

### Minutes of the 14<sup>th</sup> GST Council Meeting held on 18 and 19 May 2017

The fourteenth meeting of the GST Council (hereinafter referred to as 'the Council') was held on 18 and 19 May 2017 in Sher-i-Kashmir International Conference Centre (SKICC), Srinagar under the Chairpersonship of the Hon'ble Union Finance Minister, Shri Arun Jaitley. The list of the Hon'ble Members of the Council who attended the meeting is at Annexure 1. The list of officers of the Centre, the States, the GST Council and the Goods and Services Tax Network (GSTN) who attended the meeting is at Annexure 2.

2. The following agenda items were listed for discussion in the 14<sup>th</sup> Meeting of the Council –

1. Confirmation of the Minutes of the 13<sup>th</sup> GST Council Meeting held on 31 March 2017
2. Rate of interest for delayed payment of tax by the taxpayer and delayed refund by the Government to the taxpayer
3. Finalization of the rate of tax to be collected at source under Section 52 of the CGST Act, 2017 and Section 20 of the IGST Act, 2017
4. Notification of the Common Goods and Services Electronic Portal for facilitating various taxpayer operations under Section 146 of the CGST Act, 2017
5. Constitution of Project Management Team, Standing Committees and Sectoral Working Groups for smooth roll-out of GST
6. Nomination of Additional Secretary, GST Council to the Board of GSTN
7. Approval of mechanism to split the MDR (Merchant Discount Rate) charges between the Centre and the States
8. Approval of amendments to the following Draft GST Rules and related Forms:
  - i. Registration
  - ii. Return
  - iii. Payment
  - iv. Refund
  - v. Invoice, Debit/Credit Note
  - vi. Input Tax Credit
  - vii. Valuation
  - viii. Transitional Provisions
  - ix. Composition

9. Approval of the Fitment of goods and services into the various rate slabs



10. Any other agenda item with the permission of the Chairperson

11. Date of the next meeting of the GST Council

3.1. The Hon'ble Chairperson welcomed all the Members to the Council Meeting. He conveyed the sad news that Shri Anil Madhav Dave, the Union Minister for Environment had passed away on 18 May, 2017. The Hon'ble Members of the Council observed one-minute silence in memory of the departed soul.

3.2. At the start of the proceedings, the Hon'ble Chairperson placed on record his profuse thanks to Dr. Haseeb A. Drabu, the Hon'ble Finance Minister of Jammu & Kashmir and all his colleagues for the outstanding arrangements for the Meeting. He observed that this had set at rest any lurking doubts regarding the environment in the State and the feasibility of holding the Council meeting in Srinagar. He added that all participants were surprised and happy to find normalcy in Srinagar. The Hon'ble Minister from Jammu & Kashmir thanked the Council for accepting their invitation to host the 14<sup>th</sup> Council Meeting in Srinagar. The Chairperson then commenced discussion on the Agenda items.

#### Discussion on Agenda Items

#### Agenda Item 1: Confirmation of the Minutes of the 13<sup>th</sup> GST Council Meeting held on 18-19 May, 2017:

4. The Hon'ble Chairperson invited comments of the Members on the draft Minutes of the 13<sup>th</sup> Meeting of the Council (hereinafter referred to as 'Minutes') held on 31 March 2017 before its confirmation.

4.1. The Hon'ble Minister from Uttarakhand observed that in paragraph 12 of the Minutes, it was recorded that during the 2<sup>nd</sup> meeting of the Council held on 30 September, 2016, it was decided that only 58% of the total CGST amount shall be reimbursed to the eligible industry in the States where area-based Central Excise exemption was in force. He raised a question as to what would happen to the remaining 42% of the reimbursement. The Hon'ble Minister from Assam observed that the Central Government had been exempting the entire Central Excise duty despite the fact that 32% of the total Central Excise collection was being devolved to the States. He added that since devolution of Central taxes in the divisible pool to the States had been enhanced to 42%, the liability of States to reimburse the Central Goods and Services Tax (CGST) collected in the GST regime should at best be limited to 10%. The Secretary to the Council (hereinafter referred to as the Secretary) recalled that in the 2<sup>nd</sup> meeting of the Council, it was decided that if the Central Government continued with the present area-based exemption scheme, it shall reimburse only 58% of the total CGST collected from the eligible industries due to the fact that only 58% of the CGST revenue shall remain in the Consolidated Fund of India and that the remaining 42% shall be devolved to the States. He stated that if any Value Added Tax (VAT) exemption was given to such units, the State concerned could reimburse this tax amount collected as State Goods and Services Tax (SGST). The Hon'ble Minister from Assam stated that earlier, despite devolution, the Central Government gave hundred per cent exemption. The Hon'ble Chairperson stated that the situation was different as presently the units enjoyed hundred per cent tax exemption but in the GST regime, the units under the area-based exemption would pay tax and since the Central Government could retain only 58% of the CGST collected, it would reimburse only this amount to the eligible units.

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4.2 The Hon'ble Minister from Uttarakhand stated that his State could not give reimbursement of the remaining 42% of the CGST as GST was a destination based tax and they would not be able to retain any tax for the goods manufactured in their State but supplied outside the State. He recalled that under the Industrial Policy of 2010, industries in his State had been assured exemption from Central Excise till 2020. The Secretary stated that the exemption had been given under the old taxation regime and the Government was not obliged to continue with the same in the GST regime. He added that presently, the discussion was limited to the Minutes of the last Council meeting and enquired whether the version of the Hon'ble Minister from Uttarakhand recorded therein required any modification. The Hon'ble Minister from Uttarakhand did not propose any modification to his version recorded in the Minutes.

5. In view of the above discussion, for **Agenda item 1**, the Council decided to adopt the Minutes of the 13<sup>th</sup> Meeting of the Council without any changes.

**Agenda Item 2: Rate of interest for delayed payment of tax by the taxpayer and delayed refund by the Government to the taxpayer:**

6. Introducing this Agenda item, the Secretary stated that Section 50(1) and Section 50(3) of the CGST Act and the SGST Acts provided for an upper ceiling of rate of interest of 18% and 24% respectively to be paid by the taxpayer in specified circumstances. He further stated that Section 56 of the CGST Act and the SGST Acts provided for an upper ceiling of interest rate of 6% and 9% to be paid by the Government to the taxpayer in specified circumstances. He added that Section 54(12) of the CGST Act and the SGST Acts provided for an upper ceiling of interest rate of 6% to be paid by the Government where refund was withheld by the Commissioner on the ground that the refund order was under appeal or that any other proceeding was pending against the appellant. He further added that the similar rates of interest would apply under the Integrated Goods and Services Tax (IGST) Act for similar circumstances in view of Section 20 of the said Act. He drew attention to para 14 of the Agenda note and the Addendum in respect of this Agenda item under which certain rates had been proposed for consideration of the Council. He stated that these proposed rates of interest were discussed during the meeting of the officers of the States and the Centre held in Srinagar on 17 May, 2017 and the officers suggested that the rate of interest should be simple interest per annum and should be the same as the prescribed upper ceiling of interest rates under Sections 50(1) (18%), 50(3) (24%), 54(12) (6%), and 56 (6% for the main Section and 9% for the proviso to Section 56) of the CGST Act and the SGST Acts and the same would be made applicable under the IGST Act under corresponding circumstances. He suggested that the Council could agree to this suggestion and approve rates of simple interest per annum at the upper prescribed ceilings under the various Sections. The Council agreed to this suggestion.

7. For **agenda item 2**, the Council approved the following rates of simple interest per annum for the delayed payment of tax by the taxpayer and the delayed refund by the Government to the taxpayer: -

Sl. No.	Section	Rate of Simple Interest per annum approved by the Council
1	Section 50 (1) of the CGST Act/ SGST Acts and under corresponding circumstances in the IGST Act (Section 20)	18%

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2	Section 50 (3) of the CGST Act and the SGST Acts and under corresponding circumstances in the IGST Act (Section 20)	24%
3	Section 54(12) of the CGST Act and the SGST Acts and under corresponding circumstances in the IGST Act (Section 20)	6%
4	Section 56 of the CGST Act and the SGST Acts and under corresponding circumstances in the IGST Act (Section 20)	6%
5	Proviso to Section 56 of the CGST Act and the SGST Acts and under corresponding circumstances in the IGST Act (Section 20)	9%

**Agenda Item 3: Finalization of the rate of tax to be collected at source under Section 52 of the CGST Act, 2017 and Section 20 of the IGST Act, 2017:**

8.1. Introducing this agenda item, the Secretary stated that in terms of the provisions of Section 52 of the CGST Act and SGST Acts and Section 20 of the IGST Act, an electronic commerce operator (e-operator) was obliged to collect the tax at source (TCS) at a rate not exceeding 1% and 2% respectively on the aggregate value of taxable supplies made through him by other suppliers and to pay the same to the Government by the 10<sup>th</sup> of the following month of the collection. He stated that this provision was essentially meant to create an audit trail for a supplier who made supplies through the electronic platform of others. He stated that this agenda item was discussed during the meeting of officers of the States and the Centre held in Srinagar on 17 May, 2017 and that there was a broad agreement that the rate of TCS under Section 52(1) of the CGST Act and the SGST Acts could be 0.5% under each Act and 1% under the second proviso to Section 20 of the IGST Act. He suggested that the Council might approve these rates of TCS. The Council approved this suggestion.

