



# news flash

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## UPDATE ON GOODS AND SERVICE TAX (GST) COUNCIL MEETING

Another significant step towards implementing GST from 1 July 2017 was taken at the GST Council meeting held on 18 and 19 May 2017, wherein the GST Council rolled out the following:

1. Schedule of GST rates for goods;
2. Schedule of GST rates for services;
3. Schedule of services which are exempt from GST; and
4. Services covered under reverse charge mechanism.

However, it is to be noted that these schedules are yet to be notified in the official gazette and therefore may undergo some changes before they have the force of law.

### 1. Schedule of GST rates for goods:

The GST Council has finalized five tax rates viz. Nil, 5%, 12%, 18% and 28% to apply on goods. Under this new regime, whilst the most of the goods fall under the slab of 18%, luxury good and goods considered to be unsuitable for health are proposed to be taxed at the highest rate of 28%.

### 2. Schedule of GST rates for services:

There will be a transition from a single rate of service tax of 15% currently to a five-slab structure. The GST Council has finalized five tax rates viz. Nil, 5%, 12%, 18% and 28% to apply on services. Under this new regime, whilst the most of the services fall under the slab of 12% and 18%, luxury services (such as hotel accommodation, gambling etc.) are proposed to be taxed at the highest rate of 28%. As a result of introduction of a five-slab structure, another major complexity will be classification of services under the applicable service codes.

### 3. Schedule of services which are exempt from GST:

The GST Council has approved a list of 83 services which are proposed to be exempted from GST. Most of the services which are currently exempt from service tax under the mega exemption notification as well as those not taxable by virtue of them being covered under the negative list are included in the schedule of 83 services which are exempt from GST.

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We have provided below an illustrative list of services which are now exempt under the GST regime but were not exempt under the service tax regime:

- (a) Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force, respectively, under the Group Insurance Schemes of the Central Government;
- (b) Services provided by Government by way of deputing officers after office hours or on holidays for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges (MOT);
- (c) Services by an acquiring bank, to any person in relation to settlement of an amount upto two thousand rupees in a single transaction transacted through credit card, debit card, charge card or other payment card service;
- (d) Services of leasing of assets (rolling stock assets including wagons, coaches, locos) by Indian Railways Finance Corporation to Indian Railways;
- (e) Services provided by any person for official use of a foreign diplomatic mission or consular post in India or for personal use or for the use of the family members of diplomatic agents or career consular officers posted therein. This exemption is available on reciprocal basis based on a certificate issued by MEA (Protocol Division);
- (f) Services by way of pure labour contracts of construction, erection, commissioning, or installation of original works pertaining to a single residential unit otherwise than as a part of a residential complex;
- (g) Services by way of collection of contribution under any pension scheme of the State Governments;
- (h) Services provided by the Goods and Services Tax Network (GSTN) to the Central Government or State Governments/Union Territories for implementation of Goods and Services Tax (GST).

Similarly, there are certain services which were earlier exempt / not taxable under the service tax but are now taxable under GST. We have provided below an illustrative list of the same:

- (a) Services by way of construction, erection, commissioning, or installation of original works pertaining to an airport or port provided under a contract which had been entered into prior to 1<sup>st</sup> March, 2015 and on which appropriate stamp duty, where applicable, had been paid prior to such date: Provided that (i) Ministry of Civil Aviation or the Ministry of Shipping in the Government of India, as the case may be, certifies that the contract had been entered into before the 1st March, 2015 (ii) nothing contained in this entry shall apply on or after the 1st April, 2020;
- (b) Services by the following persons in respective capacities -
  - (i) sub-broker or an authorised person to a stock broker;
  - (ii) authorised person to a member of a commodity exchange;
  - (iii) selling agent or a distributor of SIM cards or recharge coupon vouchers; or
  - (vii) sub-contractor providing services by way of works contract to another contractor providing works contract services which are exempt;
- (c) Service provided by way of exhibition of movie by the exhibitor to the distributor or an association of persons consisting of the exhibitor as one of its members;
- (d) Services provided by way of temporary transfer or permitting the use or enjoyment of a copyright, (i) covered under clauses (a) of sub-section (1) of section 13 of the Copyright

- Act, 1957 (14 of 1957), relating to original literary, dramatic, musical or artistic works; or (ii) of cinematograph films for exhibition in a cinema hall or cinema theater;
- (e) Selling of space for advertisement in print media.

#### **4. Services covered under reverse charge mechanism:**

Reverse charge mechanism means the liability to pay tax is on the recipient of services instead of the service provider. The schedule of services covered under reverse charge as approved by GST Council includes most of the services which were subject to reverse charge under the service tax regime. Under the GST regime, unlike the service tax regime, there is no partial reverse charge and 100% GST will be payable by the service receiver / persons other than the service provider.

We have provided below a list of services which are newly added to be covered under the reverse charge mechanism under the GST regime:

- (a) Services by way of transportation of goods by a vessel from a place outside India up to the customs station of clearance in India;
- (b) Services provided by any author or music composer, photographer, artist, etc. to a publisher, music company, producer where the services pertain to transfer or permitting the use or enjoyment of a copyright covered under clause (a) of sub-section (1) of section 13 of the Copyright Act, 1957 relating to original literary, dramatic, musical or artistic works;
- (c) Radio taxi or passenger transport services provided through electronic commerce operator by taxi driver or rent a cab operator.

Similarly, there are certain services which were earlier covered under the reverse charge mechanism under the service tax regime which are not so covered under the GST regime. Accordingly, following are some services wherein the service provider will be liable for GST and not the service recipient under the reverse charge mechanism.

- (a) Services provided or agreed to be provided by the aggregator;
- (b) Services provided or agreed to be provided by selling or marketing agent of lottery ticket to a lottery distributor or selling agent;
- (c) Services provided or agreed to be provided by selling or marketing agent of lottery ticket in relation to a lottery in any manner to a lottery distributor or selling agent of the State Government under the provisions of the Lottery (Regulations) Act, 1998;
- (d) Security services provided or agreed to be provided by any individual, Hindu undivided family or proprietary firm or partnership firm, whether registered or not, including association of persons located in the taxable territory to a business registered as body corporate in taxable territory;
- (e) Works Contract services provided or agreed to be provided by any individual, Hindu undivided family or proprietary firm or partnership firm, whether registered or not, including association of persons located in the taxable territory to a business registered as body corporate in taxable territory;

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- (f) Supply of manpower services for any purpose provided or agreed to be provided by any individual, Hindu undivided family or proprietary firm or partnership firm, whether registered or not, including association of persons located in the taxable territory to a business registered as body corporate in taxable territory.

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