening Committee and multi-State complaints would be forwarded to the Standing Committee, and thereafter, if needed, after investigation by the DG (Safeguards), CBEC, these would be placed before the NAA. The Hon'ble Minister from Kerala observed that there was no reduction in MRP of consumer goods and no serious warning had been given for reducing the MRP. The Secretary observed that the Anti-profiteering mechanism had been set up and State-level Screening Committees should start functioning soon.

25.3. The Hon'ble Minister from Goa observed that the ground realities were different than the initial euphoria created for GST. He added that the perception was that the traders had benefitted from GST and not the common people. He observed that this had created a bad name for the Ministers who are Members of the Council and observed that perception was important and common people should perceive that benefits of reduction of taxes under the GST regime were being passed on to the consumers. The Secretary observed that the State-level Committee would need to refer such cases to the Standing Committee.

25.4. The Hon'ble Deputy Chief Minister of Gujarat and the Hon'ble Minister from Haryana stated that some guidelines could be issued for the State-level Screening Committees and the Standing Committee. He further stated that it was important to evolve a combined incidence of taxes (Central Excise and VAT, etc.) as suggested by the Hon'ble Deputy Chief Minister of Bihar. The Hon'ble Deputy Chief Minister of Bihar recalled that during the last meeting of the Council, he had suggested to make the public aware by listing about 100 important items giving break up of incidence of taxes of Central Excise and VAT to show how the tax rates had come down. He also emphasised that there should be publicity that Central Excise duty was always part of the price but now it was visible as GST. He suggested to launch a campaign to educate people on this aspect.

26. For **agenda item 5(vi)**, the Council approved the amendments to Rule 124(3), 124(4), 124(5) and Rule 127 of the CGST Rules, 2017 as mentioned at paragraph 25 above. It also approved that a minimum one year's experience shall be prescribed at the level of Commissioner to be a Member of the National Anti-profiteering Authority.

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

27. The Commissioner (GST Policy Wing), CBEC, during his presentation, explained the provisions of GST TRAN-1 FORM which did not provide for permitting an amendment to the said FORM and stated that this was proposed to be amended to allow filing a revised GST TRAN-1 once by inserting a new rule in the CGST Rules, 2017. He added that amendment to GST TRAN-1 was also proposed to clarify that the heading of Table 5(a) shall include credit flowing from Section 145(9) of

CGST Act, 2017 and that this issue related only to CGST credit and not to SGST credit. Another proposed change relating to the CGST credit only was in the heading of Table 7(a) to allow flow of credit available through Credit Transfer Document (CTD). He further informed that during the Officers' meeting held on 8 September, 2017, it was also recommended that filing of GST TRAN-1 should be extended by one month i.e. till 31 October, 2017 and one revision in TRAN-1 could be done up to 31 October, 2017. The Additional Secretary (Commercial Tax), Bihar, cautioned against permitting revision of GST TRAN-1 as CGST credit of Rs. 62,000 crore had already been taken by the business community. The Secretary observed that as only one revision was being allowed in GST TRAN-1, there could also be a downward revision of the credit claimed under TRAN-1. The Hon'ble Minister from West Bengal supported the proposal under this agenda item.

27.1. The Council approved the proposed changes, namely inserting a new rule in the CGST and the SGST Rules to permit one revision of FORM GST TRAN-1; amendment in the heading of Table 5(a) to include CGST credit flowing from Section 140(9) of the CGST Act, 2017; to slightly modify the heading of Table 7(a) to allow flow of CGST credit through Transfer Credit Document (CDT); and to extend the date for filing GST TRAN-1 from 30 September, 2017 to 31 October, 2017 and one revision in TRAN- could be done up to 31 October, 2017.

28. For **agenda item 5(vii)**, the Council approved the following: (i) to insert a new rule in the CGST Rules and the SGST Rules providing for one revision of FORM GST TRAN-1 upto 31 October, 2017; (ii) To amend heading of Table 5(a) of FORM GST TRAN-1 to include CGST credit flowing from Section 140(9) of CGST Act, 2017 (required only in the CGST Act); (iii) To modify the heading of 7(a) of FORM GST TRAN-1 to allow flow of CGST credit through Transfer Credit Document (CDT) (required only in CGST Act); (iv) to extend the date for filing GST TRAN-1 from 30 September, 2017 to 31 October, 2017.

Agenda item 5(viii): Changes in Central Goods and Services Tax Rules, 2017

29. During the presentation, the Commissioner (GST Policy Wing), CBEC, explained that this agenda item was proposed to carry out correction of a small typographical error in FORM GSTR-4 in Table 8 to substitute the entry at Table 8B(2) to read as "Inter-State Supplies (Rate-wise)" instead of "Intra-State Supplies (Rate-wise)" and to insert the following in FORM GST EWB-01: "The details of bill of entry shall be entered in place of invoice where the consignment pertains to an import".

30. For **agenda item 5(viii)**, the Council approved the following: (i) to carry out correction of a small typographical error in FORM GSTR-4 in Table 8 to substitute the entry at 8B(2) to read as "Inter-State Supplies (Rate-wise)" instead of "Intra-State Supplies (Rate-wise)"; (ii) to insert the following in FORM GST EWB-01: "The details of bill of entry shall be entered in place of invoice where the consignment pertains to an import".

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

31. Introducing this agenda item, Joint Secretary (TRU-I), CBEC, recalled that in the 20th Council Meeting held on 5 August 2017, one of the Hon'ble Members had suggested fixation of rates 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. He further stated that the present rate structure was more or less based on the pre-GST tax incidence and that any future review of the GST rate structure would be based on the policy objectives which the Council would seek to achieve from the GST rate structure

of goods, rather than a mere fitment exercise. He stated that in the above context, the following basic principles regarding GST rates on goods could be relevant for any future review of rates: -

- (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 should 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 cost to domestic suppliers, putting them at a disadvantage *vis-à-vis* imports, concessional GST rate 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) 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 rate (say 18%) or two rates (12% and 18%) GST, any further changes in GST rate 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) 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) 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.

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

31.1. Starting discussion on this agenda item, Dr. Arvind Subramanian, Chief Economic Adviser (CEA), Ministry of Finance, stated that he always had reservation regarding the 28% rate slab and he expected that the rates would be reduced in the range of 12% to 18%. He observed that he was encouraged by this Paper and it was a good framework to think where the rates of tax could be headed for in the short and medium term. He suggested that the 28% rate slab should be slimmed down as much as possible. He also commended the criteria suggested in the Approach Paper for review of rates. In order to expand the tax base, he suggested that electricity, land and real estate should be brought under GST. He observed that the Hon'ble Chairperson as well as the Hon'ble Deputy Chief Minister of Delhi had expressed an interest in bringing these items under GST and this would also help in boosting exports.

31.2. The Hon'ble Minister from Punjab stated that he whole heartedly supported the Approach Paper. He informed that his administration was receiving several delegations from trade, requesting for rate reductions. He suggested that in one Chapter, there should not be more than three rates of tax and that while fixing rates of tax, the HSN (Harmonised System of Nomenclature) classification should be maintained. He stated that his State supported the suggestion to bring electricity, land and real estate under GST.

31.3. The Hon'ble Minister from Telangana stated that *bidi* was made from raw tobacco leaves and because of increase in the tax rate, prices had gone up and this needed to be taken note of. The Hon'ble Minister from Kerala observed that the Indian society was complex with a high level of inequality. He added that the present architecture of the GST was to facilitate ease of doing business and at this stage, it was the best compromise keeping in view the larger considerations of the Society. He stated that one should first evaluate the revenue earning under GST before planning for mid-term and long-term changes during six to nine months. He also suggested that the Council should not rush through discussion on rates of tax and should devote quality time for the same.

31.4. The Hon'ble Minister from Goa complimented the Approach Paper. He stated that the suggestion to review the rates after three months could be harmful to a tourist State like his where the 28% rate slab for rooms above Rs. 7,500 per day was causing serious loss of business. He stated that if these rates were not revised soon, the tourist traffic would get diverted to South East Asian countries where the rate of tax was only about 9%. He observed that the present rate of tax was counter-productive and the States would lose tourists permanently. He added that other than the lower tax rates, the South East Asian countries had many other facilities/attractions to offer like clean beaches and better

infrastructure. He, therefore, suggested that instead of waiting for three months, the rate of tax on hotels should be reduced to 18% now itself since the high rates were actually punitive for the tourists. He stated that his State was trying to provide better infrastructure to bring in high value tourist traffic

31.5. The Hon'ble Minister from Rajasthan stated that the share of tourists coming to India was not very significant and the high tax rates had further harmed the growth of tourism. He noted that tourism gave foreign exchange, employment, etc. and suggested that the rate of 18% should be applied to room tariff up to Rs. 10,000 per day. The Hon'ble Minister from Odisha supported the observations of the Hon'ble Minister from Goa and stated that the high rates of tax would discourage tourism industry.

31.6. The Hon'ble Minister from Telangana stated that *granite, bidi and tendu patta* were very important goods and requested to reduce the tax rates on them.

31.7. The Hon'ble Minister from Jammu & Kashmir stated that the Paper was a good start. He observed that any rate review should reduce the dispersal of the rate structure. He further stated that another criteria for rate revision should be whether such reduction would be beneficial for competitiveness of the product and in this regard, he cited the example of walnuts in Kashmir. He suggested that the Council should devise a template for considering rate review.

31.8. Dr. Shrikant Baldi, Addl. Chief Secretary (Finance), Himachal Pradesh, suggested to have one tax rate for one product category. He observed that different rates of tax for computer monitors, footwears and blankets created distortions. He also suggested that difference in the rates of tax between inputs and outputs of a product should not be very high. He also stated that it needed to be considered as to how to improve the MSME (Micro, Small and Medium Enterprises) sector. The Hon'ble Minister from Kerala suggested that the issue of rate structure for tourism should be discussed as a separate agenda item.

31.9. The Hon'ble Minister from Karnataka stated that the Fitment Committee had done a good work to come up with the Approach Paper but this needed more application of mind and more time to study. He also cautioned that a direct or tacit acceptance of the Approach Paper could open litigation in the Courts of law. He stated that if the Council over-ruled the norms approved by it, there could be scope for litigation on this matter. He suggested that the Fitment Committee could tacitly follow these principles. He stated that there was also a need to work on rate rationalisation after data on taxes were received. The Hon'ble Minister from West Bengal stated that the Approach Paper had raised several issues which needed to be studied and thought about. The Hon'ble Chairperson stated that the larger revenue trend needed to be looked at in the next two to three months. He added that if tax rates were reduced, then the Centre and the States would have to be willing to forego the principles of revenue neutrality. The Hon'ble Deputy Chief Minister of Bihar supported the proposal for reducing the rate of tax for hotel rooms to 18% and observed that the rate of 28% was very high. He also made a reference to the case of luxury tax and service tax. The Hon'ble Chairperson stated that for hotel rooms, the rate of 19% was the net tax and some States had a higher rate of tax.

31.10. The Secretary suggested that the Fitment Committee should not carry out an exercise for revision of rates until the Approach Paper was finalised except when rate revision is urgently required. The Hon'ble Deputy Chief Minister of Gujarat stated that the sufferings of industry and rise in unemployment should also be kept in mind while discussing the rate structure. He pointed out that the small-scale industry was suffering due to high rates of tax, and therefore, the rate related discussion

should not be postponed. The Secretary stated that the proposed rates for goods listed for this meeting could be considered but the subsequent suggestions for any change in the rates should be based on the agreed Approach Paper. The Hon'ble Minister from Chhattisgarh suggested to add one more principle in the approach paper, namely, to watch revenue and employment situation for next three months and see if revenue was low or employment was high or *vice versa*, and then the rate of tax on that product could be re-examined. The Hon'ble Minister from Karnataka suggested that the Council should not bind itself into a rigid decision-making body on this issue and that it should take decisions on the basis of the Approach Paper or in the light of such other conditions as might be prevailing. He observed that the Council could take a decision on this issue. The Council agreed to give more time to the Members to study the Approach Paper and formulate their response and then take it up for discussion.

32. For **agenda item 6**, the Council approved to give more time to the Members to study the Approach Paper and formulate their response and then take it up for discussion in the Council.

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

33. Introducing this agenda item, the Secretary stated that this was a carry-over agenda from the 20th Council Meeting held on 5 August, 2017 and proposed to discuss the items listed at Annexure I (List of goods for change in GST rate); Annexure IIA (List of issues relating to goods discussed by the Fitment Committee where slight changes are proposed); Annexure IIB (List of issues relating to goods discussed by the Fitment Committee where no change is proposed); Annexure III (GST Rate on Services- Proposals found NOT acceptable by the Fitment Committee for consideration of the GST Council during its 20th Meeting) and Annexure IV (List of musical instruments for specific inclusion in the exemption list). He recalled that the Council had already taken a decision in its 20th Meeting held on 5 August, 2017 in respect of goods listed at Sr. No. 1 (Concentrated milk or milk powder consumed by distinct persons as per Section 25 (4) for conversion into milk for distribution through dairy cooperatives), Sr. No. 23 (reduction in rate of tax on specified parts for tractors), and Sr. No. 30 (Goods imported for FIFA under 17 Football World Cup) of Annexure I. He further pointed out that proposal at Sr. No. 8 (Satellite launch services by ANTRIX to international and domestic customers to be exempted from GST) of Annexure III now stood superseded by another agenda item 8(iii) which specifically dealt with exemption from GST on the services provided to both international and domestic customers by ANTRIX Corporation Limited from levy of GST. A record of discussion on the specific items under different Annexes is as below.

Annexure-I

(i) **Tamarind dried (Sr.No. 2):** The proposal of the Fitment Committee was to reduce the rate of tax from 12% to 5%. The Hon'ble Minister from Chhattisgarh stated that dried tamarind was not a processed good as it only involved removal of seeds and pressing the fruits. He added that it was not a spice and it should be exempted from tax. He added that this product did not yield much revenue and it was connected to employment in the Bastar region. The Hon'ble Ministers from Maharashtra and Telangana supported the proposal of the Hon'ble Minister from Chhattisgarh. The Hon'ble Chairperson stated that revenue was also an important consideration while considering the rate proposals. The Hon'ble Minister from Telangana responded that revenue yield from this good would not be much and it was consumed by the poorer sections of the society. The Secretary stated that exemption should be given to limited products and tamarind dried was a processed good and was used as a spice like *jeera*, etc. The Hon'ble Minister from Tamil Nadu stated that this was not a processed good and it was only

dried under sunlight. Shri Anurag Goel, CCT, Assam stated that even if tax on this product was exempted, its price might not be reduced. After further discussion, the Council agreed not to exempt the tax on this product, but to reduce the same from 12% to 5% as recommended by the Fitment Committee.

(ii) **All goods i.e. cereals, put up in unit container and bearing a registered brand name (Sr. No. 3):** The Joint Secretary (TRU-I), CBEC, stated that in the 15th Meeting of the Council held on 3 June 2017, it was decided that since branded cereals were a value-added product, they could be taxed at the rate of 5%. The Council had also taken a view that this tax rate should not apply for all types of branding but should be restricted to only registered brand names. He added that the legal meaning of the registered brand names was derived from the Trade Marks Act. He stated that after this provision was put into place, a process of deregistration of registered brand names of cereals had started. He invited Shri Rajiv Jalota, CCT, Maharashtra to share the data on deregistration of brand names of cereals. The CCT Maharashtra informed that as per the data obtained from the office of DG, Patents and Trade Marks, in May 2017, out of 75 applications for deregistration of Trade Marks, only 15 related to food grains but this number showed substantial jump in the months of June and July, 2017. In June 2017, out of 110 applications for deregistration, 90 related to food grains and in July 2017, out of 150 applications for deregistration, 125 related to food grains. He stated that in this view, the definition of registered brand name was proposed to be modified by adding to it 3 conditions as mentioned in the agenda note. The Hon'ble Chairperson stated that there was a flaw in the original drafting as a Trade Mark need not be registered. He stated that if a Trade Mark was registered, then the person holding the Trade Mark could sue for infringement, but if a Trade Mark was well known, the user of the Trade Mark could still sue for passing off under the common law. He suggested that in addition to the 3 conditions recommended by the Fitment Committee for amendment in the definition of the registered brand name, a fourth condition could also be added namely, a mark or name in respect of which actionable claim is available shall be deemed to be a registered brand name. The Council approved this proposal.

(iii) **Roasted Gram (Sr. No. 4):** The Fitment Committee recommended to reduce the rate of tax from 12% to 5%. The Hon'ble Minister from Chhattisgarh suggested that roasted gram should be exempted as there was no tax on gram and also no tax on the end product of roasted gram, i.e. *sattu*. He stated that roasted gram was an intermediate product, it should also be exempt from tax and the revenue yield from this product would be very low. He added that as this product was supplied inter-State, it would also not enjoy the benefit of the threshold exemption of Rs. 20 lakh. He added that exempting this product from tax would help to generate employment. The Hon'ble Chairperson observed that the suppliers of roasted gram would be using some inputs which would be taxable such as mobile phone and they would be able to claim input tax credit on the same, if the product was taxed at the rate of 5%. After further discussion, the Council agreed not to exempt the tax on roasted gram, but to reduce the same from 12% to 5% as recommended by the Fitment Committee.

(iv) **Oil Cakes (Sr. No. 7):** The Joint Secretary (TRU-I), CBEC stated that the Fitment Committee proposed to tax oil cakes other than cotton seed oil cakes at 5% and to exempt cotton seed oil cake. He explained that this proposal was made keeping in view the fact that end use based exemption was difficult to administer as the supplier would not know the end use of the product. The Council approved the proposal.

(v) **Rubber bands (Sr. No. 11):** The Fitment Committee recommended to reduce the tax on this product from 28% to 18%. The Hon'ble Minister from Kerala stated that these goods were made in tiny production units and they should be taxed at the rate of 12% instead of 18%. The Council agreed to this suggestion.

(vi) **Idols made of clay (Sr. No. 17) and Idols made of stone including marble (Sr. No. 18):** The Fitment Committee had recommended to reduce the rate of tax from 28% to 5% for idols made of clay. However, it refrained from suggesting any lower rate for idols of stone including marble (attracting tax at the rate of 18%), and left this decision to the Council. Initiating discussion on these products, the Hon'ble Minister from Maharashtra suggested to exempt idols made of clay as these were used in very important festivals like *Ganesh Utsav* and *Navratri*. The Hon'ble Minister from West Bengal supported this proposal. The Hon'ble Minister from Rajasthan suggested that idols made of stones should also be exempted from tax and that they were not taxed anywhere in the world. The Hon'ble Chairperson raised a question regarding taxation of idols of God made of cut glass and crystal. The Hon'ble Minister from Maharashtra suggested that tax should be levied only on idols of gold and silver. The Hon'ble Minister from West Bengal suggested to exempt from tax, idols made of clay, stone and marble. The ACS, Uttar Pradesh suggested that idols made of brass should be exempted from tax. He suggested that idols made from various non-precious metal should attract same rate of tax. The Hon'ble Minister from Punjab stated that similar goods should attract similar rate of tax whereas presently, idols attracted five different rates of tax. The Advisor to Chief Minister, Punjab stated that majority of idols were made of resin and it attracted tax at the rate of 28%. The Hon'ble Minister from Madhya Pradesh stated that clay idols should be exempted from tax as they were immersed in water after the festival. The Secretary stated that there was a need to distinguish between idols made of precious metals and other types of metal and the latter could be taxed at one rate. He added that the idols made of clay could be kept at a lower rate. The Hon'ble Minister from West Bengal also suggested to keep one rate of tax for idols made of precious metals and another rate for idols made of other metals. The Hon'ble Deputy Chief Minister of Bihar suggested to keep a rate of tax for idols made of marble but to exempt idols made of clay. The Hon'ble Minister from Maharashtra stated that supply of idols should be exempted from tax as temple was not a place of business. The Hon'ble Chairperson pointed out that cement, electrical fittings etc. used in construction of temples was also chargeable to tax. The Hon'ble Minister from Odisha observed that if idols were taxed, the artisans would suffer. CCT, Assam suggested to exempt clay idols but to tax idols of other materials as their inputs would be taxed. The ACS, Uttar Pradesh stated that exempting idols from tax would not hurt the domestic industry as large quantities of idols were also being imported. The Hon'ble Minister from West Bengal stated that tax on idols was a ground level issue linked to political economy and sociology and he had been pleading for its exemption since last three meetings. The Secretary observed that the turnover of several idol makers was in crores of rupees. He observed that there could be a ground to exempt idols made of clay but idols made of other materials should be taxed. He added that this would also help to bring such idol makers under the Income Tax net. The Hon'ble Minister from Rajasthan stated that only 2% of the idol manufactures had an annual turnover of more than Rs. 20 lakh. The Hon'ble Chairperson stated that suppliers dealing in high value idols needed to be taxed whereas the smaller ones would get covered under the threshold exemption of Rs. 20 lakh or the composition threshold of Rs. 75 lakh. The Hon'ble Minister from Punjab suggested that idols made of clay should be taxed at the rate of 5% and the other idols should be taxed at the rate of 12%. The Hon'ble Deputy Chief Minister of Gujarat suggested that the marble idols should be taxed at the rate of 5% and clay idols should be exempted from tax. The Hon'ble Chairperson suggested that the idols made of clay could be exempted from tax whereas idols made of wood, stone (including marble and granite) and metal (other than those made of precious metals) should be taxed at the rate of 12%. He suggested that idols made of precious metals should be taxed at the rate of 3%. The Council agreed to these suggestions.

(vii) **Nozzles for drip irrigation equipment or sprinklers [mechanical appliances (whether or not hand operated) for projecting, dispersing or spraying liquids or powders]:** The Fitment Committee recommended to reduce the rate of tax from 18% to 12% on this product. The Hon'ble Deputy Chief

Minister of Gujarat suggested to keep the rate of tax at 5%. The Secretary stated that a 5% tax rate would lead to a situation of refund due to inverted duty structure. The Council agreed to reduce the rate of tax from 18% to 12% on nozzles for drip irrigation system and nozzles for sprinklers as recommended by the Fitment Committee.

(viii) **Cotton quilts (Sr. No. 24):** The Fitment Committee recommended to reduce the rate of tax from 18% to 12%. The Hon'ble Minister from Rajasthan suggested that cotton quilts (*rajai*) should be taxed at par with blankets where tax rate was 5% for blankets with sale value not exceeding Rs. 1000 per piece and 12% for blankets with sale value exceeding Rs. 1000 per piece. The Council agreed to this suggestion.

(ix) **Worked corals (Sr. No. 25):** The Fitment Committee recommended to reduce the rate of tax from 28% to 5%. The Hon'ble Minister from Rajasthan stated that corals were also in the nature of precious stones and they should be taxed at the rate of 3%. The Joint Secretary (TRU-I), CBEC, stated that tax rate of 3% was applicable only for goods falling under Chapter 71 of HSN Code namely natural or cultured pearls, precious or semi-precious stones, precious metals, etc. whereas worked corals was classifiable under Chapter heading 9601. The Hon'ble Minister from Rajasthan suggested that rate of tax on worked corals should be kept at par with gems. The Joint Secretary (TRU-I), CBEC, stated that handicrafts made of shells and corals were excluded from this Chapter heading. The Hon'ble Chairperson observed that poor people did not buy corals and suggested to keep the rate of tax at 5%. The Council agreed to reduce the rate on worked corals, (other than articles of corals), from 28% to 5% as recommended by the Fitment Committee.

(x) **Walnuts (New proposal):** The Hon'ble Minister from Jammu & Kashmir stated that only his State produced walnuts and a liberal import regime was destroying walnut production in his State. He stated that the maximum sale of walnuts took place before Diwali and it was very urgent that the rate of tax on walnuts (whether or not shelled) should be reduced from 12% to 5%. The Council agreed to the proposal.

(xi) **Parts of diesel submersible engine (New proposal):** The Hon'ble Deputy Chief Minister of Gujarat stated that while the rate of tax on diesel submersible engine was 12%, its spare parts were taxed at the rate of 28%. He suggested that parts of diesel submersible engine should also be taxed at the rate of 12%. The Secretary stated that a list of parts exclusively used for diesel submersible engine could be provided to examine this matter. He stated that spare parts of general use could not be taxed at the rate of 12% when used in diesel submersible engine as this could lead to misdeclaration and evasion of duty. He recalled that a similar approach had been followed in respect of tractor parts. The Council did not take any decision on this proposal.

(xii) In addition, the Council approved all other recommendations of the Fitment Committee contained in Annexure-I of agenda item 7 of the 21st Council Meeting.

Annexure-IIA

33.1. The Secretary stated that Annexure-IIA of agenda item 7 broadly related to issues where the Fitment Committee had recommended to issue certain clarifications and suggested that the Council could approve the recommendations of the Fitment Committee. The Council discussed some of the items listed in Annexure-IIA and the discussion is recorded as below.

(i) **Nutritious diet (*Pushtaahar*) being distributed under the Integrated Child Development Scheme (Sr. No. 16):** The Fitment Committee did not agree to the proposals to reduce tax on these goods from 18% to Nil on the ground that *Pushtaahar* distributed under the Integrated Child Development Scheme (ICDS), was a mixture of proteins, various grains, wheat flour, sugar etc., and was covered under HSN Code 2106 and not 1901, and attracted 18% GST. The Fitment Committee suggested to clarify the same through publication under Frequently Asked Question (FAQ). The ACS, Uttar Pradesh stated that his State suffered from large number of cases of malnutrition of children and to supplement their diet, including for pregnant women, a large quantity of nutritious food was supplied to children and pregnant women under the ICDS and tax on them should be reduced from 18% to at least 5%, at par with the rate of tax on roasted gram. He stated that the current rate of tax was causing a loss of Rs. 600 crore to his State. The Secretary suggested that this issue could be again discussed in the Fitment Committee. The Council agreed to this suggestion.

(ii) The Council approved all other recommendations of the Fitment Committee contained in Annexure-IIA of agenda item 7 of the 21st Council Meeting.

Annexure-IIB

33.2. The Secretary stated that Annexure-IIB contained a list of goods on which the Fitment Committee did not agree to the recommendation to reduce the present rate of GST. The Council discussed some specific products and the record of discussion is as below.

(i) ***Farshi Paththar* (Flooring Stone) (Sr. No. 41):** The Fitment Committee did not recommend reduction of tax on this product from 28% to 5% on the ground that the GST rate of 28% for goods falling in Chapter 68 was as per pre-GST tax incidence and that it would not be advisable to lower the tax 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. The Hon'ble Minister from Chhattisgarh stated that due to high rate of tax on this product, almost all mines in his State were closed which employed about fifty thousand labour and it was a very grave issue in his State. He stated that this product was largely used as a building stone and due to inter-State sales, it was not even eligible for threshold exemption. He suggested that the rate of tax on this product should be reduced from 28% to 5%. The Hon'ble Minister from Telangana stated that his State faced similar issue in respect of *Napa* stones. The Hon'ble Minister from Rajasthan stated that they faced a similar problem in respect of *Kota* stones. The Secretary stated that all floor tiles fell into one category and that mosaic tile was even cheaper than these stones but all flooring tiles were taxed at the rate of 28%. The Hon'ble Minister from Chhattisgarh stated that fifty thousand workers could not be made unemployed because of a classification issue and suggested that this product should be given a separate classification. The CCT, Assam stated that if the rate of tax on stones was reopened, then rate of tax for several other stones like *Kota* stone, etc. would need to be revisited and this could adversely affect the revenue interest of the consuming States. The Hon'ble Minister from Chhattisgarh stated that *Farshi Paththar* was different from polished *Kota* stone inasmuch as it was an unpolished stone. The Hon'ble Minister from Rajasthan stated that the buyer segment was the same for *Kota* stone and *Farshi Paththar*. The Principal Secretary, Finance, Telangana stated that a two-rate structure could be kept for different types of stone based on their sale price as was done for footwear and apparels. The Hon'ble Chairperson suggested that the issue could be referred back to the Fitment Committee for examination and to also examine the revenue impact of rate reduction.

(ii) **Fly Ash (Sr. No. 44):** The Fitment Committee did not agree to the proposal of reducing the tax rate on fly ash from 18% to Nil, on the consideration that manufacturers of fly ash products would get input

tax credit of tax paid on fly ash and other inputs. It also took note that GST rate on fly ash bricks and blocks (12%) was lower than the pre-GST tax incidence and that there was no economic justification for further reduction in rate. The Hon'ble Minister from Odisha stated that fly ash was a very important commodity and that tax on it should be Nil.

(iii) **Carpets and floor coverings of coir (Sr. No. 50):** The Fitment Committee did not recommend reduction of the existing rate of 12% on these products and felt that in order to achieve the larger goal of a single rate of GST, it might not be appropriate to tweak GST rates of goods which were already at 18% or below. The Hon'ble Minister from Kerala stated that while the intention was to tax floor coverings, carpets, mats and mattings and textiles of rubber at 5%, only HSN codes 5705.00 and 5311.00 were included. He suggested to include HSN codes 5702.20.10, 5702.20.20, 5702.20.90 and 5702.90.20 which appeared to be inadvertently left out. He also stated that while fixing a tax rate of coir ropes at 5%, HSN code 5607.90.10 was included but the coir products under 5609.00.10 was omitted, which should be rectified. He further added that many coir products had become expensive and there was a need to take decision item by item. The Hon'ble Minister from Karnataka stated that in the textile sector, there was a huge diversity, there being large firms and very small firms, and there was a need to take a considered decision in the Council after detailed discussion, instead of taking summary decision.

(iv) **Khadi fabrics, garments and made up (Sr. No. 64):** The Fitment Committee did not agree to recommend to reduce the rate of tax on these products from 5%/12% to Nil. The Hon'ble Minister from Karnataka stated that the suggestion to exempt *khadi* fabrics from tax should not be rejected summarily. The Hon'ble Minister from Kerala stated that *khadi* textiles and approved goods should be exempt from tax as vulnerable sections of society depended on this segment of goods. The Hon'ble Chairperson stated that the Council could take a decision on this issue but the challenge was how to define *khadi*. The Secretary stated that earlier, all textiles were exempt and the practical difficulty would now be how to distinguish between *khadi* fabric and other types of fabrics. He suggested that one way to address this issue could be to provide that *khadi* fabrics sold from the outlets authorised by *Khadi* and Village Industries Commission (KVIC) would be exempt from tax. He clarified that this proposal should only be adopted for *khadi* fabrics and not for *khadi* garments. The Hon'ble Deputy Chief Minister of Bihar supported the proposal. The Hon'ble Minister from Karnataka observed that this had the potential of abuse of power by KVIC but optically the decision was acceptable. The ACS (Finance), Himachal Pradesh, stated that exemption should not be made seller based as this would mean that when private persons sold *khadi* fabrics, no tax exemption shall be available. After discussion, the Council agreed to the proposal of the Secretary.

(v) The issues listed in Annexure IIB could not be discussed in detail by the Council due to paucity of time, and it decided to discuss these issues in its next meeting. In this context, the Hon'ble Chairperson stated that the issues on which the Council, after discussion, did not agree with the recommendations of the Fitment Committee (as contained in the said Annexure IIB) could be referred back by the State or the Centre for reconsideration by the Fitment Committee. The Council agreed to this suggestion.

Annexure-III

33.3. This Annexure related to proposals regarding reduction in rate of services which the Fitment Committee did not find acceptable. Due to paucity of time, this Annexure could not be discussed by the Council and was deferred to the next meeting of the Council.

Annexure-IV

33.4. The Secretary explained that indigenous handmade musical instruments are exempt from GST. However, doubts were being raised whether or not a particular musical instrument was an indigenous musical instrument. He also explained that the list of musical instruments contained in Annexure IV of the Agenda Note 7 was provided by the CCT West Bengal, as mentioned in Sr. No. 9 of Annexure-IIA. The Council agreed to the inclusion of this list as an exhaustive list of indigenous musical instruments, which if handmade, would be eligible for the existing exemption from tax.

34. In view of the above discussion, for agenda item 7 relating to recommendation of the Fitment Committee on goods and services (Outstanding Agenda Item from 20th GST Council Meeting), the Council took decisions as recorded below.

34.1. **For Annexure-I**, the Council approved the recommendations of the Fitment Committee with the following amendments/addition:

(i) **All goods i.e. cereals, put up in unit container and bearing a registered brand name (Sr. No. 3):** In addition to the 3 conditions recommended by the Fitment Committee as amendment in the definition of the registered brand name, a fourth condition shall be added namely, a mark or name in respect of which actionable claim is available shall be deemed to be a registered brand name.

(ii) **Rubber bands (Sr. No. 11):** The rate of tax shall be 12%.

(iii) **Idols made of clay (Sr. No. 17):** The rate of tax shall be NIL.

(iv) **Idols made of stone including marble (Sr. No. 18):** The rate of tax for idols made of wood, stone (including marble and granite), and metal (other than those made of precious metals) shall be 12%. Idols made of precious metals shall be taxed at the rate of 3%.

(v) **Cotton quilts (Sr. No. 24):** The rate of tax for cotton quilts (*rajai*) with sale value not exceeding Rs. 1000 per piece shall be 5% and the rate of tax on cotton quilts (*rajai*) with sale value exceeding Rs. 1000 per piece shall be 12%.

(vi) **Walnuts (New proposal):** The rate of tax on walnuts (whether or not shelled) shall be 5%.

34.2. **For Annexure-IIA**, the Council approved the recommendations of the Fitment Committee with the following amendments:

(i) **Nutritious diet (*Pushtaahar*) being distributed under the Integrated Child Development Scheme (Sr. No. 16):** The Fitment Committee to again discuss the rate of tax on this product.

34.3. **For Annexure-IIB**, the Council agreed to exempt *khadi* fabrics sold through the outlets of Khadi and Village Industries Commission (KVIC) from tax and also decided to discuss the other recommendations in its next meeting. The Council further decided that the issues on which the Council, after discussion, did not agree with the recommendations of the Fitment Committee (as contained in

Annexure IIB) could be referred back by the State or Centre for reconsideration by the Fitment Committee.

34.4. **For Annexure-III**, the Council deferred discussion to the next meeting of the Council.

34.5. **For Annexure-IV**, the Council approved this list as an exhaustive list of indigenous musical instruments, which if handmade, shall be eligible for the existing exemption from tax.

Agenda item 8: OTHER RECOMMENDATIONS OF THE FITMENT COMMITTEE

Agenda item 8(i): Alternative approach for GST Rate Structure for Handicrafts

35. Introducing this agenda item, the Joint Secretary (TRU-I), CBEC stated that handicrafts were exempt under Central Excise as per Notification No.76/1986-CE and Notification No.17/2011-CE but the articles of jewellery falling under Heading No. 7113 were excluded from this exemption. He informed that the Hon'ble Supreme Court, in the case of Collector of Central Excise, New Delhi Vs. Louis Shoppe (12.03.1995) laid down certain criteria to establish whether a particular article merited classification as 'handicraft', like predominantly made by hand, graced with visual appeal in the nature of ornamentation or inlay work or some similar work. He stated that using such criteria would lend an element of subjectivity and would also result in increased interface between administration and tax payers and in disputes. He informed that the website of the Development Commissioner (Handicrafts) under the Ministry of Textiles, Government of India (<http://handicrafts.nic.in>) listed out various categories of goods which are manufactured by craftsmen across the country apart from mechanised production. He stated that this list was examined and one possible way to resolve the issue of GST rate on handicrafts could be to consider a lower the rate of tax for goods which were largely made by hand. He stated that this approach would obviate the need to define 'handicraft' *per se*. He explained that keeping this approach in view, the rates of tax for certain items were suggested in the agenda notes. He added that the broad principle adopted was that if the existing rate was 12% or lower, then no change was recommended; but if the rate was higher than 12%, then, it was recommended to reduce it to 12%.

35.1. Initiating the discussion on this agenda item, the Hon'ble Minister from Karnataka expressed his agreement to the proposed rate on handicrafts. The Hon'ble Minister from Jammu & Kashmir stated that the list was not exhaustive and handmade shawls, carpets, etc. were missing. He added that Paper *Mache* articles was a unique product of Jammu & Kashmir on which Excise Duty was Nil and it could not now be taxed at the rate of 12%. The Secretary clarified that shawls already attracted GST at the rate of 5% or 12% depending on their sale value and carpets at 12%.

35.2. The Hon'ble Minister from Odisha stated that in Serial No.7 of the list of items, *sabai* grass and its products were not covered. Shri Tuhin Kanta Pandey, Principal Secretary (Finance), Odisha, stated that during pre-GST period, Central Excise Duty on textiles was NIL and artisans were unregistered persons, and therefore, their sale at the next level would attract tax on reverse charge basis at the rate of 12% or 18%, which was very high. He stated that there was similar problem with *siali* leaves and *sal* leaves, used in making cups and plates. He expressed that these products would become expensive if taxed at the rate of 12% or 18%. He suggested to apply the pre-GST incidence of tax for these products or to exempt them as all handicraft items were exempt from Central Excise earlier. After discussion, it was agreed that tax on all handicraft products of grass, leaves, reed and fibre including mats, pouches and wallets would be reduced from 12% to 5%.

35.3. The Principal Secretary (Finance), Odisha, stated that carved wood products (Chapter Headings 4415, 4416, 4419 and 4420) would get expensive if these were taxed at the rate of 12% or 18% and suggested that these should be taxed at the rate of 5%. After discussion, it was agreed that as the earlier incidence of Central Excise on carved wood products was 12.5% and VAT was 5% in general, the GST rate on carved wood products could be kept at 12% for goods falling under Chapter heading 4415 and 4416 (carved wood products like boxes, inlay work cases, casks, etc. and under Chapter 4420 (carved wood products). It was also agreed to reduce the rate of tax for goods falling under Chapter 4419 (carved wood products – table and kitchenware, etc.) from 18% to 12%.

35.4. The Hon'ble Minister from Kerala stated that the question as to what constituted a 'handicraft' remained unresolved. The Hon'ble Chairperson suggested that the tax rate on handicraft items on which the Fitment Committee had reached consensus, could be approved and for others, wherever the States made a suggestion in writing, it could be taken up for discussion by the Fitment Committee again. The Hon'ble Minister from Kerala stated that there was no agreement on products covered under Serial No.15 (coir products – mats, mattresses, etc. under Chapters 5705 and 9404).

35.5. The Secretary suggested that the rate of tax on glass statues under Chapter Headings 7018 and 9010 need not be reduced from 18% to 12% as glass statues could also be made of crystals. He further suggested that Paper *Mache* articles (Chapter Heading 4823) could be taxed at the rate of 5% as it was an important item for Jammu & Kashmir. The Council agreed to this suggestion. The Council also agreed that where no change in the rate of tax on a product was proposed by the Fitment Committee despite recommendation by a State, the States could once again raise the issue of rate of tax on such products in the Fitment Committee and the Committee should re-examine the same.

36. For **agenda item 8(i)**, the Council approved the change in rate of those goods listed under agenda item 8(i) where the Fitment Committee had agreed to the proposed change in rate and to also reduce the rate for the following goods:

(i) **Handicraft products of grass, leaves, reed and fibre including mats, pouches and wallets:** To be taxed at the rate of 5%;

(ii) **Carved wood products like boxes, inlay work cases, casks, etc. (Chapter heading 4415 and 4416):** To be taxed at the rate of 12%.

(iii) **Carved wood products falling under Chapter heading 4420:** To be taxed at the rate of 12%.

(iv) **Carved wood products – table and kitchenware, etc. falling under Chapter heading 4419:** To be taxed at the rate of 12%.

(v) **Paper *Mache* articles falling under Chapter Heading 4823:** To be taxed at the rate of 5%.

(vi) Where no change in the rate of tax on a product was proposed by the Fitment Committee despite recommendation by a State (including item at Sr. No. 15, namely coir products-mats, mattresses, etc.), the States could once again raise the issue of rate of tax on such products in the Fitment Committee and the Committee shall re-examine the same.

Agenda item 8(ii): Compensation Cess on Motor Vehicles

37. The Joint Secretary (TRU-I), CBEC explained this agenda item and stated that based on the data received from Tamil Nadu regarding the total tax amount, pre- and post-GST, and the total tax incidence, pre- and post-GST, the reduction in taxes after introduction of GST for different models of Hyundai was worked out and on this basis, the GST Council, in its 20th Meeting held on 5 August, 2017 recommended increase in the maximum rate of Compensation Cess on motor vehicles falling under Chapter Heading 8702 and 8703 from 15% to 25%. He stated that the Union Cabinet, in its meeting held on 30 August, 2017 approved 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 Compensation Cess could be levied from 15% to 25% on motor vehicles for transport of not more than 13 persons including the driver falling under Chapter Heading 8702 10, 8702 20, 8702 30 or 8702 90 and motor vehicles falling under Chapter Heading 8703, and an Ordinance was accordingly promulgated on 2 September, 2017 to amend the Schedule to the Goods and Services (Compensation to States) Act, 2017. He explained that the variation in pre-GST tax incidence was primarily on account of variation in dealer's margin and freight for different makes of motor vehicles and higher the dealer's margin and freight, the lower was the tax incidence. He stated that if the rate of Compensation Cess was fixed by taking into account the highest pre-GST tax incidence, it might result in increase in tax on vehicles with higher dealer's margin/freight, and therefore, it might be advisable to consider lower limit of pre-GST tax incidence for arriving at the rate of Compensation Cess for a particular type of vehicle. He also suggested to have a separate rate of Compensation Cess for mid and large segment motor vehicle as these categories showed a significant variation in pre-GST tax incidence.

37.1. The Hon'ble Chairperson stated that a view needed to be taken whether Cess should also be increased on small cars. The Hon'ble Minister from Karnataka stated that Cess on small cars need not be touched if it was reasonably certain that the manufacturers would pass on the benefit to the consumers.

37.2. The Hon'ble Minister from Tamil Nadu stated that his State was one of the leading States in automobile sector and Chennai was renowned as the Detroit of India. He stated that a large number of ancillary industries were dependent on factories manufacturing motor vehicles. He further stated that subsequent to introduction of GST, there was reduction in the price of cars of all segments and this had resulted in revival of the automobile industry, resulting in substantial increase in sale of vehicles to the extent of about 20%. He cautioned that any further increase in the Cess would affect the turnover and would correspondingly reduce tax collections from this vital sector. He, therefore, suggested to exercise caution against increase in the rate of Cess on cars without examining the price elasticity of demand, particularly in lower and mid segment of vehicles.