8.2. For **agenda item 3**, the Council approved the following rates for Tax Collection at Source (TCS) by Electronic Commerce Operators (e-operators):

Sl. No.	Section	Rate of TCS approved by the Council
1	Section 52 (1) of the CGST Act and the SGST Acts	0.5% under each Act
2	Second proviso to Section 20 of the IGST Act	1.0%

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**Agenda Item 4: Notification of the Common Goods and Services Electronic Portal for facilitating various taxpayer operations under Section 146 of the CGST Act, 2017:**

9.1. Introducing this agenda item, the Secretary stated that in the GST regime, the GST Act and Rules would be common in all States and the Centre and that it was envisaged that certain front end processes of the taxpayers, namely, registration, furnishing of return and payment of tax would be done on a Common Goods and Services Tax Electronic Portal for the Central Goods and Services Tax (CGST) Act, Integrated Goods and Services Tax (IGST) Act, the State Goods and Services Tax (SGST) Act and the Union Territory Goods and Services Tax (UTGST) Act. He stated that Section 146 of the CGST and the SGST Acts provided that *"The Government may, on the recommendations of the Council, notify the Common Goods and Services Tax Electronic Portal for facilitating registration, payment of tax, furnishing of returns, computation and settlement of integrated tax, electronic way bill and for carrying out such other functions and for such purposes as may be prescribed."*

9.2. The Secretary proposed that the Council might approve to issue a notification to the effect that www.gst.gov.in shall be the Common Goods and Services Tax Electronic Portal specified under Section 146 of the CGST (which would also be applicable to the IGST Act by virtue of Section 20 of the IGST Act) and the SGST Acts, and Section 21 of the UTGST Act and that this website was being managed by the Goods and Services Tax Network on behalf of the Government. The Council approved this proposal.

9.3. For **agenda item 4**, the Council approved the proposal to issue a notification that www.gst.gov.in shall be the Common Goods and Services Tax Electronic Portal specified under Section 146 of the CGST and the SGST Acts and Section 21 of the UTGST Act, which is being managed by the Goods and Services Tax Network on behalf of the Government.

**Agenda item No.5: Constitution of Project Management Team, Standing Committees and Sectoral Working Groups for smooth roll-out of GST:**

10.1. Introducing this agenda item, the Secretary stated that till now two Committees of officers of the Centre and the States was involved in the GST related work. The first was the Law Committee which prepared the draft GST Laws and Rules and the second was the Fitment Committee, which was involved in recommending the GST rates on goods and services. He stated that these two Committees needed to be continued and in addition, more Committees consisting of officers from the Centre and the States would need to be formed to enable a smooth roll out of GST. A 3-tier structure was proposed for Project Management of GST. At the top of the proposed structure, there shall be the office of the Revenue Secretary, being responsible for successful roll-out of the GST. At the next level would be the Project Management Team (PMT) comprising officers from the Centre, States and the GST Council. GST Council Secretariat shall act as the project management office of the project GST. It was proposed to create eight Standing Committees to look after various aspects of the project. Each Committee shall have two Convenors, one each from the Centre and State. Each Committee would be expected to identify steps to be taken in their area of responsibility and to provide a blue-print for step wise action to be undertaken with target dates. This would lead to uniformity and clarity regarding actions to be taken by the respective revenue administrations and the expected time-lines for the same.

  
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The Convenors of the Committee shall be the Nodal officers to give inputs to the Project Management Team on issues relating to their area of responsibility. The decisions could be taken by the individual Standing Committees to the extent possible, and where necessary, at the level of the PMT. PMT might place issues of importance before the Revenue Secretary or GST Council for decision, where necessary.

10.2. He stated that the following eight Standing Committees were proposed to be constituted with defined areas of responsibility: -

- (i) Law and Rules Committee
- (ii) IT Committee
- (iii) Single Interface Committee
- (iv) Fitment Committee
- (v) Publicity and Outreach Committee
- (vi) Capacity Building and Facilitation Committee
- (vii) Fund Settlement Committee
- (viii) Guidance Notes Committee

10.3. He stated that broadly the area of responsibilities of the proposed Committees would be as follows:

**(a) Law Committee**

- (i) Finalizing all the Rules
- (ii) Drafting of all Non-Tariff (NT) notifications
- (iii) Trouble shooting and simplifying business process design
- (iv) Examining all representations of trade on Legal issues

**(b) Information Technology Committee**

- (i) Monitoring IT preparedness of GSTN
- (i) Monitoring IT preparedness of Centre and States
- (ii) Monitoring linkages between various networks

**(c) Single interface Committee**

- (i) Coordinating migration and verification of past credit
- (ii) Rules for single interface including in the IGST in coordination with Law Committee
- (iii) State-wise coordination teams for assigning taxpayers
- (iv) Any other administrative issue needing resolution at the State level

**(d) Fitment Committee**

- (i) Recommending rates of taxes on all commodities and services
- (ii) Recommending interest rates under various Sections and Rules
- (iii) Recommending Composition rates

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- (iv) Recommending any other rate provided in Act or Rules
- (v) Examining all representations of trade on rate and other issues

**(e) Publicity and Outreach Committee**

- (i) Publicity in print, electronic and social media
- (ii) Outreaching taxpayers
- (iii) Circulating publicity material for uniformity of messaging
- (iv) Publicity in vernacular media particularly on issues such as cascading of taxes, benefits of GST, anti-profiteering etc.

**(f) Capacity Building and Facilitation Committee**

- (i) Capacity building of officers
- (ii) Capacity building of trade
- (iii) Preparing material for field offices to act as Facilitation Centres

**(g) Fund Settlement Committee:**

- (i) All issues relating to revenue subsumed and compensation post GST rollout
- (ii) CST Compensation, if any
- (iii) IGST fund settlement
- (iv) Any legal issue relating to any of the above

**(h) Guidance Notes Committee:**

- (i) To prepare guidance notes on important Legal provisions
- (ii) To prepare guidance notes on important sectors of the economy

10.4. He further stated that in view of a large number of representations being received from different sectors of the economy, there was a need to constitute Sectoral Groups, consisting of a team of officers from the Centre and the States to examine the issues raised by the stakeholders of such sectors. He stated that recommendations of these teams shall be submitted to the PMT for further necessary action on them. He stated that for some of these sectors, Guidance Notes might also be required to be issued, including in regional languages. He stated that the Sectoral Groups could be constituted for the following sectors: -

- (i) Banking, Financial and Insurance Sector
- (ii) Telecommunication
- (iii) Exports including EOUs and SEZs
- (iv) IT/ITES
- (v) Transport and Logistics
- (vi) Textiles
- (vii) MSMEs, including job work
- (viii) Oil and Gas (upstream and downstream)

  
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- (ix) Gems and Jewellery
- (x) Services received and provided by the Government
- (xi) Food Processing Sector
- (xii) E-commerce
- (xiii) Big Infrastructure (Airport, Sea port- including MRO)
- (xiv) Travel and Tourism
- (xv) Handicrafts (Exports)
- (xvi) Media and Entertainment
- (xvii) Drugs and Pharmaceuticals

10.5. The Secretary further informed that in the agenda note circulated by the Council for this agenda item, 17 sectors were identified for sectoral analysis and that during the meeting of the officers of the Centre and the States held on 17 May, 2017 in Srinagar, Secretary Finance (Revenue), Government of Rajasthan had suggested inclusion of an additional sector, namely Mining. He suggested that the Council might approve the same. The Council approved the proposal. He further stated that during the meeting of the officers, Joint Commissioner, Commercial Taxes, Government of Sikkim had suggested to add another sector, namely Hydro projects, but after discussion, it was felt that this could be covered under the sector relating to 'Big Infrastructure'. The Hon'ble Minister from Haryana suggested to add Housing Construction as an additional sector. The Secretary observed that this could also be covered under the sector 'Big Infrastructure'. The Council agreed to this suggestion.

10.6. The Secretary informed that the States had been requested to send nominations for the Project Management Team, Committees and Sectoral Working Groups but only few nominations had been received and that many nominations were not at sufficiently senior level. He stated that during the meeting of the officers of the Centre and the States held on 17 May, 2017 in Srinagar, it was suggested that there should be one member from each of the four zones of the country and that in this view, there should be four members from the States in the PMT. The Council agreed to this suggestion. As regards the constitution of the various Committees, the Secretary informed that on the suggestions received, the Council had tentatively constituted the Committees. He stated that while the Convenors of the Committees had been identified, the States could give names for inclusion as members in various Committees. He further observed that these Committees would be vested more with responsibility rather than authority and that decisions would lie with the Council. He stated that the PMT could take quick decisions on the basis of recommendations of the relevant Committee and that these Committees would need to meet very often. He stated that each Committee would have one Convenor from the State and another from the Centre. On a query from the Hon'ble Deputy Chief Minister of Delhi regarding the legal status of these Committees, the Secretary stated that this entire scheme was in the nature of an administrative arrangement and was not part of the law. He proposed that the Council might approve the proposal for creation of the three-tier coordination mechanism for implementation of GST and to further authorize the Chairperson, GST Council to constitute the Project Management Team, Standing Committees and Sectoral Working Groups. The Council approved this proposal.

10.7. Some States expressed an interest to be put in certain Committees, as for example, the Hon'ble Minister from Punjab requested representation of his State in the Textile Committee and the Hon'ble Minister from Uttarakhand requested representation of his State in the Travel and Tourism Committee.

  
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The Hon'ble Chairperson stated that all States desirous of becoming members of various Committees should give the name of the officers in writing to the Council. The Hon'ble Minister from Kerala stated that the decisions of the PMT should be circulated to the Council. The Council agreed to this suggestion.

