

Ministry of Finance

# Recommendations made On GST Rate changes by the GST Council as per discussions in its 23rd Meeting on 10th November, 2017 held at Guwahati

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- a) In the meeting held today, that is 10<sup>th</sup> November, 2017, the Council has recommended major relief in GST rates on certain goods and services. These recommendations spread across many sectors and across commodities.
- b) As per these recommendations, the list of 28% GST rated goods is recommended to be pruned substantially, from 224 tariff headings [about 18.5% of total tariff headings at 4-digit] to only 50 tariff headings including 4 headings which have been partially reduced to 18% [about 4% of total tariff headings at 4-digit].
- c) Further, the Council has recommended changes in GST rates on a number of goods, so as to rationalise the rate structure with a view to minimise classification disputes.
- d) The Council has also recommended issuance of certain clarifications to address the grievance of trade on issues relating to GST rates and taxability of certain goods and services.
- e) On the services side also, the Council recommended changes in GST rates to provide relief to aviation & handicraft sectors and restaurants.

2. Major recommendations of the Council are summarised below.

**(I) Pruning of list of 28% rated goods:** The Council has recommended reduction in GST rate from 28% to 18% on goods falling in 178 headings at 4-digit level (including 4 tariff heading that are partially pruned). After these changes, only 50 items will attract GST rate of 28%.

a) **Goods on which the Council has recommended reduction in GST rate from 28% to 18% include:**

- ❖ · Wire, cables, insulated conductors, electrical insulators, electrical plugs, switches, sockets, fuses, relays, electrical connectors
- ❖ · Electrical boards, panels, consoles, cabinets etc for electric control or distribution
- ❖ · Particle/fibre boards and ply wood. Article of wood, wooden frame, paving block
- ❖ · Furniture, mattress, bedding and similar furnishing
- ❖ · Trunk, suitcase, vanity cases, brief cases, travelling bags and other hand bags, cases
- ❖ · Detergents, washing and cleaning preparations
- ❖ · Liquid or cream for washing the skin
- ❖ · Shampoos; Hair cream, Hair dyes (natural, herbal or synthetic) and similar other goods; henna powder or paste, not mixed with any other ingredient;
- ❖ · Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, perfumery, cosmetic or toilet preparations, room deodorisers
- ❖ · Perfumes and toilet waters

- ❖ Beauty or make-up preparations
- ❖ Fans, pumps, compressors
- ❖ Lamp and light fitting
- ❖ Primary cell and primary batteries
- ❖ Sanitary ware and parts thereof of all kind
- ❖ Articles of plastic, floor covering, baths, shower, sinks, washbasins, seats, sanitary ware of plastic
- ❖ Slabs of marbles and granite
- ❖ Goods of marble and granite such as tiles
- ❖ Ceramic tiles of all kinds
- ❖ Miscellaneous articles such as vacuum flasks, lighters,
- ❖ Wrist watches, clocks, watch movement, watch cases, straps, parts
- ❖ Article of apparel & clothing accessories of leather, guts, furskin, artificial fur and other articles such as saddlery and harness for any animal
- ❖ Articles of cutlery, stoves, cookers and similar non electric domestic appliances
- ❖ Razor and razor blades
- ❖ Multi-functional printers, cartridges
- ❖ Office or desk equipment
- ❖ Door, windows and frames of aluminium.
- ❖ Articles of plaster such as board, sheet,
- ❖ Articles of cement or concrete or stone and artificial stone,
- ❖ Articles of asphalt or slate,
- ❖ Articles of mica
- ❖ Ceramic flooring blocks, pipes, conduit, pipe fitting
- ❖ Wall paper and wall covering
- ❖ Glass of all kinds and articles thereof such as mirror, safety glass, sheets, glassware
- ❖ Electrical, electronic weighing machinery
- ❖ Fire extinguishers and fire extinguishing charge
- ❖ Fork lifts, lifting and handling equipment,
- ❖ Bull dozers, excavators, loaders, road rollers,
- ❖ Earth moving and levelling machinery,
- ❖ Escalators,
- ❖ Cooling towers, pressure vessels, reactors
- ❖ Crankshaft for sewing machine, tailor's dummies, bearing housings, gears and gearing; ball or roller screws; gaskets
- ❖ Electrical apparatus for radio and television broadcasting

