

## Decisions taken by the GST Council

The following decisions were taken by the GST Council meeting held under Chairmanship of Hon'ble Union Finance Minister Shri Arun Jaitley in the 22<sup>nd</sup> meeting held on 6<sup>th</sup> October 2017.

### Relief to small units

1. GST rates on job work services is being rationalised as follows:-

S.No	Description of Service	Rate
1	Job work services in relation to all products falling in Chapter 71 (including imitation jewellery)	5%
2	Job work services in relation to food and food products falling under Chapters 1 to 22 of the HS Code (except packing of processed milk into packets)	5%
3	Job work services in relation to products falling under Chapters 23 of the HS Code except dog and cat food put up for retail sale (CTH 23091000)	5%
4	Job work in relation to manufacture of umbrella	12%
5	Job work in relation to manufacture of clay bricks falling under CTH 69010010	5%
6	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, which attract GST @ 5% or Nil [Heading 9988]	5%
7	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, which attract GST @ 12% [Heading 9988]	12%
8	Services by way of printing on job work basis or on goods belonging to others in relation to printing of goods falling under Chapter 48 or 49, other than those covered by (6) and (7) above, [Heading 9988]	18%
9	Services by way of printing in relation to printing of all goods falling under Chapter 48 or 49, which attract GST @ 5% or Nil, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer [(Heading 9989)]	12%
10	Services by way of printing of all goods falling under Chapter 48 or 49 which attract GST @12%, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer	12%
11	Services by way of printing of all goods falling under Chapter 48 or 49 which attract GST @18% or above, where only content is supplied by the publisher and the physical inputs including paper used for printing belong to the printer	18%
12	To issue a clarification with regard to classification of printing products/services.	

- If a dealer who makes supplies of goods and services referred to in clause (b) of paragraph 6 of

Schedule II of CGST Act and /or also receives interest income or makes supply of any exempt service, (s)he will not be ineligible for the Composition Scheme under Section 10 provided all other conditions are met. Further, in computing his aggregate turnover in order to determine his eligibility for composition scheme, interest income and value of supply of any exempt services shall not be taken into account. Removal of Difficulty order under section 172 of CGST/SGST/UTGST Act will be issued.

- The services provided by a Goods Transport Agency (GTA) to an unregistered person (under GST law) including unregistered casual taxable person other than the recipients liable to pay tax on GTA services under reverse charge shall be exempted from GST.
- Leasing of vehicles purchased and leased prior to 1.7.2017, shall be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1<sup>st</sup> July 2017;
- The vehicles covered by the above leases (i.e. leases of vehicles purchased and leased prior to 1.7.2017), when disposed off/ sold shall also be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1<sup>st</sup> July 2017;
- Sale/supply of vehicles by a registered person, who had procured the vehicle prior to 1<sup>st</sup> July 2017 and has not availed input tax credit of central excise duty, VAT or any other taxes paid on such vehicles, would be taxed at 65% of the applicable GST + Cess rate. This reduced rate would be applicable for a period of 3 years with effect from 1<sup>st</sup> July 2017.
- Sale by way of auction etc. of used vehicles, seized and confiscated goods, scrap etc by Central Government, State Government, Union Territory or a local authority, to any person, to be subjected to GST under reverse charge under section 9 (3) of the CGST Act.
- Transport of passengers by motor cab/ renting of motor cab:-
  - (i) GST of 5% without ITC and 12% with full ITC available to transport of passengers by motor cab/ renting of motor cab shall be extended to any motor vehicle;
  - (ii) ITC of input services shall be allowed in the same line of business at GST rate of 5%

#### **Other rate changes in services:**

- Works contract services involving predominantly earth works (that is, constituting more than 75% of the value of the works contract) supplied to Central Government, State Governments, Local Authority, Governmental Authority or Government Entity shall be taxed at 5%.
- To expand the existing definition of Governmental Authority so as to include any authority set up to carry out any functions entrusted to a Panchayat under Article 243G of the Constitution.
- Supply of service or goods by a Government Entity to Central Government, 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.
- The reduced rate of 12% on specified works contract services supplied to the Central Government, State Government, Union Territory, Local Authority and Governmental Authority shall be extended to a Government Entity, where such specified works contract services have been procured by the government entity in relation to the work entrusted to it by the Central Government, State Government, Union Territory or Local Authority.
- GST shall be levied at 12% on 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.