10.8. For **agenda item 5**, the Council approved the following:

(i) A 3-tier structure for Project Management of GST consisting of the office of the Revenue Secretary, a Project Management Team called GST Implementation Committee (4 officers from States, 4 from the Centre and 1 from GST Council) and eight Standing Committees. In addition, there shall be 18 Sector Groups (including one on Mining Sector).

(ii) To authorize the Chairperson, GST Council, to constitute the GST Implementation Committee and other Standing Committees and the Sectoral Working Groups after incorporating further nominations received from the States and carry out changes in scope and nomenclature of Committees/Groups, wherever required.

(iii) To include Power Sector and Housing/Construction in the 'Big Infrastructure' Sectoral Group.

(iv) Decisions of the GST Implementation Committee shall be circulated to the Council.

**Agenda Item 6: Nomination of Additional Secretary, GST Council to the Board of Goods and Services Tax Network (GSTN):**

11.1. Introducing this agenda item, the Secretary informed that a position of Director on the GSTN Board of Directors had been vacated upon demission of office of Member Secretary, Empowered Committee of State Finance Ministers (EC) by Shri Satish Chandra, who ceased to be a Director with effect from 31st March, 2017. He further stated that after the passage of the 101<sup>st</sup> Constitutional Amendment Act, GST Council was the Federal Constitutional Body spearheading the policy initiatives relating to GST roll-out in the Country, including the passage of the GST Acts and Rules. He stated that GSTN shall be asked to amend its Articles of Association (AoA) to the effect that all references to the Empowered Committee of State Finance Ministers may, post amendment, refer to GST Council. He further added that in place of "Ex-officio Member Secretary, EC", Clause 48 should read as "Ex-officio Additional Secretary, GST Council". He stated that in view of this, it was proposed that Additional Secretary, GST Council may be nominated as Ex-Officio Director on the Board of GSTN to replace Shri Satish Chandra. The Council approved the proposal.

11.2. For **agenda item 6**, the Council approved the nomination of Additional Secretary, GST Council as ex-officio Director on the Board of GSTN in place of the erstwhile Member Secretary, Empowered Committee of State Finance Ministers (EC).

  
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**Agenda Item 7: Approval of mechanism to split the Merchant Discount Rate (MDR) charges between the Centre and the States:**

12.1. Introducing this agenda item, the Secretary stated that to incentivize the use of digital economy, the Government of India had decided to bear the applicable Merchant Discount Rate (MDR) charges of payment of Government dues (taxes, non-taxes and other payments) up to Rs.1 Lakh made by Indian citizens using debit cards (under the Office Memoranda dated 14.12.2016 and 15.12.2016 issued by the office of the Controller General of Accounts, Department of Expenditure, Ministry of Finance). He further stated that under the GST regime, it had been provided that taxpayers would be able to make payments of CGST, SGST, IGST and the GST compensation cess by a single transaction, through a single challan. He stated that a decision needed to be taken as to the sharing of MDR charges for GST payments up to Rs.1 Lakh using debit cards, between the States and the Centre. He explained that splitting of charges between the States and the Centre based on the amount of CGST, IGST or SGST collected using a single challan might not be the most appropriate option, as a large amount of IGST which was a single levy, would also ultimately accrue to the States due to cross-utilization of credit. He stated that similarly, SGST collected by States would also be used for payment of IGST due to cross-utilization. He expressed that a cleaner way of sharing of MDR charges between the Government of India and the States might be to split these charges, in proportion of the final GST revenues accruing to the States and the Centre after cross-utilization and apportionment processes are finalized.

12.2. The Secretary informed that this agenda item was discussed during the meeting of the officers in Srinagar on 17 May, 2017 and some States like Haryana, Assam, Rajasthan and Odisha had not favoured putting additional financial burden on the State Governments. He further stated that some States desired to know the likely financial burden on the State Governments if the MDR charges for payment of GST by debit card up to Rs.1 lakh was to be borne by the State Governments and the Central Government. He also informed that Uttar Pradesh had suggested that the Central Government could bear the entire charge for the first two years and then the States could take a call whether to bear this charge. The Hon'ble Minister from Andhra Pradesh stated that after demonetisation, the Central Government had been giving incentives to make payments by credit and debit cards and the State Governments should not be given this burden. The Hon'ble Deputy Chief Minister of Delhi expressed that as Government of India had been bearing this expense, it should continue to do so. The Hon'ble Minister from Assam pointed out that this facility was being extended only for payments up to Rs.1 lakh by debit cards. The Hon'ble Chief Minister of Puducherry stated that the burden on the State Governments should be worked out before taking a decision on this agenda item. The Hon'ble Chairperson suggested that in view of the reservations expressed by the States, this agenda item could be deferred for the time being and after ascertaining the likely financial implication of this decision, a fresh agenda item could be introduced on a later date. The Council agreed to this suggestion.

12.3. For **agenda item 7**, the Council approved to defer the agenda item for consideration and to consider it on a later date after ascertaining the likely financial implications of this proposal.

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**Agenda item 8: Approval of amendments to the following Draft GST Rules and related Forms: (i) Registration; (ii) Return; (iii) Payment; (iv) Refund; (v) Invoice, Debit/Credit Note; (vi) Input Tax Credit; (vii) Valuation; (viii) Transitional Provisions; and (ix) Composition:**

13.1. Introducing this agenda item, the Secretary recalled that the Council had approved nine GST Rules during its 13<sup>th</sup> Meeting held on 31 March, 2017 and that these were put in the public domain and sent to the States. He informed that before the 14<sup>th</sup> Council meeting, the Law Committee could finalise seven GST Rules and the connected Forms, which were circulated as Volume-2A and Volume-2B of the Agenda Note respectively. He informed that the GST Rules on Return and Transitional Provisions were yet to be finalised by the Law Committee and that it was expected to finalise these Rules in the next seven to eight days. He further stated that based on the inputs received from stakeholders, some changes had been made in the Rules relating to Registration; Payment; Refund; Invoice; Input Tax Credit (ITC); Valuation and Composition and that a presentation highlighting the important changes to the draft Rules was shared with the States before the 14<sup>th</sup> Council Meeting (attached as **Annexure 3** to the Minutes). He further stated that the draft Rules were discussed during the meeting of the officers of the Centre and the States on 17 May, 2017 in Srinagar and during discussion, the following three changes were agreed to be made in the Rules relating to Registration, Composition and ITC: -

- (i) The word "ninety days" to be replaced by "thirty days" in Rule 9(3) of Registration rules to bring it in consonance with FORM REG RULE 12.
- (ii) The word "Registration.16" may be replaced with "Registration.17" in Rule 1 of Composition Rules.
- (iii) Under Rule 7(1)(i) of the ITC Rules, {'F' is the total turnover of the registered person during the tax period"} may be replaced with {'F' is the total turnover **in the State** of the registered person during the tax period"} to bring in more clarity.

13.2. Starting the discussion on this agenda item, the Hon'ble Minister from Uttarakhand stated that Rule 4 of the Registration Rules provided for separate registration for multiple business verticals within a State and enquired as to what treatment would be given to a trader who sold various items like cloth, sanitary ware, hosiery, etc. when his combined turnover exceeded Rs.20 lakh. The Secretary stated that the trader would be required to take only one registration and that if he was only making supplies to consumers (B2C), he would not be required to file invoice-wise details. He stated that majority of the dealers would need to file a very simple return as their supplies would only be B2C. The Hon'ble Minister from Kerala raised a question regarding the manner of invoice matching for B2B supplies, i.e. whether item-wise or on the total. Shri Prakash Kumar, Chief Executive Officer (CEO), GSTN, clarified that earlier the design was to do the matching line item-wise but now it was decided that matching would be done on total value and that if more details were required line item-wise, the same would be available on the System. Shri J. Syamala Rao, CCT, Andhra Pradesh, stated that if commodity-wise invoice matching was not done, it would be difficult to track supply from the manufacturer in the retail chain. Shri Upender Gupta, Commissioner (GST Policy Wing), CBEC, stated that HSN was not being captured at the invoice level and that only a summary of HSN Code was being taken in the return. He further suggested that this could be discussed in greater detail when GST Rules



on Return were taken up for discussion. The Hon'ble Minister from Kerala requested to circulate a note on the scheme of matching of returns under GST. The Hon'ble Minister from Kerala raised another issue as to what mechanism was there to ensure that a vehicle transporting taxable goods inter-State was carrying invoice. Commissioner (GST Policy Wing), CBEC, stated that a separate e-way bill Rules would address this issue and that when goods were handed over to the transporter, an e-way bill would be generated. He informed that several comments had been received on the draft e-way bill Rules and after examining them, the Rules on e-way bill would be brought before the Council. The CEO, GSTN, added that where a transport vehicle carried multiple invoice for multiple people, a unique code would be generated and this could be checked anywhere on the way. He added that this code could also be accessed on mobile phone and the e-way bill would give details regarding the goods being carried in a transport vehicle. The Hon'ble Deputy Chief Minister of Delhi emphasised that data should be accessible to the team of surveillance officers.