- ❖••Sound recording or reproducing apparatus
- ❖••Signalling, safety or traffic control equipment for transports
- ❖••Physical exercise equipment, festival and carnival equipment, swings, shooting galleries, roundabouts, gymnastic and athletic equipment
- ❖••All musical instruments and their parts
- ❖••Artificial flowers, foliage and artificial fruits
- ❖••Explosive, anti-knocking preparation, fireworks
- ❖••Cocoa butter, fat, oil powder,
- ❖••Extract, essence and concentrates of coffee, miscellaneous food preparations
- ❖••Chocolates, Chewing gum / bubble gum
- ❖••Malt extract and food preparations of flour, groats, meal, starch or malt extract
- ❖••Waffles and wafers coated with chocolate or containing chocolate
- ❖••Rubber tubes and miscellaneous articles of rubber
- ❖••Goggles, binoculars, telescope,
- ❖••Cinematographic cameras and projectors, image projector,
- ❖••Microscope, specified laboratory equipment, specified scientific equipment such as for meteorology, hydrology, oceanography, geology
- ❖••Solvent, thinners, hydraulic fluids, anti-freezing preparation

**b) Goods on which the Council has recommended reduction in GST rate from 28% to 12% are:**

- ❖•Wet grinders consisting of stone as grinder
- ❖•Tanks and other armoured fighting vehicles

**(II) Other changes/rationalisation of GST rates on goods:**

**a) 18% to 12%**

- i. Condensed milk
- ii. Refined sugar and sugar cubes
- iii. Pasta
- iv. Curry paste, mayonnaise and salad dressings, mixed condiments and mixed seasoning
- v. Diabetic food
- vi. Medicinal grade oxygen
- vii. Printing ink
- viii. Hand bags and shopping bags of jute and cotton
- ix. Hats (knitted or crocheted)
- x. Parts of specified agricultural, horticultural, forestry, harvesting or threshing machinery

- xi. Specified parts of sewing machine
- xii. Spectacles frames
- xiii. Furniture wholly made of bamboo or cane

**b) 18% to 5%**

- i. Puffed rice chikki, peanut chikki, sesame chikki, revdi, tilrevdi, khaza, kazuali, groundnut sweets gatta, kuliya
- ii. Flour of potatoes put up in unit container bearing a brand name
- iii. Chutney powder
- iv. Fly ash
- v. Sulphur recovered in refining of crude
- vi. Fly ash aggregate with 90% or more fly ash content

**c) 12% to 5%**

- i. Desiccated coconut
- ii. Narrow woven fabric including cotton newar [with no refund of unutilised input tax credit]
- iii. Idli, dosa batter
- iv. Finished leather, chamois and composition leather
- v. Coir cordage and ropes, jute twine, coir products
- vi. Fishing net and fishing hooks
- vii. Worn clothing
- viii. Fly ash brick

**d) 5% to nil**

- i. Guar meal
- ii. Hop cone (other than grounded, powdered or in pellet form)
- iii. Certain dried vegetables such as sweet potatoes, maniac
- iv. Unworked coconut shell
- v. Fish frozen or dried (not put up in unit container bearing a brand name)
- vi. Khandsari sugar

**e) Miscellaneous**

- i. GST rates on aircraft engines from 28%/18% to 5%, aircraft tyres from 28% to 5% and aircraft seats from 28% to 5%.
- ii. GST rate on bangles of lac/shellac from 3% GST rate to Nil.

**(III) Exemption from IGST/GST in certain specified cases:**

- i. Exemption from IGST on imports of lifesaving medicine supplied free of cost by overseas supplier for patients, subject to certification by DGHS of Centre or State and certain other conditions
- ii. Exemption from IGST on imports of goods (other than motor vehicles) under a lease agreement if IGST is paid on the lease amount.
- iii. To extend IGST exemption presently applicable to skimmed milk powder or concentrated milk, when supplied to distinct person under section 25(4) for use in production of milk for distribution through dairy cooperatives to where such milk is distributed through companies registered under the Companies Act.
- iv. Exemption from IGST on imports of specified goods by a sports person of outstanding eminence, subject to specified conditions
- v. Exemption from GST on specified goods, such as scientific or technical instruments, software, prototype supplied to public funded research institution or a university or IISc, or IITs or NIT.
- vi. Coverage of more items, such as temporary import of professional equipment by accredited press persons visiting India to cover certain events, broadcasting equipments, sports items, testing equipment, under ATA carnet system. These goods are to be re-exported after the specified use is over.

