L&S Update

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Lakshmikumaran & **Sridharan**

GST Update No. 4 of 2019
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CBIC Circulars clarifying

- **IIMs – GST exemption**
- **ADB / IFC – GST applicability / exemption**
- **Printing of pictures – Classification & rate**
- **Food & Beverages supplied by educational institution – Exemption**
- **Business Facilitator / Correspondent to banking company – GST applicability**

IIMs – Clarification on GST applicability on various programmes

- CBIC has issued **Circular No. 82/01/2019- GST** dated 01.01.2019 to provide clarification in respect of applicability of GST on various programmes conducted by IIMs.

- With the enactment of Indian Institutes of Management Act which came into force on 31st January 2018, all IIMs are "educational institution" as defined in Notification No. 12/2017- Central Tax (Rate).

- Specific exemption entry under Sl. No. 67 of the exemption notification for services provided by IIMs is deleted with effect from January 1, 2019.

- Services by way of long duration programmes (course duration of one year or more) provided by IIMs to students for which they award diploma/ degree certificate recommended by the Board of Governors under the IIM Act are exempt from GST under Sl. No. 66. Services provided under short duration programmes are taxable at the standard rate of 18%.

IIMs – Clarification on GST applicability on various programmes

Position between July 1, 2017 till January 30, 2018

- IIMs were not covered within the scope of 'educational institution' under Sl. No. 66 of Notification No. 12/2017- Central Tax (Rate). Accordingly, exemption from GST during the said period was applicable only to the 3 specific programmes mentioned in Sl. No. 67 of the Notification.

Position between January 31, 2018 till December 31, 2018

- Based on the specific clarification that IIMs are covered within the scope of 'educational institution' w.e.f January 31, 2018, there were two exemption entries available for services provided by IIM (under Sl. No. 66 and Sl. No. 67). Assessee can claim the exemption which is more beneficial, in the event there are more than one exemption entries. Therefore, IIMs can avail the benefit of exemption under either of Sl. No. 66 or Sl. No. 67.

GST applicability / exemption to services provided by Asian Development Bank (ADB) and International Finance Corporation (IFC)

- CBIC has issued **Circular No. 83/02/2019-GST** dated 01.01.2019 to provide clarification on the applicability of GST on services provided by the ADB and IFC.

- Both ADB Act, 1966 and IFC Act, 1958 provide that its assets, properties, income, operations and transactions are exempt from all taxation and customs duties.

- Services provided by ADB and IFC are exempt from GST. This exemption will not apply to any entity appointed by or working on behalf of ADB or IFC.

Printing of pictures - Clarification on classification and rate

- CBIC has issued **Circular No. 84/03/2019-GST** dated 01.01.2019 to provide clarification on issue of classification of services of printing of pictures.

- Referring to the explanatory notes to the scheme of classification of services, it has been clarified that the said services are classifiable under the SAC 998386 - “Photographic and videographic processing services” attracting GST rate of 18%.

Supply of food and beverages by educational institution – Clarification on applicability of exemption

- CBIC has issued **Circular No. 85/04/2019-GST** dated 01.01.2019 to provide clarification on the rate of GST applicable on supply of food and beverages by educational institution to its students.

- Supply of all services by an educational institution to its students, faculty and staff is exempt under Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 [Sl. No. 66]. Such supply includes supply of food and beverages.

- Supply of food and beverages by an educational institution itself to its students, faculty and staff is exempt under above notification with effect from 01-07-2017 itself.

- Such supply of food and beverages by any person other than the educational institutions based on a contractual arrangement with such institution is leviable to GST@ 5%.

Applicability of GST on services of Business Facilitator (BF) or a Business Correspondent (BC) to Banking Company

- CBIC has issued **Circular No. 86/05/2019-GST** dated 01.01.2019 to provide clarification on applicability of GST on services of a BF/ BC to a banking company.

- Banking company is the service provider in the BF / BC model operated by a banking company as per RBI guidelines. Banking company is liable to pay GST on the entire value of service charge or fee charged to customers whether or not received via BF/BC.

- For availing exemption under Sl. No. 39 of of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, services provided by a BF/BC to a banking company in their respective individual capacities should fall under the Heading 9971 and that such services should be with respect to accounts in a branch located in rural area of the banking company. Classification of bank branch as rural/ urban branch is to be made based on RBI guidelines.

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