37.3. The Hon'ble Chairperson stated that discussion could commence from the high-end vehicles and suggested that Sports Utility Vehicles (SUVs) (of length more than 4-metre, engine capacity more than 1500 cc and ground clearance 170 mm) could be charged to an additional 7% Cess so that the total Cess became 22% and the total incidence of tax on SUVs became 50%. For large cars (of engine capacity more than 1500 cc), he suggested that the Cess could be increased by an additional 5% to bring the Cess rate to 20% from the earlier 15%. For the mid segment cars (of engine capacity less than 1500 cc), he suggested to increase the rate of Compensation Cess by 2% to make it 17% from the existing 15%. He further suggested that there should be no increase in the rate of Cess on small cars (of length less than 4-metre and engine capacity 1200 cc for petrol and 1500 cc for diesel vehicles). The Council agreed to this suggestion.

37.4. The Hon'ble Minister from Jammu & Kashmir suggested that the rate of tax on small cars should be unified into one single rate and this rate could be kept at 30%. The Hon'ble Chairperson informed that the difference in the rate of tax on small cars was kept to disincentivise use of diesel cars.

37.5. The Hon'ble Minister from Karnataka suggested that hybrid cars should not be subjected to any increase in the rate of Cess. The Hon'ble Chairperson agreed to the suggestion. The Secretary stated that no change in the rate of Cess was also suggested for motor vehicles for transport of not more than 13 persons including the driver, falling under sub-headings 8702 10, 8702 20, 8702 30 or 8702 90. The Council agreed to this suggestion.

38. For **agenda item 8(ii)**, the Council approved the increase in the rate of Compensation Cess for the following categories of motor vehicles:

- (i) **Sports Utility Vehicles (SUVs)** (of length more than 4-metre, engine capacity more than 1500 cc and ground clearance 170 mm): To increase the rate of cess from the present 15% to 22%;
- (ii) **Large cars** (of engine capacity more than 1500 cc): To increase the rate of cess from the present 15% to 20%;
- (iii) **Mid segment cars** (of engine capacity less than 1500 cc): To increase the rate of cess from the present 15% to 17%;
- (iv) No change in the rate of cess for other categories of motor vehicles.

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

39. Shri Amitabh Kumar, Joint Secretary (TRU-II), CBEC, introduced this agenda item and stated that the Chairman, Space Commission, Department of Space, Government of India, had requested to exempt satellite launch services provided to both international and domestic customer by ANTRIX Corporation Limited from levy of GST. He stated that ANTRIX Corporation is a wholly owned Government of India company under the administrative control of the Department of Space. He stated that the Department of Space had given a number of justifications for granting this exemption, such as need of Government support to compete against global pioneers; to earn foreign exchange by bringing down the cost of launch services through tax exemption; lack of clarity on whether satellite launch service constituted export of service; and the fact that ISRO's Launch Vehicle placed the customer-satellites in space, which was outside the territory of India and these satellites were being controlled, monitored and utilised from the customer's own country after launch. He explained that the primary question was whether the launch service provided by ANTRIX Corporation qualified to be considered as export of services. He stated that in terms of Section 13(9) of IGST Act, 2017, the place of supply of satellite launch service by ANTRIX Corporation to international customers would be outside India and where such supply qualified under Section 2(6) of the IGST Act, 2017, this would constitute as export of service and shall be zero rated and where satellite service was 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, 2017 and would be taxable. He stated that the Fitment Committee had agreed to this understanding and recommended to issue a clarification on the above lines. The Council agreed to this suggestion.

40. For **agenda item 8(iii)**, the Council approved to clarify as follows: (i) place of supply of satellite launch services by ANTRIX Corporation Ltd., to international customers would be outside India in terms of Section 13(9) of the IGST Act, 2017 and where such supply meets the requirements of Section 2(6) of the IGST Act, 2017 and thus constitutes export of service, shall be zero rated; (ii)

Where satellite launch service is provided to a person in India, the place of supply of satellite launch service is in India and hence taxable.

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

41. Introducing this item, the Joint Secretary (TRU-II), CBEC, stated that the Cabinet Secretariat had forwarded a letter of the Chairman, Atomic Energy Commission and Secretary, Department of Atomic Energy (DAE), requesting to exempt levy of GST on lease of nuclear fuel and heavy water by the DAE to NPCIL (Nuclear Power Corporation of India Limited). He stated that the DAE had justified the proposal for exemption on the ground that the DAE and the NPCIL were related persons as per the definition of “related persons” in Explanation to Section 15 of the CGST Act, 2017 as one of them, directly or indirectly, controlled the other. Therefore, supply of goods and services, even if made without consideration, when made in the course or furtherance of the business, shall attract GST. He further explained that the DAE, being a Government Department was not a tax payer under the GST Act, and the NPCIL, being an assessee under the GST Act, would be required to pay GST on reverse charge basis and file returns under GSTR-1, GSTR-2 and GSTR-3, and therefore, would capture sensitive details regarding strategic materials used in unsafeguarded reactors, which was a matter of concern to the DAE. He further stated that in the pre-GST regime, heavy water and nuclear fuel did not attract Central Excise Duty *vide* Serial No. 94 of Tariff Notification No.12/2012-CE. He informed that the Fitment Committee had discussed this issue on 5 September, 2017 and recommended to exempt from GST, supply of heavy water and nuclear fuel by the DAE to the NPCIL. The Council agreed to this proposal.

42. For **agenda item 8(iv)**, the Council approved to exempt from tax supply of heavy water and nuclear fuels (falling in Chapter 28 of the Customs Tariff Act) by the Department of Atomic Energy to the Nuclear Power Corporation of India Ltd.

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

43. Introducing this agenda item, the Joint Secretary (TRU-II), CBEC, stated that the Ministry of Youth Affairs and Sports (MoYAS) had requested *vide* their letter dated 17 August, 2017 to exempt admission tickets for FIFA Under-17 Football World Cup-2017 event from GST. He informed that MoYAS had furnished the details of ticket price structure and had also stated that the State Governments of Assam, Goa, Kerala, Maharashtra West Bengal and NCT of Delhi, where the events would be held, had given guarantee to exempt Entertainment Tax on sale of tickets by the All India Football Association (AIFA), which is the host Association. He stated that in view of this, it was obligatory on the Government of India to provide exemption from GST. He informed that the issue was also discussed in the Fitment Committee and one view was that since 3/4th of the tickets were covered by the existing exemption from GST as they would be priced at Rs.250 or less, exemption was not warranted. However, the Fitment Committee, in its meeting held on 5 September, 2017 recommended to exempt admission to FIFA U-17 Football World Cup-2017 from GST. The Council agreed with the proposal.

44. For **agenda item 8(v)**, the Council approved to exempt from tax, services by way of right to admission to the events organised under FIFA U-17 World Cup 2017.

Agenda Item 9: Any other agenda item with the permission of the Chairperson

(i) Discussion on GST Revenues

45. The Hon'ble Minister from Kerala desired that the GST Council be briefed about position on the GST revenues collected and the fund settlement done for the month of July, 2017. The Hon'ble Chairperson requested the Secretary for a briefing on the GST revenues.

45.1. The Secretary stated that for the month of July, 2017, the last date for filing of return was 28 August, 2017. As per data received from GSTN on 29 August, 2017 for taxes collected up to 28 August, 2017, the amount of collection was Rs. 15,033 crore as CGST, Rs. 22,962 crore as SGST and Rs. 48,070 crore as IGST out of which IGST collection on account of import, as per data received from Customs up to 31 August, 2017 was Rs.21,377 crore. He added that for July 2017, the Compensation Cess collected was Rs. 7,216 crore. He explained that IGST was an interim tax which is used to discharge the tax liability of IGST, CGST and SGST and that the GSTN had given the cross-utilisation report of IGST used for payment of CGST and SGST and *vice versa*. He informed that the Settlement Order for IGST had been issued. Out of Rs. 48,070 crore collected as IGST, the Central Government had got Rs. 3,297 crore as CGST and the States had got Rs. 7,504 crore as SGST. He stated that the total tax collected by the Central Government as CGST up to 28 August, 2017 was Rs. 18,330 crore and that by the States was Rs. 30,466 crore. He informed that some returns were randomly cross checked and the programming logic for cross utilisation of IGST for CGST and SGST and *vice versa* was found to be correct.

45.2. The Secretary further informed that based on the State revenue figures of taxes subsumed under GST for 2015-16, as certified by the State Auditor Generals, and adding a growth rate of 14% per year for each of the two years upto 2017-18, the total monthly revenue requirement of the States has been calculated to be Rs. 42,973 crore for the year 2017-18. He informed that all States had recorded collection of revenue less than the projected collection after taking into account the 14% growth rate. He stated that for the month of August, 2017, as per GST revenues, there appeared to be a shortfall in the revenue of the States to the tune of around Rs. 12,000 crore. He added that this figure did not include figures from the State of Goa whose certified revenue figures for the year 2015-16 had not yet been received and requested the Hon'ble Minister from Goa to send the same at the earliest. He observed that the Compensation Cess already collected would partly take care of the short collection. He stated that till 28 August 2017, compliance regarding return filing was only about 70% and if more people filed the tax returns and discharged the tax liability, some more tax would accrue to the Government. He informed that an additional Rs. 3,000 crore by way of CGST, SGST and IGST had already been collected between 28 August to 9 September 2017. He added that the States would also earn VAT income for the month of August 2017 and the Department of Revenue was collecting the details from the States. The Hon'ble Chairperson pointed out that tax from Composition taxpayers shall also come. The Secretary stated that about 10 lakh persons had opted for the Composition scheme and the revenue from them would also bridge the shortfall. He further explained that it was expected that IGST revenue would build up in the first month because taxpayers who carried out the transaction of purchase in the first month would take the credit but use it in the subsequent months when these goods are sold. He stated that about 21 lakh new registered dealers (including those dealing in textiles) had come into the tax fold during the month of July and August, 2017 and tax from them was also expected to come in the next month.

45.3. The Secretary stated that the amount of Central Excise credit claimed in TRAN-1 for CGST was Rs. 61,856 crore and for SGST was Rs. 4,002 crore. He stated that all the transitional credit might not be used in the current month and it could be carried forward to the subsequent months. He added that the Central Government was checking the correctness of the high quantum of CGST credit taken in TRAN-1. The Hon'ble Chairperson stated that the revenue figure under IGST was creating an illusion

of high tax collection. He observed that as per the State and Central Government's Budget Estimate, in order to break even, the revenue from July should have been about Rs. 91,000 crore. He observed that presently, only about 73% -74% of returns had been filed and additional tax was expected from the late return filers as also from the Composition Tax. He also pointed out that the amount lying in IGST account in the first month (July) might not be a perpetual problem as the credit would get used in the coming months. The Hon'ble Minister from Kerala stated that against a projected revenue of Rs. 1,600 crore for his State till July 2017, the actual collection, taking into account the GST revenue, was Rs. 1,250 crore, leading to a shortfall of Rs. 350 crore. He further observed that the amount lying in balance in the IGST account could be distributed to the States on the basis of some criteria. The Secretary stated that one reason for tax collection being low in August, 2017 was large scale destocking of goods in June, 2017 by traders. He observed that the revenue of the States would have been buoyant in the month of July, 2017.

45.4. The Hon'ble Minister from Jammu & Kashmir enquired whether no State had been able to collect the revenue that was expected to be collected by them and whether every State would need compensation. The Secretary stated that *prima facie*, it appeared to be the case but the final picture would emerge after adding the VAT revenue. The Hon'ble Chairperson expressed that if the revenue collection built up on account of tax payment by late return filers and on account of revenue from composition tax payers, then compensation might not be required for some States. The Secretary informed that the Settlement Order for IGST utilisation had been passed and sent to the States and the States could calculate the revenue yield after taking into account the growth rate of 14%. The Hon'ble Minister from Kerala expressed that they would like to look at the calculation done for the IGST settlement to understand why a certain percentage of the amount was kept unallocated. The Secretary explained that IGST was an interim tax and there was no allocation except for the amounts utilised for payment of CGST and SGST. The Hon'ble Minister from Kerala stated that his State needed to track the use of IGST by big firms. The Hon'ble Minister from Assam stated that consuming States were expected to get a larger share of IGST. The CEA stated that at this stage, because of several one off factors, it would not be advisable to make a definitive statement regarding which States were losing and which were gaining revenue. This could be done after 3-4 months after the System had settled down. He further observed that all States should clearly understand how the IGST settlement was worked out.

45.5. The Hon'ble Minister from West Bengal stated that the liquidity of States was suffering and they were required to borrow much more. He observed that the date for devolution of funds from the Centre to the States had been extended from 1st to 15th of the month and the balance amount of IGST was also being kept with the Centre. He suggested that in order to address the liquidity problem of the States, the amount lying in balance under the IGST head needed to be used in some way. The Hon'ble Minister from Telangana stated that his State suffered a shortfall of Rs.853 crore for the month of July, 2017 and needed support to bridge this shortfall. The ACS (Finance), Uttar Pradesh, observed that large amount of money was locked under the IGST head and one reason for it could be that returns might not have been filed in the exporting and the destination States. He suggested to carry out a quick analysis of the tax payers who had sold the stocks but not filed their returns and the result of this analysis could be shared with the States for further follow up action to make such defaulters file their return. He also suggested to find out an *ad hoc* mechanism to distribute some part of IGST amongst the States to ease their Ways and Means situation. The Hon'ble Minister from Rajasthan stated that part of the balance of about Rs.37,000 crore under the IGST head should go to the States to address their liquidity problem. The Hon'ble Minister from Punjab suggested to use the Canada model to distribute the revenue under the IGST head *pro rata*, on the basis of GDP of the States. He observed that his State had suffered a shortfall of Rs.800 crore and a part of left over IGST should be shared with the States. The Hon'ble

Minister from Jammu & Kashmir stated that for the first time in three years, there was a real liquidity crisis in his State. He stated that overdraft facility of the Reserve Bank of India (RBI) was based on multiples of cash balance and suggested that the IGST balance could be taken as collective cash balance of all States for higher overdraft facility from the RBI.

45.6. The Hon'ble Minister from Karnataka stated that IGST would be a revolving fund where part of the money belonged to the Centre and part to the States. He stated that for the States' share, the balance IGST could be devolved to them in the same proportion as the ratio of devolution of IGST in the previous 2-3 months. He observed that this would help ease the fund requirement of States. He observed that the Centre had also postponed the date of devolution of funds and keeping all this in mind, the revolving nature of IGST could be harnessed. The Hon'ble Chairperson stated that IGST was someone else's money lying in trust with the Government for use in the future payment of taxes and as its custodian, the Government could not distribute it. He observed that as on 28 August, 2017, the net negative revenue of States was Rs.12,522 crore (after taking into account the 14% growth rate for two years) and from 28 August to 9 September, 2017, an additional revenue of Rs.3,000 crore had accrued, and going by the pattern emerging so far, the SGST collection might be higher than that of CGST and this would reduce the shortfall. He stated that the VAT revenue of the previous month would also contribute to reducing the shortfall. He added that Rs.7,216 crore had already been collected as Compensation Cess which, unlike IGST, was available for distribution to the States and expressed the hope that the overall gap might not be very large. The Secretary stated that another mitigating factor for the States was that compensation was to be paid on bi-monthly basis, and therefore, the States' revenue would be a combination of the revenue of July and August, 2017. He added that as the revenue of July, 2017 was very buoyant, compensation requirement would be lesser.

45.7. The Hon'ble Deputy Chief Minister of Gujarat stated that in order to strengthen the faith of the business people in GST, it was necessary to have robust mechanism for refunds, like export refund, GST refund and the old VAT refund. The Hon'ble Minister from Telangana stated that revenue position of the States should not become so bad that giving salary to officials also became a challenge. The Hon'ble Minister from Rajasthan suggested that Compensation Cess should be distributed on a monthly basis. The Secretary stated that collection of taxes was not uniform every month as certain factors might affect revenue collection in a month. He stated that compensation would be calculated on the basis of revenue collection of the States for the months of July and August, 2017. The Hon'ble Minister from Kerala stated that the date of devolution should be changed from 15th to 1st of the month. The Hon'ble Minister from West Bengal supported this suggestion. The Hon'ble Chairperson stated that this issue would be looked into by the Expenditure Department of the Union Government.

45.8. The Hon'ble Chief Minister of Puducherry stated that most States were losing from the point of view of revenue collection. He expressed concern regarding payment of salary to officials. He stated that as States were not getting adequate revenue, the periodicity of compensation needed to be revisited. He suggested that some money could be disbursed to the States on the basis of calculation of States so that they did not face a situation of overdraft. The Hon'ble Minister from West Bengal stated that as the Hon'ble Chairperson was also in charge of the Department of Expenditure, he could take a decision regarding advancing the date for fund devolution. The Hon'ble Minister from Assam stated that such a decision could not be taken at this stage and observed that the Hon'ble Chairperson had shown high sensitivity towards the concern of the States. The Hon'ble Chairperson stated that the position regarding tax collection including VAT would be worked out expeditiously and compensation would be given accordingly.

45.9. The Principal Secretary (Finance), Odisha, stated that as IGST was released to States in September, 2017, it would count as receipts for September, 2017. The Secretary stated that for compensation, the payment was to be counted for August, 2017 only. The Hon'ble Chief Minister of Puducherry stated that there was a higher revenue collection by States in July, 2017 due to the festival season in the prior month. He stated that compensation should be decided on the basis of revenue for July, 2017. The Secretary stated that the Compensation law provided that compensation would be paid on the basis of actual revenue collected from the date of transition, and therefore, the revenue figure for July and August, 2017 would need to be taken into account. The Hon'ble Chief Minister of Puducherry stated that the spirit of the Compensation Act should be honoured and that they would not get any compensation if tax buoyancy of the pre-GST period was also included for calculating the amount of compensation. He expressed an apprehension that no State would get actual compensation if this method was adopted. The Hon'ble Chairperson observed that the compensation date was given in the law itself.

(ii) Presentation by the Chief Economic Adviser, Government of India on 'GST and Exports'

46. The Chief Economic Adviser (CEA) made a presentation on the topic 'GST and Exports'. He gave an overview to the Members on the economic background, embedded taxes on exports in the post-GST regime and the steps needed to make export competitive and to ensure robust growth in exports. (Copy of the presentation is attached as **Annexure 4** to the Minutes.)

46.1. The CEA stated that while the GVA (Gross Value Addition) and GDP (Gross Domestic Product) showed upward movement in the financial year 2015-16, these showed a decline from FY 2016-17 onwards. Non-oil export declined sharply in the first quarter of the fiscal year 2017-18, imports were picking up and the GDP had also been decelerating for the last six quarters. He stated that the Central and the State Governments needed to do more to revive the slowing economy and slowing exports and the Council could also play a role in this. He stated that one of the urgent issues that came up for discussion at the highest level in New Delhi was how to promote exports. He observed that one way to promote exports was to provide subsidies for exports but these always led to questions regarding their WTO consistency. So, a better method to promote exports would be to look at how to eliminate the burden of embedded taxes in exports, which would be a WTO consistent step and would also make the Indian exports more competitive internationally.

46.2. The CEA stated that under GST, though exports were zero rated, they were not zero taxed mainly due to embedded taxes on account of factors like certain inputs, like Petroleum, Electricity and Stamp Duty falling outside the scope of GST; duty inversion due to input taxes being higher than taxes on value addition at final stage within GST as in textile and clothing sector; reverse charge especially in agriculture; and procedural changes under GST like upfront payment of IGST on imported machinery which used to be exempted from duty in the earlier tax regime under the EPCG scheme. He stated that the residual embedded taxes varied between 1% -7% depending upon the value addition and the tax structure. He observed that this was quite a hefty amount of embedded tax which made the Indian exports uncompetitive. He observed that some taxes which were outside GST but were embedded in exports were refunded under the Duty Drawback Scheme but the scheme only covered the Central taxes except for apparel and clothing where State level taxes were also being refunded by the Centre. However, taxes embedded due to GST like duty inversion did not get any relief under the Duty Drawback Scheme. He added that according to some calculation done by the industry, there was extra 1%-2% tax on exports due to duty inversion.

46.3. The CEA suggested certain measures to make exports competitive and to ensure its robust growth. In the short run, he suggested that the Central Government could provide immediate, though temporary, relief via the duty drawback scheme, taking into consideration the embedded tax. He suggested that the Council could also take short term and medium-term steps to make exports more competitive. In the short run, the Council could set up a Committee to estimate all embedded taxes both inside and outside GST in all sectors and how the same could be relieved on all exports and how the associated burden could be shared between the Centre and the States. In the medium run, the Council should actively bring electricity, energy, land and real estate into the GST, which would not only have other benefits (like transparency, credit flow, better compliance), but would also reduce embedded taxes on exports. He also presented statistics of the embedded taxes in exports on account of taxes outside GST and due to duty inversion, which, depending upon the value addition, ranged from 3.2% to 5.9%.

46.4. Members of the Council agreed that a Committee of the officers should be constituted by the Hon'ble Chairperson which would examine the issues related to exports, specifically the taxes which were embedded in exports and draw up a mechanism for refund of such taxes. The formal decision on this agenda item is recorded in paragraph 15.2 supra.

(iii) Presentation on Information Technology (IT)-readiness of GSTN for roll-out of GST

47. The Hon'ble Minister from Karnataka requested to allocate time for discussion on issues related to GSTN. The Hon'ble Minister from West Bengal supported the suggestion and recalled that he had earlier suggested to bring out a white paper on IT preparedness. He expressed that collective thinking was needed to address IT related issues. The Hon'ble Chairperson agreed to the suggestion. The Secretary invited Shri Prakash Kumar, Chief Executive Officer (CEO) of GSTN to make a presentation. In his presentation, the CEO, GSTN highlighted the services made available on the GST Portal, statistics of the Registration, Migration, Return filed, etc. as on 7 September, 2017 and challenges faced and action taken thereon (copy of the presentation is attached as **Annexure 5** of the Minutes).

47.1. The CEO, GSTN, informed that for Registration, the following applications had been made available on GST Portal for Registration: (i) Application for new registration for normal tax payers; (ii) Application for new registration for Input Service Distributor; (iii) Application of enrolment for GSTP; (iv) Application to opt for Composition Scheme; (v) Registration of casual tax payers; (vi) Application for amendment of registration for non-core fields; (vii) Appeal to revoke registration applications. For Payments, the following services had been made available on the GST Portal: (i) Online Payments through Internet Banking and NEFT/ RTGS (with 25 Banks); (ii) Offline Payments-Over the Counter (Authorised Banks); (iii) Creation and maintenance of Electronic Cash Ledger; (iv) Payment option for migrated taxpayers who have not filed Part B of enrolment form. As regards Returns, the following services were available on the GST Portal: (i) Creation and saving of Outward Supplies Return in Form GSTR-1; (ii) Viewing of Invoices uploaded by Supplier in GSTR-2A by Buyer (but only 26 lakh invoices filed so far); (iii) Offline Utility for GSTR-1 for upload of invoices; (iv) Creation, Saving, and Filing of Return Form GSTR-3B; (v) Filing of Return Forms GSTR-1 and GSTR-2. As regards Transitional Forms, the following services were available on the GST Portal: (i) Tran Form 1 - Transitional ITC / Stock Statement; (ii) Tran Form 3 - Credit distribution.

47.2. The CEO presented the statistics of new registration and migration status as on 7 September 2017 in respect of Centre and State Counts. He informed that 11,30,985 new registrations on Central side and 10,26,960 on State side were approved, besides 61,50,760 fully migrated registrants. In respect of status of filing of GSTR-3B, he stated that 45,09,561 returns had been filed as on 7 Sept, 2017 and

presented the data regarding the frequency of said returns filed on daily basis. In respect of GSTR-1, the CEO stated that 19,83,342 returns had been filed and further presented frequency of GSTR-1 filed on daily basis. He elaborated that the peak time for filing GSTR-3B during a day was 11.00 am to 12.00 pm and 6.00 pm to 8.00 pm. He also stated that on the first day of GSTR-1 filing, 50,000 returns had been filed. He informed that on 5 and 8 September, 2017, there was a problem in accessing GST Portal because one Bank had filed large number of invoices in format different from that prescribed by GSTN and many had wrong GSTIN, which led to the glitch. The CEO also gave details of date-wise payment of tax in the month of August, 2017.

47.3. The CEO gave a brief overview of some of the challenges faced by them in respect of each of the modules like registration, payments, returns and transitional forms and action taken by them to resolve them. He informed that the IT Committee of officers was meeting every week for 2-3 hours to discuss the challenges faced and to take remedial action. He informed that some of the problems faced by the tax payers had already been fixed and these included: (i) Tax payer's registration application stuck in various statuses like "pending for approval" etc.; (ii) A small percentage of taxpayers' status shown as "RC cancelled" after filing GSTR-3B and payment of tax; (iii) Non-editable and blank profiles; (iv) Access denied even after putting correct login credentials; (v) Amount getting debited but cash ledger not updated; (vi) Track Payment Status giving access denied in some cases; (vii) User filed return but status shown as submitted for processing; (viii) Tax payer unable to offset liabilities in GSTR-3B return; (ix) Offline tool not allowing multiple rates for single invoice; (x) Offline tool-JSON file not being uploaded, showing error, but not exactly reporting the nature of error; (xi) Error occurred while filing GSTR-3B (xii) System error when accessing Get Taxpayer Detail Page. The CEO, GSTN, informed that some problems were being worked upon to resolve them and these included: (a) Taxpayer unable to file TRAN 1 due to incorrect information given in Registration application which he was unable to amend subsequently; (b) Fee amount shown in Payment Section of GSTR-3B even if fee and penalty is waived; (c) Alert to be provided to the other authority when any ARN (Application Reference Number) was approved; (d) Alert to be provided when Taxpayer did not respond to show cause notice within seven days; (e) Transfer of charge where role/charge was to be given back to officer returning from leave; (f) Capability to revoke role given by State/Centre administration; (g) Tax Officer unable to view return data of taxpayers.

47.4. In respect of data sharing, the CEO stated that GSTR 3B data was already shared with CBEC/Model-1 States and that arrangements were being made to enable Model-2 States to see the data, as per their needs. Replying to a query whether Model-2 States could get the data the way Model-1 did, he clarified that Model-2 States could also put data provided they developed their APIs, as done by Model-1 States. In respect of data of GSTR-1, he informed that GSTR 1 API was available in Prod (production environment) from 1 September, 2017. He stated that reconciliation of payment data shared in reports and those shared in email was being done with Karnataka State first, and its findings would be shared with all States.

47.5. The CEO also presented the future plan of releases as under: (i) Migrated taxpayers processing - 8 September 2017; (ii) Filing of ISD Return - GSTR-6 and GSTR-6A - 11 September 2017; Application of Amendment of Core fields - 13 September 2017; (iii) Processing of GSTP Application - 13 September 2017; (iv) Suo-moto Registration with Payment functionality - 13 September 2017; (v) Filing of Monthly Return GSTR- 3 - 15 September 2017; (vi) Filing of GSTR-1A -15 September 2017; (vii) Processing of TDS/TCS - 22 September 2017; (viii) Registration and Processing of NRFT (non-resident foreign taxpayer) - 22 September 2017; (ix) Opt out from Composition scheme - 22 September 2017; (x) Balance Registration features (Cancellation, revocation & processing of both) - 6 October

2017; (xi) Creation and display of reports (Settlement, Mismatch) - 6 October 2017; (xii) Return filing for Composition dealers (GSTR-4) - 6 October 2017; (xiii) Viewing of composition supplies (GSTR-4A) - 6 October 2017; (xiv) Annual return filing (GSTR-9) - 01 December 2017; (xv) Annual return filing for Composition (GSTR-9A) - 01 December 2017; (xvi) Submission of final return (GSTR-10) - 01 December 2017; (xvii) Filing of Statement of ITC, cash and tax liability due to transfer of business GSTR -14 - 01 December 2017.

47.6. The CEO presented the future plan of releases of different modules as under: (i) SRS for following modules signed-off and development in progress: (a) Transition and ITC; (b) Policy Admin; (ii) SRS of following modules in final stage of review and to be signed-off by end of coming week: (a) Appeal; (b) Advance Ruling; (c) Recovery; (d) DCR (Demand and Collection Register); (e) Enforcement; (f) Audit and Return Processing; (g) MIS Reports; (h) Assessment and Adjudication; (i) Prosecution and Compounding.

47.7. The CEO informed that Banks were issuing one invoice for each transaction whereas the law had given them the flexibility to issue one invoice in a month for a customer. He stated that if Banks issue one invoice in a month, it would reduce the number of B2B invoices to be fed in the system (GSTR-1) by the banks, which would help the supplier and buyer and would also reduce the load on GST Portal. He also informed that the possibility of staggering of invoice load and return filing needed to be looked into. The Hon'ble Chairperson enquired whether large taxpayers could be mandated to file returns during the night alone and the CEO responded that this could be done, as invoice data could be uploaded any time by a supplier.

47.8. The Hon'ble Minister from Karnataka stated that a major transition like GST would have challenges as there was a fundamental change in the method of tax administration from manual to automated mode. However, the main issue was responsiveness to the problems faced and the pro-activeness in solving them. He observed that lack of communication in this regard put the field level officers in a difficult situation. He expressed the need for proper flow of information as to what were the problems, what was being resolved and by what date. He observed that there should be better communication in regard to all these issues. He emphasised that States should have equal access to information and data on real time basis and they should be able to download information at each level of administration directly without asking for it from anyone. He proposed that a Group of Ministers (GoM) should be set up to interface with GSTN and to provide a real-time resolution mechanism on IT related issues.

47.9. The CEO, GSTN, informed that the State of Karnataka was a Model-1 State and the GSTN only needed to provide it information on Registration, Return and Payment. He stated that they faced some technical challenges in exchange of data on registration/return where all of them were not transferred. The Hon'ble Minister from Karnataka observed that the technical problems should be corrected at the earliest. The Hon'ble Minister from Kerala supported the proposal to create GoM. The Hon'ble Deputy Chief Minister of Bihar congratulated GSTN for carrying out one of the world's biggest task and suggested that instead of GoM, there could be a group of officers to interface with GSTN. He informed that taxpayers had reported slow rate of validation and generation of reports on GST Portal. The taxpayers also had to open multiple windows and needed to refresh the page very frequently. He also observed that all invoices were not getting imported into the offline utility tool and the missing invoices were to be tracked and entered manually. He further informed that if the number of invoices crossed 500 for a taxpayer, then modification of any incorrect entry could not be done online and the taxpayer needed to download the whole data, find out the missing invoice, correct it offline and then upload again. He added that Rule 87(4) of the GST Rules, 2017 provided that an unregistered person

could also get a temporary identification number through the GST Portal for making any payment of tax etc. and the same needed to be provided for. The CEO, GSTN, stated that the facility of creating temporary ID had been made available but the challenge was that if one challan was created for payment, a second challan could not be generated. He further stated that this limitation was being fixed. He also clarified that the second version of the offline utility had a feature to automatically pinpoint the missing invoices.

47.10. The Hon'ble Minister from Jammu & Kashmir stated that GSTN had been conveying that things were alright but there were gaps in delivery. He observed that the work was already being done at the officers' level but there was a disconnect at the Council level. He suggested to form a GoM for GSTN related issues. He also observed that a sub-committee of Ministers might need to be formed for some other areas of work too. He observed that there was a fear of large scale shortfall in revenue which was a collective issue of the Centre and the States and the GoM of 3-4 Ministers should be set up.

47.11. The Hon'ble Minister from Haryana expressed satisfaction on the progress of work by GSTN so far. He stated that there was some anxiety and restlessness regarding what had not been done till now. He observed that much more could be achieved with the help of the States and expressed the need for active participation of Ministers and officers. He stated that States needed data available with the GSTN and the CBEC in order to analyse migration of taxpayers not done, the number of cancellation of registrations, etc. He also emphasised the need to increase the level of co-ordination between the officers of the Centre and the States. He stated that in order not to miss the bus, these steps must be taken in the next month and a half.

47.12. The Secretary observed that the sense of the House was anxiety on IT related issues. The taxpayers were also finding the IT situation to be difficult and it was taking almost two hours to file a return. He stated that firstly one should admit that there was a problem and then give a deadline to fix the problem to make the IT system work seamlessly. He stated that there was a need to complete the first cycle of GSTR-1, GSTR-2 and GSTR-3 but keeping in view the experience gained in July, 2017, a longer time frame could be given for the same. He informed that the issue regarding extension of dates for different Returns was discussed during the officers' meeting held on 8 September 2017, and the following had been agreed upon: (i) To permit filing GSTR-3B for supplies for the months of August, 2017 to December, 2017; (ii) To extend the date for filing GSTR-1 for the month of July, 2017, which was expiring on 10 September, 2017 (as only 20 lakh returns had been filed so far) to 10 October, 2017 but the last date for filing GSTR-1 for taxpayers with turnover of more than Rs.100 crore shall be 3 October, 2017 (to give smaller taxpayers more time to file GSTR-1 without creating a System overload); (iii) To give another 20 days for filing GSTR-2 in order to allow filling up the missing invoices auto-populated from GSTR-1 of the supplier and to accordingly extend time for filing GSTR-2 for the month of July, 2017 from 25 September, 2017 to 31 October, 2017; (iv) To extend the date for filing GSTR-3 for the month of July, 2017 from 30 September, 2017 to 10 November, 2017; (v) There shall be no extension of the last date for filing GSTR-4 for Composition taxpayers (18 October, 2017), but the feature regarding auto-population of inward supplies in GSTR-4A and Table 4 of GSTR-4 shall be deactivated; (vi) To revise the due date for filing GSTR-6 (Return for Input Service Distributor) for the month of July, 2017 from 8 September, 2017 to 13 October, 2017; (vii) The dates for filing of GSTR-1, GSTR-2, GSTR-3 and GSTR-6 for the months of August, 2017 onwards would be decided afterwards on seeing the results.

47.13. The Hon'ble Ministers from Kerala and Punjab supported the proposal for extension of the dates for various returns. The Hon'ble Deputy Chief Minister of Gujarat enquired regarding the reasons for delays in developing software by the GSTN. The CEO, GSTN, responded that GST Rules and

Forms were finalised at a late stage and a fixed time was required thereafter for developing and testing the software. The Hon'ble Minister from Kerala supported the proposed revised deadline for returns and stated that a lenient view should be taken not only on penalty but also for interest payment as the delays in filing returns was due to the software problems. He also supported the proposal of other States to set up a GoM for GSTN related issues. The Hon'ble Minister from West Bengal also supported the proposal for creation of a GoM and for extending the deadline for filing various returns. He also suggested to have a core group of officers of States to directly interact with GSTN as the officers of States were not able to work to their full capacity due to absence of data.

47.14. The Hon'ble Minister from Madhya Pradesh suggested that to ameliorate the compliance burden on small taxpayers, return filing could be made quarterly for taxpayers with annual turnover below Rs.1.5 crore. The Secretary observed that this would require change in law. He expressed that this proposal could be explored for taxpayers making only B2C (Business to Consumer) supplies and that the Law Committee could examine it.

47.15. The Hon'ble Chairperson stated that the Council could agree to the suggestion for the new timelines for filing the returns suggested by the Secretary (in paragraph 47.12). He also suggested to constitute a small Group of Ministers consisting of 4-5 Ministers to monitor and resolve the IT challenges faced in implementation of GST. He also expressed that everyone had equal interest in revenue, and therefore, there should be an arrangement for unhindered flow of information.

48. In view of the above discussion, the Council approved the following: -

48.1. To permit filing GSTR-3B for supplies for the months of August, 2017 to December, 2017;

48.2. To extend the date for filing GSTR-1 for the month of July, 2017 from 10 September, 2017 to 10 October, 2017 but the last date for filing GSTR-1 for taxpayers with turnover of more than Rs.100 crore shall be 3 October, 2017;

48.3. To extend time for filing GSTR-2 for the month of July, 2017 to 31 October, 2017;

48.4. To extend the date for filing GSTR-3 for the month of July, 2017 to 10 November, 2017;

48.5. No extension of last date for filing GSTR-4 for Composition taxpayers (18 October, 2017) but the feature in GSTR-4A and Table 4 in GSTR-4 regarding auto-population of inward supplies shall be deactivated;

48.6. To extend the due date for filing GSTR-6 (Return for Input Service Distributor) to 13 October, 2017;

48.7. To constitute a small Group of Ministers consisting of 4-5 Ministers to monitor and resolve the IT challenges faced in implementation of GST. The Hon'ble Chairperson shall decide the composition of this Group.

(iv) Speeches circulated during the Meeting

49.1. The Hon'ble Minister from Tamil Nadu circulated a written speech. In the speech, it was mentioned that the State of Tamil Nadu broadly agreed with the recommendations of the Law Committee on the issues being brought up in this meeting. He also urged that the Standing Committee, Screening Committee and National Anti-profiteering Authority should be duly represented by the State and qualifications of Members to the Authority should be so fixed that such representation was possible.

He also highlighted that as regards the outstanding agenda items from the previous Council meeting, the Fitment Committee had not considered many genuine demands which he had reiterated in his written speech during the last meeting of the Council and he reiterated the same during this Meeting of the Council.

49.2. The Hon'ble Minister from Kerala circulated a written speech. He suggested that the rate of Composition levy applicable to restaurants should be reduced to 2% as in the case of manufacturers. He stated that the clarification issued by the Chief Commissioner of Central Tax, Thiruvananthapuram Zone regarding house boat functioning as a tour operator should be issued as an advisory of GST Council for information. He also suggested to exempt from tax dry fish, aids and implements used by differentially abled persons, plastic scrap, and IGST on gifts sent by expatriates. He suggested to modify the scope of '*puja samagri*' and '*hawan samagri*' to also include *vibhuti*, rosaries, prayer beads, venthingas and kasuroopam (not made of gold) and robes for holy mass so that they also became exempt from tax. He also suggested to reduce tax on boards made from rubber wood waste from 28% to 12% and on ayurvedic medicines from 12% to 5%. He suggested that GSTN should make its System open source compatible.

49.3. The Hon'ble Chief Minister of Nagaland circulated a written speech. He highlighted some issues and challenges faced by the State of Nagaland in the process of implementation of GST relating to migration, new registrations, filing of returns, interest and related penalties and varying rates of tax on lotteries. He also suggested to share comparative tax incidence on goods and services pre-GST, *vis-à-vis* GST rates. He also suggested greater sensitisation and publicity to explain the reasons and advantages as to why exempted goods and services under the earlier VAT regime had been brought under GST. He further suggested some measures to protect small traders like the GSTN portal allowing them to shift from a normal dealer to the composition scheme.

49.4. The Government of Telangana circulated a booklet on GST implications on Government Works contract in which it highlighted the options available for taxation of Government works contract and gave data regarding additional burden of tax for the Government if the rate of tax was kept at 12% and work sheet regarding total value of work of some projects of the State

Agenda Item 10: Date of the next meeting of the GST Council.