13.3. The Hon'ble Minister from Uttarakhand raised an issue that if an industry in Uttarakhand set up in 2010 and undertook an expansion of the same in 2017 and got the benefit of tax exemption for both and then set up a new unit under GST regime, then how his tax liability would be calculated. The Secretary explained that under GST regime, there would be one registration for all businesses operating under a common PAN (Permanent Account Number) in a State and that they would all pay GST. He added that in certain circumstances, different business verticals could have different GSTIN numbers, within the same company. The Hon'ble Minister from Uttarakhand raised another issue that a manufacturer of tractor would use different mechanical and electrical parts falling under different HSN (Harmonised System of Nomenclature) Code and how the manufacturer of tractor would declare the same. Dr. P.D. Vaghela, Commissioner of Commercial Tax (CCT), Gujarat, clarified that inputs would be accounted separately and ITC would be available on such inputs and the final product (tractor) would be declared separately under a different HSN Code. The Hon'ble Minister from Uttarakhand also raised the issue of difficulties that job workers for jewellery would face in declaring the HSN Code. The Secretary stated that this issue could be discussed when fitment rate for gold was discussed which was not in the agenda item for this Meeting.

13.4. Shri Somesh Kumar, Principal Secretary (Revenue), Telangana, raised a few questions relating to the Registration Rules. First, he pointed out that in Rule 9 of the Registration Rules (dealing with *suo moto* registration), it was provided that every person to whom a temporary registration had been granted shall submit an application for registration within 90 days and enquired as to what would be the legal effect if no such application for registration was filed. Second, he raised the question that Rule 11 provided for display of the Certificate of Registration and enquired as to what would be the legal effect if the Certificate of Registration was not displayed. The third issue raised by him was the desirability of a provision in Rule 13 wherein it was provided that in some cases registration could not be cancelled for a period of one year from the effective date of registration. The fourth issue raised by him was in respect of the process of physical verification provided under Rule 18. The Commissioner (GST Policy Wing), CBEC, clarified these issues. On the first question, he stated that this would be an enforcement issue and would be dealt accordingly. On the second question, he stated that if the Registration Certificate was not displayed, the Section in GST Law relating to general penalty would apply. On the third question, he stated that the requirement of one-year validity period of a registration was kept only for those taxable persons who had taken registration voluntarily though they were within the exemption threshold. On the fourth question, he clarified that physical verification of a registered

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premises after the grant of registration would be done only in exceptional cases which would be decided by the computer on the basis of risk parameters.

13.5. The Hon'ble Minister from Meghalaya observed that in Rule 1(e) of the Tax Invoice Rules, the requirement of recording the name and address of the recipient was only for those transactions where the value of taxable supply was Rs. 50,000 or more and suggested that this value limit should be lowered. The Secretary stated that this issue was discussed earlier during the 13<sup>th</sup> Council Meeting (held on 31 March, 2017) and it was explained that any reduction in the monetary limit from Rs. 50,000 to Rs. 20,000 for recording the address of the purchaser in the B2C transaction could not be done for a particular State but on an all-India basis. He added that most of the other States did not favour applying this lower threshold at the all-India level as they felt that this would considerably increase the compliance burden on the tax payers as well as the buyers. He suggested that there could be other ways of addressing this issue like setting up good quality outlets for high value consumer products in the smaller States of the North East, educating the customers to have their address recorded in the invoice when buying from outside the State even for purchases lesser than Rs. 50,000 and the possibility of recognizing the right of non-tribal traders to set up retail stores.

13.6. The Hon'ble Deputy Chief Minister of Manipur stated that the cost of goods in the North-Eastern States was high due to high transportation cost and lack of developed roadways and this prompted the persons from the North-Eastern States to buy goods from Silchar or Guwahati. He stated that an exception should be made in the Rules regarding the monetary limit for recording the address of the purchasers in B2C transactions. The Secretary stated that the issue did not relate to the North-Eastern States but to its neighbouring States where such an exception in the relevant Tax Invoice Rules would need to be made. The Hon'ble Minister from Meghalaya stated that the threshold for recording address of the purchaser on the invoice should be reduced from Rs. 50,000 as otherwise smaller States like Meghalaya would lose revenue. The Hon'ble Minister from Bihar stated that different States had different issues and all could not be addressed in the GST Law. He observed that people from Bihar bought blankets from outside the State and Bihar would not get any tax from this transaction if invoice did not have the address of the purchaser on record. The Hon'ble Minister from Meghalaya stated that the Special Category States needed to be treated differently. The Hon'ble Minister from Uttarakhand supported the proposal to reduce the monetary ceiling for the Special Category States. The Hon'ble Minister from Himachal Pradesh stated that the Rule should provide that if a consumer from a Special Category State bought any goods outside his State, the monetary limit of the transaction for recording the address on record shall be Rs. 25,000. The Secretary observed that this would considerably increase the compliance burden and pointed out that the States had already been assured 14% growth rate for compensation. The Hon'ble Chairperson stated that North-Eastern States were consuming States and compensation formula based on 14% assured growth rate was a very liberal arrangement and therefore, the existing provision could be allowed to operate and its impact could be evaluated in due course.

13.7. The Hon'ble Minister from Meghalaya reiterated that for Special Category States, implementation of this provision in its current form would lead to loss of revenue. The Commissioner (GST Policy Wing), CBEC, stated that a special provision in respect of this Rule would be required in the neighbouring States like West Bengal. The Hon'ble Deputy Chief Minister of Gujarat stated that North-Eastern States were good tourist destinations and they would also get revenue for purchases below Rs. 50,000 by tourists from outside the State. The Hon'ble Minister from Kerala enquired



whether a consumer could insist on writing his address on an invoice of value below Rs. 50,000. The Hon'ble Minister from Meghalaya suggested that this requirement should be made compulsory in the Invoice Rules. The Hon'ble Deputy Chief Minister of Arunachal Pradesh suggested that there should be a provision in the Invoice Rules that the address of the buyer would be recorded in an invoice where the buyer insisted on it. The Secretary suggested that a provision to this effect could be made in the Tax Invoice Rules. The Council agreed to this suggestion. The Council approved the other Rules.

14. For **agenda item 8**, the Council approved the GST Rules and the related Forms on (i) Registration; (ii) Payment; (iii) Refund; (iv) Invoice, Debit/Credit Note; (v) Input Tax Credit; (vi) Valuation; and (vii) Composition with the following amendments:

- (i) The word "ninety days" to be replaced by "thirty days" in Rule 9(3) of the Registration Rules to bring it in consonance with FORM REG RULE 12;
- (ii) The word "Registration.16" to be replaced with "Registration.17" in Rule 1 of the Composition Rules;
- (iii) Under Rule 7(1)(i) of the ITC Rules, to replace the expression "{ 'F' is the total turnover of the registered person during the tax period}" with the expression "{ 'F' is the total turnover in the State of the registered person during the tax period}";
- (iv) To insert a provision in the Invoice Rules that the address of the buyer shall be recorded in an invoice where the buyer insists on it.

**Agenda Item 9: Approval of the Fitment of goods and services into the various rate slabs:**

15.1. Introducing this agenda item, the Secretary stated that in the 4<sup>th</sup> Council Meeting (held on 3-4 November, 2016), the Council had laid down a set of guiding principles in respect of bands of rates of GST and GST Compensation mechanism and that officers of the Fitment Committee consisting of the Central Government and ten State Governments met three times (for a total of six days) and finalised its recommendations on rates on the basis of these guiding principles. He stated that the Committee had recommended the rates after taking into account the present tax incidence on account of Central Excise, Service Tax and VAT (including cascading on account of these taxes) as well as embedded taxes and the incidence of CST, Octroi, Entry Tax, etc. He added that in certain cases, the Committee had recommended lower/higher GST rates, vis-à-vis the present tax incidence (including embedded taxes) taking into consideration: (a) the current economic and social realities; (b) ensuring moderate tax incidence on items of common use; and (c) ensuring moderate GST rates for intermediates and capital goods.

15.2. He stated that as regards the rates of Compensation Cess, the Committee was largely guided by the present tax incidence with some cushion on goods which presently bore a total tax incidence of more than 28%, including that on mid-segment and large, hybrid luxury cars. He stated that the Committee did not go into details of GST rates for gold, diamond and gems and jewellery sector, keeping in view that the rate of tax for this sector was to be decided by the Council after the completion of the fitment exercise. He further stated that the Committee also examined the existing exemptions relating to Additional duty of Customs (also called CVD) and Special Additional Duty (SAD) of

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Customs, so as to cull out the cases, where the Committee recommended continuation of exemptions in the form of IGST exemptions. These cases included Multilateral/Bilateral Commitments [including exemption for goods in transit to the land locked Countries], re-import or re-export cases and passenger facilitation at international Airports.

15.3. He further stated that in the case of services, the Committee largely followed the following principles while recommending the GST rate structure: (a) continuance of exemption for certain services, so as to maintain present tax incidence on services; (b) To suggest broadly the same GST rate for different modes of transportation services, more or less at the present rates [lower than the general standard rate of 18% for services] because the inputs for transportation sector such as fuel, etc. were not in GST; (c) Withdrawal of exemptions in certain cases where such exemptions had been extended because of lack of jurisdiction; (d) Withdrawal of exemption in certain cases, like Works Contract [a composite supply of service]. The Committee had recommended withdrawal of present service tax exemptions, keeping in view the fact that sale of goods in these contracts would now attract GST and it might not be possible to segregate the value of services from the total value; (e) For ensuring similar GST rates, when similar supplies could be treated as supply of services or goods [depending on facts of the case] so as to remove tax arbitrage [For example, transfer of right to use goods is a service under GST law (Schedule II: Entry 5 (f)) whereas the sale of similar goods is supply of goods]. He further stated that keeping these principles in mind, the Committee had recommended the goods and services that would fall into different rates, namely, Nil, 5%, 12%, 18%, 28%, as also the Compensation Cess rates and the IGST exemptions.