- GST shall be levied at 12% with Input Tax Credit (ITC) or 5% without ITC for transportation of natural gas through pipeline.
- Exemption to annuity paid by NHAI (and State authorities or State owned development corporations for construction of roads) to concessionaires for construction of public roads.
- Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable in respect of service, by way of granting of long term lease of thirty years, or more) of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations/ Undertakings or any other entity having 50% or more ownership of Central Government, State Government, Union Territory to (a) industrial units or (b) developers in any industrial or financial business area, may be exempted from GST .
- The services provided by Overseeing Committee members to RBI shall be taxed under the reverse charge mechanism under section 9(3) of the CGST Act, 2017.

### **Relief Package for Exporters**

The GST Council under Chairmanship of Hon'ble Union Finance Minister Shri Arun Jaitley has in its 22nd Meeting approved a major relief package for exporters. The Council identified the major difficulties constraining the export sector are on account of delays in refunds of IGST and input taxes on exports and working capital blockage as exporters have to upfront pay GST on inputs and capital goods for export production or for procuring goods for export. Another difficulty stated by council was that the duty credit scrips such as Merchandise Exports from India Scheme (MEIS) was losing value due to its reduced usability as it could no longer be used to pay IGST / GST.

The Council was unanimous that it is in the national interest to take all possible measures to support the exporting community, which earns valuable foreign exchange and provides significant employment especially in the small and medium sector. Accordingly, the Council approved the following package of relief and incentives for exporters with immediate affect:–

- Within the next 4 days i.e. by 10.10.2017 the held-up refund of IGST paid on goods exported outside India in July would begin to be paid. The August backlog would get cleared from 18.10.2017 and refunds for subsequent months would be handled expeditiously. Other refunds of IGST paid on supplies to SEZs and of inputs taxes on exports under Bond/LUT, shall be processed from 18.10.2017 onwards. For this, the Council agreed to suitably empower Central and State GST officers so that exporters get refunds from one authority only. Related matters of settlement of funds are being resolved.
- To prevent cash blockage of exporters due to upfront payment of GST on inputs etc. the Council approved two proposals, one for immediate relief and the other for providing long term support to exporters. Immediate relief is being given by extending the Advance Authorization (AA) / Export Promotion Capital Goods (EPCG) / 100% EOU schemes to sourcing inputs etc. from abroad as well as domestic suppliers. Holders of AA / EPCG and EOUs would not have to pay IGST, Cess etc. on imports. Also, domestic supplies to holders of AA / EPCG and EOUs would be treated as deemed exports under Section 147 of CGST/SGST Act and refund of tax paid on such supplies given to the supplier.
- Merchant exporters will now have to pay nominal GST of 0.1% for procuring goods from domestic suppliers for export. The details would be released soon.
- The permanent solution to cash blockage is that of "e-Wallet" which would be credited with a notional amount as if it is an advance refund. This credit would be used to pay IGST, GST etc. The details of this facility would be worked out soon. The Council desired that the "e-Wallet" solution should be made operational w.e.f. 1<sup>st</sup> April 2018.
- Exporters have been exempted from furnishing Bond and Bank Guarantee when they clear goods

for export.

- Specified banks and Public Sector Units (PSUs) are being allowed to import Gold without payment of IGST. This can then be supplied to exporters as per a scheme similar to Advance Authorization.
- To restore the lost incentive on sale of duty credit scrips, the GST on sale-purchase of these scrips is being reduced from 5% to 0%.
- GST on bunker fuel is being reduced to 5% for both coastal vessels and foreign going vessels. This will boost coastal shipping. It will also improve India's competitiveness.

The Council stated these measures would provide immediate relief to the export sector and enhance export competitiveness of India. The Council also decided to continue to monitor the situation closely so that going forward all required support continues to be extended to this important sector.

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