

Week of 12th February, 2018

A. CHANGES IN THE GST REGIME

Clarification on taxability of services under GST

A circular has been issued by CBEC to clarify the taxability of various services under GST. Some of the clarifications provided in the circular are as follows:

- Hostel accommodation services provided by charitable trusts on students do not fall within the ambit of charitable activities for the purposes of GST and therefore are taxable under GST. However, accommodation service in hostels, including such services by trusts, having declared tariff below one thousand rupees per day is exempt¹.
- Fee paid by litigants in the Consumer Disputes Redressal Commissions are not leviable to GST. Any penalty imposed or amount paid to these Commissions will also not attract GST.
- Services provided by senior doctors/consultants/ technicians hired by the hospitals, whether employees or not, are healthcare services which are exempt. The entire amount charged by the hospitals from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is also exempt. Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and not separately taxable. Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable.

GST on cost petroleum

As per the production sharing contract (PSC) between the Government of India and the oil exploration and production contractors (OEPCs), in case of a commercial discovery of petroleum, the OEPCs are entitled to recover all expenses incurred in exploration, development, production and payment of royalty from the sale proceeds of such petroleum. The portion of the value of petroleum which the OEPC is entitled to take in a year for recovery of these contract costs is called "cost petroleum". Earlier, the taxability of this cost petroleum was not clear. A circular has now been issued to clarify that under a PSC, the relationship of the OEPCs with the Government is not that of partners but that of licensor and licensee in terms of the Petroleum and Natural Gas Rules, 1959. Having acquired the right to explore, exploit and sell petroleum in lieu of royalty and a share in profit

¹ Services by a hotel, inn, guest house, club or campsite, by whatever name called, for residential or lodging purposes, having declared tariff of a unit of accommodation below INR 1,000 per day or equivalent are exempt.

petroleum, the OEPC carry out the exploration and production of petroleum for themselves and not as a service to the Government. The oil exploration and production contractors conduct all the petroleum operations at their sole risk, cost and expense. Hence, cost petroleum is not a consideration for service to the Government and thus not taxable per se under GST.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

Possible return simplification under GST

The government had set up a return simplification committee under the GSTN in November last year to recommend changes in the GST return format. As per the media report, the committee met with representatives from industry and trade this week to seek their views on simplification of return filing process. Thereafter, the government will consider and give its recommendation to the GST Council. This process is expected to be completed in two weeks. The GST Council will thereafter clear the new process of returns and the GSTN will redo their software to get attuned with the new process.

Glossary

CBEC- Central Board of Excise and Customs
GSTN- Goods and Services Tax Network

GST Council- Goods and Services Tax Council, a constitutional body comprising of members of the Central and the State Governments to recommend changes under the existing GST regime.

DISCLAIMER

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