50. After discussion, the Council agreed that the next meeting of the Council would be held in **New Delhi on 24 October, 2017.**

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

Annexure 1

List of Ministers who attended the 21st GST Council Meeting on 9th September 2017

<u>Sl No</u>	<u>State/Centre</u>	<u>Name of the Minister</u>	<u>Charge</u>
1	Govt. of India	Shri Arun Jaitley	Finance Minister
2	Govt. of India	Shri S.P. Shukla	Minister of State (Finance)
3	Puducherry	Shri V. Narayanasamy	Chief Minister
4	Bihar	Shri Sushil Kumar Modi	Deputy Chief Minister
5	Gujarat	Shri Nitinbhai Patel	Deputy Chief Minister
6	Andhra Pradesh	Shri Yanamala RamaKrishnudu	Minister -Finance, Planning, Commercial Taxes & Legislative Affairs
7	Assam	Dr Himanta Biswa Sarma	Hon'ble Finance Minister
8	Chhattisgarh	Shri Amar Agrawal	Minister - Commercial Taxes
9	Goa	Shri Mauvin Godinho	Minister - Panchayat
10	Haryana	Captain Abhimanyu	Minister - Excise and Taxation
11	Jammu & Kashmir	Dr. Haseeb Drabu	Finance Minister
12	Karnataka	Shri Krishna Byre Gowda	Minister - Agriculture
13	Kerala	Dr. Thomas Issac	Finance Minister
14	Maharashtra	Shri Sudhir Mungantiwar	Finance Minister
15	Madhya Pradesh	Shri Jayant Malaiya	Finance Minister
16	Meghalaya	Shri Zenith Sangma	Minister - Taxation
17	Odisha	Shri Shashi Bhusan Behera	Minister - Finance & Excise
18	Punjab	Shri Manpreet Singh Badal	Finance Minister, Punjab
19	Rajasthan	Shri Rajpal Singh Shekhawat	Minister - Industries
20	Tamil Nadu	Shri D Jayakumar	Minister – Fisheries, Personnel & Administrative Reforms
21	Telangana	Shri Etela Rajender	Finance Minister
22	Uttar Pradesh	Shri Rajesh Agrawal	Finance Minister
23	West Bengal	Dr. Amit Mitra	Finance Minister

Annexure – 2

List of Officials who attended the 21st GST Council Meeting on 9th September 2017

<u>S No</u>	<u>State/Centre</u>	<u>Name of the Officer</u>	<u>Charge</u>
1	Govt. of India	Dr. Hasmukh Adhia	Revenue Secretary
2	Govt. of India	Dr. Arvind Subramanian	Chief Economic Adviser
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 B N Sharma	Additional Secretary (Dept. of Revenue)
6	Govt. of India	Shri P.K. Jain	DG, DG-GST, CBEC
7	Govt. of India	Shri Sandeep M. Bhatnagar	DG, DG-Safeguards, CBEC
8	Govt. of India	Shri P.K. Mohanty	Advisor (GST), CBEC
9	Govt. of India	Shri Alok Shukla	Joint Secretary (TRU), Dept of Revenue
10	Govt. of India	Shri Upender Gupta	Commissioner (GST), CBEC
11	Govt. of India	Shri Udai Singh Kumawat	Joint Secretary, Dept of Revenue
12	Govt. of India	Shri Amitabh Kumar	Joint Secretary (TRU), Dept of Revenue
13	Govt. of India	Shri G.D. Lohani	Commissioner, CBEC
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 S.K. Rai	Director (UT), Ministry of Home Affairs
17	Govt. of India	Shri G.G. Pai	Director, TRU
18	Govt. of India	Shri Reyaz Ahmed	Director, TRU
19	Govt. of India	Ms. Aarti Saxena	Deputy Secretary, Dept of Revenue
20	Govt. of India	Shri Pramod Kumar	Deputy Secretary, TRU-II
21	Govt. of India	Shri Pramod Kumar Sharma	OSD, TRU-II
22	Govt. of India	Shri Paras Sankhla	OSD to FM
23	Govt. of India	Shri Mahesh Tiwari	PS to MoS
24	Govt. of India	Shri Geelani Basha K.S.M	Technical Officer, TRU-I
25	Govt. of India	Shri Siddharth Jain	Assistant Commissioner, GST Policy

26	Govt. of India	Shri Satvik Dev	Assistant Commissioner, GST Policy Wing
27	GST Council	Shri Arun Goyal	Additional Secretary
28	GST Council	Shri Shashank Priya	Joint Secretary
29	GST Council	Shri Dheeraj Rastogi	Joint Secretary
30	GST Council	Shri G.S. Sinha	Joint Commissioner
31	GST Council	Shri Rakesh Agarwal	Asst.Commissioner
32	GST Council	Shri Kaushik TG	Assistant Commissioner
33	GST Council	Shri Rahul Raja	Assistant Commissioner
34	GST Council	Shri Mahesh Kumar	Assistant Commissioner
35	GST Council	Shri Mukesh Gaur	Superintendent
36	GST Council	Shri Anis Alam	Inspector
37	GSTN	Shri Prakash Kumar	CEO
38	GSTN	Shri Vashishta Chaudhary	SVP(Services)
39	GSTN	Shri Jagmal Singh	VP (Services)
40	Andaman & Nicobar	Shri Mahesh Kumar Gupta	Joint Commissioner, GST/ ADM
41	Andhra Pradesh	Shri J.Syamala Rao	Commissioner (Commercial Taxes)
42	Andhra Pradesh	Shri T.Ramesh Babu	Additional Commissioner (CT)
43	Andhra Pradesh	Shri D.Venkateswara Rao	OSD to Special CS, Revenue
44	Arunachal Pradesh	Shri Anirudh S Singh	Special Secretary (Tax & Excise)
45	Arunachal Pradesh	Shri Tapas Dutta	Asst. Commissioner (Nodal Officer GST)
46	Assam	Shri Anurag Goel	CCT, Assam
47	Assam	Shri Shakeel Saadullah	DCCT Assam & i/c GST Cell
48	Bihar	Ms. Sujata Chaturvedi	Principal Secretary (CT)
49	Bihar	Shri Arun Kumar Mishra	Addl. Secretary (CT)
50	Chandigarh	Shri Parimal Rai	Advisor to Administrator

51	Chandigarh	Shri Sanjeev Madaan	ETO
52	Chhattisgarh	Shri Amitabh Jain	Principal Secretary (Finance)
53	Chhattisgarh	Ms. Sangeetha P	Commissioner, Commercial Taxes
54	Dadra & Nagar Haveli	Shri Gaurav Singh Rajawat	Commissioner (GST/VAT)
55	Daman & Diu	Smt Charmi Parekh	Deputy Commissioner
56	Delhi	Shri H. Rajesh Prasad	Commissioner (State Tax)
57	Delhi	Shri Anand Kumar Tiwari	Additional Commissioner (GST)
58	Goa	Shri Dipak M.Bandekar	Commissioner, Commercial Taxes
59	Gujarat	Dr. P.D. Vaghela	Commissioner, Commercial Taxes
60	Gujarat	Shri Sanjeev Kumar	Secretary (Economic Affairs)
61	Haryana	Shri Sanjeev Kaushal	Additional Chief Secretary
62	Haryana	Ms. Ashima Brar	Commissioner (Excise & Taxation)
63	Haryana	Shri Rajeev Chaudhary	Dy. Excise and Taxation Commissioner
64	Himachal Pradesh	Dr. Shrikant Baldi	Addl. Chief Secretary (Finance)
65	Himachal Pradesh	Shri R. Selvam	Excise & Taxation Commissioner
66	Himachal Pradesh	Shri Sanjay Bhardwaj	Addl. Excise and Taxation Commissioner
67	Himachal Pradesh	Shri Rakesh Sharma	Dy. Excise and Taxation Commissioner
68	Jammu & Kashmir	Shri P K Bhat	Addl CCT, Tax Planning
69	Jharkhand	Shri. K.K. Khandelwal	Principal Secretary
70	Jharkhand	Shri Sanjay Kumar Prasad	Joint Commissioner
71	Karnataka	Shri Ritvik Pandey	Commissioner (Commercial Taxes)
72	Karnataka	Shri M.S. Srikar	OSD
73	Kerala	Dr. Rajan Khobragade	Commissioner (State Tax)
74	Kerala	Shri D.Balamurali	Joint Commissioner (State Tax)

75	Madhya Pradesh	Shri Manoj Kumar Shrivastava	Principal Secretary (Commercial Taxes)
76	Madhya Pradesh	Shri Raghawendra Kumar Singh	Commissioner of Commercial Taxes
77	Madhya Pradesh	Shri Sudip Gupta	Joint Commissioner
78	Maharashtra	Shri Rajiv Jalota	Commissioner (GST)
79	Maharashtra	Shri Dhananjay Akhade	Joint Commissioner(GST)
80	Manipur	Shri Hrisheekesh Modak	Commissioner (Commercial Taxes)
81	Meghalaya	Shri L. Khongsit	Deputy Commissioner
82	Mizoram	Shri Vanlalchhuanga	Commissioner & Secretary
83	Mizoram	Shri Hrangthanmawia	Asst. Comm of State Taxes
84	Nagaland	Shri Y.Mhathung Murry	Commissioner of Taxes
85	Nagaland	Shri Wochamo Odyuo	Additional Commissioner
86	Odisha	Shri Tuhin Kanta Pandey	Principal Secretary (Finance)
87	Odisha	Shri Saswat Mishra	Commissioner (Commercial Taxes)
88	Odisha	Shri Sahadev Sahoo	Joint Commissioner (Commercial Taxes)
89	Puducherry	Dr. V. Candavelou	Secretary (Finance & Commercial Tax)
90	Puducherry	Shri G. Srinivas	Commissioner, Commercial Taxes
91	Punjab	Shri V K Garg	Advisor (Finance)
92	Punjab	Shri Anurag Agarwal	FCT
93	Punjab	V P Singh	ETC
94	Punjab	Shri Pawan Garg	DETC
95	Rajasthan	Shri Praveen Gupta	Secretary (Finance)
96	Rajasthan	Shri Alok Gupta	Commissioner, Commercial Taxes
97	Sikkim	Shri Manoj Rai	Joint Commissioner
98	Tamil Nadu	Shri S.K. Prabhakar	Principal Secretary (FAC)
99	Tamil Nadu	Shri M A Siddique	Commissioner, Commercial Taxes

100	Tamil Nadu	Shri K. Gnanasekaram	Additional Commissioner
101	Telangana	Shri Somesh Kumar	Principal Secretary
102	Telangana	Shri Ramakrishna Rao	Principal Secretary (Finance)
103	Telangana	Shri Anil Kumar	Commissioner, Commercial Taxes
104	Telangana	Shri Laxminarayn Jannu	Additional Commissioner
105	Tripura	Dr. Brahmneet Kaur	Chief Commissioner (State Tax)
106	Uttar Pradesh	Shri R.K. Tiwari	Additional Chief Secretary
107	Uttar Pradesh	Shri Mukesh Kumar Meshram	Commissioner (Commercial Tax)
108	Uttar Pradesh	Shri Mukti Nath Verma	Joint Secretary
109	Uttar Pradesh	Shri Vivek Kumar	Additional Commissioner (GST)
110	Uttarakhand	Shri Vipin Chand	Additional Commissioner, Commercial Taxes
111	Uttarakhand	Shri Yashpal Singh	Deputy Commissioner
112	West Bengal	Shri H K Dwivedi	Principal Secretary (Finance)
113	West Bengal	Ms. Smaraki Mahapatra	Commissioner, Commercial Taxes
114	West Bengal	Shri Khalid A Anwar	Senior Joint Commissioner

Annexure – 3

Presentation on Decisions made by GIC & Recommendations of Law Committee



Agenda



-
- ☐ Decisions made by GIC
 - ☐ Agenda notes for approval of GST Council Meeting

- **Amendment to Rule 3(4):** Extending the time limit to furnish the details of stock held by migrating taxpayer from sixty to ninety days
- **Amendment to Rule 17(2):** Amending the rule for assigning of UIN on the recommendation of the MEA
- **Amendment to Rule 40(1)(b):** Extension of the time limit for furnishing the details by a newly registered taxable person for claiming credit of eligible ITC on the stock available
- **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 01/07/2017 or contained in gold or gold jewellery held in stock on 01/07/2017 made out of such imported gold dore bar

- **Amendment of Rule 61(5):** To provide that the Commissioner may specify the manner and conditions subject to which the return shall be furnished in FORM GSTR-3B
- **Amendment of Rule 87(2) and 87(3):** Allowing OIDAR service providers to deposit amount in electronic cash ledger through the EASIEST and SWIFT mode of payment
- **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
- **Amendment of FORM GST REG-01:** Adding serial no.16 in the instructions of the said FORM to enable Government departments to not furnish Bank Account details

Decisions in GIC Meeting on 16th August 2017 (3/3)



- **Amendment of FORM GST REG-13:** Making PAN non-mandatory for UN organizations / Diplomatic Missions etc.
- **Minor amendments in TRAN 1 form**
 - Notification No. 22/2017-CT dated 17.08.2017 issued
- **Conditions for filing FORM GSTR- 3B :** Due to Non-availability of TRAN 1 form from GSTN:
 - For Non-TRAN 1 cases - Date of tax payment and filing of return was 20th August
 - For TRAN-1 cases - TRAN 1 to be filed between 21st – 28th August and FORM GSTR- 3B to be filed by 28th August but tax payment was to be made by 20th August
- Notification No. 23/2017-CT dated 17.08.2017 issued

5

Decisions in GIC Meeting on 19th and 25th August 2017



- **GIC dated 19.08.2017**
 - **Extension of filing of FORM GSTR- 3B & date of payment** from 20th August to 25th August 2017
 - Notification No. 24/17-CT dated 21.08.2017 issued
- **GIC dated 25.08.2017**
 - Simplification of FORM GST ENR-01 to reduce from 14 heads to 9 heads & requirement of obtaining some details was omitted
 - **Amendment in FORM GST TRAN – 02 :** Minor corrections
 - Notification No. 27/17-CT dated 30.08.2017 issued
 - Approval of Circular No. 5/5/2017 dated 11.08.2017 – Clarification on Bonds / LUTs for exporters
 - Minor amendment in SGST Rules in Rule 117, 119 of SGST Rules

6

Decisions in GIC Meeting on 31st August and 1st Sept 2017



- **Approval of 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

• Circular No. 7/7/2017-CT dated 01.09.2017 issued

- **Division of Assessee Principles :**

Assesse in earlier Law	Turnover to be taken for division
For only VAT registrations	Total turnover under VAT
For assesses both under VAT & Central Excise	Total turnover under VAT
For only Central Excise (and not VAT)	Total turnover under Central Excise
Service tax registration in one State only	Total turnover under Service Tax
Centralized Registration under Service Tax	Total All India Turnover under Service Tax
Both under VAT and Service Tax	Total of Non-Overlapping turnover

7

Decisions in GIC Meeting on 4th Sept 2017



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

• Notification No. 29/2017-CT dated 05.09.2017 issued

July, 2017	Current	Proposed
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

8

Category of Person not eligible for refund (Provisional)



- Notification with respect to Section 54 (6) of Central Goods & Services Act, 2017- For exporters who will not be eligible for provisional refund (90% / 7 days)
 - Person not registered under GST or existing law for at least six months – To exclude fly by night exporters
 - Persons who have not furnished three consecutive returns before date of filing of application of refund – Persons only filing valid returns to be included

9

Extending date of Composition Scheme



- Composition scheme for migrated taxpayer closed on 16th August, 2017
- Many people could not register / avail such scheme
- Proposal to extend date for opting for composition scheme by migrant taxpayers till 30th September, 2017 – Rule 1(1A) proposed to be introduced & minor change in Rule 3(5)
 - Those who avail in the new deadline will avail composition benefits from 1st October, 2017
 - Once scheme is availed in CGST it is automatically available in other Acts – SGST / UTGST and vice versa

10

Exemption to supply of Handicraft Goods between two states



- Issue raised by Jammu & Kashmir
- Small artisans/traders of another State selling handicraft goods in a State may be exempted from the requirement of registration
- Limit of 10 lacs (Rs 5 lacs in special category States) per month and upto 20 lacs (Rs 10 lacs in special category States) a year – Proposal:
 - Exemption from registration in terms of section 24(i) even if making inter-state supplies – Notification to be issued under section 23(2)
 - Exemption from registration in terms of section 24(ii) for casual taxable person – Notification to be issued under section 23(2)
 - PAN and E-way bill to be mandatory & limit of Rs. 50,000/- also not available

11

Exemption from Registration for Job Worker making inter-State supply of job work services



- Job worker liable to take mandatory registration for inter-State supply of services
- Trade had requested that smaller job workers (turnover less than Rs 20 lacs) be exempted from such mandatory registration
- Proposal to exempt from registration under clause (i) of Section 24 subject to the condition:
 - No exemption if turnover more than Rs. 20 lacs (liable to be registered u/s 22) and voluntary registration u/s 25(3)
 - E-way bill to be mandatory and limit of Rs. 50,000/- also not available

12

Operationalizing Tax Deduction at Source



- Section 51 proposed to be notified wef 18.09.2017 to enable registration of tax deductors
- Actual deduction of TDS to start at a date as may be notified later
- Persons liable for TDS – specified u/s 51(a), (b) & notified under (d)
- Category of person proposed to be notified u/s 51(1)(d):
 - a) *an authority or a board or any other body, set up by an Act of Parliament or a State Legislature; or 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;*

11

Committees for Operationalizing Anti-Profiteering law



- Standing committee with four members (two from the State of Haryana, Delhi and two from CBEC) to be notified shortly
- Information about constitution of State level Screening Committees awaited from States
- **Amendment in Rules 124(3):** Technical member to get same salary as salary and allowances, as admissible to him in an equivalent Group 'A' post in GOI. In case of retired officer, his salary could be fixed as the last pay drawn as reduced by pension
- **Amendment to Rules 124(4) & (5):** Mechanism to review the performance of NAA by the Council and also removal of Chairman / Technical Members on recommendations of the Council
- **Amendment to Rule 127:** Authority to submit quarterly performance report to Council

11

Filing of FORM GST-TRAN-1



- Proposal to allow filing of Revised TRAN 1 once within a period of three months –Proposal to insert Rule 117(2A)
- Amendment in FORM GST TRAN-1
 - Heading of Table 5(a) to include credit flowing from section 140(9) – No provision was available for allowing this credit earlier –This issue is related to CGST credit only
 - Heading of Table 7(a) to allow flow of credit available through Credit Transfer Document (CTD) – This issue is related to CGST credit only

15

Other Minor Changes



- **Typographic error** : 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
- **Insertion 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"

16

Annexure – 4

GST and Exports

GST and Exports

GST Council Meeting, Hyderabad
September 9, 2017

Arvind Subramanian
Chief Economic Adviser

GST and Exports

Dr. Arvind Subramanian, CEA

Wednesday, 13 September 2017

1

Outline

- Background
- Taxes on exports in post-GST regime
- What GST Council needs to do?

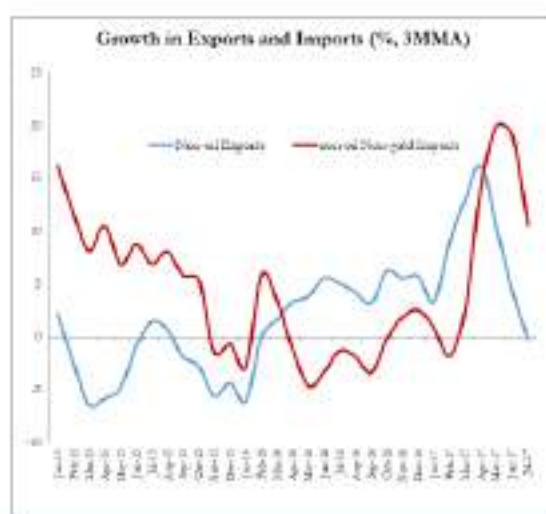
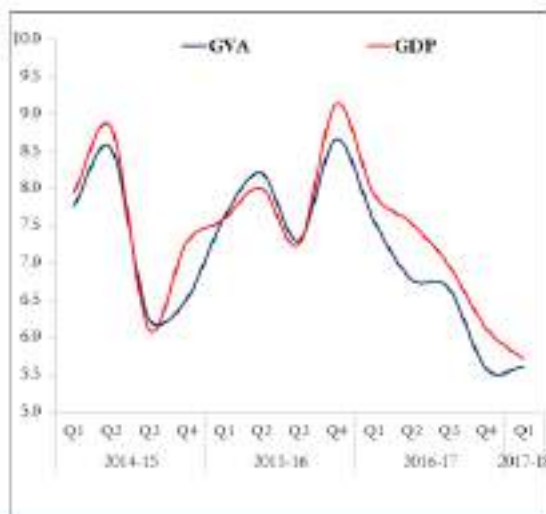
GST and Exports

Dr. Arvind Subramanian, CEA

Wednesday, 13 September 2017

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Slowing Economy, Slowing Exports



Promoting Exports

- Providing subsidies: But WTO inconsistency?
- Eliminating burden of embedded taxes in exports: WTO consistent

Exports are zero-rated but are they Zero-Taxed?

- But taxes get embedded because of:
 - Certain inputs, like Petroleum and Electricity, fall outside GST
 - Duty Inversion —because input taxes are higher than taxes on value addition at final stage —within GST
 - Reverse charges especially involving agriculture
 - Procedural changes under GST like payment of IGST on imported machinery which used to be duty exempted in old regime under EPCG scheme
- How much: Depends on value addition and tax structure but could vary between 1 percent-7 percent

Relief: Duty Drawback Scheme

- Refund some of the taxes which are out of GST but embedded in exports but scheme covers only center's taxes
- Tax embedded because GST like, duty inversion, is not part of Duty Drawback Scheme
- Difference of opinion between Government and Industry over embedded taxes

Taxation of Exports Under GST

		Clothing (apparel and made-up)		Other Sectors	
Category		Impact	Refund Measures	Impact	Refund Measures
Outside GST					
<i>Center</i>	Petroleum	Embedded	Duty Drawback	Embedded	Duty Drawback
<i>State</i>	Petroleum	Embedded	Under RoSL	Embedded	No refund
<i>State</i>	Electricity (stamp duty?)	Embedded	Under RoSL	Embedded	No refund
Within GST (tax)					
	Duty Inversion	Embedded	No refund	Embedded	No refund
	Reverse Charges (agri inputs)	Embedded	No refund	Embedded	No refund
Within GST (procedure)					
	EPCG Scheme	Upfront Payment of IGST increasing working capital	No relief	Upfront Payment of IGST increasing working capital	No relief

Things to be done to make export competitive and to ensure robust growth in exports

- Immediate

- ✓ Central government may provide immediate (temporary) relief via the duty drawback scheme

What GST Council Should Do?

• Short Run

- ✓ GST council should set up a committee to examine how all embedded taxes can be relieved on ALL exports
- ✓ How the associated burden should be shared between the Center and the States.

• Medium-Run

- ✓ Should actively bring electricity, energy, and land and real estate into the GST.
- ✓ This will not only have other benefits (transparency, credit flow, better compliance), it will also reduce embedded taxes on exports

Embedded Taxes in Export on account of Duty Inversion

	Value Addition of 1.5X		Value Addition of 2.6X		Value Addition of 3X	
	Pre tax price	Tax	Pre tax price	Tax	Pre tax price	Tax
Inputs within GST (18%)	100000	18000	100000	18000	100000	18000
Inputs outside GST (50%)		0		0		0
Total Inputs	100000	18000	100000	18000	100000	18000
Value Addition at Final Stage	150000		260000		300000	
Total value of output (5%)	250000	12500	360000	18000	400000	20000
Duty Inversion		5500		0		-2000
<i>% of Final Value</i>		<i>2.10</i>		<i>0.00</i>		<i>-0.48</i>
Total Embedded Tax in Exports		5500		0		0
<i>% of Final Value</i>		<i>2.1</i>		<i>0.0</i>		<i>0.0</i>

Embedded Taxes in Export on account of Taxes Outside GST

	Value Addition of 1.5X		Value Addition of 2.6X		Value Addition of 3X	
	Pre tax price	Tax	Pre tax price	Tax	Pre tax price	Tax
Inputs within GST (18%)		0		0		0
Inputs outside GST (50%)	30000	15000	30000	15000	30000	15000
Total Inputs	30000	15000	30000	15000	30000	15000
Value Addition at Final Stage	150000		260000		300000	
Total value of output (5%)	195000	23400	305000	45750	345000	51750
Embedded Tax		15750		15750		15750
<i>% of Final Value</i>		7.21		4.49		3.97
Total Embedded Tax in Exports		15750		15750		15750
<i>% of Final Value</i>		7.2		4.5		4.0

GST and Exports

Dr. Arvind Subramanian, CEA

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Embedded Taxes in Export on account of Taxes Outside GST and Duty Inversion

	Value Addition of 1.5X		Value Addition of 2.15X		Value Addition of 3X	
	Pre tax price	Tax	Pre tax price	Tax	Pre tax price	Tax
Inputs within GST (18%)	100000	18000	100000	18000	100000	18000
Inputs outside GST (50%)	30000	15000	30000	15000	30000	15000
Total Inputs	130000	33000	130000	33000	130000	33000
Value Addition at Final Stage	150000		215000		300000	
Total value of output (5%)	295000	14750	360000	18000	445000	22250
Duty Inversion		3250		0		-4250
<i>% of Final Value</i>		1.0		0.0		-0.9
Embedded Tax		15000		15000		15000
<i>% of Final Value</i>		4.8		4.0		3.2
Total Embedded Tax in Exports		18250		15000		15000
<i>% of Final Value</i>		5.9		4.0		3.2

GST and Exports

Dr. Arvind Subramanian, CEA

Wednesday, 13 September 2017

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Annexure – 5

GST System Project Status Update



Services made available on GST Portal



Registrations	Payments	Returns	Transitional Forms
Application for New Registration for Normal Taxpayer	Online Payments through Internet Banking and NEFT/ RTGS	Creation and saving of Outward Supplies Return in Form GSTR-1	Tran Form 1 – Transitional ITC / Stock Statement
Application for New Registration (ISD)	Offline Payments Over the Counter (Authorised Bank)	Viewing of Invoices uploaded by Supplier in GSTR-2A by Buyer	Tran Form 3 – Credit distribution
Application of Enrolment for GSTP	Creation and maintenance of Electronic Cash Ledger	Offline Utility for GSTR-1 for upload of Invoices	
Application to opt for Composition scheme	Payment option for migrated taxpayers who have not filed Part B of enrolment form	Creation, saving, and Filing of Return form GSTR-3B	
Registration of casual tax payer		Filing of Return form GSTR-1 and GSTR-2	
Application for Amendment of Registration – for non core fields			
Appeal to revoke rejection of registration applications			

New Registration and Migration Stats (as on 7th Sep' 2017)



New Registration

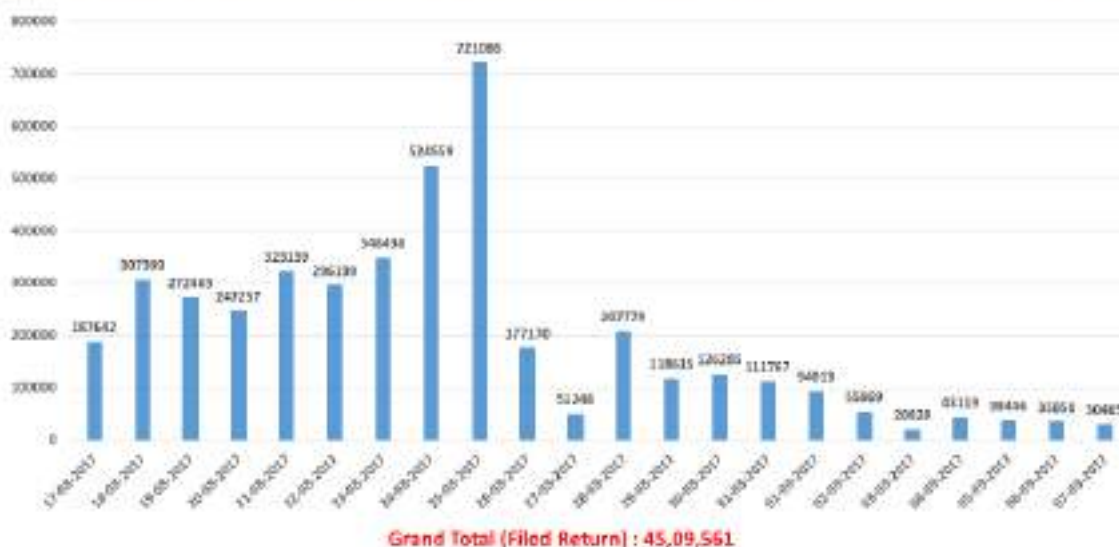
Details	Center Count	State Count
Number of Registration Filed and allocated	12,43,026	12,51,962
Number of Registrations – Approved	11,30,985	10,26,960
Number of Registrations – Rejected	58,198	1,49,817
Applications pending with Tax-officers	37,509	49,935
Application pending with Tax-payer (SCN raised)	16,334	25,250
Number of Tax-payers opted for Composition		10,60,650

Migrated from previous regime

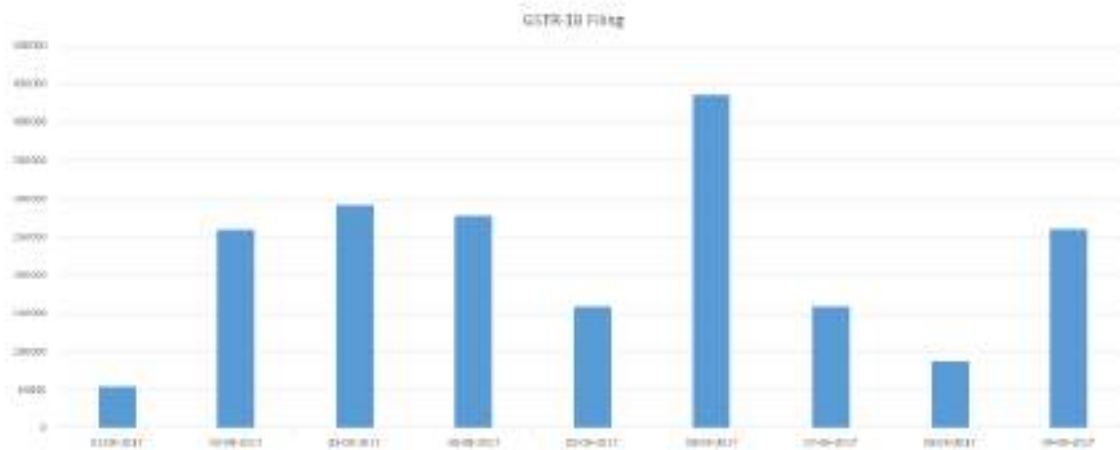
Details	Count
Total Provisional IDs (PIDs) Issued	85,95,194
Total PIDs Activated	72,70,023
Total Tax-payers Filled application part – B and fully migrated	61,50,760



Daily Filing of GSTR 3B (as on 7th Sep' 2017)



Daily Filing of GSTR 1 (1st Sep – 7th Sep' 2017)

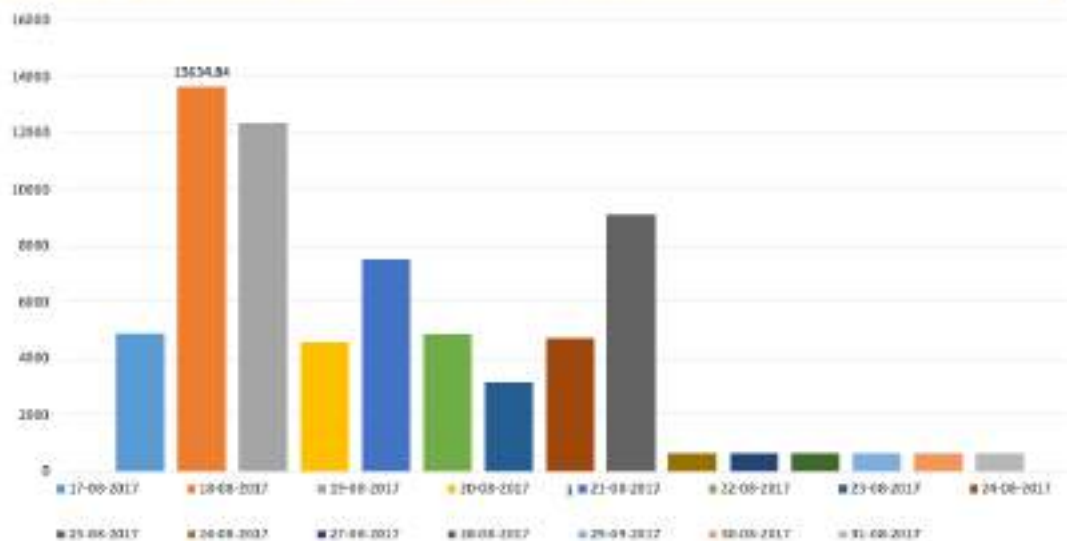


Grand Total (Filed Return) : 19,83,342



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Day wise Payment of Tax (August 2017)



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Challenges faced and Action Taken: Registration/Enrolment

Issues	Action Taken
Taxpayers' registration application stuck in various statuses like "pending for approval" or "pending for orders" or "pending for processing".	This has been fixed for all cases.
Taxpayer's status is shown as "RC Cancelled" after filing GSTR-3B and payment of tax.	This has been fixed.
Non-editable & Blank Profile: Some taxpayers have activated their account on GST Portal but now entire profile has become blank and non-editable. So, he cannot proceed further.	This has been fixed
Access Denied: Even after putting correct login credentials, many taxpayers facing the error message as "Access denied" at the time of login.	This has been fixed
Taxpayers completed the process and generated the ARN and status shows approved but didn't receive the welcome mail along-with their GSTIN and login credentials.	This defect has been fixed. "Resend Welcome Mail" is under development.



Challenges faced and Action Taken: Payment



Issues	Action Taken
Amount getting debited and cash ledger is not being updated	This has been fixed
Track Payment Status giving access denied in some cases	This has been fixed



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Challenges faced and Action Taken: Return Related



Issues	Action Taken
After successful login taxpayer is unable to see the services related to Returns functionality - Return dashboard is not available.	For most of the cases, this defect has been fixed. There are few records left with such issue and being addressed by technical team.
User has filed the return but the status is showing submitted for processing	Fixed
Taxpayer is unable to offset liabilities in GSTR 3B return	Fixed
Taxpayer is unable to file TRAN 1 due to incorrect information given in registration application and that he is not able to amend in registration application	Being worked upon
Offline tool is not allowing multiple rates for single invoice	Fixed



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Challenges faced and Action Taken: Return Related



Issues	Action Taken
Offline tool – JSON file is not being uploaded, showing error, but not exactly reporting the nature of error.	Fixed
The fee amount is shown in payment section of 3B even if fee and penalty is waived (reported for many tax payers -Gujarat)	This is coming for users who have submitted between 28th Aug to 1st Sep. Being worked upon.
Error occurred while filling GSTR 3-B. Error is "CGST payment amount in other than reverse charge should be equal to the outstanding liability." (reported for many tax payers -Gujarat)	Fixed
Submission under process	Fixed on 8 th night



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Challenges faced and Action Taken: API Related



Issues	Action Taken
Alert need to be provided to other authority when any ARN is approved.	Will be available from 9 th Sept.
Alert need to be provided when tax payer doesn't respond to SCN within 7 days	Will be available from 9 th Sept.
GSTR 3B data sharing	GSTR 3B data is already shared with CBEC/Model-1 states. Arrangements are being made to enable Model-2 States as well to pull the data, as per their needs
GSTR 1 Data sharing	GSTR 1 API is available in Prod from 1st Sep.
Reconciliation of Payment data shared in reports vs. shared in email	We are reconciling the data with Karnataka state first to see it's matching with what we have in our database. We'll share our findings with all states.



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Challenges faced and Action Taken: Back Office Related



Issues	Action Taken
Transfer of charge where role/charge is to be given back to officer returning from leave.	Being worked upon
Capability to revoke role given by state/centre (super) admin	Being worked upon
System Error when accessing Get Taxpayer Detail Page	Fixed
System Error when accessing Search ARN page	working fine for registration ARN. Fixing for Returns ARN is in progress.
Tax officer is unable to view returns data of taxpayers.	Being worked upon



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Future Releases of Key Functionalities



8 th -Sep-2017	<ul style="list-style-type: none"> Migrated taxpayers processing
11 th -Sep-2017	<ul style="list-style-type: none"> Filing of ISD Return – GSTR-6 and GSTR -6A
13 th -Sep-2017	<ul style="list-style-type: none"> Application of Amendment of Core fields Processing of GSTP Application Suo-moto Registration with Payment functionality
15-Sep-2017	<ul style="list-style-type: none"> Filing of Monthly Return GSTR-3 Filing of GSTR-1A
22 nd -Sep-2017	<ul style="list-style-type: none"> Processing of TDS/TCS Registration and Processing of NRFT Opt out from Composition scheme



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Future Releases of Key Functionalities



6-Oct-2017

- Balance Registration features (Cancellation, revocation & processing of both)
- Creation and display of reports (Settlement, Mismatch)
- Return filing for Composition dealers (GSTR-4)
- Viewing of composition supplies (GSTR-4A)

01-Dec-2017

- Annual return filing (GSTR-9)
- Annual return filing for Composition (GSTR-9A)
- Submission of final return (GSTR-10)
- Filing of Statement of ITC, cash & tax liability due to transfer of business GSTR-14



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Updates on Phase 2 Progress



1. SRS for following modules have been signed-off and development is in progress:
 1. Transition & ITC
 2. Policy Admin
2. SRS of following modules are in final stage of review and will be signed-off by end of coming week:
 1. Appeal
 2. Advance Ruling
 3. Recovery
 4. DCR
 5. Enforcement
 6. Audit and Return Processing
 7. MIS Reports
 8. Assessment and Adjudication
 9. Prosecution and Compounding



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

GIC took certain decisions between 9 September 2017 (when the 21st GST Council Meeting was held) and 5 October 2017. Out of these, due to the urgency involved, certain decisions were taken after obtaining approval by circulation from the Members of GIC. In addition, 2 Meetings of the GIC were held - 9th Meeting on 26 September 2017 and 10th Meeting on 28th September 2017. The details of the decisions taken through Circulation and the Meetings of GIC are given below.

2. Decisions by Circulation – 13 September 2017

2.1. An email was sent to the members of GIC on 13 September 2017 containing a proposal for insertion of Rule 120A in lieu of Rule 117(2A) as approved by GST Council on 9 September 2017, to allow for revision of **FORM GST TRAN-1** required to be submitted under the rules 117, 118, 119 and 120 of the said rules, which reads as below:

*“120A. Every registered person who has submitted a declaration electronically in **FORM GST TRAN-1** within the time period specified in rule 117, rule 118, rule 119 and rule 120 may revise such declaration once and submit the revised declaration in **FORM GST TRAN-1** electronically on the common portal within the time period specified in the said rules or such further period as may be extended by the Commissioner in this behalf.”*

It was also proposed to issue an order under section 168 of the CGST Act, 2017 read with rule 120A of the CGST Rules, 2017, to extend the time period for submitting the declaration in **FORM GST TRAN-1** till 31st October, 2017.

2.2. GIC members approved the above proposals by email. Accordingly, Notification No. 34/2017 – Central Tax dated 15.09.2017, Order No. 02/2017-GST dated 18.09.2017 and Order No 03/2017-GST dated 21.09.2017 was issued.

3. Decisions by Circulation – 21 September 2017

3.1. A proposal was sent by email to Members of GIC on 21 September 2017 regarding Writ Petition No 5709 of 2017 in the Hon’ble Delhi High Court which challenged, *inter alia*, Notification No. 13/2017 – Central Tax (Rate) dated 28.06.2017 and corresponding IGST notification and Delhi State GST Notifications placing legal services under Reverse Charge Mechanism (RCM) on the ground that they are not in conformity with the decision taken by the GST Council in its 14th Meeting held on 19 May 2017.

3.2. In view of the Writ Petition, the GIC agreed to issue a corrigendum to Notification No. 13/2017-Central Tax (Rate) dated 28.06.2017, Sr. No 2, so as to align the same with the language used in the Minutes of the 14th Meeting of the GST Council which read as under:

“Services provided by an individual advocate including a senior advocate or firm of advocates by way of legal services, directly or indirectly.”

3.3. It was also proposed to incorporate the existing definition of “legal services” of the Notification No 12/2017-Central Tax (Rate) dated 28.06.2017 into Notification No. 13/2017-Central Tax (Rate) dated 28.06.2017 and in corresponding entries in IGST, UTGST, and SGST notifications which reads as under:

“legal service” means any service provided in relation to advice, consultancy or assistance in any branch of law, in any manner and includes representational services before any court, tribunal or authority”

3.4. Accordingly, the decision of the GIC has been implemented by the Central Government by issuing Corrigendum dated 25.09.2017 vide F.No.336/20/2017-TRU to the notification 13/2017-Central Tax (Rate) dated 28.06.2017.

4. **9th GIC Meeting – 26 September 2017**

4.1. The 9th GIC Meeting was held on 26 September 2017 in which few Members participated through Video Conference. The agenda item taken up for discussion and the outcomes of the Meeting are as follows:

4.2. **Agenda Item 1** – Cancellation of registration of migrated taxpayers

4.2.1. The following proposal was placed before the GIC for carrying out amendments in CGST Rules, 2017 and SGST Rules, 2017.

4.2.2. Amendments were proposed in sub-rule (4) of rule 24 and for change of heading in FORM GST REG-29 of the CGST Rules, 2017 from “APPLICATION FOR CANCELLATION OF PROVISIONAL REGISTRATION” to “APPLICATION FOR CANCELLATION OF REGISTRATION OF MIGRATED TAXPAYERS” and further, for the words and letters, “Provisional ID”, the letters “GSTIN” to be substituted to enable cancellation of registrations of taxpayers who have filed the application in FORM GST REG-26.

4.2.3. It was also mentioned that the Law Committee recommended amendment in rule 24(4) of CGST Rules, 2017 for extension of due date for applying for cancellation of registration of migrated taxpayers from 30 September 2017 to 31 October 2017.

4.2.4. The GIC approved the proposal to carry out the said amendments in rule 24(4) and change of heading in FORM GST REG-29 of the CGST Rules, 2017 and the corresponding amendments in SGST Rules, 2017. Accordingly, Notification No. 36/2017 – Central Tax dated 29 September 2017 was issued.

4.3. **Agenda Item 2** – Changes in rules pertaining to transitional provisions in CGST Rules, 2017.

4.3.1. The following proposal was put for carrying out amendments in CGST Rules, 2017 and SGST Rules, 2017.

4.3.2. On the recommendation of the Law Committee, it was proposed that the time limit for submitting the declaration in FORM GST TRAN-1 under section 141 and 142 of the CGST Act, 2017 should be the same as the time limit for submitting the declaration in FORM GST TRAN-1 under section 140 of the Act. Further, it was suggested that, heading stating “Revision of declaration made in FORM GST TRAN-1” for rule 120A may be inserted in the CGST Rules and SGST Rules.

4.3.3. The GIC agreed to the proposal to carry out the said amendments in rule pertaining to transitional provisions of CGST and SGST Rules, 2017. Rules 118, 119 and 120 of the CGST Rules, 2017 were agreed to be amended to state the details required under these rules as “the period specified in rule 117 or such further period as extended by the Commissioner” instead of “ninety days of the

appointed day” and insertion of heading for rule 120A as suggested in paragraph 4.3.2 above. Accordingly, Notification No. 36/2017 – Central Tax dated 29 September 2017 was issued.

4.4. **Agenda Item 3** – Proposal for extending the facility of supplying goods or services for export without payment of integrated tax under Letter of Undertaking in place of bond to all registered persons.

4.4.1. On the recommendation of the Committee on Exports, it was proposed to extend the facility of supplying goods or services for export without payment of integrated tax under Letter of Undertaking, under Rule 96A of the CGST Rules, 2017 to all registered persons, subject to certain conditions and safeguards. Notification No. 16/2017-Central Tax dated 07.07.2017, read with corrigendum dated 10.07.2017 which specifies the conditions for eligibility to export without payment of integrated tax under LUT in place of bond was proposed to be superseded.

4.4.2. The GIC Members agreed to extend the facility of supplying goods or services for export without payment of integrated tax under Letter of Undertaking in place of bond to all registered persons, subject to certain prescribed conditions and safeguards.

4.4.3. The GIC approved the proposal contained in the agenda with the following modifications:

- i To add the words “for effecting subsequent exports” in paragraph 2(ii) and 2(iii), after the words “The letter of Undertaking shall cease to be valid...”.
- ii To add the words “The exporter is at liberty to furnish the bond/LUT before Central Tax Authority or State Tax Authority till the administrative mechanism for assigning of taxpayers to respective authority is implemented” at the end of the paragraph3 (i).
- iii To add the words “or such officer as authorised under the Acts” at the end of the paragraph 3(iii).

4.4.4. The Notification and the corresponding Circular is to be issued shortly.

5. **10th GIC Meeting – 28 September 2017**

5.1. The 10th GIC Meeting was held on 28 September 2017 in which few Members participated through Video Conference. The agenda item taken up for discussion and the outcomes of the Meeting are as follows:

5.2 **Agenda Item 1** – Extension of time limit for intimation of details of stock on the date preceding the date from which the option for Composition levy is exercised in FORM GST CMP-03.

5.2.1. A request for extension of date of filing of GST CMP 03 under rule 3(4) of Composition Rules issued under CGST, Rules, 2017 by one more one month was received from CEO, GSTN, as development of GST CMP 03 application was still in progress and yet to be tested. It was proposed that an order may be issued by the Commissioner to extend the date of filing the **FORM GST CMP- 03** by exercising the power under section 168 of the CGST.

5.2.2 GIC approved the proposal for issuance of an Order by the Commissioner to extend the time limit, for intimation of details of stock on the date preceding the date from which the option for Composition levy is exercised in FORM GST CMP-03, till 31 October, 2017, under rule 3(4) of the CGST Rules, 2017 and similar orders were agreed to be issued by Commissioners of the States. Accordingly, Order No. 04/2017-GST dated 29.09.2017 was issued.

Agenda Item 3: Minutes of 1st Meeting of Group of Ministers (GoM) on IT Challenges in GST Implementation for information of the Council and discussion on GSTN issues

In pursuance of decision taken in the 21st Meeting of GST council held on 9th September 2017 at Hyderabad, a Group of Ministers (GoM), was constituted to monitor and resolve the IT challenges faced in implementation of GST. The first meeting of GoM was held on September 16, 2017 and the 2nd Meeting of the GoM is scheduled on 4 October 2017.

