# L&S Update

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

**L&S GST Update**
**No. 50 of 2017**

## 22nd GST Council meeting held on 6th of October – Major recommendations / decisions

# 22nd GST Council Meeting on 6th of October, 2017

GST Council in its 22nd meeting held in Delhi on 6th of October has taken the following important decisions:

- **Composition Scheme:**
  - Threshold of annual aggregate turnover for availing composition scheme to be increased to Rs. 1 crore (including Jammu & Kashmir and Uttarakhand, and Rs. 75 lakhs for rest of the special category States).
  - Persons eligible for composition scheme and providing any exempt service will now be eligible for availing the scheme.

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

- **Registration exemption for inter-State supplies:**
  - Service providers whose annual aggregate turnover is less than Rs. 20 lakhs (Rs. 10 lakhs in special category states except J & K) to be exempted from mandatory registration even if they are making inter-State taxable supplies of services
- **Compliance relief for small taxpayers:**
  - Small taxpayers with annual aggregate turnover up to Rs. 1.5 crore to file quarterly returns in Form GSTR-1, 2 & 3 and pay GST on quarterly basis, starting from October-December, 2017 quarter.
    - Registered buyers from such small taxpayers eligible to avail ITC on monthly basis.
    - All taxpayers required to file monthly Form GSTR-3B till December, 2017 and GSTR-1, 2 and 3 for July, August and September, 2017.

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

## ➢ Relief for small taxpayers & others:

- Reverse charge mechanism under Section 9(4) of CGST Act and Section 5(4) under IGST Act to be suspended till 31-3-2018. This relates to procurement of goods / services from unregistered persons.
- Small taxpayers having annual aggregate turnover up to Rs. 1.5 crore will not be required to pay GST at the time of receipt of advances on account of supply of goods – payable when supply of goods is made.
- Service provided by a Goods Transportation Agency (GTA) to an unregistered person shall be exempt from GST.

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

- **Other decisions:**
  - Registration and operationalisation of TDS/TCS provisions postponed till 31-3-2018.
  - E-way bill system to be introduced in a staggered fashion from 1-1-2018 and shall be rolled out nation-wide from 1-4-2018.
  - The due date of filing the following returns has been extended:
    - GSTR - 4 for the quarter July to September, 2017 by a composition scheme dealer to be extended to 15-11-2017.
    - GSTR-6 for the months of July, August and September, 2017 by an **input service distributor (ISD)** to be extended to 15-11-2017.

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

## GST rates on certain job work services rationalised:

Some of the services are as below:

- Job work services in relation to all products falling under Chapter 71 (including imitation jewellery) – 5%
- Job work services in relation to food and food products falling under Chapters 1 to 22 (except packing of processed milk into packets) – 5%
- 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 or 49 – 5% / 12% / 18%

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

## Leasing/ sale of vehicles:

- Leasing of vehicles purchased and leased prior to 1-7-2017 – to be taxed at 65% of the applicable GST + cess rate
- Vehicles covered by above leases when disposed / sold – to be taxed at 65% of the applicable GST + cess rate
- Sale/ supply of vehicles by a registered person who had procured the vehicle prior to 1-7-2017 and not availed input tax credit of excise, VAT or any other taxes – to be taxed at 65% of the applicable GST + cess rate
- The above reduced rates to be applicable for a period of 3 years w.e.f. 1-7-2017.

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

## ➢ Other rate changes in services:

Some important services are elaborated below:

- Works contract services involving predominantly earth works (i.e. constituting more than 75% of the value of the works contract) supplied to Central/ State Government, Local Authority, Governmental Authority/ Entity - 5%.
- Works contract services in respect of offshore works contract relating to oil and gas exploration and production (E&P) in the offshore area beyond 12 nautical miles – 12%.
- Service of transportation of natural gas through pipeline - 12% with ITC or 5% without ITC

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

## ➢ GST Rate for certain goods to be reduced:

- Reduction in GST rate on certain goods has been recommended. Some important goods covered are:
  - Duty credit scrips – Nil rate, down from 5%.
  - Hard Rubber waste or scrap, paper waste or scrap and e-waste – New rate will be 5%.
  - Sewing thread of manmade filaments, whether or not put up for retail sale – Rate will be 12%, down from 18%.
  - Sewing thread of manmade staple fibres – New rate will be 12%.
  - All synthetic filament yarn, such as nylon, polyester, acrylic, etc. – 12%.
  - All artificial filament yarn, such as viscose rayon, cuprammonium – 12%.
  - Yarn of manmade staple fibres – 12%
  - Real Zari - Rate will be 5%, down from 12%.
  - Plain Shaft Bearing - Rate will be 18%, down from 28%.
  - Parts suitable for use solely or principally with fixed Speed Diesel Engines of power not exceeding 15HP – New rate will be 18%.
- IGST exemption recommended on import of rigs (subject to conditions) and import of bona fide gifts up to CIF value Rs. 5000 through post or air.

## ➢ Council decision regarding grants:

- Supply of service or goods by a Government Entity to Central/ State Government, Union Territory, Local Authority or any person specified by them against consideration received from them in the form of grants, shall be exempted.
- "Government Entity" shall 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 90% 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.

**It may be noted that notifications to bring these changes into effect are yet to be issued.**

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