15.4. The Secretary stated that the five Annexures indicating the GST rates for goods (including the goods covered under the Addendum to the GST Rate Schedule for Goods, circulated before the Council Meeting) covered about 1211 items at 4-digit HSN classification (total items at 8-digit being about 11,000) and out of these, about 88 items were largely in the exempt List (constituting 7% of the total goods at the 4-digit level), about 173 items were in the 5% List (constituting 14% of the total goods at the 4-digit level), about 200 items were in the 12% List (constituting 17% of the total goods at the 4-digit level), about 521 items were in the 18% List (constituting 43% of the total goods at the 4-digit level) and about 229 items were in the 28% List (constituting 19% of the total goods at the 4-digit level). He further stated that about 81% of items at 4-digit level would largely be taxed at the rate of 18% or lower and only about 19% of items at the 4-digit level would be taxed at the rate of 28%. He further added that about 60% of the items at the 4-digit level would be covered in the standard rate of 12% and 18% and about 21% items would be taxed at a rate lower than the standard rate. He also stated that detailed horizontal sheets had been sent to CCTs of every State indicating the rates of tax for goods at the 4-digit level. He stated that the Annexures I to V of the agenda notes covered the rates of goods and the Annexures VI to X covered the rates of services. He stated that services attracting 28% of GST were largely those which were charged to luxury tax and entertainment tax which would be abolished under the GST regime. He further explained that Annexure XI of the agenda notes contained cess on four categories of items which included 50 items of tobacco classified as per Central Excise tariff. He stated that Annexure XII contained the proposal to grandfather IGST exemptions and Annexure XIII contained those services which were proposed to be taxed at the same rate as the corresponding goods. He added that Annexure XIV contained services to be taxed under reverse charge. He stated that all these tables and the Addendum to the detailed agenda notes of Agenda Item

  
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9 circulated before the Council Meeting had been discussed during a meeting with the officers of the Centre and the States held on 17 May, 2017 in Srinagar. He added that based on the suggestions agreed upon during the officers' meeting, rates on certain goods/services were proposed to be modified as compared to what was proposed in the original agenda notes and that a 4-page addendum was circulated suggesting these modified rates during the meeting today (enclosed as **Annexure 4** to the Minutes).

15.5. Starting the discussion on this agenda item, the Hon'ble Minister from Kerala made a general point that 70% of the VAT revenue came from goods that attracted the VAT rate of 14.5% and that the same weight of the goods should have been there for 28% tax slab under GST but this weight was only 20%. He observed that coverage of goods under the exemption list was understandable as it was meant to keep the Consumer Price Index (CPI) basket low but for intermediate goods, there was a drastic reduction in the incidence of tax as it was being brought to 18%. He observed that India would move into fiscal consolidation path in the next two years and with the increasing social responsibility of the Governments, the revenue deficit should not go up. He stated that this could also have serious impact on the revenues of the Central Government. He expressed an apprehension that with lowering of rates on intermediates, capital goods and items of common use, the situation might not remain revenue neutral and requested more details regarding revenue implications on these goods to better understand the macro picture. The Secretary stated that it would be very difficult to do an exact projection of revenue. He observed that under Central Excise, manufacturers were exempt for turnover upto Rs. 1.5 crore and as there would be no such exemption under GST, more revenue would accrue on this account. He also pointed out that the turnover limit on which VAT was levied was different in different States. He further stated that there could be additional revenue collection through better compliance by use of Information Technology (IT), e-way bill system, etc. He stated that as the present rate structure was loaded against the revenue neutral rate (RNR), one had to be cautious about lowering the rates on State-specific goods. He added that the Council would also need to consider how to operationalise the anti-profiteering provisions of the law in order to ensure that Maximum Retail Price (MRP) was reduced for goods which were required to have the MRP label as otherwise it would lead to windfall gains to the corporates.

15.6. The Hon'ble Minister from Jammu & Kashmir stated that the choice lay between elasticity and buoyancy. He suggested that a study could be done to estimate the gains from buoyancy in taxes. He further stated that the Central Statistical Organisation (CSO) should prepare a new basket for CPI as the present CPI basket was prepared in 1974 and it needed revision. He observed that inflation impact would be less under a new CPI basket. Shri Arvind Subramanian, Chief Economic Adviser (CEA), Government of India, stated that concern of the Hon'ble Minister from Kerala about revenue reduction would be attenuated by reduction in inflation provided the reduction of GST rates was passed on to the consumers. He further stated that there would be two sources of revenue gain, namely, an increase in consumption due to reduction in tax rate and improved compliance. He suggested that the presently proposed GST rates should be adopted and could be watched for a year or two and if there was a serious shortfall of revenue, a call could be taken to increase the tax rates. The Hon'ble Chairperson stated that when Constitutional amendment was being undertaken, there was a concern diametrically opposite to the one expressed by the Hon'ble Minister from Kerala and that was to keep the GST rates low and to put a cap of 18% in the Constitution itself. He stated that the whole issue of having a band of tax rates

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arose from this concern and there was an effort to reduce the number of goods falling in the band of 28% rate. He further stated that coverage of goods in the 28% rate band had to take account of the current reality, and some of the goods which were considered luxury earlier, were no longer luxury goods, and therefore, kept at 18%. He further stated that the concern regarding fall in revenue due to lowering of rates were legitimate as every Finance Minister needed to balance his budget. He stated that how much would be gained from buoyancy was a judgment call to be taken. Further, there would be additional buoyancy gains due to increased compliance under income tax. He further stated that the Central Government had to be more watchful about revenue as States were protected for five years due to the provision of compensation at the assured rate of growth of 14%. The Hon'ble Minister from Jammu & Kashmir stated that a long-term view to be kept in mind while discussing the rates of GST was that in the next three to five years, the country should move towards a single rate of GST, and therefore, it would be desirable to tax most of the goods at the rate of 12% or 18%.

15.7. The Hon'ble Minister from Kerala stated that reducing the rates of tax should be avoided as already cartelisation had started in sectors like cement where prices had been increased. He suggested that action should be taken under the anti-profiteering provision of the law. The Hon'ble Chairperson stated that the officers should suggest ways to operationalise the anti-profiteering provision of the law. The Hon'ble Minister from Haryana stated that the success of GST would depend upon its acceptability by the public and in order to assure them, it was important to highlight reduction in rates on certain goods which would counter the increase in prices of some other goods due to introduction of GST. The Hon'ble Minister from Goa stated that the anti-profiteering provision of law should be operationalised. The Hon'ble Chairperson stated that it would be useful to highlight those goods on which tax was being reduced under GST and the Council and the Governments could do a media campaign to ensure that the tax reduction was passed on to the consumers.

15.8. The Hon'ble Minister from Uttarakhand stated that the goods that were not taxed under VAT would be taxed under GST. The Hon'ble Chief Minister of Puducherry stated that the concerns of small States should be addressed in the GST as they might not be able to carry out substantial additional revenue mobilisation. He stated that if compensation was paid every two months, it could affect the developmental activities of the smaller States. The Hon'ble Minister from Tamil Nadu stated that he was happy to see that the goods which were at present exempt both by the Centre and the States continued to be nil rated under GST as these were generally goods of common consumption and deserved to be exempted. He further stated that in general, he had no objection to the proposed fitment of goods and services into various rate slabs under GST on the basis of the guiding principle laid down during the 4<sup>th</sup> GST Council Meeting (held on 3-4 November, 2016). He stated that on certain specific products, he would make suggestions on the basis of representations from the trade and industry.

### **Discussion on GST rate for Goods**

15.9. Starting the discussion on the proposed rates of GST on goods, the Secretary stated that discussion would be limited to those goods in each Annexure where an Hon'ble Member wanted the proposed rates to be revisited. He stated that except for such goods, the proposed rates for the rest of the goods in various Annexures could be deemed to be approved by the Council. The Hon'ble Chairperson stated that any suggested modification in rates should be discussed in terms of five criteria,

  
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namely, (i) revenue impact; (ii) impact on domestic manufacturing; (c) the existing combined rate of tax; (iv) the relevance of the product for consumers; and (v) optical perception of GST. The following goods were mentioned Annexure-wise by the Hon'ble Members for discussion: -

**Annexure I (List of goods at nil GST rate):**

(i) '**Jari booti**': The Hon'ble Minister from Uttarakhand stated that *jari booti* was presently kept in Annexure II (5% List) and that it should be put in the nil rate category as 67% of *jari booti* came from the forests of Uttarakhand. The Secretary stated that *jari booti* was used as herbal medicine, and therefore, it should be taxed. He stated that the Forest Development Corporation would sell *jari booti* to companies like Dabur which would take input tax credit (ITC) and use it for payment of tax on its final products. The Hon'ble Minister from Uttarakhand stated that there was no VAT on *jari booti* in his State. The Hon'ble Minister from Chhattisgarh stated that his State charged 5% VAT on *jari booti*. The Hon'ble Deputy Minister of Gujarat stated that in his State, *jari booti* was collected by tribal people and given to the Forest Development Corporation which auctioned it and 5% VAT was chargeable on them. After discussion, it was agreed that *jari booti* **need not** be brought under the Nil rate of GST.

