

Key Highlights of the 54th Goods and Services Tax Council Meeting

The 54th GST¹ Council meeting, chaired by the Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman was held at New Delhi, on September 9, 2024. The GST Council recommended certain changes in the GST rates, along with various measures towards trade facilitation and streamlining compliances.

The key recommendations of the meeting are summarised below.

Recommended changes and clarifications with respect to supply of goods and services

1. Changes in rate of GST for goods

- a) **Namkeens and extruded/expanded savory food products**: Rate of GST on extruded or expanded products, falling under Tariff Heading 19059030 proposed to be reduced from 18% to 12%. This is to bring taxability of extruded or expanded savory food products at par with namkeens, bhujia, mixture, chabena (pre-packaged and labelled) classifiable under Tariff Heading 210690. The said reduction in GST rate will be applicable prospectively.

Further, un-fired or un-cooked snack pellets, manufactured through process of extrusion, to continue to attract GST at the rate of 5% in terms of Entry No. 99B of Schedule I of the Rate Notification².
- b) **Cancer drugs**: GST rate on cancer drugs namely, Trastuzumab Deruxtecan, Osimertinib and Durvalumab to be reduced from 12% to 5%.
- c) **Roof Mounted Package Unit ("RMPU") air conditioning machines for railway**: RMPU proposed to be classified under Tariff Heading 8415 and to attract GST at the rate of 28%.
- d) **Car and motorcycle seats**: It is recommended to issue a clarification that car seats are to be classified under Tariff Heading 9401, currently attracting GST at the rate of 18%. The said rate of GST is recommended to be increased to 28%, so as to bring parity between rate of GST applicable on car seats of motor cars and motorcycles.
- e) **Metal scrap**: GST under RCM³ will be applicable on supply of metal scrap by unregistered person to registered person, provided that the supplier obtains registration as and when it crosses threshold limit. The recipient

¹ Goods and Services Tax

² Notification No. 1/2017 Central Tax (Rate) dated June 28, 2017

³ Reverse Charge Mechanism

will be liable to pay GST under RCM even if supplier's turnover is below threshold limit. TDS⁴ at the rate of 2% will be applicable on supply of metal scrap by registered person for business to business (B2B) transactions.

2. Changes in rate of tax and taxability for services

- a) **Import of service by branch office**: Import of services by an establishment of a foreign airlines company from a related person or any of its establishment outside India, when made without consideration, proposed to be exempt from GST. Taxability for past period to be regularised on '*as is where is*' basis.
- b) **Affiliation services**: It is recommended that a clarification stating that affiliation services provided by educational boards like CBSE are taxable and State/Central educational boards, educational councils and other similarly placed bodies to Government Schools are exempt, prospectively. The levy for the past period, i.e. between July 1, 2017 to June 17, 2021 is recommended to be regularised on '*as is where is*' basis.

It is also proposed to clarify that affiliation services provided by universities to their constituent colleges are not eligible for exemption⁵ and GST at the rate of 18% will be applicable thereon.

- c) **Research and development services**: Research and development services provided by a government entity, or a research association, university, college or other institution notified under the Income Tax Act, 1961, which are using Government or private grants, are proposed to be exempt from GST. Taxability for past period will be regularised on '*as is where is*' basis.
- d) **Ancillary/intermediate services provided by GTA**: It has been clarified that ancillary/intermediate services like loading/unloading, packing/unpacking, transshipment, temporary warehousing etc. provided by GTA⁶ in the course of transportation of goods will be treated as part of composite supply.
- e) **Preferential Location Charges ("PLC")**: PLC paid along with the consideration of construction services before issuance of completion certificate, will form part of a composite supply, where supply of construction services will be the main service.
- f) **Renting of commercial property**: Provision of rental services for commercial property by unregistered person to a registered person will be brought under RCM⁷, so as to prevent any revenue leakage.
- g) **Services ancillary to supply of electricity**: It has been recommended to exempt application fees for providing electricity connection, rental charges against electricity meter, testing fees for meters/transformers/capacitors, labor charges from customers for shifting of meters, charges for duplicate bills etc. as these services are ancillary to supply of transmission of and distribution of electricity, when provided as a composite supply.
- h) **Life and health insurance**: The Council has recommended the constitution of a Group of Ministers ("GoM") to look into the issues pertaining to GST on life and health insurance services. GoM will submit a report by end of October 2024.

Measures for trade facilitation

Section 128A⁸ of the CGST Act⁹ provides for waiver of interest and/or penalty relating to tax demands under Section 73 of CGST Act, for FY¹⁰ 2017-18 to 2019-20. In this regard, the Council has recommended the following:

1. insertion of Rule 164 to the CGST Rules¹¹ to prescribe procedure and conditions for availing the said benefit;

⁴ Tax Deduction at Source

⁵ In terms of Notification No. 12/2017 – Central Tax (Rate)

⁶ Goods Transport Agent

⁷ Reverse charge mechanism

⁸ Inserted vide the Finance (No. 2) Act, 2024

⁹ Central Goods and Services Tax Act, 2017

¹⁰ Financial Year

¹¹ Central Goods and Services Tax Rules, 2017

2. a notification prescribing March 31, 2025, as the last date for payment of tax in order to avail the benefit of Section 128A of the CGST Act;
3. Section 128A to the CGST Act will be made effective from November 11, 2024;
4. Sub section (5) and (6) of Section 16 of the CGST Act had been inserted to allow ITC¹² for FY 2017-18 to 2020-21 which was earlier disallowed on account of contravention of Section 16(4) of the CGST Act. The Council has recommended that a special procedure be notified for rectification of orders passed under Sections 73, 74, 107 or 108 of the CGST Act where such ITC has been disallowed on account of non-compliance of Section 16(4) of the CGST Act, and where appeal against the said order has not been filed;
5. a clarification that where inputs were initially imported without payment of IGST¹³ and compensation cess by availing benefits under various notifications (such as advance authorisation, export oriented units, deemed exports, etc.) and subsequently such IGST and compensation cess are paid along with interest and bills of entry are reassessed, any refund granted of IGST paid on exports will be considered to be in accordance with the provisions of the CGST Act. Further, considering the complexity of this compliance procedure, it is proposed that Rules 96(10), 89(4A) and 89(4B) of the CGST Rules be omitted with prospective effect;
6. a clarification that where input were initially imported without payment of IGST and compensation cess by availing benefit of the aforesaid notifications. However, IGST and compensation cess were subsequently paid along with interest and bills of entry in respect of the import are reassessed to this effect, then refund of IGST paid on export will not be considered to be in contravention of Rules 96(10) of the CGST Rules.
7. The Council has recommended roll out of a pilot for business to customer (B2C) e-invoicing.

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¹² Input Tax Credit

¹³ Integrated Goods and Service Tax

This Prism has been prepared by:



Manish Mishra
Partner



Shareen Gupta
Partner



Ruchita Modi
Principal
Consultant



Joybrata Misra
Senior Associate



Dhwani Vyas
Associate



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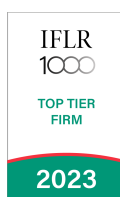
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