**(IV) Other changes for simplification and harmonisation or clarification of issues**

- i. To clarify that inter-state movement of goods like rigs, tools, spares and goods on wheel like cranes, not being in the course of furtherance of supply of such goods, does not constitute a supply. This clarification gives major compliance relief to industry as there are frequent inter-state movement of such kind in the course of providing services to customers or for the purposes of getting such goods repaired or refurbished or for any self-use. Service provided using such goods would in any case attract applicable tax.
- ii. To prescribe that GST on supply of raw cotton by agriculturist will be liable to be paid by the recipient of such supply under reverse charge.
- iii. Supply of e-waste attracts 5% GST rate. Concerned notification to be amended to make it amply clear that this rate applies only to e-waste discarded as waste by the consumer or bulk consumer.

**(V) Changes relating to GST rates on certain services****(A) Exemptions / Changes in GST Rates / ITC Eligibility Criteria**

- i. All stand-alone restaurants irrespective of air conditioned or otherwise, will attract 5% without ITC. Food parcels (or takeaways) will also attract 5% GST without ITC.
- ii. Restaurants in hotel premises having room tariff of less than Rs 7500 per unit per day will attract GST of 5% without ITC.
- iii. Restaurants in hotel premises having room tariff of Rs 7500 and above per unit per day (even for a single room) will attract GST of 18% with full ITC.

- iv. Outdoor catering will continue to be at 18% with full ITC.
- v. GST on services by way of admission to "protected monuments" to be exempted.
- vi. GST rate on job work services in relation to manufacture of those handicraft goods in respect of which the casual taxable person has been exempted from obtaining registration, to be reduced to 5% with full input tax credit.

**(B) Rationalization of certain exemption entries**

i. The existing exemption entries with respect to services provided by Fair Price Shops to the Central Government, State Governments or Union Territories by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System (PDS) against consideration in the form of commission or margin, is being rationalized so as to remove ambiguity regarding list of items and the category of recipients to whom the exemption is available.

ii. In order to maintain consistency, entry at item (vi) of Sr. No.3 of notification No. 11/2017-CT(R) will be aligned with the entries at items (ii), (iii), (iv) and (v) of SI.No.3. [The word "services" in entry (vi) will be replaced with "Composite supply of Works contract as defined in clause 119 of Section 2 of CGST Act, 2017"].

iii. In order to obviate dispute and litigation, it is proposed that irrespective of whether permanent transfer of Intellectual Property is a supply of goods or service.-

(i) permanent transfer of Intellectual Property other than Information Technology software attracts GST at the rate of 12%; and

(ii) permanent transfer of Intellectual Property in respect of Information Technology software attracts GST at the rate of 18%.

**(C) Clarifications**

i. It is being clarified that credit of GST paid on aircraft engines, parts & accessories will be available for discharging GST on inter-state supply of such aircraft engines, parts & accessories by way of inter-state stock transfers between distinct persons as specified in section 25 of the CGST Act.

ii. A Circular will be issued clarifying that processed products such as tea (i.e. black tea, white tea etc.), processed coffee beans or powder, pulses (de-husked or split), jaggery, processed spices, processed dry fruits & cashew nuts etc. fall outside the definition of agricultural produce given in notification No. 11/2017-CT(R) and 12/2017-CT(R) and therefore the exemption from GST is not available to their loading, packing, warehousing etc.

iii. A suitable clarification will be issued that (i) services provided to the Central Government, State Government, Union territory under any insurance scheme for which total premium is paid by the Central Government, State Government, Union territory are exempt from GST under Sl. No. 40 of notification No. 12/2017-Central Tax (Rate); (ii) services provided by State Government by way of general insurance (managed by government) to employees of the State government/ Police personnel, employees of Electricity Department or students are exempt vide entry 6 of notification No. 12/2017-CT(R) which exempts Services by Central Government, State Government, Union territory or local authority to individuals.

3. It is proposed to issue notifications [giving effect to these recommendations of the Council] on 14<sup>th</sup>/15<sup>th</sup> November, 2017, to be effective from 00hrs on 15<sup>th</sup> of November, 2017.

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**DsM/SBS**

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