Minutes of 1st Meeting of GoM

2. The first meeting of GoM was held on September 16, 2017 at Vidhan Soudha, Bengaluru, Karnataka. The meeting was attended by the following Hon'ble Members of GoM (below) and officers (**Annexure – I**)

Sl. No.	Name	Designation	Group of Members
1	Hon'ble Shri Sushil Kumar Modi	Deputy Chief Minister, Bihar	Convenor of GoM
2	Hon'ble Shri Krishna Byregowda	Minister of Agriculture, Karnataka	Member, GoM
3	Hon'ble Shri Etela Rajendar	Finance Minister, Telangana	Member, GoM

3. Hon'ble Shri Amar Agarwal, Minister for Commercial Taxes, Government of Chhattisgarh and Hon'ble Shri Shashi Bhushan Behera, Finance Minister, Odisha could not attend due to other responsibilities.

4. The meeting was attended by Revenue Secretary, GoI, and Officers from GSTN, Officers from CBEC and States and Infosys. (List of attendees is kept at Annexure)

II. The meeting commenced with preliminary remarks by the Convenor and Members of GoM to set the expectations from GSTN and Infosys as follows:

1. Remarks of Hon'ble Convenor, GoM
 - a. A timetable be prepared for resolution of each issue reported by the stakeholders and all issues to be resolved in three months.
 - b. A technical person from Infosys should be placed in each State for resolving technical issues faced by States.
 - c. Infosys to deploy more resources on the project for timely resolution of issues.
 - d. Infosys to provide separate Teams for development of software of Model II States.
2. Remarks of Hon'ble Member, GoM and Minister, Karnataka
 - a. Infosys to put concrete solutions in place and Taxpayers must feel considerable improvement in next three months

- b. He suggested to have weekly meetings of Officers and Infosys for early resolution of issues. Critical issues from the officers meeting should be brought for discussion in the GoM and the proceedings of GoM should be reported to the Council.
 - c. At initial phase of project, Fortnightly meeting of GoM may be scheduled.
 - d. State officers may be involved for Helpdesk query resolutions and 50 officers from each State may be selected for this activity.
 - e. Publicity campaign for GSTR 1 and other important issues. Needs to be conducted for benefit of taxpayers.
 - f. He suggested that proper communication mechanism should be in place to communicate all important fixes to Ministers office.
3. Remarks of Hon. Member, GoM and Minister Telangana
- a. He insisted on quick resolution of Taxpayer's problems.
 - b. He stressed on need to share the data related to migrated dealers, new registration, TRAN 01, GSTR3B and GSTR01 with tax departments. (Model 1, CBEC and Model 2)
 - c. The MIS for Model-2 States should be made available on priority.
 - d. All the issues faced by Taxpayers in regards to Offline tool be fixed on priority and make Offline Tool 100% usable.
 - e. The revised GSTR 3B for those who are stuck at 'Submitted' stage be allowed.
 - f. He also suggested to deploy modules like core amendment, Opt out etc. quickly.

III. The Issues faced by taxpayers and CBEC/State, Tax Departments as pointed out by Hon'ble Ministers and Officers are summarised below.

(A) Migration/Registration

- 1. Data on Migrated taxpayers and new registrations approved by other tax authority should be shared with the Centre and the states.
- 2. Deploy module for Cancellation/Surrender of RC and opt-out for migrated taxpayers who are not liable to be registered.
- 3. Deploy Amendment module.
- 4. When the reply to the notice issued on registration application is overdue, an alert should be raised by the system to the officer.
- 5. Deployment of TDS/TCS registration modules
- 6. Deploy module "Opt-Out from Composition" urgently.
- 7. Specific errors should be given on rejection of registration due to some errors in data of validation failure.
- 8. Resolution of problems related to new registration/enrolment promptly

(B) Payment

- 1. Option for taxpayer to report payment details (BRN) on the GST portal through PMT-07 be provided as credit to cash ledger is taking time to update in many cases.
- 2. RBI figures and those shared by GSTN are not matching. Mechanism for reconciliation should be put in place immediately.
- 3. Tax payment before GST regime and tax payment after GST regime should be analysed. Data before GST regime should be pulled from VAT systems.
- 4. Settlement related issue needs to be fixed on priority.

(C) Return

1. Enable editing after Submit button and before filing. The preview should be available to taxpayers. Preferably, the “submit” business process should be changed to “calculate” or “generate” business process.
2. Entries in various registers and ledgers should happen only after return is ‘Furnished’ or ‘Filed’.
3. Those who are stuck at ‘Submit’ for July-2017 Return should be given option to edit the same and file the Return.
4. Filing of TRAN-1 has been made a pre-condition to filing of Return if the TRAN-1 has been opened and submitted but not filed by the taxpayer due to errors or zero data. This should be delinked.
5. Sometimes response from GST System do not come if data is uploaded using Offline Tool leading to multiple attempts by the taxpayers.
6. Beta testing of GSTR-1/2/3 should be done quickly. Preferable time will be during 21st to 30th of Sept, 2017. Beta version and access to the system should be provided to the officers for testing feedback.
7. Architectural process should be shared with all States.
8. Comparison of VAT data with that of GST should be done for Turnover and revenue collection.
9. PDF download of GSTR-3B and other Returns after filing for record of taxpayer.
10. Quick deployment of application for revision of TRAN-1
11. Quick deployment of TRAN-2 w.e.f. 1st Oct, 2017.
12. Timely deployment of GSTR-4 as date of submission is approaching.
13. Refund processing on priority (work around)
14. Specify the dates of roll out of the critical applications and monitor its deadlines.
15. Part Payment under GSTR 3B may be permitted.
16. Offline tool for GSTR2 should be made available at the earliest.

(D) Helpdesk

1. Agents need more training so that they can provide solution.
2. Empowering State Helpdesk by providing material and involving officers in this activity.

(E) Other Matters

1. API release calendar should be shared with all stakeholders immediately
2. Make the application more user friendly and easy to operate
3. Team of the officers, GSTN and Infosys shall identify and prepare the list of the critical applications which are required to be implemented in time-bound manner, for monitoring and implementation.
4. Interactive tutorials to be added to GST portal on the available services.
5. As an interim solution- Infosys to on-board the technical support by end of next week at every state and CBEC. By end of Oct 2017, competent (with technical and functional knowledge) manpower to be replaced with interim members.
6. Dummy access to the portal in test environment will be given to states and CBEC so that tax officials can perform some quick test on the new functionalities.
7. For the initial couple of months name of the mismatch report needs to be changed. Label of this report to be changed.
8. Data of dealers who have not filed migration form Part B to be shared with all.
9. After approval/rejection of dealer’s application, tax officials are unable to see the consolidated details under his jurisdiction. Tax officials should be able to see the complete list of dealers under his/her jurisdiction.

10. Functionality to change the authorized signatory by tax official to be made available at the earliest.

IV Hon'ble Convenor asked the team of officers from Central/State Government, GSTN and Infosys to discuss and prepare timetable for resolution of issues raised as well as for deployment of modules not made operational so far. The timelines so agreed will be adhered by Infosys and the same will be reviewed by the GoM in its next meeting to be held in the first week of October 2017. The agreed timelines of Priority Functionalities discussed in the Meeting of Group of Ministers on 16 September 2017 are attached as **Annexure-II**.

V. The convenor stressed on resolution of all IT related issues within 3 months.

Annexure-1
List of Officers present

1. Dr. Hasmukh Adhia, Revenue Secretary, Government of India

2. GSTN:

Sl. No.	Name	Designation
1	Shri Ajay Bhushan Pandey	Chairman
2	Shri Prakash Kumar	CEO
3	Ms. Kajal Singh	EVP (Services)
4	Shri Nitin Mishra	EVP(Technology)
5	Shri Rajeev Agarwal	SVP(OCB)
6	Shri Vashishtha Chaudhary	SVP (Services)
7	Shri Pankaj Dixit	SVP (Infrastructure)
8	Shri Bhagwan Patil	VP(Services)
9	Shri Bhuvan Joshi	VP(Technology)
10	Shri Abhishek Singh	AVP (PM)

3. CBEC:

Sl. No.	Name	Designation
1	Shri. Y.S.Sherawat	DG Systems
2.	Shri.Upender Gupta	Commissioner, GST Policy wing
3	Ms. R.Bhagyadevi	ADG Systems, Chennai
4.	Shri. Baswaraj Nalegave	ADG, Systems, Bengaluru

4. States:

Sl. No.	Name	Designation
1	Shri Somesh Kumar	Principal Secretary, Telangana
2	Shri Ritvik Pandey	CCT, Karnataka
3	Shri Rajan Khobragade	CCT, Kerala
4	Ms. Sangeeta	CCT, Chhattisgarh
5	Shri Arun Mishra	Spl. Secretary Commercial Taxes, Bihar.

5. Infosys

Sl. No.	Name	Designation
1	Mr. D.N. Prahlad	Independent Director
2	Mr. Pravin Rao	CEO
3	Mr. Binod Hampapur	EVP
4	Mr. C.N. Raghupathi	SVP
5	Mr. Renganathan V. R.	SVP
6	Mr. P.N. Moorthy	AVP (Delivery Manager)
7	Mr. Venkat Narayan	AVP (Principle Architect)
8	Mr. Murali Vasudevan	AVP (Release Manager)
9	Ms. Surya Kumari Achal	AVP (Test Manager)
10	Mr. Akhil Gandhi	Domain Lead
11	Mr. Indrasis Dasgupta	Program Manager
12	Mr. Anand Srinivasan	Solution Architect
13	Mr. Amlan Datta	Solution Architect

Annexure-II

Agreed timelines of Priority Functionalities

Sl.No	FORM	FORM Components/Details	Agreed Date of Deployment
1	GSTR 3B	Solution for 3.5 lakh GSTR3B who have submitted but not filed	19-Sep-17
2	Registration	Reports Data Dump for Model-2 States	22-Sep-17
3	Registration	Amendments of Core fields	22-Sep-17
4	Registration	Opt out for Composition	22-Sep-17
5	Registration	Suo Moto Registration	29-Sep-17
6	Registration	GSTP Registration Processing	29-Sep-17
7	Registration	TDS/TCS Registration and Processing	29-Sep-17
8	GSTR 1A	Generation & Submission/Filing of GSTR-1A	30-Sep-17
9	Refunds	ICEGATE API	30-Sep-17
10	Offline	Creation and submission of Returns in Offline Utility for GSTR-2 - xls download from offline tool	06-Oct-17
11	GSTR 2A	GSTR-2A for ISD changes	11-Oct-17
12	Offline	Creation and submission of Returns in Offline Utility for GSTR-2	11-Oct-17
13	Tran 1	Revised Tran1 (Reopening Transition Form 1 to enable Multiple Submit)	13-Oct-17
14	Tran 1	CSV Utility for 6a, 6b, 7b, 9a, 9b of TRAN-1	13-Oct-17
15	Registration	Grievance for Payment not reflecting in Cash Ledger - - PMT07	13-Oct-17
16	GSTR 5A	Creation & Submission of GSTR-5A (OIDAR supplies)	17-Oct-17
17	ITC01	Application for eligible ITC prior to registration / withdrawal from compounding scheme ITC 01	17-Oct-17
18	GSTR 3B	GSTR-3B - Feature Enhancement	15-Oct-17
19	GSTR 3B	GSTR-3B - Enhancement to enable Print out/PDF Download	15-Oct-17
20	GSTR 1A	GSTR 1A Offline utility	18-Oct-17
21	Registration	Change of authorized signatory by Tax Officer	10-Oct-17
22	Registration	Non- Resident Tax Payers	18-Oct-17
23	Tran 1	G2G API's for Transition forms	20-Oct-17
24	GSTR 1	GSTR 1 - Feature enhancement	20-Oct-17
25	GSTR 2	GSTR-2 - Feature enhancement	20-Oct-17
26	Registration	Model 2 States: list of reports	20-Oct-17
27	Registration	MIS Reports for Model-2 States	20-Oct-17
28	GSTR 6, GSTR 6A	Creation & Submission of Return for ISD GSTR-6 / View of GSTR-6A (ISD)	23-Oct-17

Sl.No	FORM	FORM Components/Details	Agreed Date of Deployment
29	GSTR 3	Creation and Submission of Monthly Return GSTR-3	30-Oct-17
30	Mismatch Report	Creation & Display of Mismatch Report	30-Oct-17
31	Registration	Change of jurisdiction by Tax Officer before approval / rejection	30-Oct-17
32	Registration	OIDAR Registration and Processing	30-Oct-17
33	Registration	Cancellation and Surrender of Registration Certificate	30-Oct-17
34	Registration	Revocation of RC	30-Oct-17
35	Registration	Grievance Management	30-Oct-17
36	Registration	GSTP Dashboard	30-Oct-17
37	Tran 2	Transition Form 2 Development	30-Oct-17
38	GSTR 4	Creation & Submission of Quarterly Return by Compounding Taxpayer GSTR-4	03-Nov-17
39	GSTR 11	Filing of Returns by UIN Holders for Inward Supplies GSTR-11	10-Nov-17
40	GSTR 4	View of GSTR-4A (composition supplies)	17-Nov-17
41	GSTR 5	GSTR-5	17-Nov-17
42	Refunds	Refunds - Exports WO payment of tax - part of RFD01	20-Nov-17
43	Refunds	Refunds - BO Processing	20-Nov-17
44	Refunds	Refunds - Excess Balance in Cash Ledger	01-Dec-17
45	GSTR 7	Creation and Submission of TDS Return GSTR-7	08-Dec-17
46	GSTR 7A	View of GSTR-7A (TDS)	08-Dec-17
47	GSTR 8	Creation & Submission of Return for e-Commerce GSTR-8	08-Dec-17
48	Refunds	Refunds - Exports of Services	08-Dec-17

Agenda Item 4: Note on revenue collected in August and September, 2017 under Goods and Services Tax (GST) and Compensation paid to States for the period July – August, 2017

1. **Revenue collection:**

1.1. **Table 1** below gives the details of revenue collected as Central goods and services tax (CGST), State goods and services tax(SGST) and Integrated goods and services tax (IGST) upto 31 August, 2017 and the details of funds transferred to the Centre and States (including Union Territories) on account of settlement of funds.

Table 1: GST Revenue upto 31.08.2017(for July 2017 return period)

			Rs. Crore		
			July receipts	Funds transferred due to settlement	Net revenue after settlement
CGST			15263	3297	18560
SGST			23270	7504	30774
IGST			48314	-10801	37513
Cess			7216		7216
	Total				94063

1.2. **Table 2** below gives the details of revenue collected as Central Goods and Services Tax (CGST), State Goods and Services Tax(SGST) and Integrated Goods and Services Tax (IGST) upto 28 September, 2017 and the details of funds transferred to the Centre and States on account of settlement of funds.

Table 2: GST Revenue from 1st September – 28 September, 2017(for August 2017 return period and balance returns of July 2017)

			Rs. Crore		
			August receipts	Funds transferred due to settlement	Net revenue after settlement
CGST			14958	5080.7	20038.7
SGST			21773	10852	32625
IGST			47899	-15932.7	31966.3
Cess			7844		7844
	Total				92474

1.3. Out of 68.2 lakh taxpayers expected to file returns, 52.02 lakh taxpayers have filed GSTR-3B returns for July 2017 and 41.50 lakh taxpayers have filed August 2017 returns till 28.09.2017.

2. **Compensation:**

- 2.1. As per section 7 of the Goods and Services tax (Compensation to States) Act, 2017, the States (including Union Territories with legislatures) have to be compensated for any loss of revenue arising out of implementation of GST during the “transition period”. The “transition period” being defined in the Act as a period of five years from the “transition date” which in turn has been defined in the Act as the date on which the SGST Act of the concerned State comes into force. Accordingly, as per the provisions of the Act a compensation amount of Rs. 8698 crore has been provisionally released to the States as compensation for the period 1 July, 2017 to 31 August, 2017. Revenue accrued to the States has been calculated taking into account the revenue from State taxes subsumed into GST collected in the period 1 July, 2017 to 31 August, 2017, SGST collected in the said period and the funds transferred to the States on account of settlement done based on July returns filed upto 28.08.2017.
- 2.2. All States were requested to provide data on taxes collected in the month of July and August 2017 from taxes subsumed under GST. For the State of Rajasthan, the base year revenue for the year 2015-16 as per figures provided by Accountant General (AG) of the State was Rs. 17,159 crore. This figure calculated for a month after projecting an increase of 14% per annum as per the Compensation Act comes to Rs. 1858 crores. Against this figure, Rajasthan has reported a revenue collection figure of only Rs. 1069 collected in the month of July 2017. The reason for this steep decline in collection of revenue in July 2017 is being ascertained from Rajasthan since it is at variance with the revenue collection reported by other States for month of July 2017.
- 2.3. Compensation to Arunachal Pradesh could not be released as the State did not report revenue collected in the month of August 2017. The State has been asked to send the same.

Agenda Item 5: Report and Recommendations of the Committee on Exports

In the 21st Meeting held on 09.09.2017 at Hyderabad, taking cognizance of the difficulties being faced by exporters post-GST, the Council decided to constitute a Committee on Exports to examine the issues troubling the export sector and to recommend a suitable strategy for helping this sector. The Council also desired the Committee to examine Agenda Item 5(i) of the Hyderabad meeting, which proposed the issue of a notification to deny provisional refunds to specified categories of exporters viz. those who are newly registered and those who do not file prescribed returns for 3 consecutive tax periods.

2. **Members of the Committee:** In accordance with the decision of the Council, the Hon'ble Union Finance Minister and Chairman of the Council constituted a Committee on Exports on 12.09.2017 with the following members.

Sl.No.	Name, Designation & Organization	
1.	Dr.Hasmukh Adhia, Revenue Secretary	Convenor
From Central Government Side		
2.	Ms. Vanaja N. Sarna, Chairperson, CBEC	Member
3.	Shri P.K. Das, Member Customs, CBEC	Member
4.	Shri Alok Chaturvedi, Director General, Director General of Foreign Trade	Member
5.	Shri Arun Goyal, Additional Secretary, GST Council Secretariat	Member
6.	Shri Sandeep M. Bhatnagar, Director General, Directorate General of Export Promotion, CBEC	Member- Secretary
From State Government Side		
7.	Dr. P.D. Vaghela, Commissioner of Commercial Taxes, Government of Gujarat	Member
8.	Shri Rajiv Jalota, Commissioner of Sales Tax, Government of Maharashtra	Member
9.	Shri Ritvik Ranjanam Pandey, Commissioner of Commercial Taxes, Government of Karnataka	Member
10.	Shri Mukesh Kumar Meshram, Commissioner of Commercial Taxes, Government of Uttar Pradesh	Member
11.	Ms. Smaraki Mahapatra, Commissioner of Commercial Taxes, Government of West Bengal	Member
12.	Shri M. Balaji, Joint Commissioner of Commercial Taxes, Government of Tamil Nadu	Member
Co-opted Members		
13.	Commissioner (GST Policy), CBEC	Special Invitee
14.	Joint Secretary (Customs), CBEC	Special Invitee

3. **Deliberations of the Committee:** The Committee held meetings on 19.09.2017, 20.09.2017 and 29.09.2017. Sub-groups of the Committee met on 23.09.2017, 26.09.2017 and 28.09.2017. These meetings were attended by various stakeholders including GSTN, DG Systems, CBEC, CAG, CCA, etc. In its first meeting on 19.09.2017, Secretary, Department of Commerce, Government of India and Chief Economic Adviser, Government of India were also present when the Committee met with

representatives from exporter's associations and Export Promotion Councils (EPCs) to highlight their difficulties post GST implementation and suggest the way forward. The following associations / EPCs were present:

- i. Federation of Indian Export Organizations (FIEO)
- ii. Gem and Jewellery Export Promotion Council (GJEPC)
- iii. Engineering Export Promotion Council (EEPC)
- iv. Council for Leather Exports (CLE)
- v. Basic Chemicals, Cosmetics & Dyes Export Promotion Council (CHEMEXIL)
- vi. Apparel Export Promotion Council (AEPC)
- vii. Pharmaceuticals Export Promotion Council (PHARMEXCIL)
- viii. Handicrafts Export Promotion Council (HEPC)

4. **Issues identified by the Committee:** After interacting with all concerned and examining the representations received, the Committee identified the following core issues which need to be immediately addressed to encourage exports in the GST environment:

- (a) Delay in grant of refunds of IGST and input taxes on exports;
- (b) Working capital blockage for manufacturer exporters including EOUs due to requirement of upfront payment of GST on inputs and capital goods;
- (c) Working capital blockage for merchant exporters due to requirement of upfront payment of GST on finished goods;
- (d) Increased transaction cost due to requirement of bond/letter of undertaking (LUT) for all exports and need for bank guarantee in certain cases; and
- (e) Reduced usability of duty credit scrips and levy of GST on their sale-purchase.

5. The Committee also examined the issue earlier placed before the Council in its Hyderabad meeting viz. denial of provisional refunds to specified categories of exporters.

6. Additionally, the Committee noted that levy of GST on bunker fuel supplied to foreign going vessels is making India less competitive *vis a vis* neighbouring countries and this required a solution.

7. **The Committees' report:** The Committees' report highlighting the issues constraining the exporters as well as its recommendations to resolve each of these issues is placed before the Council for consideration (**Attachment as Annexure I**). The report also includes recommendations on Agenda Item 5(i) of the 21st Meeting relating to denial of provisional refunds to specified categories of exporters, which was specifically referred to the Committee by the Council.

8. **Summary of recommendations:** The Committee makes the following recommendations for the consideration of the Council:

8.1 **Issue 1: Delayed refunds:** While refund of IGST paid on export of goods outside India is to be handled by Customs (Rule 96 of CGST Act, 2017), other refunds have to be handled by jurisdictional GST officer of the State or Central Government, as the case may be. The present delays are on account of difficulties in filing returns, non-availability of electronic refund application etc. While GSTR-1 which contains transaction level details of export supplies is available for the month of July only, this return cannot be filed for August and

subsequent months till the complete cycle of filing GSTR-1, GSTR-2 and GSTR-3 is completed for the previous month. This is a requirement of law and GSTN has been designed accordingly. In the circumstance, the proposed solution is to manually handle the refunds. Accordingly, the Committee has in consultation with stakeholders ensured that:

- (a) Customs authorities would begin processing refunds of IGST paid on exports made in July 2017 latest by 10.10.2017.
- (b) Customs authorities would begin processing refunds of IGST paid on exports made in August 2017 from 18.10.2017 on the basis of a utility to be developed by GSTN to make available Table 6a of GSTR-1.
- (c) Timeline for processing refunds (of IGST paid on export of services/supplies to SEZs and of accumulated credit on export of goods/services/supplies to SEZs under Bond/LUT) would be fixed after getting inputs from GSTN and resolving of payment issues by Pr.CCA, CGA etc.

The above solution has been discussed by the GIC also and a SOP for grant of manual refunds is being prepared.

8.2 Issue 2: Working capital blockage: Holders of Advance Authorizations / EPCG / 100% EOUs earlier procured their inputs / capital goods etc. meant for export production duty free but now have to pay GST thereon. Likewise, merchant exporters procured their goods for export free of Central duties but they now have to pay GST. This has given rise to the problem of cash blockage, which is presently accentuated by the delay in refunds. However, even after refunds are provided expeditiously, this will always remain an issue during the production-refund cycle which is estimated to be minimum 6 months. The Committee proposes the following two options for resolving this issue:

8.2.1 Option-1: Exemption on IGST and Cess on imports + Deemed export and nominal GST for supplies to merchant exporters

(A) For exporters earlier working under Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% EOU schemes

I- For procuring imported supply –

Grant exemption from payment of IGST and Cess under Section 6 of IGST Act, 2017 read with Section 25 of the Customs Act, 1962.

II- For procuring domestic inward supply –

- a. Supplies against (i) AA/ Advance Release Order (ARO) holder, (ii) EPCG/ARO holder and (iii) EOU/ARO holder shall be notified as deemed exports u/s 147 of CGST/SGST Act and to allow refund of tax paid to the supplier of deemed export supplies.
- b. A mechanism would be put in place whereby the exporter having AA / EPCG License or EOU status would identify the supplier from whom he would procure goods and ARO would be issued in the name of supplier.

- c. The existing monitoring mechanism for exports under these schemes would continue.
- d. In case of refund of IGST on such inter-state deemed export supplies, appropriate settlement mechanism would be required to be put in place.

[Legal position:

Under Section 54(1) of the CGST Act, 2017, any person claiming refund of any tax paid by him may make an application before expiry of two years from the relevant date in such form and manner as may be prescribed. The Explanation to Section 54 explains that refund includes refund of tax on the supply of goods regarded as deemed exports. As per Explanation (2) to Section 54, in the case of supply of goods regarded as deemed exports where a refund of tax paid is available in respect of goods, the time limit of two years shall run from the date on which the return relating to such deemed exports is furnished.

ii. The term “deemed exports” has been defined under Section 2(39) of the CGST Act, 2017 as supplies of goods as may be notified under Section 147 of the said Act. Under Section 147, the Government can, on the recommendations of the Council, notify certain supplies of goods manufactured in India as deemed exports, where goods supplied do not leave India, and payment for such supplies is received either in Indian rupees or in convertible foreign exchange.

iii. Presently under Sub-rule 89(1) of the CGST Rules (Refunds), in respect of supplies regarded as deemed exports, application for refund of taxes paid on such supplies is required to be filed by the recipient of the deemed export supplies. This Rule shall be amended to provide that the supplier who supplied goods to categories (i), (ii) or (iii) as in (a) above, which shall be regarded as deemed exports, the application for refund shall be filed by the supplier of deemed export supplies.

iv. Rule 89(2) of the CGST Rules deals with documentary requirements for claiming refund. Clause (g) provides that in a case where the refund is on account of deemed exports, the applicant has to furnish a statement containing the number and date of invoices along with such other evidence as may be notified in this behalf. No change is required in this regard.]

(B) For Merchant Exporters

- a. Supplies of goods for exports not requiring further processing to a registered exporter (registered with Export Promotion Council and Commodity Boards) shall be subject to payment of GST on reduced rate of 1% only.

- b. Adequate safeguards such as requiring the export goods to be aggregated in identified export warehouses etc. shall need to be put in place to prevent leakages.

8.2.2 Option-2: e-Wallet

8.2.2.1 An e-Wallet would be created for exporters. A notional credit can be given in advance in this e-Wallet on the basis of the past export performance of exporters and they can use the balances in e-Wallet to discharge the tax liability upfront and then adjust the credit against the refund payable to them. The notional credit in the e-Wallet is like an advance refund, with the restriction that this amount can only be used for payment of taxes and will get adjusted against final payment of refunds. The amount of credit in the e-Wallet can be fine-tuned depending on the ITC accumulation during the period being taken for processing of refunds. As and when the refunds become prompt, the balances required to be credited in the e-Wallet can be progressively reduced and ideally there should be no requirement for any such notional credit.

8.2.2.2 This facility can be easily used for payment of IGST on imports. Depending on the average IGST payable on imports for exports, the exporter can be given credit in this wallet. This will ensure that there is no additional burden of working capital.

8.2.2.3 However, unlike in the case of imports, taxes on domestic purchases has to be paid to the supplier rather than to the Government and the tax paid by the exporter is only on the value addition. Therefore, if the e-Wallet system allows a transfer of balances from one account to other and the balances are allowed for payment of taxes, this problem can be addressed. In fact, if the e-Wallet balances are allowed to be used only for payment of taxes, it will, more or less, ensure that recipients transfer the balances only to the extent of taxes. Once transfer is allowed, the total working capital requirement in the eco-system will get reduced by the amount of the notional credit given in the e-Wallets.

8.2.2.4 The biggest advantage of this system would be that it is completely transparent and not amenable to misuse. It does not touch with the overall GST model adopted in the law. While the seamless flow of credit is not blocked at any stage, in addition, there is no rate arbitrage created at any stage. Since there is no rate arbitrage created by this model, tax authorities are not required to check on regular basis, and especially at the time of giving refunds, whether inputs were actually used for exports or not. All that is required is to have a direct correlation between the refund payable to the exporter and the time taken in giving such refunds. One other advantage is that the formula to be adopted would be uniform for all exporters and would, thus, be fair and without bias. Once there is a formula, the credits will be objective and refunds will be seamless without the requirement on part of the exporter to show what inputs went for exports and what did not.

8.2.2.5 Various accounting treatments are possible for this proposed system. However, since the credit in the e-wallet is like an advance refund, the credit in the wallet can be matched by an equivalent debit in the “deduct – refund” head under the relevant tax head and a credit in suspense head in Public Account. Transfer of balance from wallet of one taxpayer to the other taxpayer need not be accounted by the Government and only needs to be accounted by the e-Wallet system. Finally, when the balance is used for payment of tax, it can be debited in the e-

Wallet and credited to the cash ledger/tax head debiting the suspense head in Public Account. Alternatively, no entry may be made when the notional credit is given. However, when the taxpayer makes the payment from the e-Wallet, the tax head may be credited with a matching debit entry in the suspense head in Public Account. This may be set-off when the refund is actually given adjusting against the credit given in the e-wallet account.

8.2.2.6 Ideally the implementation of e-Wallet system should be kept out of the purview of GSTN and the credit from e-Wallet system should be one of the mechanisms to deposit tax into the cash ledger of GST payers. In this regard, agencies like NSDL or, preferably, NPCI, that are already running a far more sophisticated system would be ideal candidates for this kind of system.

8.2.2.7 Looking forward, such a system can work as a mechanism not only for exporters but can work as an engine for various incentives that Governments would like to give. This can work a common solution for the problem currently being faced with respect to export scrips as well and in future, scrips can be issued as credit into the same e-Wallet system, only difference would be that they would not be rolling in nature.

8.3 **Issue 3: Increased transaction cost due to requirement of bond/letter of undertaking (LUT) for all exports and need for bank guarantee in certain cases:** The Committee noted that in terms of Section 16 of IGST Act, 2017 zero rated supplies can be made under bond or LUT, subject to such conditions, safeguards and procedure as may be prescribed, without payment of IGST. Thus, statutory requirement is either of a bond or LUT and the requirement of Bank guarantee is part of safeguards and conditions. In contrast in the pre-GST regime, service exporters as well as merchant exporters were not required to execute any bond/LUT except for the exporters registered with Central Excise. Accordingly, the Committee advises doing away with bond as well bank guarantee and to prescribe only a LUT subject to certain safeguards. This was examined by the GIC and a notification in this regard is being issued.

8.4 **Issue 4: Reduced re-usability of duty credit scrips:** Pre-GST, duty credit scrips issued as incentives to exporters by DGFT could be used for debiting Customs duty as well as Additional Custom Duty on imports and Central Excise duty and Service TAX on domestic procurement. However, post GST, these scrips can be used only for Basic Customs Duty. This has reduced the utility of scrips and their sale value has come down. The Committee noted that the premium on scrips has come down to the disadvantage of exporters. Acknowledging the importance of encouraging exports, the Committee recommends that the GST rate on sale-purchase of duty credit scrips be reduced from 5% to Nil. However, if option of e-Wallet is adopted, even MEIS scrip can be deposited in e-Wallet in which case this concession may not be necessary.

8.5 **Issue 5: Denial of provisional refunds to new exporters:** The Committee examined this issue in the context of encouraging exports in the national interest. The Committee recommends that such new exporters need to be encouraged as a part of the overall strategy to boost exports. Thus, the Committee recommends that the proposal to deny provisional refunds to exports who have obtained registration under CGST/SGST/existing law within 6 months of applying for refunds should not be accepted.

8.6 **Issue 6: Denial of provisional refunds to exporters who have not filed returns for 3 consecutive tax periods:** The Committee noted that the grant of refund is legally linked to the filing of prescribed GSTR-1 and GSTR-3/3B returns. Also, the filing of these prescribed returns for a particular tax period is linked to completing the cycle of filing these returns in the previous tax period. Thus, the legal provisions would themselves ensure refund is not given when tax returns are not filed. Moreover, any negative observation at this juncture would not be good for exporters. Hence, the proposal is infructuous and the Committee recommends it may not be proceeded with.

8.7 **Issue 7: GST rate on bunker fuel supplied to foreign going vessels:** The Committee noted that high rate of GST on bunker fuel supplied to foreign going vessels is making India less competitive *vis a vis* its neighbouring countries and it is reported by oil marketing companies that business is shifting to countries like Sri Lanka. However, any lowering of tax or exemption on such supply would adversely impact our domestic coastal shipping which also needs encouragement. Balancing various options including administrative problems in monitoring end use, the Committee recommends GST rate on bunker fuel be reduced to flat 5% for both coastal vessels and foreign going vessels.

9. The Report of the Committee on Exports is placed before the Council (Annexure-I)

Annexure-I

Report of the Committee on Exports

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REPORT OF THE COMMITTEE ON EXPORTS

1.0 Introduction

- 1.1 In the 21st Meeting held on 09.09.2017 at Hyderabad, taking cognizance of the reported difficulties being faced by exporters post-GST, during discussion on Agenda Item 5(i), the GST Council decided to constitute a Committee on Exports comprising of officers from Central as well as State Governments to examine the issues troubling the export sector and to recommend a suitable strategy for helping this sector. Accordingly, with the approval of the Finance Minister and Chairman of the GST Council, a Committee on Exports (hereinafter referred to as the Committee) was constituted on 12.09.2017. The membership of the Committee is indicated at Annexure A.

2.0 Executive summary of recommendations

- 2.1 Refunds of IGST paid on exports made in July 2017 to start from 10.10.2017 by Customs.
- 2.2 Refunds of IGST paid on exports made in August 2017 to start from 15.10.2017 by Customs on the basis of a utility for Table 6a of GSTR-1 being made available by GSTN.
- 2.3 Other refunds (refund of IGST paid on export of services/supplies to SEZs and refund of accumulated credit on export of goods/services/supplies to SEZs under bond/LUT) may be processed manually till the time refund module is made operational by GSTN.
- 2.4 Options of (a) IGST exemptions on imports and deemed export status for domestic supplies or (b) e-wallet outside GSTN may be considered to mitigate the problem of working capital blockage due to requirement of payment of GST on inputs and capital goods meant for export production.
- 2.5 Option to provide (a) reduced rate of GST with adequate safeguards to prevent leakages or (b) e-wallet may be considered to address issue of working capital blockage for merchant exporters due to requirement of payment of GST on goods procured for exports.
- 2.6 New exporters i.e. those exporters who have obtained registration under CGST/SGST/existing law within 6 months of applying for refunds should not be denied provisional refunds.
- 2.7 Proposal to deny provisional refund on account of not filing tax returns for 3 consecutive tax periods immediately preceding the date of application of refund is infructuous because without filing of returns, the refund application cannot be processed.
- 2.8 GST rate on sale-purchase of duty credit scrips may be reduced from 5% to 0%, however if option of e-Wallet is adopted, even MEIS scrip can be deposited in e-Wallet in which case this concession may not be necessary.
- 2.9 GST rate on bunker fuel supplied to both coastal and foreign going vessels may be reduced to flat 5%.

3.0 Deliberations of the Committee

3.1 The Committee held meetings on 19.09.2017, 20.09.2017 and 29.09.2017. In its first meeting on 19.09.2017, the Committee invited representatives from exporter's associations and Export Promotion Councils (EPCs) to highlight the difficulties, if any, being faced by them post GST implementation and give their suggestions on the way forward. The following associations / EPCs were present:

- (i) Federation of Indian Export Organizations (FIEO)
- (ii) Gem and Jewellery Export Promotion Council (GJEPC)
- (iii) Engineering Export Promotion Council (EEPC)
- (iv) Council for Leather Exports (CLE)
- (v) Basic Chemicals, Cosmetics & Dyes Export Promotion Council (CHEMEXIL)
- (vi) Apparel Export Promotion Council (AEPC)
- (vii) Pharmaceuticals Export Promotion Council (PHARMEXCIL)
- (viii) Handicrafts Export Promotion Council (HEPC)

3.2 Secretary, Department of Commerce, Government of India and Chief Economic Advisor, Government of India also attended the meeting and shared their views on the subject.

3.3 Sub-groups of the Committee met on 23.09.2017, 26.09.2017 and on 28.09.2017 with various stakeholders including GSTN, DG Systems, CBEC, CAG, CCA to identify possible solutions and develop timelines for early grant of refunds to exporters.

4.0 Issues identified by the Committee

4.1 After interacting with the associations / EPCs, examining all the representations received on the subject, and discussions with the Department of Commerce and representatives of the States, the Committee identified the following core issues being faced by all exporters, which need to be immediately addressed to encourage exports in the GST environment:

- (f) Delay in grant of refunds of IGST and input taxes on exports;
- (g) Working capital blockage for manufacturer exporters including EOUs due to requirement of upfront payment of GST on inputs and capital goods;
- (h) Working capital blockage for merchant exporters due to requirement of upfront payment of GST on finished goods;
- (i) Increased transaction cost due to requirement of bond/letter of undertaking (LUT) for all exports and need for bank guarantee in certain cases; and
- (j) Reduced usability of duty credit scrips and levy of GST on their sale-purchase.

4.2 The Committee took into account the mandate of the Council that it should examine the proposal before it as per Agenda Item 5(i) which proposed the issue of a notification with respect to sub-section 6 of Section 54 of Central Goods and Services Tax Act, 2017 (Category of registered persons not eligible for refund) with the objective of denying the benefit of provisional refund to new exporters and to those who do not file returns for 3 consecutive tax periods.

- 4.3 The Committee further noted that levy of GST on bunker fuel supplies to foreign going vessels is making India less competitive *vis a viz* neighbouring countries.

5.0 Delay in refunds under GST

- 5.1 The Committee noted that even after two months since launch of GST, the refunds to exporters have not begun. This is compounding the cash flow problems being face by exporters. Moreover, since all exports including supplies to Special Economic Zones (SEZs) are zero-rated under Section 16 of IGST Act, 2017 the grant of refunds attain the top most priority. In this context the Committee noted that refunds for exports can be categorised as below -

- (a) Refund of IGST paid on export goods / accumulated Input Tax Credit (ITC) for export of goods outside India;
- (b) Refund of IGST paid on exported services / accumulated Input Tax Credit (ITC) for export of services outside India; and
- (c) Refund of IGST paid / accumulated Input Tax Credit (ITC) for supply of goods / services to SEZs

- 5.2 While refund of IGST paid on export of goods outside India is to be handled by Customs (Rule 96 of CGST Act, 2017), other refunds have to be handled by jurisdictional GST officer of the State or Central Government, as the case may be.

- 5.3 The Committee noted that common reasons why the refunds are held up is that the grant of refunds is linked to the various returns (GSTR-1 and GSTR-3/3B, which are held up for various reasons. While GSTR-1 which contains transaction level details of export supplies is available for the month of July only, this return cannot be filed for August and subsequent months till the complete cycle of filing GSTR-1, GSTR-2 and GSTR-3 is completed for the previous month. This is a requirement of law and GSTN has been designed accordingly. The implication, as afore stated, is that refunds cannot be processed. The Committee also noted that all refunds for exporter (except refund of IGST paid on export of goods) are to be handled through GSTN but the refund module is so far not available on GSTN.

- 5.4 After discussing various options with all concerned including GSTN and noting the systems related difficulties would take time to resolve, the Committee tasked GSTN with developing a facility for uploading the relevant table (Table 6a) of GSTR-1 filed by the exporters, which along with GSTR-3B which is being filed for each month, would suffice for processing of refund claims. The Committee also felt that in this situation the refunds should be processed manually till such time the systems related issues are resolved. This matter has been discussed in GST Implementation Committee (GIC) also.

5.5 Refund of IGST paid on export of goods outside India

- 5.5.1 Rule 96 of CGST Rules, 2017 provide that refund of IGST paid on export goods shall be based on the shipping bill filed with the Customs system and refund shall be processed and paid by the Customs officers. The Rules provide that refund of IGST paid on export goods can be paid on confirmation of export of goods and filing of a valid GSTR-3 or GSTR-3B.

- 5.5.2 The Committee was informed that in July 2017, about 78,000 Shipping Bills involving approx. 9,900 GSTINs have been filed for export of goods on payment of IGST amounting to around Rs. 600 Cr. The Committee noted that GSTR-1 as well as GSTR-3B for July 2017 is available with GSTN and the proof of export for goods exported in July 2017 is available with Customs System in the form of Export General Manifest (EGM). Thus, there is no reason that these refunds should not be processed and paid. The Committee advised Central Board of Excise and Customs (CBEC) and GSTN to quickly work out modalities for payment of these refunds and start the payment by 10.10.2017 and even earlier if possible. In line with this decision the Committee desired CBEC and GSTN in association with Principal Chief Controller of Accounts (Pr. CCA) and Controller General of Accounts of India (CGA) to chalk out an action plan to start payment of these refunds positively by 10.10.2017.
- 5.5.3 For August 2017 and subsequent months, as GSTR-1 cannot be filed (because the cycle of GSTR-1, GSTR-2 and GSTR-3 for previous month(s) is not complete), it is not possible to match the supplies of the month with shipping bills and refund cannot be processed. The solution found was for GSTN to make available only Table 6a of GSTR-1 of exporters with the details of zero rated supplies electronically to the CBEC. Once such details are available, refunds can be processed using GSTR-3B data with the Table 6a data. GSTN informed that they would be in a position to provide this facility by 15.10.2017. The Committee recommends that refunds for August 2017 and subsequent months be processed accordingly till the time GSTR-1 is made available.
- 5.5.4 Based on the above broad approach to expediting the sanction of refunds of IGST, the following timelines were agreed to for various sub-activities that were identified as being necessary to ensure the flow of refunds latest by 10.10.2017:

A. Refund of IGST paid on export of goods in July 2017 - To be sanctioned by Customs Officers - Target date: 10.10.2017

Sl. No.	Activity	Action Owner	Target Date (Present Status)
1.	DG (Systems) will share with GSTN the details of GSTIN numbers relating to exports made on payment of IGST	DG Systems, CBEC	25.09.2017 (Completed)
2.	GSTN would confirm the number of GSTINs who have also filed GSTR 3B. Then GSTR1 in respect of those entities who have filed GSTR1 and GST3B both will be sent to DG Systems, CBEC	GSTN	28/29.09.2017 (Data testing is in progress)
3.	ICES will enable scroll sanction of IGST refund and scroll generation for cases where GSTR-1 information matches with shipping bill details. In cases of mismatch between GSTR-1 and shipping bill, provision for resolving conflict will be provided in ICES.	DG Systems, CBEC	Before 10.10.2017 (WIP – likely date 07.10.2017)
4.	Refund payments shall be made through PFMS. Message exchange format used for	DG Systems, CBEC and	Before 10.10.2017

	RoSL scheme shall be used for IGST refunds also. Modalities for this shall be finalised between DG Systems, CBEC and Pr. CCA, CBEC and PFMS.	Pr. CCA, CBEC	(WIP – likely date 07.10.2017)
5.	One centralized DDO would be created to process the payment bills. Further, steps in this regard are: (1) procurement of digital signature, (2) payment authority to DDO, (3) DDO to be assigned cross empowerment (Rule 96), (4) SOP for duties and responsibilities of DDO.	JS Customs, CBEC	29.09.2017 (WIP – JS (Cus) has given the details of officer to DG-Systems and CCA, CBEC.

