

Major GST Council decisions taken in 54th GST Council Meeting

The GST Council in its 54th meeting was expected to discuss a host of key issues, including insurance premium taxation, recommendations from the Group of Ministers (GoM) on rate rationalization, and an update on online gaming.

The GST council in its 54th meeting has formed a couple of GoMs on important issues.

GoM on Life and health insurance related GST: The GoM on evaluation and suggesting a host of the issues related to the Life and Health insurance sector has been formed and they are expected to submit their report by end of October 2024.

GoM on Study of future Compensation Cess: The GST compensation cess can be collected only to fulfill the compensation on account of GST implementation. The levy has been extended until March 2026. The council has discussed the future of compensation cess. There are clear indications that the cess will be continued in some other form / name. Any new levy will require a change in the law. The GoM has been formed to study future of compensation cess.

Report of GoM on Rate rationalization: The existing GoM on rate rationalization under GST expected to submit their report by end of October 2024.

Apart from the formation of GoM, the GST council in its 54th meeting has taken some important steps. We have summarized the decisions taken by the GST council with the reason / rationale behind the decisions taken by the GST council.

GST Rate reduction on Namkeens and Extruded/Expanded Savory food products

➤ **Background:**

There was a dispute going on between the namkeen companies and GST authorities on taxability of Namkeens and Extruded/Expanded Savory food products like Kurkure, Mad Angles etc which are manufactured using extrusion process. The department had clarified earlier vide Circular No. 200/12/2023-GST dated 1st August 2023 that Namkeens and Extruded/Expanded Savory food products will be subject to GST Rate of 18%. However, the industry was stating it is difficult to bifurcate the goods manufactured through extruding process or otherwise.

➤ **GST Council Decision:**

The GST rate of extruded or expanded products, savory or salted (other than unfried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion), falling under HS 1905 90 30 to be reduced from 18% to 12%.

➤ **Effective Date:**

The GST council has decided to reduce the tax rate prospectively. The notification to give effect of this is yet to be issued.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7

GST Rate reduction on cancer drugs

➤ **Background:**

The new and patented cancer drugs like Trastuzumab Deruxtecan, Osimertinib, and Durvalumab are prescribed in India for certain cancer treatment or as part of immunotherapy. These are costly drugs costing upto 1 Lacs per vial / strip. These drugs are not manufactured in India and are imported from outside India. Recently in Union Budget, the custom duty was exempted on these drugs to make it more affordable.

➤ **GST Council Decision**

The GST rate on specific cancer treatment drugs, including Trastuzumab Deruxtecan, Osimertinib, and Durvalumab, has been reduced from 12% to 5%, significantly lowering the cost burden on patients.

➤ **Effective Date:**

The GST council has decided to reduce the tax rate prospectively. The notification to give effect of this is yet to be issued.

GST under Reverse Charge Mechanism on Purchase of Metal Scrap & TDS

➤ **Background:**

The scrap steel industry, which sources its raw materials mostly from unorganised scrap dealers, has sought rationalisation in GST structure through a 'reverse charge mechanism' where the liability to pay tax would be on manufacturers. This matter was also taken up in earlier GST council meetings.

➤ **GST Council Decision**

Reverse Charge Mechanism (RCM) to be introduced on supply of metal scrap by unregistered person to registered person provided that the supplier shall take registration as and when it crosses threshold limit and the recipient who is liable to pay under RCM shall pay tax even if supplier is under threshold.

Also, in addition to this, TDS @ 2% will be applicable on supply of metal scrap by registered person in B-to-B supply. This will bring more transparency in the transaction related to scrap sale.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7

➤ **Effective Date:**

The effective date will be applicable after issuance of notification to this effect. The notification may specify the date from which this will be applicable.

GST Rate on Roof Mounted Package Unit (RMPU) Air Conditioning Machines

➤ **Background**

There was confusion on taxability of AC fitted on Railways. The parts of Railways are taxed @ 18% whereas ACs are taxed at 28%.

➤ **GST Council Decision**

Circular to be issued clarifying that Roof Mounted Package Unit (RMPU) Air Conditioning Machines for Railways would be classified under HSN 8415 attracting a GST rate of 28%.

GST on Car Seats

➤ **Background**

There was disparity in the GST rate applicable to Motorcycle seats (28%) and car seats (18%).

➤ **GST Council Decision**

The GST rate on car seats classifiable under 9401 to be increased from 18% to 28%.

➤ **Effective Date:**

The effective date will be applicable after issuance of notification to this effect. The notification may specify the date from which the change will be applicable.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7

Transport of passengers by Helicopter on seat sharing basis

➤ **GST Council Decision**

The GST rate of 5% will be levied on transport of passengers by helicopters on a seat share basis.

Also, any dispute relating to past period on taxability will be settled on “as is wherein basis”

➤ **Effective Date:**

The effective date will be applicable after issuance of notification to this effect. The notification may specify the date from which the change will be applicable.

GST applicability on Flying training courses

➤ **Background**

The commercial flying licensing curriculum is designed as per the guidelines of DGCA. There was a dispute regarding taxability of GST on the fees charged by the training institutes to its students. There were some Advance Ruling stating that it is taxable and so ruled that it is not taxable and exempted under Notification 12/2017-CT (R)

➤ **GST Council Decision**

GST council has proposed to clarify by way of a circular that the approved flying training courses conducted by DGCA approved Flying Training Organizations (FTOs) are exempt from the levy of GST.

➤ **Effective Date:**

This being clarificatory in nature, it will be applicable retrospectively.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7

Supply of research and development services

➤ **Background**

There are ongoing investigation / notices issued by GST department on supply of R & D services by Government Entity; or a research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961.