(ii) '**Suji**': The Hon'ble Minister from Uttarakhand stated that when *atta, besan and maida* were kept at nil rate, there was no justification to tax *suji* at 5% and suggested that it should also be brought under the nil rate. The Secretary stated that there was 5% VAT on *suji* in every State, except Uttar Pradesh. The Special Secretary (Finance), Odisha, stated that there was 5% VAT on *suji* in his State and that it had not created any adverse impact on the consumers. After discussion, it was agreed to bring *suji* other than put in unit container and bearing a registered brand name under Annexure I attracting Nil rate of GST, while *suji*, put up in unit container and bearing a registered brand name, to be kept under Annexure II at 5% rate.

(iii) '**Dalia**': The Hon'ble Minister from Uttarakhand stated that on the same logic as *suji*, *dalia* should also attract nil rate of GST. After discussion, it was agreed that *dalia*, other than those put up in unit container and bearing a registered brand name, would attract Nil rate of GST and *dalia* put up in unit container and bearing a registered brand would be taxed at the rate of 5%. This was agreed to by the Council.

(iv) '**Rusk**': The Hon'ble Minister from Uttarakhand stated that it was not taxed under VAT, and therefore, it should be kept at Nil rate. The Secretary stated that rusk was modified bread, and therefore, it was justified to levy tax at the rate of 5%, as proposed. The Council agreed to this suggestion.

(v) '**Seviyan (Vermicelli)**': The Hon'ble Minister from Uttarakhand suggested that it should attract Nil rate of GST. The Secretary stated that in most States, it attracted VAT at the rate of 5%, and therefore, it should not be brought under the Nil rate. The Council agreed to this suggestion.

(vi) '**Gur (Jaggery)**': The Hon'ble Minister from Uttarakhand suggested that *gur* should attract Nil rate. This proposal was supported by the Hon'ble Chief Minister of Puducherry on the ground that this product came from the tribal belt. The Hon'ble Ministers from Telangana and Uttar Pradesh also

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supported this proposal. After discussion, the Council agreed that *gur* (jaggery) would attract Nil rate of GST instead of the presently proposed rate of 5%.

(vii) '**Khandsari**': The Hon'ble Minister from Telangana stated that Khandsari should be taxed at Nil rate of duty. After discussion, the Council agreed to tax it at the rate of 5% as proposed in the agenda notes.

(viii) **Low priced Biscuits**: The Hon'ble Minister from Uttarakhand suggested that the low priced biscuits which were mostly used by the poorer sections of the society should be kept in the exempt List. The Secretary stated that value based rate of taxation led to suppression of value and loss of revenue. He suggested that the rate of tax should not be varied on the basis of value of biscuits. After discussion, the Council agreed to discuss this issue separately when they took up discussion on the rate of tax for biscuits.

(ix) **Silk yarn, cotton yarn in hank**: The Hon'ble Minister from Assam suggested that silk yarn should be kept in the exempted category. The Hon'ble Minister from Karnataka stated that there would be no revenue implication in exempting silk yarn as silk fabrics would be taxed. The Hon'ble Minister from Uttar Pradesh suggested that cotton yarn in hank should be kept in the exempt category. The Hon'ble Chairperson observed that reducing taxes on a large number of products would adversely affect the revenue and that the Governments needed to strike a balance between revenue generation and populism. The Secretary suggested that the goods falling in the entire textile chain might be discussed separately. The Council agreed to discuss this point along with discussion on the entire value chain of textiles.

(x) **Sewing thread**: The Hon'ble Deputy Chief Minister of Gujarat suggested that the cheaper varieties of sewing thread should be kept under exempted List. The Secretary suggested that the goods falling in the entire textile chain might be discussed separately. The Council agreed to this suggestion.

(xi) '**Zari**': The Hon'ble Minister from Uttar Pradesh suggested to keep *zari* in the exempt list. The Hon'ble Deputy Chief Minister of Gujarat stated that *zari* thread was made in Surat and supplied to Uttar Pradesh. He stated that making of *zari* thread provided employment to 3 lakh persons and the poor people worked on it at home, and therefore, suggested that *zari* should be kept in the exempt List. The Secretary stated that embroidery or *zari* articles was used in high value textile clothing, and therefore, it was reasonable to tax it at the rate of 5%. He stated that the burden of this tax would be borne by the buyers of these textile articles and not the persons who produced them. The CEA stated that GST was a consumption tax and its incidence would be borne by the consumers, and therefore, it was important to see who were the consumers of the product. The Council agreed **not to change** the recommended rate for *zari* at 5%.

(xii) '**Chikan**': The Hon'ble Minister from Uttar Pradesh suggested that *chikan* should be kept under the exempt category. The Secretary stated that though *chikan* was a local produce, it was largely used by the rich class and when *sari* and *dhoti* were proposed to be taxed at the rate of 5%, it would not go down well with the people to exempt *chikan* products. The Hon'ble Minister from Bihar stated that too

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many exemptions would lead to problem of misclassification. The Council agreed to this suggestion and not to provide any special dispensation for *chikan*.

(xiii) **Handloom and handicrafts:** The Hon'ble Minister from Jammu & Kashmir suggested that handloom and handicrafts should be kept in the exempt category. The Hon'ble Ministers from Assam and Meghalaya supported this proposal. The Hon'ble Minister from Andhra Pradesh stated that such products were exempted from VAT and imposing GST on them would create problems. The Hon'ble Minister from Goa supported the proposal to exempt handicrafts. The Hon'ble Minister from Manipur supported the proposal to exempt handloom as this was supplied by highly unorganised sector. The CEA stated that exemption from GST to goods which were important in a local area created distortion in the economy and it would be preferable to find a local solution such as Direct Benefit Transfer (DBT). The Secretary suggested that the goods falling in the entire textile chain as well as the handicrafts could be discussed separately. The Council agreed to this suggestion.

(xiv) **Fish net and fish net fabric:** The Hon'ble Minister from Andhra Pradesh stated that these goods were used by fishermen, and therefore, should be kept in the exempt category. The Hon'ble Chief Minister of Puducherry and the Hon'ble Minister from Goa supported this proposal. The Hon'ble Minister from Tamil Nadu stated that India had a long coast line and lakhs of fishermen were dependent on fishing for their livelihood and keeping this in mind, Tamil Nadu had presently exempted fish net from VAT. He stated that as ITC would be available, fish net could be taxed at 5%. The CEA stated that fish net had a lot of embedded tax and putting it in exempt category would mean that it would continue to carry the embedded tax whereas the imported goods would be carrying no embedded tax, making them cheaper. He further stated that if fish net was charged to Nil rate of GST, no IGST could be charged on imported fish net, which would adversely affect the 'Make in India' campaign. The Hon'ble Minister from Kerala stated that normally, manufactured products should not be kept under Nil rate of GST. The Hon'ble Minister from Bihar suggested that the Chairperson could be authorised to finalise the GST rates in consultation with the Secretary and the officers of the Centre and the States. The Secretary stated that tax on inputs used to make fish net was at the rate of 18%, and therefore, the rate of GST on fish net and fish net fabric should be kept at least at 12% as proposed. The Council agreed to this proposal.

(xv) **Bamboo matting, screens, basket works and other articles of bamboo:** The Hon'ble Minister from Andhra Pradesh stated that these products should be kept under the exempt List as these were made by tribal people. The Hon'ble Minister from Meghalaya also supported this proposal and stated that bamboo products were used in handicrafts. The Hon'ble Deputy Chief Minister of Manipur also suggested to exempt bamboo matting. The Hon'ble Minister from Tripura suggested that bamboo and bamboo products should be kept under the exempt category. The Secretary stated that the GST rate for these products falling in Chapter 46 was discussed during the meeting of officers of the Centre and the States on 17 May, 2017 in Srinagar and it was agreed at the officers' level that rather than putting them under exempt category, they could be taxed at the rate of 12% instead of the earlier recommended rate of 18%. He added that this item was included in the addendum circulated in the Council on 18 May 2017 after the meeting of the officers of the Centre and the States in Srinagar (Annexure 4 of the Minutes). The Council approved the revised proposed rate.

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(xvi) **Bamboo floor tiles and bamboo panels:** Ms. Brahmneet Kaur, CCT, Tripura, stated that bamboo floor tiles and bamboo panels should also be taxed at Nil rate or at the rate applicable for other bamboo products. The Secretary pointed out that these products were mostly used by rich people in bungalows. After discussion, the Council agreed that these products should be taxed at the originally recommended rate of 18%.

(xvii) **Sugar:** The Hon'ble Minister from Andhra Pradesh suggested that sugar should be kept in the exempt category as sugar factories were in doldrums and this also affected the farmers. The Hon'ble Deputy Chief Minister of Delhi and the Hon'ble Minister from Tamil Nadu supported the proposal. The Secretary stated that the existing incidence of Central Excise duty alone on sugar was more than 6% and it was proposed to be kept at the rate of 5%. He stated that putting sugar in the exempted category would lead to huge loss of revenue. After discussion, the Council agreed **not to change** the recommended tax rate for sugar at 5%.

(xviii) **Tamarind:** The Hon'ble Minister from Telangana suggested that tamarind should be kept under the exempt category. The Secretary clarified that fresh tamarind was already in the exempt category.

(xix) **Fertilizers:** The Hon'ble Minister from Andhra Pradesh suggested that the fertilizers sold by Primary Agricultural Co-operative Societies should be kept under the exempt category. The Hon'ble Minister from Telangana supported this proposal. The Secretary stated that the raw materials used for making fertilizers were chemicals which were proposed to be taxed at the rate of 18% and exempting fertilizers would lead to a situation of inverted duty structure leading to large amounts of refund. After discussion, it was agreed to keep fertilizers at the proposed rate of 12%.

