



GST COUNCIL'S 37TH MEETING - KEY TAKEAWAYS

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1. Introduction

On 20th September, 2019, as anticipated, the all-powerful Goods & Services Tax Council (hereinafter 'Council'), in its 37th Meeting held in Goa, took certain key decisions. Recent economic slowdown coupled with industries' downward trend and genuine demand for suitable measures has compelled the Central Government to give a thought on further action. Latest proposals, no doubt, in the right direction but revenue forgone (from both GST and Corporate Tax proposals made during the same day) estimated at Rs. 1 trillion to Rs. 1.5 trillion, though short term fiscal pain, yet to see how the Indian economy will do perform in the upcoming festival season. The said decisions may be classified into two broad categories, Recommendations with respect to GST Rates – Goods & Services - and Procedural aspects.

2. Recommendations GST Rates – Goods

The Council has taken certain decision with respect to Goods, key recommendations are as follows:

Goods	Reduced from
Slide Fasteners	18 per cent to 12 per cent
Marine Fuel	18 per cent to 5 per cent
Wet Grinders(stone as a grinder)	12 per cent to 5 per cent
Cut and polished semi- precious stones	3 per cent to 0.25 per cent
Dried tamarind & Plates and cups made up of leaves/ flowers/bark	5 per cent to Nil
Specified goods for petroleum operations under Hydrocarbon Exploration Licensing Policy	5 per cent
Reducion in Cess - Passenger vehicles of engine capacity 1500 cc in case of diesel, 1200 cc in case of petrol and length not exceeding 4000 mm designed for carrying upto 13 persons	1 percent in the case of petrol 3 per cent in the case of Diesel, currently attracting compensation cess at 15 per cent.
Goods	Increased to
Railway wagons, coaches, rolling stock (without accumulated Input Tax)	5 per cent to 12 per cent
Caffeinated Beverages	18 per cent to 28 per cent plus 12 per cent compensation cess
Packing of goods - Polypropylene/Polyethylene Woven and Non- Woven Bags and sacks, laminated or not	Uniform GST rate of 12 per cent

Miscellaneous – Goods

The Council has decided to exempt certain goods from GST or Integrated GST on -

- Imports of specified defense goods from GST or Integrated GST which are not manufactured indigenously till 2024.
- Supply of goods to Federation Internationale de Football Association (FIFA) and other specified persons for organizing the Under-17 Women's Football World Cup in India.
- Supply of goods and services to the Food and Agriculture Organisation (FAO) for specified projects in India.

- d) Limited period of concessional GST rate of 12 per cent on pulley and wheels used as parts of agricultural machinery during 1st July.2017 to 31st December, 2018.
- e) It has been decided to exclude 'Aerated drink manufacturers' from composition scheme.



3. Recommendations GST Rates – Services

The Council's recommendations with respect to Services are as follows:

Services	Reduced to
Hospitality - Transaction Value per Unit (Rs) per day Rs. 1000 and less Rs. 1001 to Rs 7500 Rs. 7501 and more	Nil
	12 per cent
	18 per cent
Outdoor catering services other than in premises having daily tariff of unit of accommodation of Rs 7501	5 per cent without Input Tax Credit
Job work services in relation to diamonds	From 5 per cent % to 1.5 per cent
Supply of machine job work in engineering industry except busbody building	From 18 per cent to 12 per cent

Miscellaneous – Services

The Council has decided to exempt certain service sectors from GST on -

- a) Prospective services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres, coffee, tea etc.
- b) Extension of conditional exemption on export freight by air or sea till 30th September, 2020.
- c) Intermediary services to a supplier of goods or recipient of goods subject to supplier and recipient are located outside the taxable territory.
- d) An option to pay GST on royalty charged from publishers under forwarding charge subject to regular compliance.
- e) Supply of services to Federation Internationale de Football Association (FIFA) and other specified persons for organizing the Under-17 Women's Football World Cup in India.

4. Recommendations - Procedural Aspects

The Council has taken certain decisions on procedural aspects to ease the burden on tax payers, they are –

- a) GST Annual Return - With respect to GST Annual Return for the financial year ended 2017-18 and 2018-19, the Council has decided to grant some relief to MSMEs and composite taxpayers -

Form GSTR 9	Optional for those taxpayers who have an aggregate turnover up to Rs. 2 crores.
Form GSTR 9A	Fully waived-off for composition taxpayers
<i>Further, it has been decided to constitute a Committee of Officers (CoO) to examine the simplification of Annual Returns and Reconciliation statement.</i>	

- b) Appeal to GSTAT - Since non-operation of GST Appellate Tribunal, the last date for filing of appeals against orders of Appellate Authority before the GSTAT to be extended. Interestingly, on the same day Meeting, the Hon'ble Madras High Court has pronounced its reserved Judgment while declaring that composition of GST Appellate Tribunal as Unconstitutional. This Author's detailed article titled 'GST & Constitutional Validity of its Key Organs' may be referred for further details at [2018] 95 taxmann.com 123 (Article).
- c) Non-compliance - Certain restrictions on availment of Input Tax Credit (ITC) by the recipients in cases where details of outward supplies are not furnished by the suppliers under Section 37 of the Central GST Act, 2017.
- d) New Return System – In order to give sufficient time to taxpayers to file GSTR 1 and GSTR 3B during last quarter of the financial year, the Council has decided to implement the proposed simplified new return system with effect from April 2020 instead of 1st October, 2019 as decided in one of its previous meetings.
- e) Set of Circulars for uniformity in application of the law across all jurisdictions –
- i. To prescribe a procedure to claim a refund in FORM GST RFD-01A subsequent to favourable order in appeal.
 - ii. To eligible to file a refund application in FORM GST RFD-01A for a period and category under which a NIL refund application has already been filed.
 - iii. To clarify that supply of IT enabled Services (ITeS services) being made on own account or as an intermediary.
 - iv. To rescind a Circular issued in respect of post-sales discount.
 - v. To bring suitable amendments in Central GST Act, 2017 Union Territory GST Act, 2017, and the corresponding State GST Acts in view of creation of Union Territories of Jammu & Kashmir and Ladakh.
 - vi. To introduce 'Integrated Refund System' by Single Authority with effect from 24th September, 2019.
 - vii. To link Aadhar with the registration of taxpayers under GST and examine the possibility of making Aadhar mandatory for claiming refunds.
 - viii. To prescribe reasonable restrictions to tackle the menace of fake invoices and fraudulent refunds.

To give effect to the aforesaid recommendations with effect from 1st October, 2019, due Notifications will be issued soon.

Concluding Remarks

The Confederation of All India Traders (CAIT), an Industry association has expressed its satisfaction on the aforesaid decisions and recommendations. The Federation of Hotel and Restaurant Associations of India (FHRAI) is also expecting a surge in demand in upcoming festival season and followed by holiday season. However, call for a rate reduction from Auto, Biscuit, FMCG and other Industries were not met due to economic growth hitting a six-year low of 5 per cent. Whether GST Council takes another call on Rate cuts? Rates restructure? Compensation o states beyond 2022? It seems only after studying the Fifteenth Finance Commission's Report which is expected by 31st October, 2019 though detailed presentations on sharing Central Government's tax revenue with States for the next five years starting April, 2020 made during the meeting.