The demands were issued to such institutions seeking GST on the same.

➤ **GST Council Decision**

The GST Council recommended to exempt supply of research and development services by a Government Entity; or a research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961 using Government or private grants.

Also, any dispute relating to past period on taxability will be settled on “as is wherein basis”

➤ **Effective Date:**

The effective date will be applicable after issuance of notification to this effect. The notification may specify the date from which the change will be applicable.

GST on Preferential Location Charges (PLC) levied by Developers

➤ **Background**

It is common practice that the Developer / builder charges Preferential Location Charges to the buyer for selection of preferential location.

The West Bengal Appellate Authority for Advance Ruling (‘AAAR’) had ruled that PLC levied by the Developer is separate from construction services and does not merit deduction of 1/3rd land value and will be treated as separate service than the construction services.

➤ **GST Council Decision**

Preferential Location Charges (PLC) paid along with the consideration for construction services (before the issuance of completion certificates) will be treated as part of a composite supply. The PLC will follow the same tax treatment as the main construction service.

➤ **Effective Date:**

This being clarificatory in nature, it will be applicable retrospectively.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7

GST on affiliation services provided by Education Boards and Universities

➤ **Background**

The affiliation fees is a charge which boards / universities get from educational institutes for starting new colleges and courses as well as for the continuation of existing programmes. Certain demands were made to the Universities / Boards for payment of GST on affiliation services. The universities / boards were requesting Government to exempt the same from GST as it adds to the cost of education to the students.

➤ **GST Council Decision**

GST Council has issued multiple clarification / proposal on this those are,

- Affiliation Fees charged by CBSE are taxable under GST. Circular clarifying the same will be issued.
- Exemption from GST to be provided to affiliation fees charged to Government Schools. This exemption will be provided prospectively.
- Affiliation fees charged by universities to their constituent colleges are not exempt from GST and will be subject to GST @ 18%.

➤ **Effective Date:**

- Exemption from GST to be provided to affiliation fees charged to Government Schools. This exemption will be provided prospectively.
- Taxability of affiliation fees will clarificatory in nature hence the same will be applicable retrospectively.

Apart from above major decision some decision has been made which are briefed below,

➤ **Import of Services by branch offices of Foreign Airlines**

Import of services by a branch office of a foreign airline company from related parties or establishments outside India, when made without consideration, will be exempt from GST. The past period will be regularized on an 'as is where is' basis.

➤ **Renting of Commercial Property under RCM**

Renting of commercial property by unregistered persons to registered persons will be brought under the Reverse Charge Mechanism (RCM), aimed at preventing revenue leakage.

➤ **Ancillary/Intermediate Services Provided by GTA**

Ancillary/intermediate services provided by Goods Transport Agencies (GTA) in the course of transportation, such as loading/unloading and temporary warehousing, will be treated as part of a composite supply if invoiced together. If invoiced separately, they will not be treated as part of the transport service.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7

- **Exemption to ancillary services provided by Electricity Distribution companies**
Exemption for ancillary services related to electricity supply, including application fees, rental charges, and testing fees provided as part of composite supply by transmission and distribution utilities.

In addition to above, there are certain proposal to amend the GST Rules to implement the budgetary changes in the Act and also to reduce the compliance burden. The major changes proposed in the Rules are briefed below:

Refund of GST to exporters

- **Background:**

Exporters who are claiming certain exemption from GST on their procurements like EOUs, Advance Authorisation Holders, Merchant exporters etc were restricted to claim the refund by way of payment of tax on exports and refund thereof.

This restriction has resulted in a compliance burden on the exporters to liquidate their Input Tax Credit. Further, multiple rules to claim the refund without clear guidelines lead to blockages of funds, demand etc.

- **GST Council Decision**

The GST council has proposed to remove the restriction mentioned in Rule 96 (10), Rule 89 (4A), Rules 89 (4B) by omitting these rules prospectively.

- **Effective Date:**

The effective date will be applicable after issuance of notification to amend the CGST Rules, 2017. The notification may specify the date from which the change will be applicable.

- **Action item for the exporters**

The notification will bring more clarity to the future road map. It seems that these exporters will be allowed to export the goods with payment of GST and refund thereof. This process of refund is fully automated, and it will ease out refund mechanism.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7

New Rule for amnesty scheme under GST

➤ **Background:**

The GST Law was amended to introduce the amnesty scheme under GST for litigation pertaining to periods 2017-18, 2018-19, and 2019-20. The modality of the scheme is yet to be notified.

➤ **GST Council Decision**

The GST Council recommended the insertion of Rule 164 in CGST Rules, 2017, to outline the procedure and conditions for availing waivers of interest or penalties for tax demands related to FY 2017-18, 2018-19, and 2019-20.

Introduction of B2C E-Invoice

➤ **Background:**

Taxpayer having Aggregate turnover of 5 Cr or more is required to generate E-Invoice on B2B supplies. The GST council proposed to extend the same on pilot basis for B2C invoices as well.

➤ **GST Council Decision**

The GST Council recommended roll out of a pilot for B2C e-Invoicing, following the successful implementation of e-invoicing in the B2B sector.

Also, once the notification / rules are issued on this matter, we will further share updates on these topics.

Bizsolindia Services Pvt. Ltd.

REGISTERED / CORPORATE OFFICE:

14 to 17, Suyash Commercial Mall,
Above Union Bank, S.No. 74 & 75, Baner, Pune 411 045
Tel: +91-20-40702000, 01, Fax: +91-20-40702002

Email: corporate@bizsolindia.com Website: www.bizsolindia.com

CIN No. : U74999PN2004PTC019256

GST No.: 27AACCB3918R1Z7