(xx) **Cotton fabrics, cotton textiles and man-made fabrics:** The Hon'ble Minister from Andhra Pradesh suggested that cotton fabrics and man-made fabrics should be kept in the exempt category. The Hon'ble Deputy Chief Minister of Delhi suggested that cotton fabrics and cotton textiles should be kept in the exempt category. The Hon'ble Deputy Chief Minister of Gujarat suggested that the same tax rate should be applied for the value chain of cotton and silk. The Secretary suggested that the goods falling in the entire textile chain could be discussed separately. The Council agreed to this suggestion.

(xxi) **Organic waste:** The Hon'ble Minister from Andhra Pradesh suggested that this should be kept in the exempt category. The Joint Secretary (TRU-I), CBEC, clarified that municipal waste, sewage sludge and chemical waste falling under Chapter 38 were already exempt.

(xxii) **Dry fish, salted and fermented:** The Hon'ble Minister from Meghalaya suggested that this product should be kept in the exempt category. The Hon'ble Deputy Chief Minister of Manipur supported this proposal. He stated that dry fish, fermented fish and smoked fish were sold by women in the unorganised sector and it would be difficult to administer tax on these goods and would lead to high cost of collection. The Secretary stated that dry fish was an industrial product which required processing and processing industry would get input tax credit which could be passed through if the product was taxed at the rate of 5%. He further pointed out that dry fish sold by fishermen would not attract GST because of very low turnover (below Rs. 10 lakh in Special Category States and Rs. 20

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lakh in other States). He further stated that as fish would be transported to the North-Eastern States from other States like Andhra Pradesh, there would be tax on supply of transport services which could also be passed through by keeping a low tax of 5%. The Council agreed to this suggestion.

(xxiii) **Indigenous hand-made musical instruments:** The Hon'ble Minister from Uttar Pradesh suggested that these goods should be kept under the exempt category. The Secretary stated that the GST rate for these products was discussed during the meeting of officers of the Centre and the States on 17 May, 2017 in Srinagar and it was agreed at the officers' level that instead of the proposed rate of 12%, these could be kept under the exempt category. He stated that this item was covered in the addendum to the GST rate schedule for goods circulated during the Council meeting on 18 May 2017 (Annexure-4 of the Minutes). The Council agreed to this proposed change.

(xxiv) **'Puja samagri' including 'Hawan samagri':** The Hon'ble Minister from Uttar Pradesh suggested that these should be kept under the exempt category. The Secretary suggested that the Fitment Committee should first define the term '*puja samagri*' and then it might be exempted. The Council agreed to this suggestion.

(xxv) **Footwear:** The Hon'ble Minister from Uttar Pradesh suggested that low value footwear sold at Rs. 200-300 should be kept under the exempt category. The Hon'ble Deputy Chief Minister of Delhi suggested exemption from tax for footwear of value upto Rs. 500. The Hon'ble Minister from Bihar suggested that shoes and *chappals* of plastic should be exempt. Ms. Smaraki Mahapatra, CCT, West Bengal, suggested that cheaper footwear should be taxed at the rate of 5%. The Hon'ble Chief Minister of Puducherry stated that taxation on footwear should be categorised on the basis of their sale price. The Hon'ble Minister from Kerala observed that *chappals* other than *hawai chappals* and straps thereof were proposed to be kept in the 18% rate slab and he proposed that these should be taxed at the rate of 12% and shoes be taxed at the rate of 28%. The Secretary suggested that the tax rate on footwear products should be discussed separately. The Council agreed to this suggestion.

(xxvi) **Sago (*sabudana*):** The Hon'ble Minister from Tamil Nadu suggested that sago should be kept under the exempt category. He stated that Tamil Nadu was a large producer of sago whose input was tapioca and it was a food product of the common man. He stated that if it was taxed at 5%, the full burden of tax would fall on the common man and this would affect the interests of the producers and the consumers. He informed that this product also faced competition from Thailand and Vietnam. The Hon'ble Minister from Jharkhand also supported the proposal to keep sago under the exempt category. After discussion, it was agreed that it need not be kept under the exempt category as it was a processed product and by exempting it, local produce would not be able to face competition with imported goods. The Council agreed that it might be kept at the proposed rate of 5%.

(xxvii) **Honey:** The Hon'ble Minister from Telangana stated that honey which was proposed at 5% rate was sold by co-operative societies and it should be kept under the exempt category. The Secretary stated that honey sold by well-known brands like Dabur carried out value addition and also incurred advertisement costs. He stated that if honey was exempted, the companies supplying them would be denied input tax credit for taxes paid during value addition and advertisement. He suggested that natural honey other than that put up in unit container and bearing a registered brand name might be

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kept at Nil rate whereas natural honey put up in unit container and bearing a registered brand name might be taxed at 5%. The Council agreed to this suggestion.

(xxviii) **Chemical contraceptives:** The Hon'ble Deputy Chief Minister of Delhi suggested that chemical contraceptives should be exempted from tax. The Secretary stated that the GST rate for this product was discussed during the meeting of officers of the Centre and the States on 17 May, 2017 in Srinagar and it was agreed at the officers' level that instead of the proposed rate of 5%, it could be kept under the exempt category. He stated that this item was covered in the addendum to the GST rate schedule for goods circulated during the Council meeting on 18 May 2017 (Annexure-4 of the Minutes). The Council agreed to this proposed change.

(xxix) **Wheel-chair for physically handicapped persons:** The Hon'ble Deputy Chief Minister of Delhi suggested that wheel-chairs should be kept in the exempt category. The Secretary stated that this product should be kept at 5% so that the input tax credit on taxes paid on the inputs could pass through. The Council agreed to this suggestion.

(xxx) **Sale by CSD Canteen:** The Hon'ble Deputy Chief Minister of Delhi stated that sale by CSD Canteen should be exempt. The Secretary suggested that this issue should be discussed separately. The Council agreed to this suggestion.

(xxxi) **Power driven agricultural implements:** The Hon'ble Minister from Haryana stated that these implements should be kept under exempt category, or alternatively under the 5% category, as tax on these implements would increase the input cost of agriculture and this cost was not accounted for in the Minimum Support Price (MSP) announced by the Government for agricultural products from time to time. He added that while discussing the fitment rates, one could not ignore the cascading impact on primary products and that the input tax for farmers should not go up as this would lead to inflation. The Chief Minister of Puducherry supported this proposal. The Hon'ble Minister from Karnataka suggested that these goods could be taxed at the rate of 5%. The Secretary stated that there would be embedded input taxes on these products, and therefore, these should be kept at the rate of 12%. He further added that if there was no headline rate of GST on this product, no IGST could be charged on import of similar products and this would put domestic manufacturers at a disadvantage. The Hon'ble Minister from Haryana observed that according to their estimates, embedded taxes on these goods would not be more than 3% and that if the cost of local agricultural implements was increased, this would encourage imports. After further discussion, the Council agreed to discuss this issue again.

(xxxii) **Hand tools:** The Hon'ble Minister from Rajasthan stated that non-electrically operated hand tools i.e., *gurmala, karni, sawal, gunia*, etc. should be under the exempt category. The Secretary clarified that agricultural hand tools falling under HS Code 8201, namely, spades, shovels, mattocks, picks, hoes, forks and rakes; axes, bill hooks and similar hewing tools; secateurs and pruners of any kind; scythes, sickles, hay knives, hedge shears, timber wedges and other tools of a kind used in agriculture, horticulture or forestry were already kept in the exempt List.

(xxxia) **Cancer drugs:** The Hon'ble Minister from Maharashtra stated that 118 drugs for cancer should be kept under exempt category instead of the presently recommended 5% List. The Hon'ble



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Deputy Chief Minister of Gujarat suggested that the generic medicines should be taxed at Nil rate of GST. The Hon'ble Deputy Chief Minister of Delhi suggested that other than those medicines which were exempt, all others should be taxed at the rate of 5%. The Secretary stated that there were 255 drugs or medicines and diagnostic kits that were kept at 5% rate, which included life-saving and cancer related drugs while all other drugs were proposed to be taxed at the rate of 12%. He stated that as there was tax on intermediate chemicals, the cancer drug industry would not like the final products to be exempted. As regards the proposal to exempt generic medicines, he stated that it would be very difficult to monitor and distinguish the supply of generic and branded medicines, and therefore, both were kept in the 12% rate slab. The Council agreed to keep the rates of tax on drugs as recommended in the agenda notes.

(xxxiii) **Kerosene PDS:** The Hon'ble Minister from Maharashtra suggested that PDS kerosene should be kept under the exempt category. After discussion, it was agreed that it should continue to be in the 5% rate category.

(xxxiv) **Electricity:** The Hon'ble Minister from Punjab stated that electricity also needed to be put under the exempted List. The Hon'ble Minister from Karnataka stated that in his State, electricity was exempted from VAT. The Hon'ble Deputy Chief Minister of Gujarat suggested that electricity should be exempted from GST. The Secretary stated that *prima facie* taxation on electricity was in the domain of the States as 'taxes on the consumption or sale of electricity' was covered under List II (Entry 53) of the Schedule 7 of the Constitution. He added that the issue could be examined further and if necessary, it could be put in the exempt List. The Council agreed to this suggestion.