B. Refund of IGST paid on export of goods in August 2017 and subsequent months - To be processed and sanctioned by Customs officers

5.6

Sl. No.	Activity	Action Owner	Target Date (Present Status)
1.	Implementation of processes to make available the 6A table of GSTR1 to DG Systems, CBEC (Customs Team)	GSTN	18.10.2017
2.	Once 1 above is done, the process settled for refunds of July exports as per (A) above will be followed.		

(a) Refund of IGST paid on export of services / supplies to SEZs

(b) Refund of accumulated credit on export of goods / services / supplies to SEZs under Bond/LUT

5.6.1 As noted earlier, the refund module is not available on GSTN. The expected timeline for such module has been indicated by GSTN as end of November 2017. Since refunds cannot be held back for long, the Committee recommends that refunds should be processed manually after capturing relevant details electronically to the maximum extent possible. A pre-requisite is the division of tax payers amongst States and Centre as well as cross-empowerment for purposes of sanction of refunds

5.6.2 In this connection a road map has been prepared for initiating manual processing of refund claims by officers of Central Government. This will also facilitate manual processing of refund claims by State officers. The matter has been discussed in GST Implementation Committee also and a SOP in this regard is being developed after which detailed guidelines can be issued in this regard by GST Council Secretariat.

5.6.3 The suggested roadmap for the manual processing of the said refund claims is as follows:

Refund of accumulated credit for export of goods / export of services under bond/LUT, refund of IGST paid on export of services on payment of IGST, refund of IGST/accumulated ITC on supplies to SEZs - To be processed and sanctioned by jurisdictional Central / State GST officers

Sl. No.	Activity	Action Owner	Target Date (Present Status)
1.	GSTN will make available a utility form on website for refund claimant to make request for debiting their credit ledgers (CGST/IGST/SGST/UTGST/CESS) for the refund amount being claimed by them.	GSTN	10.10.2017 (WIP, form RFD-01 without annexures is being developed)
2.	GSTN will also make available facility for GST officer to order re-credit in credit ledgers indicated above for the amount of refund rejected by him.	GSTN	30.10.2017
3.	GSTN and DG Systems (GST team) will finalize modalities for exchange of GSTR-1 and bridging gap of GSTR-3B being received by CBEC GST system from GSTN.	GSTN & DG Systems, CBEC	06.10.2017 (Data exchange has started. Complete data will be available once connectivity issues are resolved).
4.	ICES team will share details of SBs filed by GSTIN holders where EGM has been filed with GST System. This will enable GST officer verify whether EGM filed for exports for which refund is claimed.	DG Systems, CBEC	27.09.2017 (Completed as facility to check EGM status of a Shipping Bill is available on ICEGATE website)
5.	GST application to enable processing of manual refund application filed by the GST supplier. Timeline for this shall be indicated by GST Team of DG Systems.	DG Systems, CBEC	Out of the three components required for processing the refund claim i.e. status of EGM for the shipping bill, GSTR-3B and GSTR-1; first two are resolved and availability of GSTR-1 is being worked out)
6.	Pr. CCA, CBEC will coordinate with CGA, CAG, Budget Division and Revenue Headquarters to work out an accounting procedure including settlement of funds and to bring state accounting authorities on board in this regard.	Pr. CCA, CBEC	Work in progress.
7.	Cross empowerment of State and Central GST officers to sanction refunds	GIC	Under consideration

6.0 Working capital blockage due to payment of GST on inputs / capital goods / finished goods for export

- 6.1 The Committee noted that three major export promotion schemes namely Advance Authorization (AA), Export Promotion Capital Goods (EPCG) and 100% Export Oriented Units (EOU) provided facility of duty free procurement (import as well as domestic sourcing) of inputs as well as capital goods required for export production. Basic Customs duty as well as Additional duty

of Customs (equivalent to Central Excise duty) was exempted on imports while Central Excise duty was exempted on domestic sourcing. However, under GST, such supplies are subject to IGST on imports and GST on domestic sourcing. Although exports are zero rated and exporter can get back refund of taxes paid on inputs, the funds remain blocked for the production-refund cycle which is estimated to be minimum 6 months.

- 6.2 In regard to the working capital blockage of merchant exporters who procure / aggregate final goods for exports, the Committee noted that pre-GST, merchant exporters could procure export goods duty free under Rule 19 of Central Excise Rules and Form-H procedure of VAT. However, under GST, domestic suppliers can only supply on payment of GST to merchant exporter who has to then claim refund on exports. This has created need for additional working capital as taxes need to be paid which get blocked for entire procurement-export-refund cycle.
- 6.3 The Committee recommends that capital blockage for exporters need to be avoided. In this connection one option is to provide suitable exemption on imports, as was being availed pre-GST by holders of AA/EPCG/100% EOU and provide deemed export status for domestic supplies to such exporters.
- 6.4 For merchant exporters specifically, one option was to have them pay minimal duty which does not block their funds appreciably. This would require adequate safeguards to prevent leakages. The advantage of having such a provision would be that the supplier of goods shall be eligible for refund of input tax credit on account of inverted duty structure.
- 6.5 During discussion, some of the members of States expressed reservation about this as this is against the basic principle of GST regime of pay first and refund later. It is also apprehended that this would need physical controls, break credit chain and create arbitrage opportunities.
- 6.6 An alternative solution to the problem of blocked cash of all exporters that was proposed is to create an “e-Wallet” facility outside GST system and provide virtual credits to exporters which can be used by them to discharge their GST liability on inputs. Such credit can be directly used by exporters to pay IGST on imports and transferred to their suppliers to discharge liability on domestic supplies. The refunds on exports would be used to recharge the credit account. However, the Committee could not readily ascertain the technical requirement and timeline to implement this proposed solution.
- 6.7 The Committee recommends that either of these aforementioned options, which are detailed below, may be considered.

OPTION-1: Exemption from IGST and Cess on imports + Deemed export and levy of nominal GST for supplies to merchant exporters

(C) For exporters earlier working under Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% EOU schemes

II- For procuring imported supply –

Grant exemption from payment of IGST and Cess under Section 6 of IGST Act, 2017 read with Section 25 of the Customs Act, 1962.

II- For procuring domestic inward supply –

- a. Supplies against (i) AA/ Advance Release Order (ARO) holder, (ii) EPCG/ARO holder and (iii) EOU/ARO holder shall be notified as deemed exports u/s 147 of CGST/SGST Act and to allow refund of tax paid to the supplier of deemed export supplies.
- b. A mechanism would be put in place whereby the exporter having AA / EPCG License or EOU status would identify the supplier from whom he would procure goods and ARO would be issued in the name of supplier.
- c. The existing monitoring mechanism for exports under these schemes would continue.
- d. In case of refund of IGST on such inter-state deemed export supplies, appropriate settlement mechanism would be required to be put in place.

[Legal position: Under Section 54(1) of the CGST Act, 2017, any person claiming refund of any tax paid by him may make an application before expiry of two years from the relevant date in such form and manner as may be prescribed. The Explanation to Section 54 explains that refund includes refund of tax on the supply of goods regarded as deemed exports. As per Explanation (2) to Section 54, in the case of supply of goods regarded as deemed exports where a refund of tax paid is available in respect of goods, the time limit of two years shall run from the date on which the return relating to such deemed exports is furnished.

The term “deemed exports” has been defined under Section 2(39) of the CGST Act, 2017 as supplies of goods as may be notified under Section 147 of the said Act. Under Section 147, the Government can, on the recommendations of the Council, notify certain supplies of goods manufactured in India as deemed exports, where goods supplied do not leave India, and payment for such supplies is received either in Indian rupees or in convertible foreign exchange.

Presently under Sub-rule 89(1) of the CGST Rules (Refunds), in respect of supplies regarded as deemed exports, application for refund of taxes paid on such supplies is required to be filed by the recipient of the deemed export supplies. This Rule shall be amended to provide that the supplier who supplied goods to categories (i), (ii) or (iii) as in (a) above, which shall be regarded as deemed exports, the application for refund shall be filed by the supplier of deemed export supplies.

Rule 89(2) of the CGST Rules deals with documentary requirements for claiming refund. Clause (g) provides that in a case where the refund is on account of deemed exports, the applicant has to furnish a statement containing the number and date of invoices along with such other evidence as may be notified in this behalf. No change is required in this regard.]

(D) For Merchant Exporters

- a. Supplies of goods for exports not requiring further processing to a registered exporter (registered with Export Promotion Council and Commodity Boards) shall be subject to payment of GST on reduced rate of 1% only.
- b. Adequate safeguards such as requiring the export goods to be aggregated in identified export warehouses etc. shall need to be put in place to prevent leakages.

OPTION-2: e-Wallet

An e-Wallet would be created for exporters. A notional credit can be given in advance in the e-Wallet of exporters on the basis of their past export performance and the exporters can use the balances in e-Wallet to discharge the tax liability upfront and then adjust the credit against the refund payable to him. The notional credit in the e-Wallet is like an advance refund, with the restriction that this amount can only be used for payment of taxes and will get adjusted against final payment of refunds. The amount of credit in the e-Wallet can be fine-tuned depending on the ITC accumulation during the period being taken for processing of refunds. As and when the refunds become prompt, the balances required to be credited in the e-Wallet can be progressively reduced and ideally there should be no requirement for any such notional credit.

This facility can be easily used for payment of IGST on imports. Depending on the average IGST payable on imports for exports, the exporter can be given credit in this wallet. This will ensure that there is no additional burden of working capital.

However, unlike in the case of imports, taxes on domestic purchases has to be paid to the supplier rather than to the Government and the tax paid by the exporter is only on the value addition. Therefore, if the e-Wallet system allows a transfer of balances from one account to other and the balances are allowed for payment of taxes, this problem can be addressed. In fact, if the e-Wallet balances are allowed to be used only for payment of taxes, it will, more or less, ensure that recipients transfer the balances only to the extent of taxes. Once transfer is allowed, the total working capital requirement in the eco-system will get reduced by the amount of the notional credit given in the e-Wallets.

The biggest advantage of this system would be that it is completely transparent and not amenable to misuse. It does not touch with the overall GST model adopted in the law. While the seamless flow of credit is not blocked at any stage, in addition, there is no rate arbitrage created at any stage. Since there is no rate arbitrage created by this model, tax authorities are not required to check on regular basis, an especially at the time of giving refunds, whether inputs were actually used for exports or not. All that is required is to have a direct correlation between the refund payable to the exporter and the time taken in giving such refunds. One other advantage is that the formula to be adopted would be uniform for all exporters and would, thus, be fair and without bias. Once there is a formula, the credits will be objective and refunds will be seamless without the requirement on part of the exporter to show what inputs went for exports and what did not.

Various accounting treatments are possible for this proposed system. However, since the credit in the e-wallet is like an advance refund, the credit in the wallet can be matched by an equivalent debit in the “deduct – refund” head under the relevant tax head and a credit in suspense head in Public Account. Transfer of balance from wallet of one taxpayer to the other taxpayer need not be accounted by the Government and only needs to be accounted by the e-Wallet system. Finally, when the balance is used for payment of tax, it can be debited in the e-Wallet and credited to the

cash ledger/tax head debiting the suspense head in Public Account. Alternatively, no entry may be made when the notional credit is given. However, when the taxpayer makes the payment from the e-Wallet, the tax head may be credited with a matching debit entry in the suspense head in Public Account. This may be set-off when the refund is actually given adjusting against the credit given in the e-wallet account.

Ideally the implementation of e-Wallet system should be kept out of the purview of GSTN and the credit from e-Wallet system should be one of the mechanisms to deposit tax into the cash ledger of GST payers. In this regard, agencies like NSDL or, preferably, NPCI, that are already running a far more sophisticated system would be ideal candidates for this kind of system.

Looking forward, such a system can work as a mechanism not only for exporters but can work as an engine for various incentives that Governments would like to give. This can work a common solution for the problem currently being faced with respect to export scrips as well and in future, scrips can be issued as credit into the same e-Wallet system, only difference would be that they would not be rolling in nature.

7.0 Increased transaction cost due to requirement of bond/letter of undertaking for all exports and need for bank guarantee in certain cases

7.1 Insistence on bond and bank guarantee from exporters not eligible for furnish Letter of Undertaking (LUT) is leading to increase in transaction cost. In pre-GST regime, service exporters as well as merchant exporters were not required to execute any bond/LUT except for the exporters registered with Central Excise.

7.2 The Committee noted that in terms of Section 16 of IGST Act, 2017 zero rated supplies can be made under bond or LUT, subject to such conditions, safeguards and procedure as may be prescribed, without payment of IGST. Thus, statutory requirement is either bond or LUT and the requirement of Bank guarantee is part of safeguards and conditions. Accordingly, the Committee advises doing away with bond as well bank guarantee and prescribe only LUT subject to certain safeguards. This suggestion was examined by the GIC and a notification in this regard is being issued.

8.0 Reduced re-usability of duty credit scrips

8.1 The Committee noted that pre-GST, duty credit scrips issued as incentives to exporters by DGFT could be used for debiting Customs duty as well as Additional Custom Duty on imports and Central Excise duty and Service TAX on domestic procurement. However, post GST, these scrips can be used only for Basic Customs Duty. This has reduced the utility of scrips and their sale value has come down. DGFT suggested that a solution could be to allow the use of the scrips to pay GST.

8.2 The Committee found that DGFT's proposal to allow use of scrips to debit GST was not acceptable. Therefore, the Committee recommends that GST rate on sale-purchase of duty credit scrips be reduced from 5% to Nil. However, if option of e-Wallet is adopted, even MEIS scrip can be deposited in e-Wallet in which case this concession may not be necessary

9.0 Denial of provisional refunds to specified categories of exporters

- 9.1 GST Council had in its meeting on 09.09.2017 desired the Committee to examine the proposal placed before it vide Agenda Item 5(i) to debar (a) new exporters i.e. those exporters who have obtained registration under CGST/SGST/existing law within 6 months of applying for refunds and (b) exporters who fail to furnish returns for 3 consecutive tax periods immediately preceding the date of application of refund from the grant of provisional refund.
- 9.2 The Committee was of the view that with exports already sluggish, the attempt should be to encourage exports especially by new exporters of start-ups. Further, in their case too, the refund is aligned to the factum of export which is necessarily to be established before granting exports. Thus, the Committee was of the view that denial of provisional refund to genuine new exporters would send a wrong message. In conclusion, the Committee recommends that the identified category of new exporters must not be denied provisional refund.
- 9.3 As regards denial of provisional refund to exporters who fail to furnish returns for 3 consecutive tax periods immediately preceding the date of application of refund, one view was that non-filing of even one return should disqualify the exporter from grant of provisional refund. However, it was seen that the grant of refund itself envisages the completion of the return cycle so there is no need to make a specific exclusion. Moreover, any negative observation at this juncture would not be good for exporters. Therefore, the Committee recommends that this proposal be not proceeded with.

10.0 GST on bunker fuel supplied to foreign going vessels

- 10.1 The Committee noted that high rate of GST on bunker fuel supplied to foreign going vessels making India less competitive *vis a viz* its neighbouring countries and it is reported by oil marketing companies that business is shifting to countries like Si Lanka.
- 10.2 The Committee recommends that GST rate on bunker fuel be reduced to flat 5% for all vessels – whether on foreign run or on costal run. This will encourage costal shipping and would also obviate the administrative problems of monitoring the end use.

Annexure A

Members of the Committee on Exports

[Constituted vide OM F.No.157/Committee-6/Exports/2017 dated 12.09.2017, as amended]

S.No.	Name, Designation & Organization	
1.	Dr. Has Mukh Adhia, Revenue Secretary	Convenor
From Central Government Side		
2.	Ms. Vanaja N. Sarna, Chairperson, CBEC	Member
3.	Shri P.K. Das, Member Customs, CBEC	Member
4.	Shri Alok Chaturvedi, Director General, Director General of Foreign Trade	Member
5.	Shri Arun Goyal, Additional Secretary, GST Council Secretariat	Member
6.	Shri Sandeep M. Bhatnagar, Director General, Directorate General of Export Promotion, CBEC	Member-Secretary
From State Government Side		
7.	Dr. P.D. Vaghela, Commissioner of Commercial Taxes, Government of Gujarat	Member
8.	Shri Rajiv Jalota, Commissioner of Sales Tax, Government of Maharashtra	Member
9.	Shri Ritvik Ranjanam Pandey, Commissioner of Commercial Taxes, Government of Karnataka	Member
10.	Shri Mukesh Kumar Meshram, Commissioner of Commercial Taxes, Government of Uttar Pradesh	Member
11.	Ms. Smaraki Mahapatra, Commissioner of Commercial Taxes, Government of West Bengal	Member
12.	Shri M. Balaji, Joint Commissioner of Commercial Taxes, Government of Tamil Nadu	Member
Co-opted Members		
13.	Commissioner (GST Policy), CBEC	Special Invitee
14.	Joint Secretary (Customs), CBEC	Special Invitee

Agenda Note 6: Issues for consideration for relief to Small Taxpayers

Agenda Item 6(i) – Proposal for increasing the aggregate annual turnover threshold under Composition scheme from Rs. 75 lakh (Rs. 50 lakh in special category States except Uttarakhand and J & K) to Rs. 1 Crore; and not taxing the exempt supplies made by a composition dealer

A: Increase in turnover Limit

Section 10 of the Central Goods and Services Tax Act, 2017 (CGST Act) contain provisions for composition scheme under GST. Proviso to sub-section (1) of section 10 provides that the Government may, by notification, increase the limit of fifty lakh rupees to such higher amount, not exceeding one crore rupees, as may be recommended by the Council.

2. In the 16th and 17th meeting of the GST Council (hereinafter referred to as 'the Council') held on 11 June, 2017 and 18 June, 2017 respectively, it was decided that since the rates under the Composition scheme could not be changed, the annual turnover threshold could be kept at Rs. 75 lakh for all registered persons eligible for the scheme in all States. Accordingly, Notification No. 8/2017-Central Tax dated 27 June, 2017 was issued increasing the annual turnover threshold for composition scheme to Rs. 75 lakh from Rs. 50 lakh for all registered persons registered in any State except states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Himachal Pradesh. Thus the present composition limit is Rs. 50 lakh for persons registered in these nine States and in all other States including UTs the limit is Rs. 75 lakh.

3. In this regard various representations have been received to increase the vertical ambit of the scheme by making it available to larger number of taxpayers. As such the Composition Scheme is primarily to ease compliance burden for small dealers, with turnover above the threshold exemption limit. It essentially provides for a turnover tax regime for such dealers, with facility for filing of return on quarterly basis [instead of monthly return by the normal dealers]. So, to increase its expanse vertically it is proposed that the aggregate annual turnover threshold for availing the composition scheme may be increased from the present Rs. 75 lakh to Rs. 1 Crore (the maximum permissible in the CGST Act). The increase in the turnover threshold will make it possible for greater number of taxpayers to come within its fold and avail the facility of easy compliance. This will not only reduce the compliance burden on small scale sector but will also provide some relief to the system on account of overloading due to huge expanse of taxpayers liable to file monthly returns.

4. There are some tax-payers whose aggregate turnover is above Rs. 75 lakh but below Rs. 1 Crore. There is a demand from such tax-payers to increase the limit under the composition scheme from a retrospective date. It may be clarified that, on examination of the provisions of the CGST laws and rules, it has been found that it would not be possible to provide such benefit from a retrospective date (i.e. from the 1st of July, 2017). This would require a change in the law, which may not be possible at this point of time.

5. Therefore, it is further proposed that in order to ensure maximum benefit and reach of such increased limit, the facility of availing of such increased limit may be extended up to 31/03/2018 by the Council. This facility may be extended to both the migrated as well as new tax-payers and will become valid from the first day of the subsequent month in which the option to migrate to the composition scheme has been exercised by the tax-payer.

6. It is proposed that the Council may approve increasing the aggregate annual turnover threshold under composition scheme from existing Rs. 75 lakh to Rs. 1 Crore. Also, the Council may discuss

whether any such increase is to be enabled for those States which presently have aggregate annual turnover threshold under composition scheme of Rs. 50 lakh.

B: Exclusion of Exempted Turnover

7. It is further submitted that representations have been received to exclude the value of exempt supplies from the aggregate turnover on which the Composition dealer has to pay a fixed percentage in lieu of tax. The Composition Scheme is primarily to ease compliance burden for small taxpayers, with turnover above the threshold exemption limit. It essentially provides for a turnover tax regime for such taxpayers, with facility for filing of return on quarterly basis [instead of monthly return by the normal taxpayers]. However, the Composition Scheme, in its present form, has the following major limitations:

- (a) A taxpayer making inter-State supplies cannot opt for the Composition Scheme;
- (b) A taxpayer who has opted for the Composition Scheme, shall pay [in lieu of tax payable by him] an amount equal to 1%, 2.5% or 0.5% of his turnover in State or turnover in a Union Territory, including the turnover of exempt supplies made by him;
- (c) A Composition taxpayer being a registered taxpayer shall pay tax under reverse charge on supplies received by him from an unregistered person.

As a result, the Composition Levy Scheme has not been as popular as expected, which in turn is likely to affect MSME sector adversely.

8. The limitations of the Composition Scheme, as mentioned at 7(a) and 7(c) above, are linked with the basic structure of the GST. However, the limitation mentioned at 7(b) above [that is a Composition dealer has to pay amount on his total turnover, including that of exempt supplies], may be addressed without compromising any such basic features of GST by prescribing nil rate on exempted supplies of the turnover in a State/UT.

9. The issue was discussed in the Fitment Committee meeting held on 02.10.2017, wherein it was recommended that Nil rate may be extended to manufacturers and traders only, but not to persons engaged in supply, by way of or as part of any service or in any other manner whatsoever, of goods, being food or any other article for human consumption or drink (other than alcoholic liquor for human consumption) where such supply or service is for cash, deferred payment or other valuable consideration [restaurants]. The Fitment Committee was of the view that it would not be advisable to extend Nil rate to such persons [restaurants], as supplies made by the restaurants are treated as supply of services, which is taxed at 12% or 18%, as the case may be, and as such no supply made by them is exempt [para 6(b) of Schedule II of the CGST Act]. Further, it has also been recommended that the said concession would be subject to the condition that the composition dealer maintains separate accounts for exempted supplies and taxable supplies.

10. The proposal at para 4, 5, 6 and 9 above are placed for consideration of the Council.

Agenda Item 6(ii) – Proposal for quarterly filing of returns along with quarterly payment of taxes by taxpayers having annual turnover upto Rs. 1.5 Crore

One of the key sectors of the Indian economy is the Medium and Small-Scale sector (MSME) that is considered to be its backbone. It is one of the biggest contributors towards the employment generation in the country and plays a pivotal role in shaping the export performance of the country. Till now, this sector has been dealt with soft gloves with differential treatment being accorded to it in both Central Excise and VAT regimes. High threshold for exemption under Central Excise coupled with quarterly filing of returns under VAT had provided them a cocoon of easy compliance matrix in which they could thrive. But under GST this protection is not available with no special or differential treatment being accorded to this sector. It must be realized that small taxpayers do not have the wherewithal to deal with the compliance matrix that has evolved in GST and to ask them to comply on the similar lines as the large taxpayers is proving to be unfair. This one size fit all policy has not worked wonders where the sample population comprises of heterogeneous groups with different set of capabilities and capacities.

2. One of the key concerns of the MSME sector is regarding the requirement for monthly filing of returns and that also in a staggered manner spread over a period of 20 days. It is submitted that, ease of compliance and tax payment mechanism is one of the key barometers of the “Ease of doing Business”. Filing of returns by the taxpayers is one of the key parameters that determine the perception of the taxpayer about the compliance mechanism of tax administration. It should not be so complex that the taxpayers find it very difficult to comply with the onerous requirements of tax compliance. It has been well experienced and documented that simpler the process of tax compliance, greater is the level of compliance among the taxpayers. The requirement of filing of monthly returns by the small taxpayers seems to be an onerous task and would tremendously increase the compliance cost for them. Further the fact that in GST there is only e-filing of the returns, casts a greater burden on the small taxpayers who do not have the wherewithal to deal with electronic compliance ecosystem. So, there is a need to look at other alternatives in order to mitigate the compliance cost for MSMEs.

3. There is a desideratum to introduce quarterly tax returns for such taxpayers along with quarterly payment of taxes under GST. This step will go a long way in providing relief to the taxpayers from the onerous responsibility of filing monthly returns. Along with the quarterly return and payment there is a crucial requirement that the Input tax credit on account of the purchases made from such small taxpayers will be available to the recipient on quarterly basis. This will also substantially reduce the stress on IT system.

4. In order to conceive and implement such a scheme for small taxpayers, Section 148 of the Central Goods and Services Tax Act, 2017 (CGST Act), would be required to be brought into play. Section 148 provides that, *“the Government may, on the recommendations of the Council, and subject to such conditions and safeguards as may be prescribed, notify certain classes of registered persons, and the special procedures to be followed by such persons including those with regard to registration, furnishing of return, payment of tax and administration of such persons.”*

5. It is proposed that the Council may accord in principle approval to the proposal for quarterly filing of returns (GSTR- 1, 2 & 3) along with quarterly payment of taxes by taxpayers having annual turnover upto Rs. 1.5 Crore in the previous year. The ITC to the buyers from such taxpayers would also be available on quarterly basis. The taxpayers having annual turnover of more than Rs. 1.5 crore would continue to file monthly returns (GSTR- 1, 2 & 3) along with monthly payment of taxes. Further the GIC may be authorised to approve the changes in the CGST / SGST Rules required to implement this proposal as recommended by the Law Committee.

Agenda Item 6(iii) – Proposal for suspension of application of provisions of sub-section (4) of section 9 till 31 March, 2018

The introduction of reverse charge mechanism (RCM) under sub-section (4) of section 9 of the Central Goods and Services Tax Act, 2017 (CGST Act) has been criticized by trade and industry as one of the most painful provision of the GST regime. Sub-section (4) of section 9 of the CGST Act provides that, *“the central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both”*.

2. The complexity associated with this provision is gargantuan as any registered person purchasing any goods or services from an unregistered supplier is liable to pay GST on such supply on reverse charge basis. This not only increases the compliance cost for the registered recipient but, also indirectly, negatively impacts the supply of such unregistered supplier. Because of the negative compliance attributed to such provision the registered recipient is shy of purchasing goods or services from an unregistered supplier that impacts their business negatively. Further, the objective of exemption threshold from the purview of registration and concomitant taxability, which has been provided to small suppliers, gets defeated on account of this provision. Also, the concept of reverse charge itself is new for large number of taxpayers and it would be worthwhile to provide them adequate time to adjust to the requirements of new system.

3. The pains brought with this provision was sought to be reduced by granting exemption, vide notification no. 8/2017- Central Tax (Rate) dated 28th June, 2017, to intra-state supplies of goods or services or both received by a registered person from any unregistered supplier where the aggregate value of such supplies from any or all the unregistered suppliers does not exceed five thousand rupees in a day. Yet another beneficial provision is 2nd proviso to Rule 46 of the CGST Rules, 2017 that provides for issuance of a consolidated invoice at the end of month. In spite of these provisions, the trade and industry has been crying hoarse against this provision.

4. While it is true that this provision is a good step towards increasing the tax base of the country and formalization of the economy yet it needs to be appreciated that GST itself is a very transformative and disruptive reform that will take time to stabilize. So, this provision may be considered for re-introduction subsequently, once the system stabilizes, in order to reap the benefits associated with this provision.

5. Further, it needs to be appreciated that this provision is leading to various un-intended consequences which is not in the interest of the small and medium industry sector. A huge portion of the Indian economy consists of the small and unorganized sector. As a result of this provision, there is a move of purchases of registered entities away from the unregistered entities to the registered entities. The reason could be the increase in compliance cost for the registered entities. Any bias against the small unregistered entities would not augur well for the Indian Economy at large. Moreover, this provision is making the threshold limit irrelevant. Under current provisions, tax is being collected even on those supplies which are below the exemption limit. Though this is the intent of law, but this is taking away the competitive edge of the small entities. Sometime might be required by the small entities to come to terms with the new tax landscape. Another consequence of this provision is that purchases by registered entities like Educational Institutions / Religious Institutions, the major portion of whose output services are exempt and whose inputs are mostly from the small entities, comes under the ambit of taxation, as it would fall under reverse charge under section 9(4) of the CGST Act, 2017.

6. It is proposed that the Council may approve the proposal for suspension of application of provisions of sub-section (4) of section 9 till 31st March, 2018 so that the trade and industry gets time to acclimatize itself with the GST system and its compliance matrix gets stabilized.

Agenda Item 6(iv) – Proposal for deciding the date for the operationalization of provisions of nationwide e-way bill

The provisions relating to e-way bill as codified in Rule 138 to Rule 138D of the Central Goods and Services Tax Rules, 2017 have been notified through Notification No.27 /2017 – Central Tax dated 30th August, 2017. These provisions would come into force from a date to be notified. The generation of the e-way bill is completely electronic and the same has to be generated on common portal namely www.gst.gov.in by the registered person or by unregistered person or by transporter, as the case may be.

2. The working of the portal has been under scrutiny and at present it appears that the focus of the portal and GSTN should be to smoothen the glitches in the return filing process along with enabling the availability of various forms that are required for the smooth implementation of GST. Loading the portal with the additional burden of generation of e-way bill at this juncture might be counter-productive. Another aspect that needs to be realized is that the internet penetration in various parts of the country is not similar and in certain areas the challenge of internet connectivity might be an issue. The introduction of e-way bill system would require availability of electricity and internet at the time of movement of goods as they cannot be moved unless an e-way bill is not generated. Besides, the development of the module as well as its pilot testing is crucial to ascertain its stability and robustness before it is implemented. Further, the testing of software for nationwide e-way bill being developed by NIC is likely to take one more month. Besides these, the taxpayers are already facing challenges in complying with the existent compliance matrix and overloading them with any such measure simultaneously might only increase their dissatisfaction with the system.

3. Good and Services Tax is considered to be the biggest indirect tax reform that will transform the Indian economic landscape. This tectonic shift in the indirect tax system has the potential to boost Indian economy into a growth trajectory hitherto unprecedented. But alongside being a transformative reform with disruptive tendencies, taxpayers will take time to familiarize themselves with the compliance ecosystem of GST.

4. Keeping in view these points, the Council may decide about the date of operationalization of provisions of nationwide e-way bill.

Agenda Item 7: Issues recommended by Fitment Committee for consideration of the GST Council

Agenda Item 7 (i) – GST Rate in respect of government works contract services having high labour content

Most of the works contract services provided to Government, Governmental Authority etc. attract 12% GST. In the service tax regime, the service component of works-contract services to government, governmental authority was exempted from service tax. However, there were embedded taxes on inputs, input services and capital goods, (excise duty, service tax, VAT). Furthermore, most of the States levied VAT under composition scheme ranging from about 1% to 5%. As this was composition scheme, credit of VAT paid on goods was not allowed.

2. In the initial meetings of Fitment Committee, it was decided to withdraw this service tax exemption because it was felt that it was not possible to segregate the value of services from goods and also because States levied VAT on the goods portion. Works contract was subject to both service tax and VAT in the pre GST regime as permitted by Article 366 (29A) (b) of the Constitution. However, under the GST regime, works contract has been treated as a supply of service under Schedule II of the GST Act (Para 6(a)). It was for this reason that on the recommendation of the Fitment Committee, GST Council decided to levy GST @ 18% on works contract service provided to Government, local authority and Governmental authorities. (The cumulative headline and embedded taxes in the pre-GST regime in respect of works contract service to Government, Governmental Authority etc. was found to be closer to 18% in spite of the service tax exemption.)

3. In the subsequent GST meetings, many of the State Governments felt that levying tax @ 18% on works contract service supplied to Government etc. was more than the cumulative burden of the headline taxes and embedded taxes in the pre GST regime. Therefore, it was decided to reduce the rates of GST on Government works contract to 12% even in respect of those works contract which were not exempted from service tax as on 30 June, 2017. Subsequently, requests have been made by some States to levy a tax of 5% on those works contracts where there is predominantly labour component and the material component is less than 25%. This request was discussed at length in the 21st GST Council Meeting held in Hyderabad on 9 September 2017. Towards this end, Government of Telangana also circulated a booklet on GST implications on Government works contracts.

Examination

4. The details of various kinds of works provided by the Telangana State Government have been examined. There are broadly eight categories of works contract services having varying content of labour and materials. While in the category of Irrigation and CAD i.e. canal works, the effective GST rate seems to have gone down vis-à-vis the pre GST rate, the effective GST rate for another category of Irrigation & CAD (Earth Works) has gone up by about 11% [Component of earth work in this work contract as reported by Telangana is 95%.]. In all other categories, namely, Irrigation and CAD [Electro mechanical Works, Dams and Barrages, Drinking Water Supply Scheme etc.), the incidence in the GST regime is less than the cumulative incidence of headline-and embedded taxes in pre GST regime.

5. As far as other categories of works contract are concerned, for instance, irrigation and CAD (dams and barrages), Drinking Water Supply Scheme/ Mission etc. the effective GST rate appears to be less than the pre GST rate. In fact, in the following category of works, 12% GST rate may lead to a situation to give refunds: -

- a) Roads and Buildings
- b) Road Renewals

c) Bridge Works

6. Furthermore, a communication has been received from Tamil Nadu stating that works contracts which involved material component less than 25% of the contract value, for instance, digging of canals, deepening of ponds/lakes/other lake bodies, the rate may be 5%, provided the work is executed by using own labour. However, if the labour is supplied by the manpower supplier, then the GST rate for contracts involving material component less than 25%, should be 12%.

7. Analysis of the data submitted by the Government of Telangana reveals that even in canal works, incidence of tax in the GST regime is less than what it was in the pre GST regime and in the case of roads and buildings, bridge works even the 12% GST rate would merit refund. (Calculation sheet is circulated separately).

8. The agenda note was circulated to the Fitment Committee by email on 27 September 2017 seeking comments, if any, by 29 September 2017. No comments have been received in this regard so far.

Proposal

9. In view of the above, it is proposed that in case of works contract services involving predominantly earth works (that is, constituting more than 75% of the value of the works contract) supplied to Central Government, State Governments, local authority or a governmental authority may be reduced to 5%. [If the agenda note for extending the reduced rate on specified works contract services to *Central Government, State Government, local authority or Governmental authority* to a “Government Entity” is approved, reduced rate on works contract service covered by this proposal would also be available to Government entity.]

Agenda Item 7 (ii) – Definition of Governmental Authority and GST on Government Grants

The issue of works contract services provided to Governmental Authority was raised in the last GST Council meeting by Gujarat and was also discussed at length in the Meeting of the 21st GST Council on 9 September, 2017. The States felt that the existing definition of Governmental Authority was limited to those authorities which have been entrusted with the functions of municipality under Article 243W of the Constitution. Reference to authorities entrusted with the functions assigned to Panchayat under Article 243G of the Constitution was missing. Consequently, the above-mentioned works contract services provided to a body which has been entrusted with the functions of a Panchayat may not be able to get the benefit of the lower rate of GST of 12%.

2. IGST Act, 2017 has defined the expression Governmental Authority as follows:

“Governmental Authority means 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 ninety per cent. or more participation by way of equity or control, to carry out any function entrusted to a municipality under article 243 W of the Constitution.

This definition is in respect of non-taxable online recipient of services from across the border. It has been defined under Section 2(16) of the IGST Act that *“non-taxable online recipient means any Government, Local Authority, Governmental Authority*” Under GST a notification exempting certain services has been issued wherein Governmental Authority has been given the same meaning as assigned in the IGST Act [Para 2(zf) of notification No. 12/2017 –Central Tax (Rates).] Another notification prescribing various rates of services under GST has also been issued [notification No. 11/2017-Central Tax (Rates)]. By implication, the same definition of Governmental Authority is applicable in respect of services provided to works contract services provided to Governmental Authority.

3. Some States raised other issues with regard to definition of Governmental Authority. One of the States was of the view that there should be no restriction of 90% of equity participation by Government; any authority with 51% or more Government equity should be considered a Governmental Authority. Governmental Authority should include all corporations, boards, statutory bodies which receive budgetary grants. SPVs set up by Governments for carrying out Government Construction Works should also be covered in the definition of Governmental Authority. The Hon’ble Union Finance Minister observed that definition of Governmental Authority should be strict and narrow so as to cover entities which are purely government in nature. Intention is not to exempt goods or services supplied by or to public sector units, which are expected to pay taxes on their purchases and output. It was decided by the Council that the issue of definition of Governmental Authority should be examined by the Fitment Committee to which a recommendation on the issue has been sent by Law Committee.

Recommendation of the Law Committee to Fitment Committee

4. Law Committee has recommended that:

(i) Definition of *Governmental Authority* in notification No. 12/2017-CT may be amended as under:

“For the purposes of this notification, the expression “Governmental Authority” means 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 90% or more participation by way of equity or control, to carry out any function entrusted to a municipality under Article 243 W of the Constitution or to a Panchayat under Article 243 G of the Constitution.

(ii) Entry at Sl. No. 5 of notification No. 12/2017-CT (Rate) dated 28.06.2017 may be amended along the lines of entry at Sl. No. 4 to include services provided by Central Government, State Government, Union territory and local authority in addition to those provided by governmental authority.

Comments of TRU

5. As has been informed by States that there are bodies/authorities constituted to exclusively carry out functions entrusted to a Panchayat under Article 243 G of the Constitution, definition of Governmental Authority in notification No. 12/2017-CT dated 28.06.2017 and corresponding IGST, UTGST and SGST notifications may be amended as recommended by the Law Committee subject to vetting by the Union Ministry of Law. The same definition may also be included in the notification No. 11/2017-CT dated 28.06.2017 and corresponding IGST, UTGST and SGST notifications which, as amended by notification No. 20/2017-CT dated 22.08.2017, prescribes GST rate of 12% on certain works contract services provided to Governmental Authority.

6. The definition of Governmental Authority, as it exists in section 2(16) of the IGST Act, and as proposed to be included in the notifications includes "...Authority or a Board or any other body ...". Thus, it already covers all corporations, boards, statutory bodies, SPVs which meet other requirements of the definition. Therefore, no amendment needs to be carried out in the definition on this count.

7. As regards the proposal to consider all authorities with 51% or more Govt. equity as Governmental Authority, it needs to be stated that benefit of tax exemptions from the Service Tax regime has been intended for bodies essentially governmental in nature, carrying out sovereign functions, and having no or little private equity. Extending benefit of tax exemption to corporations/companies having substantial private equity participation would enrich such private equity investors at the cost of the Government exchequer. Therefore, the requirement of 90% or more participation of Government by way of equity or control should not be diluted.

8. Sl. No. 4 and 5 of notification No. 12/2017-CT (Rate) dated 28.06.2017 presently, read as under:

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition
4	Chapter 99	Services by Central Government, State Government, Union territory, local authority or governmental authority by way of any activity in relation to any function entrusted to a municipality under article 243 W of the Constitution.	Nil	Nil
5	Chapter 99	Services by a governmental authority by way of any activity in relation to any function entrusted	Nil	Nil

		to a Panchayat under article 243G of the Constitution.		
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8.1 Words “Central Government, State Government, Union territory, local authority” appear to have been omitted from Sl. No. 5 of the notification inadvertently. Corresponding Service Tax exemption [Notification No. 25/2012-ST, Sl. No. 60 dated 20.06.2012] covered services provided by Central Government, State Government, Union territory, local authority as well as governmental authority. *Entry at Sl. No. 5 of notification No. 12/2017-CT (Rate) dated 28.06.2017* and corresponding IGST, UTGST and SGST notifications may be amended as recommended by the Law committee.

9. An incidental amendment, connected with reduction in GST rate on specified works contract services, is required to be carried out in para 2 of notification No. 11/2017-CT dated 28.06.2017 and corresponding IGST, UTGST and SGST notifications. The said para provides that “*In case of supply of service specified in column (3) of the entry at item (i) against serial no. 3 of the Table above involving transfer of property in land or undivided share of land, as the case may be, the value of supply of service and goods portion in such supply shall be equivalent to the total amount charged for such supply less the value of land or undivided share of land, as the case may be, and the value of land or undivided share of land, as the case may be, in such supply shall be deemed to be one third of the total amount charged for such supply.*” The said paragraph referred to only the service specified at item (i) against serial no. 3 of the Table of the said notification as at the time of issue of the said notification only the service specified therein involved transfer of property in land or undivided share of land. However, subsequently, works contract services have been specified at other items against Sl. No. 3 at GST rate of 12%, which may involve transfer of property in land or undivided share of land, such as construction of low cost houses under scheme of affordable housing in partnership or Pradhan Mantri Awas Yojana. It is proposed that provision in para 2 of notification No. 11/2017-CT dated 28.06.2017 may be made applicable to services specified against serial no. 3 at item (i), item (iv) [sub-item (b), sub-item (c), sub-item (d)], item (v), [sub-item (b), sub-item (c) and sub-item (d)], in column (3) of the Table of the said notification and item (vi), [sub-item (c)], involving transfer of property in land or undivided share of land.

10. The word “Government” appearing in column (3) of the entry at item (iii) against serial No. 3 of the Table Notification No. 11/2017-CT dated 28.06.2017 as amended by notification No. 20/2017-CT dated 22.08.2017, may be replaced with “Central Government, State Government, Union territory”. In the Finance Act, 1994 (which governed Service Tax), “government” included Central and State Governments and UTs, while in the CGST/SGST/UTGST Acts, “government” means only the respective government. Corresponding IGST, UTGST and SGST notifications may also be amended accordingly.

II. GST on Government Grants

Law Committee has recommended that *grants given by Central Government, State Government or a local authority to a government entity which is set up by an Act of Parliament or State Legislature, or established by any government with ninety per cent or more participation by way of equity or control, may be exempt under GST law.*

Comments of TRU

2. It has been stated in the proposal part of the law committee recommendation that “*Government of Gujarat has set up various Boards/ Corporations/ Societies/ Institutes to implement various schemes of the Government and to carry out functions on its behalf. Examples of such entities are Gujarat Medical Services Corporation Limited (GMSCL), Gujarat Rural Industries Marketing Corporation (GRIMCO), Gujarat Municipal Finance Board (GMFB) etc.*

Government provides budgetary grants to these entities which in turn carry out allotted functions using these grants.”

