L&S Update

an e-update to clients from
Lakshmikumaran & **Sridharan**

GST Update No. 26 of 2019
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Highlights of 37th Meeting of GST Council : Recommended GST rates on goods

Rate reductions (1/2)

S.No.	Description	Present Rate	Recommended Rate
1.	Parts of Slide Fasteners	18%	12%
2.	Marine Fuel 0.5% (FO)	18%	5%
3.	Wet Grinders consisting of stone as a grinder	12%	5%
4.	Cut and polished semi-precious stones	3%	0.25%
5.	Tamarind, dried	5%	NIL
6.	Plates and cups made up of leaves/flowers/bark	5%	NIL

The rate changes shall be made effective with effect from 01.10.2019

Rate reductions (2/2)

✓ The rates of goods used for the following defined purposes have been recommended to be reduced:

- Specified goods for petroleum operations undertaken under Hydrocarbon Exploration Licensing Policy (HELP) – **5%**

- Imports of specified defense goods not being manufactured indigenously – **exempt** (applicable upto 2024)

- Supply of goods and services to FIFA and other specified persons for organizing the Under-17 Women's Football World Cup in India – **Exempt**

- Supply of goods and service to Food and Agricultural Organisation (FAO) for specified projects in India – **Exempt**

The rate changes shall be made effective with effect from 01.10.2019

Chapter 86 (Railway wagons, coaches)

- ✓ Railway wagons, coaches, rolling stock - GST Rate to be increased from 5% to 12% (without refund of accumulated ITC) on goods of Chapter 86 of the First Schedule to the Customs Tariff Act, 1975.

- ✓ The increase in rate is recommended to address the accumulation of Input Tax Credit ("**ITC**") with the suppliers of the concerned goods.

The rate changes shall be made effective with effect from 01.10.2019

Measures for export promotion (Jewellery industry)

✓ In order to promote exports, the Council has recommended the following measures:

1. Exemption from GST/IGST:

    - At the time of import on Silver/Platinum by specified nominated agencies;
    - Supply of Silver/Platinum by specified nominated agency to exporters for exports of jewellery;

2. Inclusion of Diamond India Ltd. ("**DIL**") in the list of nominated agencies eligible for IGST exemption on imports of Gold/Silver/Platinum so as to supply at NIL GST to jewellery exporters.

The rate changes shall be made effective with effect from 01.10.2019

Polypropylene woven and non-woven bags and sacks

<u>Existing position:</u>

- ✓ ***Circular No. 80/54/2018-GST, dated 31.12.2018:***
  - ❑ Polypropylene ("**PP**") Woven and Non-Woven Bags and PP Woven and Non-Woven Bags laminated with BOPP clarified to be classified as plastic bags under HS Code 3923 and attract GST at the rate of 18%.
  - ❑ Non-laminated woven bags would be classified as per their constituting materials.

<u>Recommendation of GST Council:</u>

- ✓ Uniform rate of 12% on polypropylene/polythene woven and non-woven bags and sacks as opposed to existing rates of 5%/12%/18%

The rate changes shall be made effective with effect from 01.10.2019

GST concessions for specified periods

Exemption to Fishmeal (01.07.2017 – 30.09.2019)

- ✓ Background: Doubts regarding taxability of fishmeal in view of interpretation issues (*Refer **Circular No. 80/54/2018-GST,** dated 31.12.2018*).
- ✓ If any tax collected for the concerned period, same is required to be deposited.
- ✓ However, no similar recommendation for meat cum bone meal (which is also covered under the Circular).

Parts of agricultural machinery (01.07.2017 – 31.12.2018)

- ✓ Rate of GST on pulley, wheels and other parts under Chapter Heading 8483 of the First Schedule to the Customs Tariff Act, 1975 as parts of agricultural machinery shall be 12%.

The rate changes shall be made effective with effect from 01.10.2019

Automobile Industry

- ✓ In order to boost the automobile industry, the Council has recommended the following rates of compensation cess for passenger vehicles designed to carry more than 10 persons but up to 13 persons :

  - **1%** for petrol vehicles (engine capacity of 1200cc and length not exceeding 4000mm); and

  - **3%** for diesel vehicles (engine capacity 1500cc and length not exceeding 4000mm).