*“In transfer of budgetary grants by Government to these entities, it can be argued that the transfer is not solely a transfer of money as Government is expecting the entity to perform certain activities on its behalf. It is highlighted that business has been defined in very broad terms in Section 2(17) of the Acts *ibid* and includes any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for pecuniary benefit. It also includes an activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are engaged as public authorities.”*

3. In view of the above, it is clear that grants given by the Central Government, State Government or a local authority to a government entity which is set up by an Act of Parliament or State Legislature, or established by any government with ninety per cent or more participation by way of equity or control, against certain goods or services to be supplied by such entities to the government would be taxable. This is also the view of the Law Committee and hence the recommendation to exempt supply of such grants.

4. Since the request is to treat grants given to Boards/ Corporations/ Societies/ Institutes etc., as exempt supply, the recommendation of the Law Committee may be accepted with the following modifications highlighted in bold.

(a) *Grants given by Central Government, State Government or a local authority to a “Government Entity” may be exempt under GST. “Government Entity” may be defined as **an authority or a board or any other body including a society, trust, corporation** which is, -*

(i) *set up by an Act of Parliament or State Legislature, or*

(ii) *established by any government,*

*with ninety per cent or more participation by way of equity or control, **to carry out a function entrusted by the Central Government, State Government or a local authority**”.*

5. In addition, it is also proposed that the reduced rate of 12% on specified works contract services supplied to the Central Government, State Government, Union Territory, Local Authority and Governmental Authority may also be extended to a Government Entity, where such specified works contract services have been procured by the government entity in relation to the work entrusted to it by the Central Government, State Government, UT or Local Authority.

III. Section 142 (11) (b) of GST Act

It has been stated by the Law Committee that as per section 142 (11) (b) of GST Act, notwithstanding anything contained in section 13, no tax shall be payable on services under this Act to the extent **the tax was leviable on the said services under Chapter V of the Finance Act, 1994**. Thus, for on-going works contract, section 13 shall not be applicable in case where services are provided before 30th June and bill is issued after 1st July, 2017 i.e. in GST regime. The Fitment committee may examine exempting the same.

Comments of TRU

Under Service Tax, point of taxation arose at the time of the earlier of the 2 events, time of issue of invoice or receipt of advance; if invoice was not issued within the prescribed time limit, then POT was date of completion of service. Ongoing works contract services is a kind of continuous service, which was defined in Service Tax law (POTR) and in CGST Act. A harmonious construction of these provisions enables us to reach a conclusion that GST would not be leviable on that portion of an ongoing works

contract, where service tax was leviable in accordance with the then Point of Taxation Rules. There does not appear to be any need for any exemption from GST. This is what section 142 (11) (b) of the CGST seeks to achieve.

Examination by Fitment Committee:

The agenda note with the above proposals was circulated to the Fitment Committee by email on 25th September 2017 seeking comments, if any, by 27 September 2017. Comments have been received from West Bengal with regard to the agenda point III above. It has been stated that “since there seems to be confusion and the law committee felt that an exemption is required and the fitment committee feels it is self-evident, a clarification should be issued to lay the issue to rest.”

Proposal

I. For definition of Govt. authority:

(i) Definition of *Governmental Authority* in notification No. 12/2017-CT and corresponding IGST, UTGST and SGST notifications may be amended as under:

“For the purposes of this notification, the expression “Governmental Authority” means 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 90% or more participation by way of equity or control, to carry out any function entrusted to a municipality under Article 243 W of the Constitution or to a Panchayat under Article 243 G of the Constitution.

(ii) The same definition may also be included in the notification No. 11/2017-CT dated 28.06.2017 and corresponding IGST, UTGST and SGST notifications which, as amended by notification No. 20/2017-CT dated 22.08.2017, prescribes GST rate of 12% on certain works contract services provided to Governmental Authority.

(iii) Entry at Sl. No. 5 of notification No. 12/2017-CT (Rate) dated 28.06.2017 may be amended along the lines of entry at Sl. No. 4 to include services provided by Central Government, State Government, Union territory and local authority in addition to those provided by governmental authority. Corresponding IGST, UTGST and SGST notifications may be amended as well.

(iv) provision in para 2 of notification No. 11/2017-CT dated 28.06.2017 may be made applicable to services specified against serial no. 3 at item (i), item (iv) [sub-item (b), sub-item (c), sub-item (d)], item (v), [sub-item (b), sub-item (c) and sub-item (d)], in column (3) of the Table of the said notification and item (vi), [sub-item (c)], involving transfer of property in land or undivided share of land.

(v) The word “Government” appearing in column (3) of the entry at item (iii) against serial No. 3 of the Table Notification No. 11/2017-CT dated 28.06.2017 as amended by notification No. 20/2017-CT dated 22.08.2017, may be replaced with “Central Government, State Government, Union territory”. Corresponding IGST, UTGST and SGST notifications may also be amended accordingly.

II. Exemption from GST on Government grants

(i) *Grants given by Central Government, State Government or a local authority to a “Government Entity” may be exempt under GST. “Government Entity” may be defined as **an authority or a board or any other body including a society, trust, corporation** which is, -*

- (i) *set up by an Act of Parliament or State Legislature, or*
- (ii) *established by any government,*
with ninety per cent or more participation by way of equity or control, to carry out a function entrusted by the Central Government, State Government or a local authority”.

(ii) The reduced rate of 12% on specified works contract services supplied to the Central Government, State Government, Union Territory, Local Authority and Governmental Authority may also be extended to a Government Entity, where such specified works contract services have been procured by the Government Entity in relation to the work entrusted to it by the Central Government, State Government, Union Territory or Local Authority.

Agenda Item 7 (iii) – Rate of tax on car leasing, sale of leased cars, sale of old & used cars and reverse charge mechanism on sale of used /seized vehicles, scrap etc by government departments

A. Issue:

A number of references have been received in the Ministry from the car leasing industry requesting for the following -

1. CGST rate for ongoing leases for vehicles purchased and leased prior to 1.7.2017 to be fixed at NIL, or Rate of Tax applicable to ongoing leases be lower compared to new leases.
2. Rate of credit allowable with respect to CGST should be increased from 40% to 70% since excise duty has been discharged at 24-27%, in absence of an invoice. Alternatively, at the end of Rule 1(3)(a)(i) of transitional provisions rules, following proviso should be added:
"Provided that goods lying with customers, given on lease, shall be considered as goods held in stock of registered person. Further, limitation period of 1 year with respect to date of invoice will not be applicable in such case."
3. Rules relating to tax invoice be amended to add "any person eligible to take ITC" or add name/ address/ GSTIN or UIN of person eligible to take ITC.
4. Amend rules suitably to give effect that lease rental with respect to existing leases and subsequent sale of motor vehicle (post termination of lease period) will not be subjected to levy of Compensation Cess.

B. Justification given by leasing industry:

1. Leasing was considered deemed sale in Pre-GST regime and charged to State VAT for which ITC was available. Excise duty was not allowed as ITC since leasing did not attract Service Tax. Thus, Excise Duty paid on purchase of motor vehicles was a cost for leasing companies. In GST, leasing will constitute supply of services and taxable at same rate as that on cars including compensation cess i.e. 29%, 31%, 45%, 48% or 50% depending on category of car. For existing leases, vehicles have suffered excise duty and VAT on input side and were liable to VAT on output side. In GST they will be liable to GST + Cess without any credit of the excise duty already paid. Thus, there will be double taxation.
2. Transition provision for availing ITC [S (140(2))] does not cover this situation since motor vehicles are capital assets for lessor and in possession of lessee and therefore cannot be said to be held in stock of registered person. Further purchase invoices do not show Excise Duty separately as dealer had no obligation to do so earlier.
3. For motor vehicles, dealers issue invoice addressed primarily to lessee, with leasing company's name and registration number appearing as well.
4. Compensation cess is to provide for loss of revenue to the states arising on account of implementation of GST. Since with respect to leases entered prior to appointed date, the taxable event has already happened and company has already discharged taxes under existing regime, accordingly it can be construed that there is no loss to State Govt. on such transactions.

C. Examination:

1. In the VAT and Service Tax era, car leasing companies were paying only VAT on the lease instalments. A customer who leased a car had to suffer only VAT on lease amounts and enjoyed tax advantage compared to a person who bought a car and paid both central excise duty and VAT (in fact, central excise duty suffered on cars was hidden and not visible to the lessee, as part of leasing charges). The disparity has been removed under GST. The customers would pay the due

amount of tax, rightfully due to the exchequer, on car lease instalments due after 1.7.2017. The tax arbitrage or tax advantage has stopped. Private customers can and should pay the due amount of tax.

2. As regards the contention of the car leasing companies that cars purchased by them prior to the appointed day have suffered central excise duty of which they have not been allowed ITC under the transitional regime, the same are apparently misleading. Had they taken ITC of central excise duty paid on cars, they would have definitely been able to carry forward such credit under GST under the existing transitional provisions. They were entitled to take ITC of central excise duty paid on cars for the purpose of paying service tax on 10% of the lease instalments which was deemed to be the value of service provided by a car leasing company. However, car leasing companies instead chose to take depreciation of central excise duty paid on cars under the Income Tax law and were thus ineligible to take Cenvat credit (under Cenvat Credit Rules).
3. There is no doubt that the customers who lease the car for their personal use or companies who lease cars for their employees should start paying the amount of tax, due to the exchequer, on car lease instalments due after 1.7.2017. The tax arbitrage or tax advantage cannot continue for them in new regime.
4. However, this has disturbed the economic viability of persons who have taken the cars on lease for using them as commercial vehicles, such as radio taxi drivers who leased cars from Uber and Ola. They would have to pay a much higher amount of lease instalment post 1.7.2017.

D. Decision of Fitment Committee:

1. The issue was examined by the Fitment Committee in its meeting held on 31 July, 2017. The proposal before the Fitment Committee was that in case of vehicles purchased and leased prior to 1.7.2017 and registered as commercial vehicles prior to that date or within 15 days of leasing, Compensation Cess may be reduced to nil. It was decided in the Fitment Committee that change in cost of leasing of cars by car companies should be worked out taking into account the benefit of depreciation claimed by car leasing companies under the Income Tax Act (of central excise duty) and interest earned thereon. ACS and CCT, Tamil Nadu volunteered to study the issue and submit a report to the fitment committee making suitable recommendations in this regard so as to ameliorate the additional burden suffered by the car leasing industry. They recommended the following remedies:

- (i) Enabling provision may be made in the GST law to extend credit of excise duty paid on the goods purchased prior to 30-6-2017.
- (ii) Exemption may be granted in respect of cess.

2. The first option suggested by CCT, Tamil Nadu may not be possible due to a host of reasons including, the fact that car leasing companies have claimed depreciation of excise duty paid on cars which precludes them from claiming ITC of such excise duty as per the then existing Cenvat Credit Rules, and amendments in the GST Act relating to transitional provisions. Therefore, the other available option is to exempt old leases from compensation cess. However, exemption from cess alone will benefit the larger and bigger cars (more than 4M long and engine capacity more than 1500 cc) and will not resolve the issue of smaller cars where the incidence of cess is 1-3%.

3. Different categories of cars while attracting the same rate of GST attract differential rates of Compensation Cess. The car leasing companies lease them out for varying lease amounts. If the ongoing leases are exempted from compensation cess, then it would be more beneficial to bigger and longer cars with greater engine capacity. If, on the other hand, GST is charged @ 65% of the applicable GST rate and compensation cess, then the additional tax incidence is much lower in case of smaller cars (below 1200 cc & less than 4m) vis-à-vis bigger cars (greater than 1500 cc). While the increase in incidence of

smaller cars is nominal (which is also dependent on the value-add by the leasing company), in case of bigger cars, the increase is subdued vis-à-vis the current scenario.

4. The implication of the above proposal is that in case of small cars (LPG/CNG/Petrol), leasing will attract tax @ 18.85% as against 29% presently. It may be pointed out that in the pre-GST regime, the incidence of VAT and Service Tax on an average was 14.5%+1.5%=17%. Leasing of diesel cars (below 1500cc) will attract tax @ 20.15% as against 31% presently. Leasing of cars having engine capacity greater than 1500cc will attract GST @31.2% as against 48% presently.

5. It is also proposed that the vehicles covered by the above leases (i.e. leases of vehicles purchased and leased prior to 1.7.2017 and registered as commercial vehicles prior to that date or within 15 days of leasing), when disposed off/ sold shall also be taxed at 65% of the applicable GST + Cess rate.

6. The agenda note with above proposal was circulated to Fitment Committee by email on 23 September 2017 seeking comments, if any, by 27 September 2017. Moreover, the issue was further discussed in the meeting of the Fitment Committee on 2-10-2017. The issue whether the proposed rate of tax should be extended to old private car leasing (leased prior to 1 July 2017) apart from commercial lease vehicles. It was felt that it should be extended to include private car leasing as well. However, there should be sunset clause for availing of the reduced rate of tax till 3 years from the appointed date (i.e, 1 July 2017).

7. The issue of rate of GST on sale of second hand vehicles by a registered person, who had procured the vehicle prior to 1 July 2017 and has not availed input tax credit of central excise duty, VAT or any other taxes paid on such vehicles, was also discussed. It was felt that the same GST rate (65% of the applicable GST + Cess rate) should be applicable as on sale of vehicles by car leasing companies.

8. In this context, the issue of sale by way of auction etc of used vehicles, seized goods, scrap etc, by government departments, requiring them to take GST registration, was also discussed. The members were of the view that such sales may be taxed under reverse charge mechanism, at the hands of the buyer under section 9 (3) of CGST Act.

E. Proposal:

In view of the above, it is proposed that, -

- (a) Leasing of vehicles purchased and leased prior to 1 July 2017, may be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1 July 2017;
- (b) the vehicles covered by the above leases (i.e. leases of vehicles purchased and leased prior to 1 July 2017), when disposed off/ sold shall also be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1st July 2017;
- (c) sale/supply of vehicles by a registered person, who had procured the vehicle prior to 1 July 2017 and has not availed input tax credit of central excise duty, VAT or any other taxes paid on such vehicles, would be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1 July 2017.
- (d) sale by way of auction etc. of used vehicles, seized and confiscated goods, scrap etc. by Central Government, State Government, Union Territory or a local authority, to any person, to be subjected to GST under reverse charge under section 9 (3) of the CGST Act.

Agenda Item 7 (iv) - GST on renting of motor cab and transport of passengers by motor cab services

Transport of passengers by motor cab, where the cost of fuel is included in the consideration charged for the services from the recipient, is 5% without ITC of goods and services and 12% with full ITC [Notification No. 11/17 – Central Tax (Rate) dated 28-06-2017 Sl. No. 8 item (vi) refers]. Similarly, renting of motor cab, where the cost of fuel is included in the consideration charged from the service recipient attracts GST @ 5% without ITC and 12% with ITC [Notification No. 11/17 – Central Tax (Rate) dated 28-06-2017 Sl. No. 10 item (i) refers].

2. A number of representations have been received from several quarters raising the following issues–

- (i) The above GST rates applicable for transport of passengers by motor cab or for renting of motor cab should not be restricted to motor cab alone but to all other transport vehicles such as maxi cab, tempo traveler, buses etc. It has been stated that motor cab as defined in the Motor Vehicle Act is a vehicle that can transport up to 6 passengers. Therefore, the term motor-cab does not include maxi cab which is defined in the Motor Vehicle Act as a vehicle that may carry more than 6 but not more than 12 passengers excluding the driver. It has been stated that in the positive list regime of service tax, cab was defined under Section 65 (20) of the Finance Act to include a motor cab, a maxi cab or any motor vehicle constructed or adopted to carry more than 12 passengers excluding the driver for hire or reward. It has also been stated that in the service tax regime, the rate of service tax on renting of motor cab was 6% and prior to 11-07-2014 this rate was applicable to any motor vehicle designed to carry passengers. It has been requested by the industry to extend the GST rate prescribed for transport of passengers by motor cab or for renting a motor cab to transport of passengers by or renting of a cab as defined in Section 65 (20) of the Finance Act, 1994.
- (ii) The GST rate of 5% without ITC for renting of motor cab results in cascading of taxes. In renting a cab business there is frequent use of rent a cab service provided by one operator to another. In the absence of credit of such input services in the same line of business, cascading of taxes takes place. It has been stated that in the service tax regime, at the service tax rate of 6%, cenvat credit on input services of renting a motor cab was allowed. It has been requested that credit of input services in the same line of business may be allowed at the GST rate of 5%.
- (iii) Presently, credit of rent a cab services is not allowed to business entities. Therefore, they are not willing to pay GST @ 12% to rent a cab operator. It has been requested that ITC of rent a cab service may be allowed to business entities if the rent a cab operator avails the option of paying GST at the rate of 12%.

3. The issues have been examined. In the positive list regime of service tax, service tax was levied @ 6% on rent a cab service. Cab was defined in Section Section 65 (20) of the Finance Act, 1994 as under: -
“Cab” means –

- (i) A motorcab, or
- (ii) A maxicab, or
- (iii) Any motor vehicle constructed or adapted to carry more than twelve passengers, excluding the driver, for hire or reward.

3.1 In the Negative List regime, with effect from 11.7.2014, renting of a motor cab attracted GST @ 6% with credit of input service in the same line of business, i.e. rent a cab service taken from another operator. However, prior to 11-7-2014, the service which attracted service tax of 6% was renting of any motor vehicle designed to carry passengers.

3.2 In view of the above, it is proposed that the GST rate of 5% without ITC and 12% with ITC prescribed for transport of passengers by motor cab or renting of motor cab may be prescribed for such service provided by using any other motor vehicle designed to carry passengers.

4. As regards the requests to allow ITC of input service in the same line of business at the GST rate of 5%, as stated above, in the service tax regime, ITC of such input service in the same line of business was available at Service Tax rate of 6% for renting of motor cab. However, full Cenvat credit of such input service was allowed when it was received from a person who paid Service Tax @ 6% and only 40% of such Cenvat credit was allowed when it was received from a person who paid Service Tax at the full rate of 15%. This was done apparently to prevent excess credit flowing to a rent a cab operator.

4.1 In view of the fact that in the Service Tax regime, the service in question attracted Service Tax at the rate of 6% with ITC of input services in the same line of business and the broad principle of carrying forward the same incidence of tax in the GST as existed in the Service Tax regime, it is proposed that ITC of the input service in the same line of business i.e. from another service provider of transporting passengers in any motor vehicle or renting a motor vehicle, may be allowed at the GST rate of 5%. Further, ITC of renting of any motor vehicle or transport of passengers by motor vehicle, would be available to a person who supplies either of the services- renting of any motor vehicle or transport of passengers by motor vehicle.

5 The word “or” appearing in the following condition of notification No. 11/2017-CT (Rate) against some serial numbers, allowing GST @ 5% may be replaced with the word “and” as in other entries. It has been stated that the word “or” gives an impression that ITC of either goods or services can be taken at the GST rate of 5%.

“Provided that credit of input tax charged on goods or services used in supplying the service has not been taken.”

5. The above proposal has the approval of the Fitment Committee.

Agenda Item 7 (v) – Reduction in rate of tax on some Job Work Services

Issue:

Several representations have been received seeking reduction in the GST rate on job work, such as: -

- i) Request received from Imitation Jewellery Manufacturers Association through Secretary, Department of Commerce for lowering the GST rate on job work services on imitation jewellery from 18% to 5% and also to harmonise the tax treatment for job work transactions under Chapter 71 of HS Classification.
- ii) Requests received for exempting the GST on job work services of Papad/Appalam falling under Chapter 1904 of HS Classification.
- iii) Requests received from various quarters for rationalisation of rates of job work services in respect of products of printing industry.
- iv) Request from Eastern UP carpet industry, highlighting 23 processes involved in handmade carpet industry and in that context, 5% GST charged on job work relating to carpets – making compliance difficult and increased input costs, which will make Indian carpets uncompetitive.

Examination

2. In the GST Law, *any treatment or process which is applied to another person's goods is a supply of services* (Schedule II of the CGST Act). However, in order to qualify as job work under the GST Law, the person to whom the goods belong should be a registered person. This is because under the GST Act, job work means *any treatment or process undertaken by a person on goods belonging to another registered person* (Section 2(68) of the CGST Act).

3. The existing tax structure in respect of various categories of job work services and processing of another person's goods is as under:

Sl. No.	Description	Rate
Heading 9988 (Manufacturing services on physical inputs(goods) owned by others)	i) Services by way of job work in relation to: a) Printing of newspapers; b) Textiles and textile products falling under Chapter 52-63 of HS Classification Code; c) Cut and polished diamonds; precious and semi-precious stones; plain and studded jewellery and gold and other precious metals falling under Chapter 71 d) Printing of books including Braille books, journals and periodicals e) Processing of hides, skins and leather falling under Chapter 41	5%
	ii) Services by way of any treatment or process on goods belonging to another person in relation to: a) Printing of newspapers; b) Printing of books (including Braille books), journals and periodicals;	5%
	iii) Manufacturing services of physical inputs(goods) owned by others, other than (i) & (ii) above	18%
Heading 9989	i) Services by way of printing of newspapers; books (including Braille books), journals and periodicals, where only content is supplied by the	12%

	publisher and the physical inputs including paper used for printing belong to the printer	
	ii) Other manufacturing services; publishing, printing and reproduction services; materials recovery services, other than (i) above	18%

4. **Imitation Jewellery**

Arguments in support of the request to reduce the GST rate on job work services from 18% to 5% are as given below:

- a) Though parity in GST rates of precious metal jewellery and imitation jewellery at 3%; there is disparity in the rates applicable to job work services pertaining to them;
- b) Labour intensive nature of imitation jewellery industry (employs 27 lakh work force where about 60% are women);
- c) 80% of activities in manufacturing process of imitation jewellery are carried out manually, labour cost of which is about 50 to 55 per cent of the total cost of imitation jewellery;
- d) Huge export potential of imitation jewellery where job work rate of 18% will increase the cost and make it uncompetitive particularly vis-à-vis machine made imitation jewellery from China (working capital issues);
- e) Value addition of 300% to 400 % in imitation jewellery while real jewellery has value addition of only 10% to 15 %. As 18% rate is applicable on the value addition while 3% rate is applicable to the final value, so there is possibility of credit accumulation. (However, this is refundable in exports).

In view of the justification given by Secretary, Department of Commerce and the Imitation Jewellery Manufacturers Association, there is perhaps a case for bringing parity in the job work rates for imitation jewellery and precious jewellery i.e. 5%. Though, there is an argument that whether or not to go for mechanisation by imitation jewellery manufacturers is determined by whatever is cost-effective. We may apply this 5% rate on job work services in relation to all products falling in Chapter 71.

5. **Papad/Appalam/ Bread/ Other Products**

5.1 i) It is represented that papad falling under heading 1904 is exempt from GST. However, the production process of papad entails job work being carried out by various women groups, which attracts 18% GST which increases the cost of papad, as its ITC cannot be availed. It has been stated that the job work of converting dough into final product of thin papad is carried out by various women groups who are mostly unskilled and come from weaker sections of society. It helps them to lead a dignified and independent life.

ii) In this regard, it is submitted that a similar request has been received from West Bengal Government for reducing the GST rate of job work services in relation to bread from 18% to 5%. Bread (other than pizza bread) is also not taxable in GST. However, other types of bread including buns, pizza bread etc. attract GST ranging from 5% to 18%.

iii) Representation also has been received from job workers manufacturing cattle/ poultry feed on job work basis that the recipients of such supply (suppliers of cattle/poultry feed) are contesting the GST rate of 18% on such job work service. Cattle/poultry feed falls under chapter 23 and attracts GST @ nil.

iv) Representations have also been received for reducing GST rate on (a) job work in marble industry from 18% to 5% (b) umbrella and job work in relation to manufacture of umbrella from 12% to

5% (c) job work of packing of processed milk into packets from 18% to nil, (d) job work of clay brick manufacturing from 18% to 5%.

5.2. The issue of having the same GST rate on job services in respect of any goods, as that on concerned goods was discussed by Revenue Secretary in the GST Core Committee meeting on 22/09/2017, wherein one view was that the rate of job work services should be the same as that of underlying goods. It may be recalled that GST on job work services is paid only on the job work charges, whereas the supply of goods is paid on the full value of goods. Therefore, by equalling the two rates theoretically, there will never be credit over hang. The downside of this proposal is that classification disputes relating to goods would creep into job work services along with its attendant problems. Another issue is whether the rate of job work services should be the same as that on the intermediate product manufactured by the job worker or should it be equal to the final product. Depending upon the value addition involved, business and industry would lobby for different rates giving some justification or the other. Further, if the major raw material is processed by the job-worker, he will take its ITC and with low value addition, he will get refund. In order to obviate this problem, it is felt that we may prescribe 5% rate of job work services in relation to food and food products falling under Chapters 1 to 22 of the HS Code.

5.3 All goods falling under chapter 23 attract GST @ nil/5% except dog and cat food put up for retail sale (CTH 23091000). We may prescribe GST rate of 5% on job work services in relation to products falling under Chapters 23 of the HS Code except dog and cat food put up for retail sale (CTH 23091000).

5.4 GST rate on supply of umbrella is 12% Job work in relation to manufacture of umbrella may be reduced from 18% to 12%.

5.5 GST rate on supply of clay bricks falling CTH 69010010 is 5%. Sand and clay also attract GST @ 5%. Job work in relation to manufacture of clay bricks falling CTH 69010010 may be reduced from 18% to 5%.

5.6 It may not be advisable to reduce GST rate on job work in marble industry as marble blocks and marble slabs attract GST @ 12% and 28% respectively. It may lead to misuse and loss of revenue. It will also not be advisable to reduce GST rate on job work of packing of processed milk into packets as it would result in refund of ITC overflow on account of GST of 18% payable on plastic packing material by jobbers.

5.7. It is submitted that supply of service includes any treatment of process which is applied to another person's goods. This is applicable in most VAT jurisdictions and sometimes referred to as toll manufacturing. However, as brought out earlier, in order to qualify as job work, the supplier of goods has to be registered under the GST Law. Putting a tax on jobbers is as fundamental a concept as payment of tax by a registered person on supply by every unregistered supplier under Section 9(4) of GST Law; the objective being that every value addition is duly accounted for. Though, in respect of exempted food products, even a 5% rate of GST may result in a slight increase in price. The argument sought to be made, that an outsourced manufacturing increases the tax burden and, therefore, there should be no tax on it, was equally applicable in the pre GST regime. For instance, supply of manpower service attracted service tax while hiring of own manpower having employer-employee relationship did not attract service tax. Likewise, while service provided by one person to another person attracted service tax, self-service did not attract service. It is felt that with a low tax rate of 5% on job work services in relation to food and food products, the decision to outsource a part of the process of manufacturing would be taken on efficiency and business considerations. This will also solve the problem of custom milling of rice.

6. Printing Industry

6.1 The request made by the Printing Industry is for reduction in rates of job work services. As stated by them, the rate of 18% is too high as compared to pre GST incidence of 6% and is disruptive for the MSME units. Printing Industry has a range of products like books, newspapers, journals, periodicals, children's picture, drawing or colouring books, maps, atlas, brochures, leaflets, cheque books, wedding cards, tickets, envelope, non-corrugated paper or paper board etc. They have stated that all these products attract different rates of GST ranging from NIL to 18%.

6.2 If part of the entire process is outsourced, then the treatment or process applied to another person's goods kicks in, which is a supply of service. Here also there can be two variants; firstly, whether the goods belong to the printer and, therefore, he is eligible to avail of ITC and secondly, where the goods are supplied by either the customer or the principal manufacturer, where the printer will not be eligible for ITC.

6.3 In this regard, it is further submitted that the job work service of printing of newspapers, books, journals and periodicals has been kept at a concessional rate of 5% GST. However, in case of printing of the above, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer, then GST rate is 12%. The rate was kept at 12% in this case because supply of paper attracts GST@ 12%. Prescribing a lower rate of 5% would have resulted in refund of overflow of ITC to the printers.

6.4 In this context, some representations have been received stating that in case printing process is outsourced to China, then it will escape GST. This does not appear to be correct. If any person (customer or publisher) outsources printing to an overseas destination, then it would be import of service and would attract the same rate of GST as applicable to an Indian printer. In addition, the printed material on their import will also be liable to applicable IGST. It has also been represented that a banker who prints his own cheque is not required to pay any GST because cheque falling under HS 4907 is exempted from GST. However, if the banker gets the cheque printed by another person then 18% GST is applicable.

6.5 It is felt that one way of resolving this problem is to extend the existing dispensation in respect of rates of tax for job work services for newspapers, books etc. to all goods falling in Chapters 48 and 49. Thus, services by way of any treatment or process on goods belonging to another person in relation to printing of all goods of Chapters 48 and 49 (other than newspapers, books etc) will attract GST of 5% and services by way of printing of all these goods where only content is supplied by the customer and the physical inputs used for printing predominantly belong to the printer, may attract GST of 12%. However, prescribing 5% rate for printing services of printing on goods belonging to another person may lead to a *modus operandi* whereby supply of goods attracting GST 12% or higher would also be shown as supply of job work services by routing supply of input material through the recipient of goods. Similarly prescribing 12% rate for all printing services where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer would create disputes in case of those items which attract GST @18% or higher- for example, printed envelopes (48171000), letter cards (48172000) and printed boxes of un-corrugated paper, wall paper, which attract GST @ 18%/28%, having minimal printing as per design, logo etc. supplied by the recipient of goods but made using physical inputs belonging to the printer, there would be claims that it is a supply of service attracting GST@12% and not supply of goods, whereas predominant nature of supply in such cases is that of goods.

6.6 Therefore, it is proposed that:

(a) GST rate on services by way of printing on job work basis or on goods belonging to others in relation to printing of all goods falling under Chapter 48 and 49, which attract GST @ 5% or Nil may be prescribed at 5%. [(Heading 9988]

(b) GST rate on services by way of printing on job work basis or on goods belonging to others in relation to printing of all goods falling under Chapter 48 and 49, which attract GST @ 12% may be prescribed at 12%. [(Heading 9988]

(c) GST rate on services by way of printing on job work basis or on goods belonging to others in relation to printing of goods falling under Chapter 48 and 49, other than those covered by (a) and (b) above, may continue at 18%. [(Heading 9988]

(d) GST rate on services by way of printing in relation to printing of all goods falling under Chapter 48 and 49, which attract GST @ 5% or Nil, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer may be prescribed at 12% [(Heading 9989), item (i) may be amended accordingly]. [It would not result in ITC overflow as most of the paper, paperboard attracts GST@12%. It would also not result in any tax disadvantage to the printer because a recipient of such supply having in-house printing would have also suffered incidence of 12% on paper and paperboard].

(e) GST rate on services by way of printing of all goods falling under chapter 48 and 49 which attract GST @12%, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer, may also be prescribed at 12%. [It would not result in ITC overflow as most of the paper, paperboard attracts GST@12%].

(f) GST rate on services by way of printing of all goods falling under chapter 48 and 49 which attract GST @18% or above, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer, may continue at 18%.

(g) It may be clarified that the supply of books, pamphlets, brochures envelopes, cartons, boxes etc. printed with logo, design, name, address or other content supplied by the recipient of such printed goods, are composite supplies and the question, whether such supplies constitute supply of goods or services would be determined on the basis of what constitutes the principal supply. Principal supply has been defined in Section 2(90) of the CGST Act as supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary. In case of printing of books, brochures, annual reports, leaflets, pamphlets etc., where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer, supply of printing of the content supplied by the recipient of supply is the principal supply and therefore such supplies would constitute supply of service falling under heading 9989 of the scheme of classification of services. In case of supply of printed envelopes, letter cards and printed boxes of un-corrugated paper, tissues, napkins, wall paper etc. falling under chapter 48 and 49, printed with design, logo etc. supplied by the recipient of goods but made using physical inputs including paper belonging to the printer, predominant supply is that of goods and the supply of printing of the content supplied by the recipient of supply is ancillary to the principal supply of goods and therefore such supplies would constitute supply of goods falling under respective headings of chapter 48 and 49 of the Customs Tariff.

7. Hand-made carpets

7.1 The hand-made carpet industry of UP has represented that in pre-GST there was no excise duty on carpets. In GST, 12% GST has been imposed on carpets, as well as 5% GST on job-work related to

manufacturing of carpets. There are 23 processes involved in making of carpets, namely, spinning, weaving, washing and finishing activities that are done by job workers. Most of the job workers are poor, unorganised, illiterate and home based, and it has proven impossible for them to create the infrastructure – logistical, financial and administrative – to comply with the GST requirements. As a result, it will be impossible for hand-made carpet exporters to claim refund of GST paid on inputs and services, which will lead to increased costs and will make Indian carpets uncompetitive in global market.

7.2 In this context, it is to state that textiles sector has been exempt from excise [though subject to condition on non-availment of input tax credit] and in GST all textiles, whether hand-made or machine made have been charged to 5% or 12% GST. Simultaneously, the job-work service in respect of all textiles items now attract 5% GST, while in earlier regime the same was exempt from service tax. Among others, it is this 5% GST on job-work which is agitated by the hand-made carpet industry, on the ground that it has led to increase in costs which in turn will make Indian carpets uncompetitive in global market.

8 The above proposals were discussed in the meeting of the Fitment Committee on 2 October 2017. The Committee approved the proposals at paragraphs 4, 5.2, 5.3, 5.4, 5.5, 5.6 and 6.6. With regard to the proposal at paragraph 7.3 in respect of job work rate in relation to manufacture of carpets, the Fitment Committee was of the view that the same may be continued at the existing rate of 5%, as applicable to all textile goods.

Proposal

In view of the above, the proposals at paragraphs 4, 5.2, 5.3, 5.4, 5.5, 5.6 and 6.6 may be accepted.

Agenda Item 7 (vi) – Rate of Tax on Works Contract in offshore Areas beyond twelve nautical miles and Transportation of natural gas through pipeline

A. Issue:

GST rate applicable in respect of works contract in offshore areas beyond 12 nautical miles was subjected to 6% service tax in pre GST regime. This tax incidence has now gone up to 18%. Further, these works are carried out for the E&P (Exploration and Production Companies), whose output, crude oil and natural gas are not covered by GST. Therefore, the ITC of such works contract is not available. GST Working Group on Oil and Gas Sector has expressed concerns over this.

2. In the pre-GST regime, transportation of natural gas through pipeline attracted service tax of 15% with full ITC. Natural Gas did not attract any excise duty but was subjected to VAT. Now, it is outside GST. Compressed natural gas on the other hand attracted excise duty and also VAT. Now, all forms of natural gas are outside GST. The Sectoral Group on Oil and Gas has stated that transportation of goods by road and rail attract lower GST rate of 5% because ITC of petrol/diesel is not available. In the instant case, ITC of GST paid on transportation services of natural gas cannot be availed because natural gas is outside the purview of GST.

B. Examination

3. Works contract being a composite contract was subjected to both VAT and service tax in pre GST regime. This is as per Article 366 (29 A) of the Constitution. Under the service tax law, the services portion in a works contract was deemed to be 40% which translated to service tax of 6%. However, the area beyond 12 nautical miles is beyond the jurisdiction of States and therefore VAT was not applicable on the same. A view was expressed in the meeting that there was no “deemed sale” in the area beyond 12 nautical miles in terms of Article 366 (29 A) and, therefore there was constitutional inability in respect of leviability of VAT on transfer of property in works contract. On the other hand, under Finance Act, service tax was applicable on the area beyond 12 nautical miles also. Therefore, service tax should have been levied on the entire contract value in the area beyond 12 nautical miles i.e. @ 15%. It was, however, felt that the actual incidence of tax was only 6% because the goods were exempt from CVD and excise duty. It was, therefore, felt that GST may be levied @ 12% on works contract services in respect of E&P in respect of offshore works in the area beyond 12 nautical miles.

4. With regard to transportation of natural gas through pipeline, it was felt that there is a case to reduce this to 12% with ITC with an option being given to pay tax @ 5% without ITC. It may be recalled that credit on tax paid on pipelines is also not admissible under the GST Law as it may amount to immovable property. Pipelines laid outside the factory premises are specifically disallowed vide explanation to Section 17 of the GST Act.

5. The agenda note was circulated to the Fitment Committee by email on 27 September 2017 seeking comments, if any, by 29 September 2017. No comments have been received in this regard so far.

C. Proposal

6. In view of the above, it is proposed that –

1. GST be levied at the rate of 12% on works contract services in respect of E&P (Exploration and Production Companies) in respect of offshore works in the area beyond 12 nautical miles.
2. GST be levied at the rate of 12% with ITC OR 5% without ITC for transportation of natural gas through pipeline.

Agenda Item 7 (vii) - Reverse charge mechanism for Overseeing Committee of Reserve Bank of India (RBI) under GST

Issue

RBI has constituted Overseeing Committee (OC) as an advisory body to advise any banking company on resolution of stressed assets. RBI shall pay sitting fees and retainer-ship fees to OC members. RBI has stated that OC members shall not be having the necessary infrastructure etc. for registering themselves for payment of GST. Therefore, the services provided by the OC members may be included under the reverse charge mechanism (RCM).

Discussion

2. RBI is a body corporate under the Reserve Bank of India Act, 1934. In GST, the services supplied by a director of a company or a body corporate to the said company or body corporate is under reverse charge; the GST is required to be paid by the body corporate or company. Since the members of the OC cannot be said to be the **director** of the body corporate that is RBI, their services do not get covered by this entry.

3. If the sitting fees and retainer-ship fees paid to OC members by RBI is less than 20 Lakhs per annum, then the OC members will not be liable to get registered [Section 22(1) of the CGST Act *refers*]. In such case, the services provided by OC members to RBI shall be governed by Section 9(4) of CGST Act and thus taxed under RCM. However, this will not hold true in cases where the sitting fees and retainer-ship fees paid to OC members by RBI is more than the threshold limit or where the supply by OC members to RBI is an inter-state supply. In these cases, OC members would become liable for registration.

4. The agenda note was circulated to the Fitment Committee by email on 26th Sep 2017 seeking comments, if any, by 27th Sep 2017. No comments have been received in this regard so far.

Proposal

6. In view of the above, GST Council may consider the request of RBI to include the services provided by OC members to RBI under RCM under section 9(3) of the CGST Act, 2017.

Agenda Item 7 (viii) - Amendment in GST notifications in respect of 5% GST rates on cereals, pulses and flours etc. put up in unit container and bearing a brand name

The GST Council, in its 21st meeting held on 9th September, 2017 at Hyderabad had, inter alia, recommended that for 5% GST rate on cereals, pulses and flours etc. put up in unit container and bearing a registered brand name:

- a) A brand registered as on 15.05.2017 under the Trademarks Act, 1999 shall be deemed to be a registered brand for the purposes of levy of 5% GST, irrespective of whether or not such 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 for the purposes of levy of 5% GST.
- c) A brand registered as on 15.05.2017 under any law for the time being in force in any other country shall also be deemed to be a registered brand for the purposes of levy of 5% GST.
- d) A mark or name in respect of which actionable claim is available shall be deemed to be a registered brand name for the purposes of levy of 5% GST.

2. Accordingly, Notification Nos. 27/2017-Central Tax (Rate), 28/2017-Central Tax (Rate), 27/2017-Integrated Tax (Rate), 28/2017-Integrated Tax (Rate), 27/2017-Union Territory Tax (Rate), 28/2017-Union Territory Tax (Rate) and similar notifications under SGST Acts were issued giving effect to the Council's recommendations relating to changes in GST rates on goods and conditions appended thereto have been issued on 22nd September, 2017.

3. These changes, inter alia, provide that 5% GST will apply to food grains, pulses, flours etc. put up in unit containers and bearing either 'a registered brand name' or 'a brand name in respect of which actionable claim or an enforceable right in a court of law'. These changes, in addition also provide that 5% GST will, however, not apply if the person concerned voluntarily forgoes any actionable claim or enforceable right on such brand name. In this regard the amending notifications provide that 5% GST will apply to such goods, if:

"put up in unit container and, -

(a) bearing a registered brand name; or

(b) bearing a brand name on which an actionable claim or enforceable right in a court of law is available [other than those where any actionable claim or any enforceable right in respect of such brand name has been voluntarily foregone, subject to the conditions as in the ANNEXURE].

.....

ANNEXURE

For foregoing an actionable claim or enforceable right on a brand name, -

(a) the person undertaking packing of such goods in unit containers which bear a brand name shall file an affidavit to that effect with the jurisdictional commissioner of Central tax that he is voluntarily foregoing his actionable claim or enforceable right on such brand name as defined in Explanation (ii)(a); and

(b) the person undertaking packing of such goods in unit containers which bears a brand name shall, on each such unit containers, clearly print in indelible ink, both in English and the local language, that in respect of the brand name as defined in Explanation (ii)(a) printed on the unit containers he has foregone his actionable claim or enforceable right voluntarily."

4. As the implementation of the decision of the Council required some drafting changes, Notification Nos. 27/2017-Central Tax (Rate), 28/2017-Central Tax (Rate), 27/2017-Integrated Tax (Rate), 28/2017-Integrated Tax (Rate), 27/2017-Union Territory Tax (Rate), 28/2017-Union Territory Tax (Rate) are placed before the Council for its perusal and approval.

5. Further, it is possible that the person having an actionable claim or enforceable right on a brand name and the person undertaking packing of such goods in unit containers are two different persons. In such a scenario, it would be necessary to provide that the affidavit [as prescribed in the aforesaid Annexure] is filed by the person having an actionable claim or enforceable right on such brand name, wherein he shall state that:

- a) he is voluntarily foregoing his actionable claim or enforceable right on such brand name, and
- b) he has authorised the person [undertaking packing of such goods in unit containers bearing said brand name] to print on such unit containers in indelible ink, both in English and the local language, that in respect of such brand name he [the person owning the brand name] is voluntarily foregoing the actionable claim or enforceable right in voluntarily on such brand name.

7. The proposal as contained in para 5 above is for consideration and approval of the Council.

Agenda Item 7 (ix) - Changes in GST rates on certain goods / clarifications to be issued

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

2. The fitment Committee had examined these representations and made recommendations for changes GST rate on certain goods, which were examined in the Council in its 21st Meeting held on 9 September, 2017 and recommended changes in GST rates on a number of goods, which have since been notified on 22 September, 2017. The Council, while examining the issues where the Fitment Committee had not recommended any change in GST rate and directed that two of these issues may be examined afresh by the Fitment Committee.

3. The Fitment Committee met on 2 October, 2017 and examined these two issues. It also examined a number of issues referred to it by the States of Gujarat, Maharashtra and UP, and made the recommendations as summarised in the table below:

S. No.	Description	HSN	Present GST Rate	Recommended GST rate	Comments of the Fitment Committee
1	Food preparations put up in unit containers and intended for free distribution to economically weaker sections of the society under a programme duly approved by the Central Government or any State Government.	19 or 21	18%	5%	<ol style="list-style-type: none">1. Additional Chief Secretary, Uttar Pradesh has stated that his State suffers from large number of cases of malnutrition of children and to supplement their diet, including for pregnant women, a large quantity of nutritious food was supplied under Integrated Child Development Scheme [ICDS] and tax on them should be reduced from 18% to at least 5%, that is at par with that on roasted gram. Additional cost on account of GST on such goods has put additional financial burden of about Rs. 600 crore on them.2. In last GST Council meeting it was decided that this issue could be again discussed in the Fitment Committee.3. Earlier in Central Excise there was an exemption for food preparations put up in unit containers and intended for free distribution to economically weaker sections of the society under a programme duly approved by the Central Government or any State Government.4. This exemption was subject to condition that the manufacturer of the food preparations produces a

					<p>certificate from an officer not below the rank of the Deputy Secretary to the Government of India or not below the rank of the Deputy Secretary to the State Government concerned to the effect that such food preparations have been distributed free to the economically weaker sections of the society under a programme duly approved by the Central Government or the State Government concerned, within five months from the date of clearance of such goods or within such further period as the Deputy Commissioner of Central Excise or the Assistant Commissioner of Central Excise, as the case may be, having jurisdiction may allow in this regard.</p> <p>5. The Fitment Committee recommends that GST rate on food preparations put up in unit containers and intended for free distribution to economically weaker sections of the society under a programme duly approved by the Central Government or any State Government may be reduced to 5%, subject to condition similar to as mentioned at 4 above.</p>
2	All goods falling under heading 6802 [other than those of marble and granite or those which attract 12% GST]	6802	28%	18%	<p>1. All goods falling under 6802 [except 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] attract 28% GST.</p> <p>2. 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 attract 12% GST.</p> <p>3. Chhattisgarh, Telangana and Rajasthan have recommended reduction in GST rate on polished farshi pattar, kota stone, napa stone etc. from 28%.</p>

					<p>4. In this context, in the last GST Council meeting, the Hon'ble Minister from Chhattisgarh stated that due to high rate of tax almost all mines in his state were closed which employed about 50000 labour and it was a very grave issue in his state; this product was largely used as a building stone and due to inter-State sales, it was not even eligible for threshold exemption; the GST rate on this product should be reduced from 28% to 5%.</p> <p>5. The Hon'ble Minister from Telangana had also stated in the same meeting that his State faced similar issue in respect of Napa stones.</p> <p>6. The Hon'ble Minister from Rajasthan stated that they faced a similar problem in respect of Kota stones.</p> <p>7. In this regard, the Secretary to the Council had stated that all floor tiles fell into one category and that mosaic tile was even cheaper than these stones but all flooring tiles were taxed at the rate of 28%.</p> <p>8. The Hon'ble Chairperson of the Council had then suggested that the issue could be referred back to the Fitment Committee for examination and to also examine the revenue impact of rate reduction.</p> <p>9. As polished marble and granite fall under a separate class [than other polished stone], the Fitment Committee recommends reduction in GST rate on all goods falling under 6802 [except those of marble and granite] from 28% to 18%.</p> <p>10. 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, falling under 6802, will continue to attract 12% GST.</p>
3	Mangoes sliced dried	0804	12%	5%	<p>1. Mango flour is taxable @ 5%.</p> <p>2. Fitment Committee examined the GST rate on Mangoes sliced dried and recommended for reduction from 12% to 5%.</p>

4	Singhada dried	0813	12%	5%	<ol style="list-style-type: none"> 1. The GST rate on Singhada dried is 5%, S. No. 29 of the Schedule I to the Notification No. 1/2017-Central Tax [rate]. 2. The correct classification for singhada is 0813. 3. We may, accordingly, correct the classification for singhada dried to 0813.
5	Khakra	1905 or 2106	12%	5%	<ol style="list-style-type: none"> 1. Khakhra is like spiced dry chapatti. 2. GST on khakhra may be reduced to 5%, at par with that on rusk, pizza bread, Seviyan, sabudana.
6	Imposing GST only on the net quantity of superior kerosene oil [SKO] retained for the manufacture of Linear Alkyl Benzene [LAB]	2710	18%	18%	<ol style="list-style-type: none"> 1. LAB manufacturers [like Nirma] receive superior kerosene oil [SKO] from Indian Oil Corporation (IOC) through a dedicated pipeline. 2. On an average about 15% to 17% of the total quantity of SKO received from IOC is retained and balance quantity ranging from 83%-85% is returned back to IOC. The retained SKO is used for extraction of Normal Paraffin, which is used in manufacturing of LAB. 3. Pre-GST, as per the Excise Trade Notice of 2nd December 1997, excise duty was paid on provisional basis on the average quantity of SKO consumed by Nirma and at the end of the month, on reconciliation of actual quantity retained by Nirma Ltd. actual excise duty was paid. 4. Similarly, under the Gujarat Value Added Tax, 2003, a specific Rule was enacted, which provided that where SKO is received for use in manufacture of LAB, the balance quantity of SKO is returned back then it would be treated as goods returned. 5. Thus, pre-GST IOCL used to invoice only for the net quantity consumed by Nirma. 6. In GST, since the consideration is paid only for the quantity of SKO retained by the LAB manufacturer, GST may be liable to be paid only

					<p>on such quantity. A clarification may be issued to this effect.</p> <p>7. Tamil Nadu is already following such a system in GST.</p> <p>8. However, Maharashtra is of the view that in their VAT law, the entire quantity supplied by refinery to LAB manufacturers was treated as sold and VAT was chargeable on it. Similarly, the LAB manufacturer was liable to pay VAT on returned quantity of SKO. They have Court cases pending on this issue. If such a clarification is issued it may affect their pending cases.</p> <p>9. However, if refineries are asked to pay GST on whole quantity of SKO supplied to LAB manufacturer [who in turn will take ITC of such GST, and utilise the same for paying GST on quantity of SKO returned by him] when the refineries will take ITC of such GST paid on returned SKO, a large portion of that will have to be reversed by the refinery [as majority of their final products now are outside GST].</p>
7	Poster Colour	3213	28%	18%	<p>1. GST rate on poster colour may be reduced to 18%.</p> <p>2. They are also used by students. Items like pencils, crayons, pastels, drawing charcols [9608, 9609] which attract 12% GST.</p>
8	Modelling paste for children amusement	3407	28%	18%	<p>1. GST rate on modelling paste for children amusement may be reduced to 18%.</p> <p>2. Other goods falling under heading 3407 are already at 18%.</p>
9	Duty credit scrips	4907	5%	Nil	<p>1. Pre-GST such scrips could be used for paying Customs Duty, Additional Duty of Customs [CVD], Central Excise Duty or Service Tax.</p> <p>2. After introduction of GST, such scrips can be utilised for paying only Basic Customs Duty, as Additional Duty of Customs</p>

					<p>[CVD], Central Excise Duty or Service Tax have been subsumed in GST.</p> <p>3. However, if the proposal for creating e-wallet for exporter [as suggested by the Export Group] is accepted, there may be no need to reduce GST on duty credit scrip.</p>
10	Staple pin	8305	28%	18%	<p>1. Staplers [8472] attract 12% GST, while staples [in strips] are at 28%.</p> <p>2. GST rate on staples may thus be reduced to 18%.</p>
11	Plain Shaft Bearing	8483	28%	18%	<p>1. GST rate on ball bearings, roller bearings and parts falling under 8482 attract 18% GST.</p> <p>2. GST rate on plain shift bearing may be reduced to 18%, that is at par with other bearings.</p>
12	Parts of a) fixed speed diesel engine of power not exceeding 12HP, and b) submersible pumps	73, 84, 73, 74, 84, 85	18% or 28%	-	<p>1. Industry has requested for reduction in GST rate for fixed speed diesel engine of power not exceeding 12HP and submersible pumps from 18%/12% to 12%, mainly on the ground that such engines and submersible pumps attract 12% GST.</p> <p>2. Specified parts [for exclusive use in tractors] have been kept at 18%, as tractors attract 12% GST.</p> <p>3. It is contended that higher GST rate on such parts would put additional tax burden on farmers, which largely use these engine and submersible pumps.</p> <p>4. The Fitment Committee examined the list of parts submitted with the proposal, and decided that the same may be referred to IIT Madras with a request to examine the same and point out parts which are exclusively used in such fixed speed diesel engines or submersible pumps, which may then be considered for reduction in GST rate to 18%.</p>
13	Biomass briquettes	Any chapter	18%	5%	<p>1. Bio-mass briquettes and pellets made up of cereal of straw and husks [classifiable under 1213 00 00] attract Nil GST.</p> <p>2. Wood pellets [classifiable under 4401] attract 5% GST.</p> <p>3. Briquettes made from ground-nut shells, castor shells, cotton stalk, coriander stalk, cumin stalk, bagasse (sugarcane waste), mustard</p>

					seeds stalk and stems including branches of various cereals and other agricultural-waste product may be prescribed 5% GST rate.
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4. The above recommendations of the Fitment Committee are for consideration of the GST Council.

Agenda Item 8: Issues recommended by the Law Committee for consideration of the GST Council

Agenda Item 8(i) – Extension of timelines for filing of FORM GSTR – 5A and FORM GST ITC – 01

Vide notification No. 25/2017 - Central Tax, dated 28.08.2017, the time limit for furnishing the return in **FORM GSTR-5A** for the month of July, 2017, by 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 and rule 64 of the Central Goods and Services Tax Rules, 2017, was extended to 15.09.2017.

2. On the basis of request received in this regard from GSTN, the Law Committee, in its meeting held on 19th and 20th September, 2017, has agreed and proposed that the time limit for furnishing the return in **FORM GSTR-5A** for the months of July, August and September, 2017 should be extended upto 20th November, 2017.

3. Further, the Law Committee also agreed with the request of GSTN that the time limit for filing of **FORM GST ITC-01**(for the purpose of claiming input tax credit under section 18(1) of the CGST Act) for the taxpayers, who have got registered during the months of July, August and September, 2017 should be extended upto 31st October, 2017.

4. Pari materia changes would also be required to be carried out in the respective SGST Rules, 2017.

5. Accordingly, in principle approval of the GST Council is sought for the extension of the time period as detailed in paragraphs 2 and 3 above.

Agenda Item 8(ii) – Amendment of some provisions of CGST Rules, 2017 [relating to invoice (rule 46, 54 (2), additional instruction in FORM GSTR 4)]

The Law Committee in its meeting held on 19th and 20th September 2017 has proposed that the following amendments be made to the CGST Rules, 2017:

a) Changes to address the issues in invoicing related to supplies of retail sector

Representation has been received from the trade and industry regarding certain issues being faced by them in relation to the issuance of invoices, especially at the retail level.

- (i) One of the issue raised in the representation by Retailers Association of India was that capturing of GST rates for each article and providing tax details in each retail invoice is cumbersome and infructuous as these are not relevant for end customers who are concerned with net sale price. The matter was examined by the Law Committee and it was recommended that the request of the Association may not be accepted as the consumer has the right to know the tax rate being charged for each goods or service that is being purchased by him. However, the supplier may not indicate the rate of tax against each item and he can show the cumulative value of items liable to tax at a particular rate and the tax on all such items in the invoice. Accordingly, it is proposed to insert the following proviso in rule 46 of the CGST Rules, 2017 to provide that where the supplier is supplying the goods or services to an unregistered person, he may show the cumulative value of items liable to tax at a particular rate and the tax on all such items in the invoice.

Proposed proviso:

“Provided also that where a registered person is supplying goods or services or both to an unregistered person, he may, show the cumulative value of goods or services or both liable to tax at a particular rate and the total tax on all such goods or services in the invoice.”

- (ii) Another issue raised in the representation was that articles falling under the tax rate of 0% are classified as exempt in the GST law. There is a requirement that separate tax invoices are to be issued for the sale of exempted goods. Hence, if someone buys goods like loose grocery which are liable to tax @ 0%, a separate invoice is required to be issued. This will require issuance of one additional bill for a single sale. This issue was also examined by the Law Committee and it was recommended that the rules do not prescribe the format in which the invoice or bill of supply is required to be issued. The rules merely prescribe the contents of the two documents. The supplier may issue a “tax invoice-cum-bill of supply” for all such supplies (both taxable and non-taxable) since all the contents of the bill of supply are included in the tax invoice. Accordingly, the following sub-rule (2) is proposed to be inserted in rule 46 of the CGST Rules, 2017 so as to provide that where the supplier is supplying the goods or services, both taxable and exempt, to an unregistered person, he may issue a single “invoice-cum-bill of supply” for all such supplies.

Proposed sub-rule:

“(2) Notwithstanding anything contained in rule 49, where a registered person is supplying, both taxable as well as exempted goods or services or both, to an unregistered person, he may issue a single “invoice-cum-bill of supply” for all such supplies.”

b) Consolidated invoice by banking and insurance companies (Rule 54 (2))

Due to the large number of invoices issued in the case of banking and insurance companies, it is proposed to amend sub-rule (2) of rule 54 to read as follows:

(2) Where the supplier of taxable service is an insurer or a banking company or a financial institution, including a non-banking financial company, the said supplier shall issue a

consolidated tax invoice or any other document in lieu thereof, by whatever name called, for the supply of services made during a month at the end of the month, whether issued or made available, physically or electronically whether or not serially numbered, and whether or not containing the address of the recipient of taxable service but containing other information as mentioned under rule 46.

c) Addition in instructions to FORM GSTR-4

As the due date for filing **FORM GSTR-1** has been extended, the **FORM GSTR-4** which is auto-drafted will not be available on the common portal. Accordingly, after instruction no. 9 to **FORM GSTR-4**, a new instruction is proposed to be added which would read as follows:

“10. For the tax period July, 2017 to December, 2017, serial 4A of Table 4 shall not be furnished.”

2. Pari materia changes would also be required to be carried out in the respective SGST Rules, 2017.
3. Accordingly, approval of the GST Council is sought to carry out the said amendments in rules 46 and 54(4) and **FORM GSTR-4** of the CGST Rules, 2017.

Agenda Item 8(iii) – Inclusion of additional items in Notifications No. 32/2017 – Central Tax and No. 8/2017 – Integrated Tax (handicraft items)

Notification No. 32/2017-Central Tax, dated 15.09.2017 and Notification No. 8/2017-Integrated Tax, dated 14.09.2017 were issued by the Central Government for granting exemption from registration to casual taxable persons making taxable supplies of handicraft goods and persons making inter-State taxable supplies of handicraft goods respectively.

2. The Law Committee proposed in its meeting held on 19th and 20th September, 2017 that in view of the request received from the State of Jammu and Kashmir, the following items shall be added to the items notified vide the above notifications:

- (i) Handmade shawls, stoles and scarves (may be added to Sl.no. 9 of the table in the notification, along with addition of chapter 61)
- (ii) Chain stitch
- (iii) Crewel, namda, gabba
- (iv) Wicker willow products
- (v) Toran
- (vi) Articles made of shola

3. Pari materia changes would have to be carried out by the State governments in the notification under SGST Acts, wherein exemption from registration was granted to casual taxable persons making taxable supplies of handicraft goods.

4. Accordingly, in principle approval of the GST Council is sought for the inclusion of the aforementioned items in the above-mentioned exemption notifications.

Agenda Item 8(iv) – Clarification regarding the due dates for the generation of FORM GSTR – 2A and FORM GSTR – 1A for the month of July, 2017.

Reference is invited to notification No. 30/2017 dated 11th September 2017, whereby the dates for filing **FORM GSTR-1**, **FORM GSTR-2** and **FORM GSTR-3** for the month of July, 2017 were extended. Queries have been received regarding the due dates for the generation of **FORM GSTR-2A** and **FORM GSTR-1A** in light of the said extension of dates.

2. Therefore, it is proposed that a circular be issued in this regard clarifying that –
 - (a) the due date with respect to **FORM GSTR-2A** stands automatically extended since the due dates for furnishing the details in **FORM GSTR-1** and **FORM GSTR-2** have been extended. The details filed in **FORM GSTR-1** will be made available to the recipient in **FORM GSTR-2A** not later than the 11th of October, 2017 while they are required to furnish the details of their inward supplies in **FORM GSTR-2** not later than the 31st of October, 2017.
 - (b) the due date for finalizing of **FORM GSTR-1A** also stands automatically extended when the dates for furnishing the details in **FORM GSTR-1** and **FORM GSTR-2** have been extended. Therefore, only after the details are communicated to the supplier in **FORM GSTR-1A**, the supplier is required to accept or reject the details communicated to him from the 1st of November to the 2nd of November, 2017, and accordingly, his **FORM GSTR-1** shall stand modified.
3. The circular shall also be issued by the States.
4. Accordingly, approval of the GST Council is sought for issuing the circular (draft enclosed – **Annexure I**).

F. No. 349/ /2017-GST
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs

New Delhi, dated _____ 2017

Sub – Deemed extension of due date of FORM GSTR-2A and FORM GSTR-1A, in accordance with the extension of due date for filing FORM GSTR-1 and GSTR-2 respectively – reg.

Please refer to Notification No. 30/2017 dated 11th September 2017, whereby the dates for filing **FORM GSTR-1**, **FORM GSTR-2** and **FORM GSTR-3** for the month of July, 2017 were extended. Queries have been received regarding the due dates for the generation of **FORM GSTR-2A** and **FORM GSTR-1A** in light of the said extension of dates. Therefore, in exercise of the powers conferred by sub-section (1) of section 168 of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as ‘the Act’), for the purpose of uniformity in the implementation of the Act, the following is clarified:

2. Sub-section (1) of section 37 of the Act read with sub-rule (3) of rule 59 of the CGST Rules, 2017 (hereinafter referred to as ‘the Rules’) provides for the details filed in **FORM GSTR-1** by the supplier being made available to the registered recipient in **FORM GSTR-2A** after the due date for filing of **FORM GSTR-1**. Further sub-rule (1) of rule 60 of the said Rules provides that the details communicated in **FORM GSTR-2A** shall be verified, validated, modified or deleted by the recipient and on the basis of such modification, the recipient shall furnish the details of their inward supply in **FORM GSTR-2**. Further, sub-section (2) of section 38 of the Act read with sub-rule (1) of rule 60 of the Rules provides for furnishing of **FORM GSTR-2** after the 10th but before the 15th of the month succeeding the tax period.

3. Since the due dates for furnishing the details in **FORM GSTR-1** and **FORM GSTR-2** have been extended, it is hereby clarified that the due date with respect to **FORM GSTR-2A** stands automatically extended. The details filed in **FORM GSTR-1** will be made available to the recipient in **FORM GSTR-2A** not later than the 11th of October, 2017 while they are required to furnish the details of their inward supplies in **FORM GSTR-2** not later than the 31st of October, 2017.

4. Similarly, sub-section (3) of section 38 of the Act read with sub-rule (4) of rule 59 of the Rules provides for the communication of the details in **FORM GSTR-2** finalized by the recipient to the concerned supplier through **FORM GSTR-1A**. Further, sub-section (2) of section 37 of the Act read with sub-rule (4) of rule 59 of the Rules provides that once these details are communicated to the supplier in **FORM GSTR-1A**, the supplier shall either accept or reject the details so communicated to him on or before the 17th day of the month succeeding the tax period but not before the 15th day, and accordingly, **FORM GSTR-1** shall stand modified.

5. In this regard, it is hereby clarified that when the dates for furnishing the details in **FORM GSTR-1** and **FORM GSTR-2** have been extended, the due date for finalising of **FORM GSTR-1A** also stands automatically extended. Therefore, only after the details are communicated to the supplier in **FORM GSTR-1A**, the supplier is required to accept or reject the details communicated to him from the 1st of November to the 2nd of November, 2017, and accordingly, his **FORM GSTR-1** shall stand modified.

6. It is requested that suitable trade notices may be issued to publicize the contents of this Circular.

7. Difficulty, if any, in implementation of the above instructions may please be brought to the notice of the Board. Hindi version would follow.

Commissioner (GST)

Agenda Note 9: Proposal for issuing notifications on cross-empowerment for ensuring single interface under GST

GST Council in its 9th and 21st meetings held on 16 January, 2017 and 9 September, 2017 had recommended the broad principles to be followed for division of taxpayers between Central tax administration and State tax administration to ensure single interface. These principles were communicated by GST Council Secretariat vide its Circular No. 01/2017 issued under F.No. 166/Cross Empowerment/GSTC/2017 dated 20 September, 2017 enumerating the guidelines for division of taxpayers' base between the Centre and States to ensure single interface. It was requested therein that the State Level Committees comprising Commissioner Commercial Taxes (CCTs) of respective States (State GST officers) and Jurisdictional Central Tax Chief Commissioners/Commissioners could take necessary steps for division of taxpayers in each State keeping in view these principles. The State-level Committees were also authorized to take supplementary decisions to implement the decision of the GST Council, keeping in view the broad principles decided by the GST Council. It was also informed that suitable notifications regarding cross-empowerment of State and Central Tax officers under CGST/IGST and SGST Acts respectively were being issued separately.

2. The notifications on cross empowerment under the CGST Act, the SGST Act and the IGST Act along with the supplementary instructions, as suggested by the Single Interface Committee in its interim report, was placed before the GIC for approval in its 10th meeting on 28 September, 2017. The proposed notification on cross empowerment under the IGST Act creates exception for cross empowerment in cases where place of supply is under dispute as per the decision of the GST Council. The States, however contended that the issue of place of supply should be referred to the Council and that all three cross-empowerment notifications under CGST, SGST and IGST Acts may be taken together in the next GST Council Meeting.

3. It is submitted that there is a broad agreement on cross empowerment under the CGST and SGST Acts. If notifications on cross empowerment are kept in abeyance for want of agreement on IGST Act's cross empowerment, the effort to ensure single interface would be in vain. Taxpayers are increasingly feeling the heat of delay in grant of refund. If they are required to approach both Central and State Tax Authorities for refund of unutilized input tax credit for exports, it would further accentuate their grievances.

4. Therefore, it is proposed that notifications on cross empowerment, which have been prepared in accordance with the recommendations of the Council, be approved.

5. The three notifications at **(Annexure-I)** for the consideration and approval of the Council.

(Annexure-I)

[To be published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i)]

Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs

Notification No...../2017 – Central Tax

New Delhi, the September, 2017

G.S.R....(E).- In exercise of the powers conferred by section 6 of the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereinafter referred to as the “CGST Act”), on the recommendations of the Council, the Central Government hereby specifies that the officers appointed under the respective State Goods and Services Tax Act, 2017 or the Union Territory Goods and Service Tax Act (14 of 2017), (hereinafter collectively referred to as “the said Acts”) who are authorized to be the proper officers for the purposes of the said Acts (hereinafter referred to as “the said officers”) by the Commissioner of the said Acts, shall perform all or any of the duties and functions assigned to them, from time to time, as detailed in column (B) of the Schedule below, subject to the conditions specified in the corresponding entry in column (C) of the said Schedule;-

SCHEDULE

Sl. No.	Duty or function or scope of authority or power	Conditions
(A)	(B)	(C)
1.	All proceedings with respect to a registered person, excluding those referred in Sl. No. 2, 3, 4 and 5 of this Schedule.	Jurisdiction in respect of the said registered person has been assigned to the said officers for the specified period, in accordance with the recommendations of the Council. (ii) all consequential proceedings including appeals arising from such proceedings.
2.	Inspection, search, seizure or any other proceedings under section 67 of the CGST Act or intelligence-based enforcement action against any person including all consequential or incidental proceedings including appeals arising from such proceedings.	Such proceedings have not been initiated by the proper officer of central tax within one year from the date on which the said proceedings are initiated by the said officers. Explanation. -For the purposes of this clause, the period of one year shall be counted from the date of initiation of the said proceedings as specified in the format for intimation of such proceedings.
3.	Detention, seizure and release of goods and conveyances in transit under section 129 of the CGST Act or confiscation of goods or	No such proceedings have been initiated in respect of the said goods by the proper officer of central tax.

	conveyances and levy of penalty under section 130 of the CGST Act against any person and all consequential or incidental proceedings including appeals arising from such proceedings.	
4.	All proceedings against a supplier or recipient of goods or services or both, who has remained un-registered although liable to be registered.	No such proceedings have been initiated in respect of such person by the proper officer of central tax.
5.	Any proceedings arising out of Chapter XX of the CGST Act.	Except the issues related to or arising out of transitional provisions of the CGST Act.

Explanation 1: Assignment of registered persons refers to the distribution of registered persons between the central and state tax administrations, for exercising all administrative controls regarding enforcement of the provisions of the CGST Act, in such proportions and following such methods, as the Council may decide from time to time.

Explanation 2: With respect to Sl. No. 2, 3 & 4 of the said Schedule, information regarding intimation of proceedings in the format specified below should be furnished by the Commissioner to the jurisdictional Commissioner of the respective State Goods and Service Tax Act or the Union Territory Goods and Services Tax Act on the common portal or manually with due acknowledgement till such time the facility for uploading the said information is not available on the common portal.

Format for intimation of proceedings

Serial No.	GSTIN No.	Date of initiation of proceedings	Subject matter under investigation (to be specified such as registration/valuation/classification)	Period under investigation
(1)	(2)	(3)	(4)	(5)

2. This notification shall come in force with effect from -----

Notification No..... /2017 –State Tax

....., the September, 2017

G.S.R....(E).-In exercise of the powers conferred by sub-section (1) of section 6 of the <State> Goods and Services Tax Act, 2017 (--- of 2017) (hereinafter referred to as “<State>GST Act”), and on the recommendations of the Council, the Government ofhereby specifies that the officers appointed under the Central Goods and Services Tax Act, 2017 (12 of 2017) (hereinafter referred to as the “CGST Act”)who are authorized to be the proper officers for the purposes of the CGST Act (hereinafter referred to as “the said officers”)by the Commissioner in the Board, shall perform all or any of the duties and functions assigned to them, from time to time, as detailed in column (B) of the Schedule below, subject to the conditions specified in the corresponding entry in column (C) of the said Schedule;-

SCHEDULE

Sl. No.	Duty or function or authority or scope of authority or power	Conditions
(A)	(B)	(C)
1.	All proceedings with respect to a registered person, excluding those referred in Sl. No 2, 3, 4 and 5 of this Schedule.	Jurisdiction in respect of the said registered person has been assigned to the said officers for the specified period in accordance with the recommendations of the Council. (ii) all consequential proceedings including appeals arising from such proceedings.
2.	Inspection, search, seizure or any other proceeding under section 67 of the <State>GST Act or intelligence-based enforcement action against any person including all consequential or incidental proceedings including appeals arising from such proceedings.	Such proceedings have not been initiated by the proper officer of the <State>GST Act within one year from the date on which the said proceedings are initiated by the said officers. Explanation. -For the purposes of this clause, the period of one year shall be counted from the date of initiation of the said proceedings as specified in the format for intimation of -such proceedings.
3.	Detention, seizure and release of goods and conveyances in transit under section 129 of the <State>GST Act or of confiscation of goods or conveyances and levy of penalty under section 130 of the <State>GST Act against any person and all consequential or incidental proceedings including appeals arising from such proceedings.	No such proceedings have been initiated in respect of the said goods by the proper officer of <State> GST Act.
4.	All proceedings against a supplier or recipient of goods or services or both, who has remained unregistered although liable to be registered.	No such proceeding has been initiated in respect of such person by the proper officer of <State>GST Act.
5.	Any proceedings arising out of Chapter XX of the <State>GST Act.	Except the issues related to or arising out of transitional provisions of the <State>GST Act.

Explanation 1: Assignment of registered persons refers to the distribution of registered persons between the central and state tax administrations, for exercising all administrative controls regarding enforcement of the provisions of the SGST Act, in such proportions and following such methods, as the Council may decide from time to time.

Explanation 2: With respect to Sl. No. 2,3 & 4 of the said Schedule, information regarding intimation of proceedings in the format specified below should be furnished by the Commissioner to the jurisdictional Commissioner of the Central Goods and Services Tax Act on the common portal or manually with due acknowledgment till such time the facility for uploading the said information is not available on the common portal.

Format for intimation of proceedings

Serial No.	GSTIN No.	Date of initiation of proceedings	Subject matter under investigation (to be specified such as registration/valuation/classification)	Period under investigation
(1)	(2)	(3)	(4)	(5)

2. This notification shall come in force with effect from ----

Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise and Customs

Notification No..... /2017 –Integrated Tax

New Delhi, the September, 2017

G.S.R....(E).-In exercise of the powers conferred by section 4 of the Integrated Goods and Services Tax Act, 2017 (13 of 2017) (hereinafter referred to as the “IGST Act”), on the recommendations of the Council, the Central Government hereby specifies that the officers appointed under the respective State Goods and Services Tax Act, 2017 or the Union Territory Goods and Services Tax Act (14 of 2017), (hereinafter collectively referred to as “the said Acts”), and who are authorized to be the proper officers for the purposes of the said Acts(hereinafter referred to as “the said officers”) by the Commissioner of the said Acts, shall exercise their powers except in respect of the following purposes, namely:-

- a) any disputed issues requiring determination of place of supply under Chapter V of the IGST Act;
- b) where one of the states involved in an Inter-State transaction requests that the case be adjudicated by the officer appointed under section 3 of the IGST Act;
- c) refund of IGST paid on export of goods other than the supply of goods to SEZ unit or SEZ supplier;
- d) any other purpose that is recommended by the Council from time to time:

2. The said officers shall perform the duties and functions assigned to them, from time to time, as detailed in column (B) of the Schedule below, subject to the conditions specified in the corresponding entry in column (C) of the said Schedule; -

SCHEDULE

Sl. No.	Duty or function or scope of authority or power	Conditions
(A)	(B)	(C)
1.	All proceedings with respect to registered persons, excluding those referred at Sl. No. 2, 3, 4 and 5 of this Schedule.	Jurisdiction in respect of the said registered person has been assigned to the said officers for the specified period in accordance with the recommendations of the Council. (ii) all consequential proceedings including appeals arising from such proceedings.
2.	Inspection, search, seizure or any other proceedings under section 67 of the Central Goods and Services Tax Act, 2017 as made applicable to the Integrated Tax vide section 20 of the IGST Act or intelligence-based enforcement action against any person including all consequential or incidental proceedings including appeals arising from such proceedings.	Such proceedings have not been initiated by the proper officer of central tax within one year from the date on which said proceedings are initiated by the said officers. Explanation. -For the purposes of this clause, the period of one year shall be counted from the date of initiation of

		the said proceedings as specified in the format for intimation of such proceedings.
3.	Detention, seizure and release of goods and conveyances in transit under section 129 of the Central Goods and Services Tax Act, 2017 or of confiscation of goods or conveyances and levy of penalty under section 130 of the Central Goods and Services Tax Act, 2017 made applicable to the integrated tax vide section 20 of the IGST Act, against any person and all consequential or incidental proceedings including appeal arising from such proceedings.	No such proceedings have been initiated in respect of the said goods by the proper officer of the central tax.
4.	All proceedings against a supplier or recipient of goods or services or both, who has remained un-registered, although liable to be registered.	No such proceedings have been initiated in respect of such person by the proper officer of the central tax.
5.	Any proceedings arising out of Chapter XX of the Central Goods and Services Tax Act, 2017 made applicable to the integrated tax vide section 20 of the IGST Act.	Except the issues related to or arising out of transitional provisions of the Central Goods and Services Tax Act, 2017.

Explanation 1: Assignment of registered persons refers to the distribution of registered persons between the central and state tax administrations, for exercising all administrative controls regarding enforcement of the provisions of the IGST Act, in such proportions and following such methods, as the Council may decide from time to time.

Explanation 2: With respect to Sl. No. 2, 3& 4 of the said Schedule, information regarding intimation of proceedings in the format specified below should be furnished by the Commissioner to the jurisdictional Commissioner of the respective State Goods and Services Tax Act or the Union Territory Goods and Services Tax Act on the common portal or manually with due acknowledgment till such time the facility for uploading the said information is not available on the common portal:

Format for intimation of enforcement actions

Sl. No.	GSTIN No.	Date of initiation of proceedings	Subject matter under investigation (to be specified such as registration/valuation/classification)	Period under investigation
(1)	(2)	(3)	(4)	(5)

2. This notification shall come in force with effect from -----

Agenda Item 10: Proposal for deemed ratification of notifications, circulars and orders by the GST Council

In the Writ Petition filed before the Hon'ble Delhi High Court challenging the levy of GST on legal services through reverse charge, one of the contentions of the petitioner was that the Sl. No. 2 of notification No. 13/2017-Central Tax (Rate) dated 28.06.2017 was not in consonance with the decisions/recommendations of the GST Council, as was uploaded on the website of CBEC (www.cbec.gov.in) after its 14th Meeting. The petitioner also argued that, since the words "*on the recommendations of the Council*" do not appear in the notification No. 5/2017-Central Tax dated 28.06.2017, it appears that there was no recommendation of the GST Council for the Central Government to issue such a notification whereby the category of persons who are only engaged in making supplies of taxable goods or services or both, the total tax on which is liable to be paid on reverse charge basis by the recipient, were exempted from registration.

2. The Hon'ble High Court in its order dated 18.07.2017 posed a question to the GST Council Secretariat as to whether "*the recommendations of the GST Council could be modified, clarified, amended etc by a notification/notice/circular of 'press release' and, if so, by whom?*". Vide its order dated 14.09.2017, the Hon'ble High Court observed that the wording in the above referred notification goes beyond the recommendations made by the GST Council and accordingly, directed the Central Government and the GNCT Delhi to issue corrigenda to notification No.13/2017 – Central Tax (Rate) dated 28th June, 2017 and No. 10/2017-Integrated Tax (Rate) dated 28.06.2017, so as to make them fully consistent with the decisions of the Council.

3. This observation was made by the Court in spite of the argument made by the Central Government's counsel that there is a clear disclaimer posted on the website stating that "*the information is being uploaded immediately after the GST Council's decision and it will be subject to further vetting during which the list may undergo some changes. The decisions of the GST Council are being communicated for general information and will be given effect to through gazette notifications which shall have force of law*". The Court did not accept the contention of the Central Government that there may be differences in the wordings of the recommendations placed in the public domain (in the form of press release or document uploaded on the official website of CBEC) after the GST Council Meetings and the final wordings appearing in the Gazette notifications which are issued only after legal vetting by the Union Law Ministry.

4. Therefore, it is felt that in order to avoid challenges to the legality of the notifications issued by the Central/State Governments on the grounds of inconsistency with the GST Council recommendations and as all notifications, circulars and orders are issued with the approval of the competent authority, it is proposed that all the notifications, circulars and orders issued by the Central Government shall be forwarded to the GST Council Secretariat, through email, for information and deemed ratification by the GST Council.

5. Accordingly, the following notifications, circulars and orders issued till date under the GST laws by the Central Government, as available on www.cbec.gov.in are placed before the Council for information and deemed ratification: -

Act/Rules	Type	Notification Nos.
CGST Act/CGST Rules	Central Tax	1 to 36
	Central Tax (Rate)	1 to 29
IGST Act	Integrated Tax	1 to 8

Act/Rules	Type	Notification Nos.
	Integrated Tax (Rate)	1 to 30
UTGST Act	Union territory Tax	1 to 3
	Union territory Tax (Rate)	1 to 29
GST (Compensation to States) Act	Compensation Cess Notification	1
	Compensation Cess (Rate) Notification	1 to 5
Circulars	Under the CGST Act	1 to 7
	Under the IGST Act	1
	Under the (Compensation to States) Act	1
Orders	Under CGST Act	1 to 4

6. The GST Council may grant deemed ratification to the notifications, circulars and orders listed above.

Agenda Item 11: Procedure for implementing GIC decisions of urgent nature requiring immediate implementation

1. The GST Implementation Committee (GIC) was formed pursuant to the decision of the GST Council in its 14th Meeting held on 18-19 May 2017 as part of a 3-tier decision making body consisting of the Office of the Revenue Secretary, the GST Implementation Committee and eight (8) Standing Committees.
2. In the 17th GST Council Meeting held on 18 June 2017, the Council approved the proposal to delegate powers to GIC to decide on urgent matters. A working procedure for the functioning of the GIC was approved as per which the decisions taken in GIC would be circulated amongst the Council members and their views/comments sought within 2 days. After suitably incorporating comments/views of the Council members, the decision would be implemented after obtaining the approval of the Chairperson of the Council. The decisions taken by GIC would be put up for information of the Council in the next Council Meeting.
3. It is seen that on many occasions, it becomes difficult to follow the decided procedure as mentioned at paragraph 2 where important procedural issues are required to be implemented urgently.
4. Therefore, it is proposed to slightly modify the procedure mentioned at paragraph 2 above. Accordingly, it is proposed that important and urgent procedural issues, approved by GIC, may be implemented with the approval of the Hon'ble Union Finance Minister and Chairperson of the GST Council. The same shall be circulated to States for information. The decisions taken by the GIC would be put up for information of the Council in the next Council Meeting. However, procedure laid down in paragraph 2 shall be followed for normal GIC matters.
5. Further as decided in the 21st GST Council Meeting held on 9 September 2017, recommendations of the GIC, involving substantive policy issues shall be placed before the GST Council for approval before implementation.
6. The proposal at paragraph 4 is placed before the GST Council for consideration.

Agenda Item 12: Issues carried forward from the 21st GST Council Meeting

In the 21st GST Council Meeting held on 9 September 2017, it was decided to discuss the following issues in the next (i.e. 22nd) GST Council Meeting

Agenda Item 12(i) – Approach paper on principles for Fitment post-implementation of GST.

To facilitate systematic review of GST rates on goods, an approach paper, on principles of review of GST rates post implementation of GST, was circulated for consideration of the Council in its 21st Meeting held on 9th September, 2017. A copy of the same is attached herewith as **Annexure I**.

2. During the discussions in the Council meeting on 9th September, 2017, some of the Member of the Council had mentioned that they required some more time to study in detail the approach paper. The Council after detailed deliberation on the issue, decided to give more time to the Members to study the Approach Paper and formulate their response and then take it up for discussion in the Council.
3. Since then, comments from the Five States, namely, Punjab, Uttarakhand, Himachal, Uttar Pradesh and Haryana have been received, which are summarised in **Annexure II** to this agenda item and are submitted for the consideration of the Council.

Annexure I

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 good and services. References were also received from Ministers, Ministries and Secretaries and other officers of Centre and State. All the references were duly broad-sheeted, 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:

- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) 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.
- (15) 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.
- (16) 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.

(17) 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.

(18) 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.

Annexure II

Approach Paper-Suggestion from States

Name of State	Suggestions from State	Comments
1. Punjab	<ol style="list-style-type: none"> 1. As far as possible the tax rate should match the pre-GST levels of taxation. 2. Goods that were pre-dominantly being supplied against C-Form i.e. 2%, should be equalled to the new taxation accordingly. For example, coal that was supplied for the generation of the Electricity could be procured at the Central Excise rate of 2% and CST 2 %. 3. Suppliers that face competition from imports should invariably be taxed. Simultaneously, the burden of cascading should be eliminated in such sectors to encourage “Make in India’ e.g. textiles. 4. Number of exemptions should be minimized and largely confined to goods and services that are meant pre-dominantly for B2C use. Exemptions of B2B nature should be restricted to only such areas where the burdens of taxes should not be passed on to the ultimate consumer and only in cases where their further taxation at B2C level is already exempt or outside the GST. 5. Similar goods should be taxed at same rates. 6. The practice of extreme differentiations creates market distortions by opening up avenues for manipulation and tax evasion. For example: The tax rates of transportations of goods across various means of transportations today suffer differential taxation. Likewise, the tax rates for instant coffee and roasted 	<ol style="list-style-type: none"> 1. This has been the principle behind the fitment exercise. 2. GST rate on coal is 5%, which is much lower than the pre-GST tax incidence. As regards other intermediates, they are generally at 18%. Finished consumption goods for trading in any case would have suffered VAT in the recipient State, over and above 2% CST. 3. May be agreed for items attracting 18% or higher GST rate. For other goods, where exceptionally lower rates are to be prescribed, elimination of cascading may result in refund of tax paid at previous stages. GST being a value added tax, acute inversions should be avoided. 4. It is true that exemptions at intermediate stage result in cascading of taxes, and thus be avoided. Exemption for goods of final consumption would also result in cascading of taxes and put domestic goods at a disadvantage vis-à-vis imports. 5. May be agreed. 6. May be agreed.

	<p>beans and tea have wide variation in tax rates, cashew nuts and almonds have tax rates of 5% and 12% respectively.</p> <ol style="list-style-type: none"> 7. Goods that have little tax credits, making use of agriculture or mining goods, should be subjected to relative moderate taxation. This becomes even more pronounced where the same goods can be produced in organised as well as unorganised sectors. The typical examples of such products would be in area such as plywood, marbles and tiles. 8. HSN should be followed strictly of tax rates. The practice of local descriptions should be avoided. Any assumption made, on grounds of extreme public interest should be properly explained. For example, the distinction between “Prasadam” and sweets should be properly explained. 9. The no. of tax rates for a Chapter should not exceed more than three. The no. of tax rates at more than 4 digits should, as far as possible, be always one or at the most two. At present there are up to five rates even at 5 digits and higher levels. 10. Tax rates across goods and services should also be harmonized. For example, transportation of patient to the hospital vs. tax rate on ambulance, health services vs. medical equipment. 	<ol style="list-style-type: none"> 7. Present tax rates are based on pre-GST tax. Further, deciding rates based on portion of industry being unorganised sector would be very subjective. 8. We may agree. 9. We may agree. 10. In the long run, harmonisation of rate, even across goods and services would be advisable.
2. Himachal Pradesh	<ol style="list-style-type: none"> 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. 	<p>They have agreed to all other points in the approach paper, except point no 6 and 7, where they have suggested that for any further changes may be considered only after 6 months. The expression three months may be changed to six months, as three months is too small a time to draw any reasonable inference in a scenario wherein GSTR 1 for the month of July will be filed by 10th October.</p>

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.

3.
Uttarakhand

1. Normally any change in the rate of tax of any GOODS or SERVICES should be made effective from the first date of a Quarter i.e. 1st January, 1st April, 1st July or 1st October.
2. If there is any urgency, the change may be made effective from the first date of the month.
3. Only in an exceptional case, the change may be made effective from any other date of the month.
4. Advertisements must be published in all National and Local dailies across the country Before the date, on which the change in the rate of tax is to be made effective.
5. The proforma for the advertisement may be as below.

S. No.	Goods/ Service	HS Code	Present rate of tax			Tax rate w.e.f.			Remarks (if any)
			CGST	SGST	IGST	CGST	SGST	IGST	

We may agree.