- ✓ The compensation cess on motor vehicles for transport upto 9 persons for petrol and diesel vehicles of the above description is already 1% and 3% respectively.
- ✓ The recommendation is to bring the vehicles designed to carry upto 13 persons at par with those for carrying upto 9 persons.

- ✓ <u>Present position</u>: Compensation cess on motor vehicles for the transport of 10 or more persons, including the driver is 15%.

The rate changes shall be made effective with effect from 01.10.2019

Beverage Industry

- ✓ The Council has recommended the following increase in rates for caffeinated beverages:
  - GST : **28%** from 18%
  - Compensation cess: **12%**
- ✓ The compensation cess has been recommended to bring caffeinated beverages at par with aerated beverages
- ✓ Aerated drink manufacturers will be excluded from the Composition scheme.

The rate changes shall be made effective with effect from 01.10.2019

Clarification on GST rates

Solar power based devices:

- ✓ GST rate of 5% for parts like Solar Evacuation tubes for solar power based devices (*Refer Serial No. 234 of Schedule I of* ***Notification No. 01/2017-Integrated Tax (Rate)*** *dated 28.06.2017)*

Specified medical devices:

- ✓ GST rate of 12% for exclusive parts and accessories suitable for use solely or principally with specified medical devices.

- ✓ This recommendation is to align the GST rate of exclusive parts and accessories of medical devices of Chapter Heading 9018, 9019, 9021 and 9022 to 12% .

- ✓ GST at the rate of 12% is applicable on the concerned medical devices.

The rate changes shall be made effective with effect from 01.10.2019

NEW DELHI
5 Link Road, Jangpura Extension,
Opp. Jangpura Metro Station,
New Delhi 110014
Phone : +91-11-4129 9800

B-6/10, Safdarjung Enclave
New Delhi - 110 029
Phone : +91-11-4129 9900
E-mail : lsdel@lakshmisri.com

MUMBAI
2nd floor, B&C Wing,
Cnergy IT Park,
Appa Saheb Marathe Marg, (Near Century Bazar)
Prabhadevi, Mumbai - 400025.
Phone : +91-22-2439 2500
E-mail : lsbom@lakshmisri.com

CHENNAI
2, Wallace Garden, 2nd Street
Chennai - 600 006
Phone : +91-44-2833 4700
E-mail : lsmds@lakshmisri.com

BENGALURU
4th floor, World Trade Center
Brigade Gateway Campus
26/1, Dr. Rajkumar Road,
Malleswaram West,
Bangalore-560 055.
Ph: +91-80-4933 1800
E-mail : lsblr@lakshmisri.com

HYDERABAD
'Hastigiri', 5-9-163, Chapel Road
Opp. Methodist Church, Nampally
Hyderabad - 500 001
Phone : +91-40-2323 4924
E-mail : lshyd@lakshmisri.com

AHMEDABAD
B-334, SAKAR-VII,
Nehru Bridge Corner,
Ashram Road,
Ahmedabad - 380 009
Phone : +91-79-4001 4500
E-mail : lsahd@lakshmisri.com

PUNE
607-609, Nucleus, 1 Church Road,
Camp, Pune – 411 001
Phone : +91-20-6680 1900
E-mail : lspune@lakshmisri.com

KOLKATA
2ND Floor, Kanak Building
41, Chowringhee Road,
Kolkatta-700071
Phone : +91-33-4005 5570
E-mail : lskolkata@lakshmisri.com

CHANDIGARH
1st Floor, SCO No. 59,
Sector 26,
Chandigarh - 160026
Phone : +91-172-492 1700
E-mail : lschd@lakshmisri.com

GURGAON
OS2 & OS3, 5th Floor, Corporate Office Tower, AMBIENCE Island, Sector 25-A,
Gurgaon - 122001
Phone : +91-124-477 1300
E-mail :lsgurgaon@lakshmisri.com

ALLAHABAD
3/1A/3, (opposite Auto Sales), Colvin Road, (Lohia Marg),
Allahabad -211001 (U.P.)
Phone no. : (0532) – 2421037, 2420359
Email: lsallahabad@lakshmisri.com

 www.lakshmisri.com www.gst.lakshmisri.com