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4. Uttar Pradesh	<div><div>1. Exemption for goods of local importance- If any State wants to exempt goods of local importance, then instead of exempting it or reducing tax rate on it for whole of the country, it would be advisable to extend such goods through budgetary support. Similarly, if the Central Government wants to extend some concession on any goods or services on account of its plan, area, fiscal policy, export promotion or international obligations, then the same also may be extended through budgetary support, and not through exemptions.</div><div>2. If any manufactured goods are exempt from GST, then it results in negative protection for domestic industry and goes against Make in India policy. Thus, generally, no manufactured goods should be fully exempted from GST.</div><div>3. GST rate on any goods, which is lower than the rate on its inputs, should generally be discouraged.</div><div>4. GST rates along with Compensation cess is the maximum at present. In future, the GST rate structure gradually needs to be reduced to one or two slabs. Exempted goods list may be confined to most essential goods only. Most of the goods may be kept at 12% or 18%. This will also improve compliance, and such a dispensation would be in the interest of dealers as well as the Government. Only luxury goods and sin goods may be kept at 28%. This can be achieved in stages. In this process exempted goods, goods at 5% may be brought to 12% and 28% rated goods may be brought to 18% lists.</div><div>5. Instead of exemption form tax, the registration and return filing can be simplified for small trade and industry. This would increase tax collections and entire value chain will come in the tax net.</div><div>6. There is a need to systematically adopt HSN code needs to Indian needs. Similar goods should in the same rate list. At present, similar goods or goods for similar use are in different lists. This creates confusion.</div><div>7. Value based GST rates, such as 5% on footwear of retail sale price upto Rs. 500 per pair and a different tax rate for foot wear of value above that; 5% for garments upto sale value of Rs. 1000 and 12% above that sale value. This not only results in tax evasion, but also results in increased compliance burden in terms of detailed record keeping. This increases tendency of mis-declaration by the dealers both to the consumers and the Government.</div><div>8. The practice of monthly revision of rates by the GST Council, based on the recommendations of the Fitment Committee, need to be stopped. This may be done only twice in a year, in January and July. This will check lobbying by the trade and industry, and baseless publicity in media.</div><div>9. On the lines of exemption from GST on services provided by the Central Government institutions, services provided by the State Government institutions should also be exempted from GST on similar principles.</div></div>	<div><div>1. May be agreed except in case of international obligations, wherein the agreed exemptions will have to be extended.</div><div>2. This in one of the criterion, in the approach paper. May be agreed.</div><div>3. May be agreed.</div><div>4. This could be the future road map for the rate structure, keeping in view the interest of common man and revenue yield.</div><div>5. May be agreed.</div><div>6. May be agreed.</div><div>7. May be agreed.</div><div>8. May be agreed.</div><div>a) Services by way of collections of contribution under any</div></div>																				

		<p>pension Scheme of State Government is exempt.</p> <p>b) Services by Central Government or State Government in relation to any activity under Article 243W/243G are exempt.</p> <p>c) Services where the total premium is paid by the Central Government or State Government under any insurance scheme is exempt.</p> <p>d) Services provided to Central Government, State Government under training programme of which the total expenditure is borne by the concerned Government is exempt.</p> <p>e) Decision has already been taken by the Council that if there are any services received by the State Government, where total expenditure is not borne by the concerned government, then it will be examined and put up by the GST Council Secretariat to the Council.</p>
Haryana (General Comments)	<p>1. It is true that the laying out of principles may cut down the incessant request for change of rate of tax. The GST implementation is still at a very nascent stage where more proactive approach and quick decision making is required. Certain anomalies exist in the present rate structure and keep coming to notice which also needs to be responded quickly. So the approval of these principles may be put on hold at least for some more time. For example, the rate of tax on tractor parts is higher than tractors, rate of tax on some agriculture implements is higher than these implements etc.</p> <p>It will take some more time to fully understand the impact of rate of tax under GST on trade and industry. We will have to respond to the shift in trade and industry. It again calls for more flexibility.</p> <p>The collective wisdom of GST council in deciding the appropriate rates of tax in accordance with its understanding of the situation should not be undermined. The formal approval of the principles may sometimes prove to be hindrance in dealing with new emerging scenarios. The economy has always been evolving and changing. Many unforeseen situation will arise. So</p>	<p>The suggestion to have certain principles for fixation of rate has been made by the Council. Appropriate flexibility can be provided for following these principles in order to avoid the kind of problems alluded to in these comments.</p>

	<p>it is better to give more flexibility to GST council to deal with various situations and not to bind it in the iron jacket of principles.</p> <p>The formal approval of principles will definitely be used by various stakeholders to their advantages in the court of law wherein litigation will rise and decisions may be put on hold by courts.</p> <p>Any decision in respect of rate of tax will create a right to seek change in rate of taxes by the similarly placed sectors on the basis principles which may ultimately become difficult to handle and explain.</p>	
Haryana (Point wise Comments)	The principle of restricting exemptions to bare minimum for ITC to flow seamlessly has been broadly followed, the best example is taxing of textile. The decisions to bring new sectors in the ambit of GST should also be based on its tractability and cost benefit ratio. Nevertheless, the interests of poor and common people should be paramount.	The suggestion merits consideration
	States interact with trade and industry with greater proximity so have to respond more quickly. The economy keeps changing and new scenarios keep emerging. Many a times, certain sectors will need government helping hands to sustain and states may not be in a position to support by DBT. So a blanket ban may not be put on the requests of states to ask for relief to certain sectors. GST council can always consider their requests and take an appropriate view of facts and circumstances. It is true that rate of tax should not result into negative protection of industry and this factor should be kept in mind while fixing the rates. However, the blanket ban may not be practical.	Council may discuss this further
	In general the rate of tax on an item should not be less than its input. However, there are many such cases where rate of tax on an item is less than its inputs. Such cases are coming to notice. The rates of tax on all items have not been specified and default rule is applicable to such items. Some items fall in more than one categories and lead to complications. So fixing of rates of items less than its inputs should be discouraged.	Merits consideration
	The principle that there should not be any change in rate of rate for some time has its own pitfalls. Certain anomalies are being reported. There may be some other important issues of evasion, prices, revenue etc which need to be rectified quickly. Like, cess rates were revised on motor vehicles recently. However, in most other cases, the rate of taxes should be reviewed after some gap.	A gap of three to six months can be considered for not making changes to the rates except for items which are of urgent or essential nature
	The review of rate of tax should be less frequent and should be on the basis of certain facts. The interests of revenue, growth in trade and industry, changing economic scenarios, evasion, anomalies, the interests of poor and common men, practicability should always be paramount while fixing the rates. There should not be blanket ban on review of rate of taxes on goods in 18% slab or less. A situation may arise where the principle may become a hurdle in taking a righteous decision	Merits consideration
	With regard to principles for review of goods in 28% slab, generally the principles are good but an exception cannot be ruled out	Can be agreed

	<p>So, the approval of principles may be kept on hold for some more time. The principles should be framed, if to be framed, in such a way that the flexibility to respond to new situation and unforeseen circumstances is not lost. The right and freedom of the Council to decide as per its wisdom and assessment should not be undermined. It is not misused by vested interests to their advantages in the court of law</p>	<p>The suggestion to have certain principles for fixation of rate has been made by the Council. Appropriate flexibility can be provided for following these principles in order to avoid the kind of problems alluded to in these comments.</p>
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Agenda Item 12(ii) – Issues listed in Annexure IIB of the Agenda item 7 of 21st GST Council Meeting
(List of goods discussed by the Fitment Committee where no change in rate of tax was proposed)

In the 21st Meeting of the GST Council, the issues listed in **Annexure-IIB** Agenda item 7 of 21st GST Council Meeting could not be discussed in detail by the Council due to paucity of time, and the Council decided to discuss these issues in its next Meeting (i.e. 22nd) of the GST Council. The same is listed as **Annexure-IIB** below.

Annexure-IIB

List of Issues Discussed by Fitment Committee – No changes proposed

<u>Sl.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.	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.	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.
2.	9403	Cane furniture	28%	Not specified		1. No change.
3.	4602	Basketry items made of bamboo	12%	Not specified	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 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.
4.	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 threshers, 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.

5.	Chapter 90	Scientific Instruments	12%, 18%, 28%	12%	<ol style="list-style-type: none"> Most of the scientific apparatus and instruments have been placed in the slab of 18% and 28% under GST. 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%. 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"> Most of the instruments are at 18%, which corresponds to 5% VAT and 12.5% ED. For other items, the rates have been fixed as per the pre-GST tax incidence. No change
6.	9017 20	Other drawing, marking-out or mathematical calculating instruments:	12%	-	<ol style="list-style-type: none"> 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. The levy of VAT on these items was 5.25%. Most of the supplies from this industry are to Schools and Educational Institutions. 	<ol style="list-style-type: none"> Present GST rate is as per pre-GST tax incidence. 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. 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. No economic justification for change in rate.
7.	9017 20 10	Drawing and marking-out instruments	12%	-	<ol style="list-style-type: none"> 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"> 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.
8.	9018 20 20	Mathematical calculating instruments	12%	-		
9.	9017 20 30	Pantograph	12%	-		
10.	9017 20 90	Other	12%	-		

11.	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.
12.	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. 	<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.
13.	6802	Granite Finished Products	28%	12%	<ol style="list-style-type: none"> 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"> 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.
14.	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.	
15.	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.
16.	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 	
17.	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.
18.	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.
19.	Chapter 64		Other- 18%	Other- 18%		
20.	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.

21.	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 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.
22.	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.
23.	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.
24.	2515	Calcareous building stone, Kota stone (2515)	5%			
25.	6810	Flag stone	28%			
26.	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.
27.	6815	Fly-Ash bricks	12%	Nil		
28.	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.
29.	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%.
30.	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.
31.	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.
32.	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.
33.	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%.]
34.	-	Mass Wine	-	Nil	Mass Wine "2204" manufactured under Excise Rules of the State.	1. Wine is not liable to GST.
35.	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.
36.	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

37.	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
38.	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
39.	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.
40.	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"> The total tax incidence in VAT regime on the wooden furniture was 10%, unbranded steel furniture was 5% and plastic furniture was 17.5%. The present tax incidence is 28% in respect of all the three categories of furniture. This has resulted in steep increase in prices of these goods. This furniture is primarily manufactured by tiny and small-scale industries, which provide employment to thousands of skilled labour viz., carpenter, fitters and welders. 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"> 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. No change.
41.	Chapter 65	Helmets	18%	5%	<ol style="list-style-type: none"> Helmets are considered as an essential safety gear for protection from head injury. To encourage people to use helmets, the U.T of Puducherry has given total exemption to helmets from levy of VAT. 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"> Even 18% GST rate is lower than pre-GST tax incidence of about 28%. 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. 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. 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.
42.	2515 or 6802	Napa Slabs or tiles	5% / 28%	5	<ol style="list-style-type: none"> This is a commodity consumed only by lower income group people in house hold sector. 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"> 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. 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. Napa tiles, however, fall under heading 6802 and attract 28% GST.

43.	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
44.	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
45.	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
46.	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
47.	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.
48.	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> <p>3. This is against the Government policy of Green environment.</p> <p>4. Therefore, the Cess may be removed or reduced to 3%.</p> <p>5. To encourage people to purchase these Hybrid cars.</p>	
49.	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	<p>1. There is about 22 - 40% value addition in Indian marbles from block to slab and 5 - 15% for imported marbles.</p> <p>2. High value addition with 28% GST would cause hardship to industry.</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> <p>5. Rajasthan strongly pleaded for lowering the GST rates.</p> <p>6. No change.</p>
50.	2517, 6807	Marble powder and chips	Not coloured 5%, Coloured 28%	Nil or 5%	Presently (pre-GST) tax free.	<p>1. Heading 2517 includes granules, chippings and powder of stones heading 2515 or 2516 (other than artificially coloured) and attracts 5% GST.</p> <p>2. 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.</p> <p>3. A view may be taken to avoid disputes.</p> <p>4. No change in rate</p>
51.	Chapter 54 or 55	Yarn or manmade fibre	18%	5%	<p>1. GST rate on manmade fibre-18%, manmade yarn-18% and job work related to textile 5% with no accumulated ITC.</p> <p>2. 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</p>	<p>1. 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%.</p> <p>2. Raw materials for manmade fibres are chemicals, which also attract 18% GST.</p> <p>3. 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.</p> <p>4. No change.</p>

					yarn (due to value addition on spinning of fibre)	
52.	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.
53.	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.
54.	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
55.	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>	
56.	0101	Rajasthani Horses	12%	Nil	<ol style="list-style-type: none"> 1. Horses are in 12% slab while no other livestock is within the ambit of GST. 2. The Marwari Horses are renowned over the world for their beauty, poise and endurance. 3. The commendable work of a few breeders has saved the rare indigenous breed from being extinct. 4. 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"> 1. 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. 2. No change
57.	3915	Waste Items (empty bottle, broken glass, plastic waste, HDPE bags)	18%	5%	<ol style="list-style-type: none"> 1. Earlier taxed @ 5.5%. 2. 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. 3. May be fixed at 5%. 	<ol style="list-style-type: none"> 1. Margin scheme is available to dealers of old and used goods. 2. No change.
58.	58 or 59	Processed Wool Felt (NAMA DA)	12%	5%	<ol style="list-style-type: none"> 1. VAT was @ 5.5% for machine made Wool felt. For handmade NAMA DA it was exempted. 2. Felt and Felt Products were also free from Excise. 3. Manufacturing Units achieved excellence in product quality and 60% product is exported. 4. There are also a lot of ecological benefits in the process of manufacturing which facilitates agricultural productivity. 5. Approx. 200 houses of Tonk and Jaipur District have their source of livelihood on this activity. 6. Rate may be fixed at 5%. 	<ol style="list-style-type: none"> 1. The GST rate of 12% is applicable to all goods falling under chapter 58 and 59. 2. No change.
59.	2106	Compound preparations for making non-alcoholic	28%	Lower rate		<ol style="list-style-type: none"> 1. GST rate is as per the pre-GST tax incidence. 2. No change.

		beverage s, having same HSN: 2106				
60.	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%	-	<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> 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.
61.	2106	Khakhra a and <i>Khichia</i>	12%	-	<ol style="list-style-type: none"> 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." 	<ol style="list-style-type: none"> 1. Classification of Khakhra and GST rate has been clarified by way of FAQ.
62.	2308	"Vegetab le 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 elsewher e 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.	<ol style="list-style-type: none"> 1. Heading 2308 has been mentioned in the Nil schedule. 2. Therefore, all goods of 2308 attract Nil GST.
63.	210690	Sweetme ats	5%	-	When supplied in restaurant, what will be the rate?	<ol style="list-style-type: none"> 1. GST rate applicable to restaurant service will apply.

64.	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.
65.	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.
66.	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.

67.	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.
68.	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.
69.	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.
70.	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.
71.	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%.	
72.	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.
73.	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.
74.	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.
75.	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.
76.	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.
77.	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.
78.	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.

79.	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.
80.	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. , Thymoga m (used in organ transplan t 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.
81.	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.
82.	Chapter 90	Xtronic Imaging Systems	12%	Exempt as ‘Life saving medical units’	(i) Mammography - breast cancer detection, (ii) Orthoplantomography – oral cancer detention	<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.
83.	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.
84.	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.
85.	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.
86.	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.
87.	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.
88.	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.
89.	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"> Wet grinder manufactured in Coimbatore has acquired “Geographical Indication No.25” which is an honour to our country. Wet grinders are exported to other countries and all the inputs are “made in India” and no imported materials are used. Electrical motor, ball bearings and Steel drums are the main inputs which are taxable at 18%. 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. The combined incidence of tax was as below: Ave. VAT 14.5%, CE 0%, Combined incidence of tax 14.5%. 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. 	
90.	8423	Weighing Machines	28%	18%	<ol style="list-style-type: none"> 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%. 90% of the manufacturers are from small and medium 	<ol style="list-style-type: none"> Present GST rate is as per pre-GST tax incidence. Will not advisable to make any change. 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"> 3. The combined incidence of tax before GST was 14.5% i.e. VAT 14.5%, CE 0%. 4. Fixing rate based on excise paid by the corporate manufacturer affects the small and medium scale industry. 5. 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. 	
91.	8414	Compressors	28%	18%	<ol style="list-style-type: none"> 1. Compressor is taxed at 28%. 2. 200 small industries and 600 tiny industries are engaged in the manufacture of Air-compressor in Tamil Nadu. 3. It gives employment to 10000 workers. 4. Air-compressor was sold as industrial inputs under VAT in all States under the lower tax rate of 5%. 5. The combined incidence of tax before GST was 17.5% [12.5% ED and 5% VAT]. 6. 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"> 1. 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. 2. 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>	
92.	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>
93.	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>
94.	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 disadvantage vis-à-vis imports.</p> <p>3. Direct subsidy is a better option than giving tax incentives.</p> <p>4. No change.</p>
95.	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 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.	
96.	8448, 8487	Textile Machinery parts	18%	5%	<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> 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.
97.	2403	Chewing Tobacco	28% + Cess	28%	<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> 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.
98.	28	Bleach liquid	18%	5%	<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 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> <p>3. This is mainly used for the purpose of bleaching of textiles</p> <p>4. It was exempted from tax under earlier VAT.</p> <p>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.</p>	
99.	2106	Chutney powder	18%	12%	<p>1. Currently classified under miscellaneous edible preparations and attracts 18% rate.</p> <p>2. It is like a masala that is not used for cooking but is used along with food like pickle.</p>	<p>1. The GST rate is as per the pre-GST tax incidence.</p> <p>2. No change.</p>
100.	2001	Pickle	12%	5%	<p>1. Pickle – VAT is 5% and we need to confirm if Central Excise is 6%.</p> <p>2. Same treatment can be given to Chutney powder above.</p>	<p>1. GST rate on pickles is as per the pre-GST tax incidence.</p> <p>2. No change.</p>
101.	8443	Multi-function printers	28%	18%	<p>1. Multi fiction printers-all printers enjoy concessional rate in VAT.</p> <p>2. Therefore, there is no reason why it should be in GST.</p> <p>3. Today MFPs are sold more than printers and standalone printers are getting restricted to specialised ones.</p> <p>4. Like monitors, this also hits only individual buyers.</p>	<p>1. GST rate is as per the pre-GST tax incidence based on VAT rates provided by the members of Fitment Committee.</p> <p>2. No change.</p>
102.	Chapter 38, 84 or 85	Biodiesel, the machinery used in the production of biodiesel and machines that run on biodiesel	18%	Nil	<p>1. Presently these are taxed at the rate of 18% under GST. Encouraging the use of biodiesel is very beneficial from the environmental perspective.</p> <p>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.</p>	<p>1. GST rate on capital goods is as per the pre-GST tax incidence.</p> <p>2. Any reduction in GST rate on capital goods will lead to ITC accumulation and refund.</p> <p>3. Bio-diesel at 18% GST has substantial tax advantage over diesel which bears about 100% tax.</p> <p>4. No change.</p>
103.	Any Chapter	Pooja bells, Artidaaan and 6-inch idols	18%, 28%	Nil	<p>1. These objects are used for worship by the general public.</p> <p>2. Under GST, they are taxable at the rate of 12 %.</p> <p>3. Considering the religious sentiments of people.</p> <p>4. Also, pan-India turnover of these items is very low.</p>	<p>1. All raw materials for bells or artidaaan attract 18% GST.</p> <p>2. Present rates are as per pre-GST rates.</p> <p>3. Fitment Committee has decided that idols of clay may be kept at 5%.</p> <p>4. No change for other items.</p>

					5. Therefore, there will be no adverse effect on revenue due to these considered for tax exemption.	
104.	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.
105.	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: <ol 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>
106.	57	Handmade Carpets and Dari	12%	5%	<p>1. The handmade carpet industry runs as a cottage industry in Varanasi and its adjoining districts and provides employment to millions of people.</p> <p>2. Currently it is in Schedule 6% from entry number 142 to 146, taxable at the rate of 12%.</p> <p>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.</p> <p>4. Therefore, it should be kept in Schedule 2.5%, so that tax rate may be 5%.</p>	<p>1. MSME can avail composition scheme where limit has been increased from Rs 50 Lakh to Rs 75 Lakh</p> <p>2. GST rate is as per the pre-GST tax incidence.</p>
107.	28 / 31	Gypsum, zinc sulphate, bio-fertiliser and organic manure	5%, 12%, 5%	Nil	<p>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).</p> <p>2. And branded bio fertiliser and organic manure (entry no. -182) have also been kept at tax rate 5%.</p> <p>3. While in the meeting of GST Council on 30.06.2017, the rate of tax on chemical fertilizer was</p>	<p>1. Zinc sulphate falling under Chapter 28 is a 12%.</p> <p>2. Chemical fertilisers falling under Chapter 31 are at 5%.</p> <p>3. Bio fertilisers / Organic fertilisers unbranded are at Nil.</p> <p>4. No further concession can be extended to fertilisers.</p> <p>5. All inputs to these fertilisers are at 18%.</p>

					<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>	
108.	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>
109.	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>
110.	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>
111.	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>3. Note sent by J&K is attached.</p>	<p>1. The issue has been referred to the Law Committee, as per the discussions in the Fitment Committee.</p>

					4. A detailed note on handicraft is also attached.	
112.	9024	Soil testing equipments	18%	-	1. Soil testing equipment attracts 18% GST. 2. Excise duty on soil testing equipment was 12.5%.	1. Most inputs attract 18% GST. 2. Present rate is as per pre-GST tax incidence. 3. No change.
113.	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.
114.	3808	Bio-stimulants	18%	-		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.
115.	3926	High Density Polyethylene / polypropylene fabrics	28%	18%	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%.	1. No change.

Agenda Item 6(iii) – Issues listed in Annexure III of Agenda item 7 of 21st GST Council Meeting
(GST rates on services – Proposals found NOT acceptable by the Fitment Committee)

The issues listed in **Annexure-III** of the Agenda item 7 of 21st GST Council Meeting could not be discussed due to paucity of time. As decided by the Hon'ble Chairperson of the Council, the above agenda is listed as **Annexure-III** as below.

Annexure III

GST Rate on Services - Proposals found NOT acceptable by Fitment Committee for GST Council

Meeting on 5th August 2017

Sl.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 not serve liquor should be taxed at 12% instead of 18%.	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.
4	Live stage performances in all Indian languages may be	For promotion of Indian arts and culture.	May not be accepted.

Sl.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	exempted from GST and limit for exemption in Sl. No. 80 may be increased from Rs 250 to Rs 500.		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.
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 price of admission ticket is Rs. 100 or less and it was decided by the GSTC that states may promote regional cinema by grant. It is not possible to accede to the request made in the GST regime as it would severely hit the CGST revenue.</p> <p>WB has come up with a subsidy scheme. Fitment Committee felt that other States could also evolve similar subsidy scheme.</p>
7	GST rate on admission to racecourse and services	High rate has led to high evasion and new rates are more than double.	May not be accepted.

Sl.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	provided by race course should be 18%.		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 relation to manufacture of all leather goods. 2. GST of contract manufacturing may be reduced from 18% to 5% for leather goods industry	Leather goods industry works on a narrow margin and is considerably dependent on skilled labour through contract manufacturing and job work. High rates will significantly impact the industry, block working capital of manufacturer/ exporter, hamper production and raise end product price leading to huge loss of business.	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.
12	Exemption limit provided to Cooperative Housing Societies is for a limit of Rs. 5000/-. This should be increased.		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

Sl.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
			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.
13	Exemption may be given to services provided by way of construction, erection, commissioning, installation, completion, fitting, repair, maintenance, renovation or alteration of building owned by entity registered under section 12AA of the Income Tax Act, 1961 and meant predominantly for religious use by general public.		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.
14	CETP (Common Effluent Treatment Plant) operators may be exempted from GST	18% GST would make the service provided by CETPs costly and uncompetitive.	May not be accepted. CETP services are B2B services and GST paid on CETP services would be available to recipients as ITC and thus not represent additional cost. On the other hand, exempting CETPs from GST will lead to blocking of ITC and consequent increase in their cost. It was also observed that Bulk Drug Manufacturers Association had requested for withdrawal of exemption from service tax on CETP services as the exemption blocks ITC. The proposal was not agreed to.
15	Services to the educational institutions (other educational institutions such as colleges and universities) by way of transportation of students, faculties and staff; catering including mid-day meals etc may be exempted.	Exemption for services provided to an educational institution by way of transportation of students, faculties and staff; catering including mid-day meals etc. is limited to the educational institutions providing pre-school education and education up to higher secondary school and equivalent. Services provided to all other educational institutions should also be exempted accordingly.	May not be accepted. The exemption did not exist under service tax and would adversely affect revenue.
16	Consultancy service and arrange airborne survey facilities provided by Remote Sensing Application Centre Uttar Pradesh.	This Service is provided to Government Departments only through the Application Centre controlled by the State Government. This is necessary for Projects and Schemes for 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,	May not be accepted. Even services provided by ISRO attract GST; it would not be possible to carve out exemption for RSAC of UP.

Sl.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
		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;	
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.]
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	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	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.

Sl.No.	Proposal	Justification for Proposal	Recommendations of Fitment Committee
	<p>may be exempted from GST registration: -</p> <ol style="list-style-type: none"> Cutting, mending, folding, packing Stitching or attaching borders, falls, tikkies, glass beads, stones buttas Embroidery Charak & Roll press 	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.	
21	<p>Job work on printing should continue to be exempted. If it is to be taxed, for books it should be 5% and for others, with turnover more than 20 Lakhs, 18%. Printing press should be charged:</p> <ol style="list-style-type: none"> 5% for turnover < 1.5 Cr 12% with turnover up to 50 Cr 18% with turnover > 50 Cr 	95% of printing fraternity falls under SSI with turnover < 1.5 Cr and had no excise duty liability earlier. Now both SSI and big units will have same tax treatment which will be detrimental for small units.	<p>May not be accepted.</p> <p>GST on supply of job work services in relation to printing of newspapers, books, journals and periodicals has been fixed at 5% in view of the fact that GST applicable on selling of space for advertisement in print media is 5% and GST on supply of books is NIL.</p>
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>

Agenda Item 6(iv) – List of Acts from the Central and State Governments as per Section 5(4) and 5(6) of the Goods and Services Tax (Compensation to States) Act, 2017

In the 21st GST Council meeting held on 9 September, 2017, during the discussion on Agenda Item No. 4 on the draft notification to be issued under sections 5(4) and 5(6) of the Goods and Services Tax (Compensation to States) Act, 2017, some States mentioned that some Acts listed in the draft Notification had not been repealed entirely or that some Acts were missing and had to be added.

2. Therefore, States were requested to send a formal request for suitably revising the said draft notification. A total of 12 States (Andhra Pradesh, Delhi, Goa, Himachal Pradesh, Maharashtra, Odisha, Rajasthan, Telangana, Tripura, Uttar Pradesh, Uttarakhand and West Bengal) sent requests for changes in their list of Acts vide which taxes have been subsumed.

3. The Draft notification (**Annexure-I below**) 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, incorporating the changes indicated by the States mentioned above, is placed before the Council for approval.

4. It is also mentioned that in certain cases, it was found that the list of Acts to be subsumed, as furnished by the concerned AGs, was not reflecting the Acts amended or repealed as per sections 173 and 174 of the SGST Acts of the concerned States. In such cases, revisions have been made reflecting provisions of sections 173 and 174 of the SGST Acts.

Annexure-I

To be published in Part II, Section 3, Sub-section (i) of the Official Gazette of India,
Extraordinary]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(Department of Revenue)

Notification No. /2017 – Goods and Services Tax Compensation

New Delhi, the **October 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

Sl.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	i. 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	ii. Andhra Pradesh Entertainments Tax Act, 1939 iii. Andhra Pradesh Horse Racing and Betting Tax Regulation 1358 F iv. 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	v. Andhra Pradesh Tax on Entry of Motor Vehicles into Local Areas Act, 1996 vi. The Andhra Pradesh 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	vii. Andhra Pradesh Rural Development Act 1996

5	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	viii. Section 14 of The Andhra Pradesh Municipal Corporations Act, 1994 – Advertisement tax ix. Section 114 of The Andhra Pradesh Municipalities Act, 1965 – Advertisement tax x. Section 63 of The Andhra Pradesh Panchayat Raj Act, 1994 – Advertisement tax
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2. Arunachal Pradesh

Sl.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	i. 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	ii. Arunachal Pradesh Entry Tax Act 2010
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	iii. Clause (f) of sub-section (1) of Section 129 of the Arunachal Pradesh Municipal Act, 2007

3. Assam

Sl.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	i. 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	ii. The Assam Amusements & Betting Tax Act, 1939 iii. The Assam Tax on Luxuries (Hotels & Lodging Houses and Hospitals) 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	iv. The Assam Entry Tax Act, 2008 v. Clause (i) of sub-section (2) of section 144 of Gauhati Municipal Corporation Act, 1971
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	vi. The Assam Health Infrastructure and Services Development Fund Act, 2009
5	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	vii. Clause (d) of Sub-section (1) of section 144 of Gauhati Municipal Corporation Act, 1971

4. Bihar

Sl.No.	Type of Tax	Act vide which imposed
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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	i. 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	ii. The Bihar Entertainment Tax Act, 1948 iii. The Bihar Taxation on Luxuries in Hotels 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	iv. 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	v. The Bihar Advertisement Tax Act, 2007

5. Chhattisgarh

Sl.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	i. 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	ii. Chhattisgarh Entertainments Duty & Advertisements Tax Act, 1936 iii. 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	iv. Chhattisgarh Entry Tax Act, 1976

6. Delhi

Sl.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	i. The Delhi 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	ii. The Delhi Entertainment and Betting Tax Act, 1996 iii. The Delhi Tax on Luxuries Act, 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	iv. Clause (d) of sub-section (1) of section 113, section 142, clause (c) of sub-section (1) of section 153, sub-section (1) of section 154 and the Fifth Schedule of The Delhi Municipal Corporation Act, 1957 v. Clause (d) of sub-section (1) of Section 60 of The New Delhi Municipal Council Act, 1994

7. Goa

Sl.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	i. 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	ii. The Goa Entertainment Tax Act, 1964 iii. 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	iv. The Goa Tax on Entry of Goods Act, 2000 v. Clause (n) of sub-section (3) of section 153 of The Goa Panchayat Raj Act, 1994 vi. Clause (i) of section 104 of The Goa Municipalities Act, 1968
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	vii. Clause (c) of sub-section (3) of section 153 of The Goa Panchayat Raj Act, 1994 viii. Clause (d) of sub-section (1) of section 101 of The Goa Municipalities Act, 1968

8. Gujarat

Sl.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	i. 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	ii. The Gujarat Entertainments Tax Act, 1977 iii. The Gujarat Tax on Luxuries (Hotels and Lodging Houses) Act, 1977
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	iv. The Gujarat Tax on Entry of Specified Goods into Local Areas Act, 2001

9. Haryana

Sl.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	i. 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	ii. The Punjab Entertainment Duty Act, 1955 iii. The 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	iv. 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	v. Clause (i) of sub-section (1) of section 88 and section 121 of the Haryana Municipal Corporation Act, 1994
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10. Himachal Pradesh

Sl.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	i. 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	ii. The Himachal Pradesh Entertainments Tax (Cinematograph Shows) Act, 1968 iii. The Himachal Pradesh Entertainments Duty Act, 1968 iv. The Himachal Pradesh Tax on Luxuries (in Hotels and Lodging Houses) 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	v. The Himachal Pradesh Tax on Entry of Goods into Local Area Act, 2010

11. Jammu & Kashmir

Sl.No.	Type of Tax	Act vide which imposed
1	Value Added Tax and Sales Tax on Services	i. The Jammu and Kashmir Value Added Tax Act, 2005 ii. The Jammu & Kashmir General Sales Tax Act, 1962
2	Entertainment Tax	iii. The Jammu and Kashmir Entertainment Tax (Cinematographic Shows) Act, 1962 iv. The Jammu and Kashmir Entertainments Duty Act, 2016
3	Entry Tax	v. The Jammu and Kashmir Entry of Goods Act, 2000
4	Surcharge on Sales Tax	vi. The Jammu and Kashmir General Sales Tax Act, 1962
5	Advertisement Tax	vii. Clause (ix) of sub-section (1) of section 66 of the Jammu and Kashmir Municipal Act, 2000

12. Jharkhand

Sl.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	i. The Jharkhand 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	ii. Jharkhand Entertainment Tax Act, 2012 iii. Jharkhand Taxation on Luxuries in Hotel Act, 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	iv. Jharkhand Entry Tax Act on consumption or use of goods Act, 2011
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	v. Jharkhand Advertisement Tax Act, 2012

13. Karnataka

Sl.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	i. The Karnataka Value Added Tax Act, 2003 ii. 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	iii. The Karnataka Entertainments Tax Act, 1958 iv. The Mysore Betting Tax Act, 1932 v. The Karnataka Tax on Luxuries Act, 1979 vi. The Karnataka Tax on Lotteries Act, 2004
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	vii. The Karnataka Tax on Entry of Goods Act, 1979 viii. The Karnataka Special Entry Tax Act, 2002

14. Kerala

Sl.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	i. 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	ii. Kerala Tax on Paper Lotteries Act 2005 iii. 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	iv. Kerala Tax on Entry of Goods into Local Areas 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	v. Section 271 of the Kerala Municipality Act 1994 vi. Section 209 of the 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	vii. Essential Necessities Cess introduced by section 10 of Kerala Finance Act, 2011 viii. Mangalyanidhi Cess introduced by section 11 of Kerala Finance Act, 2011 ix. Section 3(1A) and 3(1AA) of Kerala surcharge on Taxes Act 1957

15. Madhya Pradesh

Sl.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	i. 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	ii. 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	iii. Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam, 1976

16. Maharashtra

Sl.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	i. The Maharashtra Value Added Tax, 2002 ii. The Maharashtra Purchase Tax on Sugarcane Act, 1962 iii. The Maharashtra Forest Development (Tax on sale of Forest Produce by Government or Forest Development Corporation) 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	iv. The Maharashtra Entertainment Duty Tax Act, 1923 v. The Maharashtra Tax on Lottery Act, 2006 vi. The Maharashtra Betting Tax Act, 1925 vii. The 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	viii. The Maharashtra Tax on Entry of Goods into Local Area Act, 2002 ix. Sub-section 4 of Section 139 of The Mumbai Municipal Corporation Act, 1888 x. Clauses (a), (aa) and (aaa) of sub-section 2 of Section 127 of The Maharashtra Municipal Corporation Act, 1949 xi. The Maharashtra Tax on Entry of Motor Vehicles into Local Areas Act, 1987
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	xii. The Maharashtra Advertisements Tax Act, 1967 xiii. Sub-section 3 of Section 139 of The Mumbai Municipal Corporation Act, 1888 xiv. Clauses (d) of sub-section 2 of Section 127 of The Maharashtra Municipal Corporation Act, 1949

17. Manipur

Sl.No.	Type of Tax	Act vide which imposed
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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	i. 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	ii. The Assam Amusement and Betting Tax Act, 1936 (as extended to Manipur) iii. The Manipur Tax on Luxury (Hotel & Lodging Houses) Act, 2000
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	iv. Clause (c) of sub-section (1) of section 75 of The Manipur Municipalities 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	v. Clause (i) of sub-section (1) of section 75 of The Manipur Municipalities Act, 1994

18. Meghalaya

Sl.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	i. The Meghalaya Value Added Tax, 2003 ii. 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	iii. The Meghalaya Amusement and Betting Tax Act iv. 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	v. The Meghalaya Cement Cess Act, 2010 vi. The Meghalaya Clinker Cess Act, 2015

19. Mizoram

Sl.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	i. The Mizoram Value Added Tax Act, 2005 ii. The Mizoram (Sales of Petroleum and Petroleum Products, including Motor Spirit and Lubricants) Taxation Act, 1973
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	iii. 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	iv. The Mizoram Entry Tax Act, 2015

20. Nagaland

Sl.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	i. The Nagaland Value Added Tax Act, 2005 ii. The Nagaland Sales of Petroleum and its products including Motor Spirit and Lubricants etc., 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	iii. The Nagaland Amusements Tax Act, 1965
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	iv. The Nagaland Entry Tax Act, 2013

21. Odisha

Sl.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	i. The Odisha Value Added Tax Act 2004 ii. Odisha Forest Development (Tax on Sale of forest produce by Government or Odisha Forest Development Corporation) 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	iii. The Odisha Entertainment Tax Act 2005 iv. The Odisha Luxury Tax 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	v. The Odisha Entry Tax Act, 1999
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	vi. Section 242 of the Odisha Municipal Corporation Act, 2003 – Advertisement Tax

22. Puducherry

Sl.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	i. The Puducherry Value Added Tax Act, 2007
2	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	ii. Sub-clause (iii) in clause (a) of sub-section (1) of section 118 of the Puducherry Municipalities Act, 1973
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	iii. The Puducherry Sugarcane Development and Levy of Cess Act, 1965

23. Punjab

Sl.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	i. The Punjab 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	ii. The Punjab Entertainment Duty Act, 1955 iii. The Punjab Tax on Lotteries Act, 2005 iv. The Punjab Entertainments Tax (Cinematograph Shows) Act, 1954 v. The Punjab Tax on Luxuries Act, 2009
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	vi. The Punjab Tax on Entry of Goods into Local Area Tax Act, 2000 vii. Clause (b) in sub-section (1) of section 90 and section 113 of 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	viii. Clause (d) in sub-section (1) of section 90 of 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	ix. The Punjab Infrastructure (Development & Regulation), Act, 2002

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

Sl.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	i. 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	ii. The Rajasthan Entertainments and Advertisements Tax Act, 1957 iii. The Rajasthan Tax on Luxuries (in Hotels and Lodging Houses) Act, 1990 iv. The Rajasthan Tax on Luxuries (Tobacco and its Products) 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	v. The Rajasthan Tax on Entry of Goods into Local Areas Act, 1999 vi. The Rajasthan Tax on Entry of Motor Vehicles into Local Areas Act, 1988 vii. Clause (b) of sub-section (1) of the section 65 of the Rajasthan Panchayati Raj Act, 1994, as it existed before the passage of the Rajasthan Goods and Services Tax Act, 2017.

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	viii. Clause (e) of sub-section (1) of section 102 of the Rajasthan Municipalities Act, 2009, as it existed before the passage of the Rajasthan Goods and Services Tax Act, 2017.
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	ix. Chapter XI (Infrastructure Development Cess) of the Rajasthan Finance Act, 2014

25. Sikkim

Sl.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	i. 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	ii. The Sikkim Ecology Fund & Environment Cess Act 2005 iii. Sikkim Transport Infrastructure Development Fund (STIDF) Act, 2004

26. Tamil Nadu

Sl.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	i. The 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	ii. The Tamil Nadu Entertainments Tax Act, 1939 iii. The Tamil Nadu Betting Tax Act, 1935 iv. The 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	v. The Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act, 1990 vi. The Tamil Nadu Tax on Entry of Goods into Local Areas Act, 2001 vii. Clause (f) of section 98 of the Chennai City Municipal Corporation Act, 1919
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	viii. Section 129-A of the Chennai City Municipal Corporation Act, 1919 ix. Clause (dd) in section 78 of the Tamil Nadu District Municipalities Act, 1920 x. Section 157 and Clause (e) in section 115 of the Madurai City Municipal Corporation Act, 1971 xi. Clause (e) in section 117 of the Coimbatore City Municipal Corporation Act, 1981 xii. Section 172-A of the Tamil Nadu Panchayats Act, 1994

		xiii. The Tamil Nadu Advertisement Tax Act, 1983
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	xiv. Tamil Nadu Sugar Cane Cess (Validation) Act, 1963

27. Telangana

Sl.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	i. 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	ii. The Telangana Entertainments Tax Act, 1939 iii. The Telangana Horse Racing and Betting Tax Regulations, 1958 iv. 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	v. The Telangana Tax on Entry of Motor Vehicles into Local Areas Act, 1996 vi. The Telangana Tax on Entry of Goods into Local Areas Act, 2001
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	vii. Section 14 of the Telangana Municipal Corporations Act, 1994 viii. Clause (f) of Sub section (1) of section 197 of the Hyderabad Municipal Corporations Act, 1955 ix. Section 114 of the Telangana Municipalities Act, 1965 x. Section 63 of the Telangana Panchayat 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	xi. The Telangana Rural Development Act, 1996

28. Tripura

Sl.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	i. 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	ii. The Tripura Entertainment Tax Act, 1997 iii. The Tripura 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	iv. Clause (j) in sub-section (1) of section 192 of the Tripura Municipal Act, 1994 v. Section 206 of the Tripura Municipal 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	vi. Clause (b) in sub-section (1) of section 192 of the Tripura Municipal Act, 1994 vii. Section 197 of the Tripura Municipal Act, 1994
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29. Uttar Pradesh

Sl.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	i. The Uttar Pradesh Value Added Tax Act, 2008 ii. The Uttar Pradesh Sugarcane (Purchase Tax) Act, 1961 iii. Chapter II of The Uttar Pradesh Taxation and Land Revenue Laws Act, 1975
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	iv. The Uttar Pradesh Entertainment and Betting Tax Act, 1979 v. 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	vi. The Uttar Pradesh Tax on Entry of Goods into Local Areas Act, 2007
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	vii. The Uttar Pradesh Advertisements Tax Act, 1981 viii. Clause (h) of sub-section (2) of section 172 and section 192 and 193 of The Uttar Pradesh Municipal Corporation Act, 1959 ix. Clause (vii) of sub section (2) of section 128 of The Uttar Pradesh Municipalities Act, 1916

30. Uttarakhand

Sl.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	i. The Uttarakhand 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	ii. The Uttarakhand Entertainment and Betting Tax Act, 1979 iii. The Uttarakhand Cinema (Regulation) Act, 1955 iv. Chapter II (Section 2 to 13) of 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	v. 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	vi. The Uttarakhand Cess Act, 2015

5	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	vii. Section 192 and sub-section 2(h) of Section 172 of The Uttarakhand (The Uttar Pradesh Municipal Corporation Act, 1959) Adaptation and Modification Order, 2002 viii. The Uttarakhand Advertisements Tax Act, 1981
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31. West Bengal

Sl.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	i. The West Bengal Value Added Tax Act, 2003 ii. The West Bengal Sales Tax Act, 1994
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	iii. The Bengal Amusements Tax Act, 1922 iv. The West Bengal Entertainment-cum-Amusement Tax Act 1982 v. The West Bengal Entertainments and Luxuries (Hotels & Restaurants) Tax Act, 1972
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	vi. The West Bengal Tax on Entry of Goods into Local Areas Act, 2012

Note:

With respect to Advertisement Tax collected by local bodies in States, for which the AG of the concerned State has no data, the Finance Department, of the respective State Government shall be treated as the certifying authority for the amount of the revenue collected for the purposes of estimation of base year revenue under the Goods and Services Tax (Compensation to States) Act, 2017.

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

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