(xxxv) **Coffee beans:** The Hon'ble Minister from Karnataka stated that taxation on coffee and tea should be equal. He further stated that as raw tea leaves were exempt, coffee beans should also be exempt and not taxed at the proposed rate of 5%. He clarified that unprocessed coffee beans were a primary product and it could not be used directly by the consumers. After discussion, the Council agreed that coffee beans, not roasted, should be exempted from tax.

(xxxvi) **Assistive devices for disabled:** The Hon'ble Minister from Kerala suggested that such devices should be kept in the exempt category. The Secretary stated that this would lead to embedded taxes in the final product and would be harmful for the domestic industry. The Council agreed not to put the assistive devices in the exempt category.

(xxxvii) **Kerosene stove:** The Hon'ble Deputy Chief Minister of Gujarat suggested that kerosene stove should be charged at Nil rate of tax. However, after discussion, Council agreed to keep the tax rate at 12%.

(xxxviii) **Areca nut:** The Hon'ble Minister from Karnataka stated that fresh areca nut harvested from trees was proposed to be taxed at Nil rate, the dry and processed areca nut was proposed to be taxed at the rate of 12%. He stated that the weighted average of the combined tax incidence today would not be more than 5%. He stated that farmers sold dried areca nut and its rate of tax should not be more than 8%. The Hon'ble Minister from Meghalaya stated that areca nut was a perishable agricultural product and green areca nut should be taxed at zero per cent and dried areca nut should be taxed at 5%. The

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Secretary stated that in Chapter 8 of the HSN, a carve out could be considered for dried, unprocessed areca nut to be taxed at 5% which should not be called betel nut. Accordingly, it was proposed that dried areca nuts, whether or not shelled or peeled, might be kept at 5%. The Council agreed to this proposal.

**Annexure II (List of goods at 5% GST rate):**

(xxxviii) **Dry fruits:** The Hon'ble Deputy Chief Minister of Delhi suggested that dry fruits should be kept in the 5% List instead of the presently proposed rate of 12%. The Secretary stated that dry fruits were consumed by better-off sections of the society, and therefore, it could be taxed at the rate of 12%. The Council agreed to this suggestion.

(xxxix) **Natural Resin ('*lisa*')**: The Hon'ble Minister from Uttarakhand suggested that resin should be taxed at the rate of 5% instead of the proposed rate of 18% as this was collected by the poorer sections of the society. After discussion, the Council agreed to this suggestion and decided to put natural gums, resins, etc. in the 5% rate category.

(xl) **Tendu leaves:** The Hon'ble Minister from Madhya Pradesh suggested that this should be taxed at the rate of 28% and not at 5%. The Secretary suggested that the rate of tax on *tendu* leaves could be discussed separately along with the rate of tax on *bidi*. The Council agreed to this suggestion.

(xli) **Dried tobacco leaves:** The Hon'ble Deputy Chief Minister of Gujarat suggested that the dried tobacco leaves should be kept in the category of exempt goods instead of at the rate of 5%. After discussion, the Council agreed to levy 5% GST on tobacco leaves under reverse charge.

(xlii) **Rubber tyres:** The Hon'ble Minister from Kerala suggested that the rate of tax on rubber tyres should be increased from 5% to 12%. The Joint Secretary (TRU-I), CBEC, informed that pneumatic rubber tyres of a kind used in bicycles, cycle rickshaws and three-wheeled powered cycle rickshaws were at 5% while other pneumatic tyres were at 28%. After discussion, the Council agreed that rubber tyres should be taxed at the rates as proposed in the agenda notes.

(xlili) **Semi-mechanised safety matches:** The Hon'ble Minister from Tamil Nadu stated that match industry was highly labour intensive and gave livelihood to a large number of workers in Tamil Nadu. He observed that the present proposal was to tax hand-made safety matches at the rate of 5% and the rest at the rate of 18% and suggested that semi-mechanised safety matches should also be taxed at the rate of 5% and only matches manufactured by fully mechanised process should be taxed at the rate of 18%. The Secretary stated it would not be advisable to create a separate classification for semi-mechanised safety matches as in a multi-stage levy like GST, it would not be possible to verify this aspect at all stages and this would create disputes at the field level. The Council agreed not to have a separate rate of tax for semi-mechanised safety matches.

(xliv) **'Namkeen' including 'Khakhra':** The Hon'ble Minister from Rajasthan stated that *namkeen* (*bhujia*) should not be taxed at the rate of 18% and that it should be kept in the 5% category, particularly when '*rasagulla*' was to be taxed at the rate of 5%. He added that *namkeens* sold by multi-national



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companies could be taxed at a higher rate. The Hon'ble Deputy Chief Minister of Gujarat suggested that the Gujarati *namkeen*, *khakhra*, should be kept under the exempt category as it was consumed by common people. The Secretary stated that *khakhra* was taxable at the same rate as other *namkeen* which was proposed to be taxed at the rate of 18%. The Hon'ble Chairperson stated that the packed *namkeen* was sold by big brand owners and they should be taxed whereas the smaller suppliers would come within the exemption limit of Rs. 20 lakh. The Hon'ble Deputy Chief Minister of Gujarat very strongly recommended that the tax rate for *khakhra* should not be the same as for other *namkeens*. The Secretary stated that *namkeens* attracted Central Excise duty of 5% and in most States, VAT of 5%, and therefore, the rate of all *namkeens*, including *khakhra*, could be kept at 12% instead of the recommended rate of 18%. The Council agreed to this suggestion.

(xlv) **Clay bricks:** The Hon'ble Minister from Uttar Pradesh stated that clay bricks should be kept under a compounding scheme as it was very difficult to keep track regarding the quantum of bricks supplied by the brick kilns. He stated that in the alternative, clay bricks should be kept at a higher rate. The Secretary stated that it would not be advisable to have a separate compounding scheme for clay bricks or to keep them at a higher rate. He stated that tax evasion could be addressed through other means. The Hon'ble Minister from Meghalaya and the Deputy Chief Minister of Gujarat stated that any increase in the rate of tax on clay bricks would adversely affect the *Pradhan Mantri Awas Yojana* Scheme. The Council agreed to keep the tax rate of clay bricks at 5%.

(xlvi) **Fly ash bricks:** The Hon'ble Minister from Bihar suggested that fly ash bricks should be taxed at the rate of 5% as encouraging use of such bricks would help save land in thermal power plants. The Secretary stated that the GST rate for this product was discussed during the meeting of officers of the Centre and the States on 17 May, 2017 in Srinagar and it was agreed at the officers' level that instead of the proposed rate of 18%, it could be taxed at the rate of 12%. He stated that this item was covered in the addendum to the GST rate schedule for goods circulated during the Council meeting on 18 May 2017 (Annexure-4 of the Minutes). The Council agreed to this proposed change.

(xlvii) **Coal:** The Hon'ble Minister from Uttar Pradesh suggested that the rate of coal should be increased from 5% to 12%. The Secretary stated that coal was a very sensitive product and though its current incidence of tax was about 10%, it was being kept in the 5% List. He stated that some coal might be used as an industrial input but it was also used for generation of electricity. He further stated that presently, imported coal attracted an additional duty of customs (CVD) at the rate of 2% and this would go up to 12% leading to substantial increase in the cost of power generation. He added that coal was also levied to a cess of Rs. 400 per metric tonne. He stated that raising the rate of tax on coal would only increase the subsidy burden of the Governments as the Electricity Boards would seek more subsidy. He, therefore, suggested to keep the rate of tax on coal at 5%. The Council agreed to this suggestion. The Hon'ble Minister from Chhattisgarh suggested that there should be a separate classification for coal used captively for generation of power. The Hon'ble Chairperson stated that this would pose challenge for levying the tax. After discussion, the Council agreed not to have a separate classification for coal used captively for generation of power.

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**Annexure III (List of goods at 12% GST rate):**

(xlvi) **Plywood and particle board:** The Hon'ble Minister from Chhattisgarh stated that plywood and particle board should be kept in the 12% List instead of the presently proposed tax rate of 28%. The Hon'ble Deputy Chief Minister of Delhi stated that if one wanted to prevent wood to be cut, then boards based on bagasse and fibre should be encouraged. The Secretary explained that only specified boards including bagasse based boards and boards made from agricultural residue were proposed to be taxed at the rate of 12% but other wood based boards and plywood were proposed to be taxed at the rate of 28%. He added that all building materials were proposed to be taxed at the rate of 28%. The Hon'ble Minister from Haryana stated that his State was a major manufacturer of ply boards and expressed an apprehension that if tax rate was increased, it would lead to more evasion of taxes. The Hon'ble Minister from Uttarakhand stated that plywood made of eucalyptus being not in the category of an agricultural crop, should also attract tax at the rate of 12%. He added that most of the units in the ply board sector fell under micro and small enterprises with a turnover of less than Rs. 4 crore and were exempt from Central Excise duty upto the turnover of Rs. 1.5 crore. Therefore, the incidence of Central Excise duty at the rate of 12.5% was not applicable on them and as such, taxing them at the rate of 28% was not justifiable and that GST on ply board at the rate of 18% would be more appropriate. The Hon'ble Minister from Meghalaya stated that his State had a very high green coverage of coniferous forest and if cost of plywood was increased, there would be temptation to cut the trees and to use the planks directly. The Hon'ble Minister from Kerala suggested that wood based particle board should be taxed at a lower rate. The Hon'ble Minister from Haryana stated that most of the units in the ply board sector fell under micro and small enterprises with a turnover of less than Rs. 4 crore and were exempt from Central Excise duty upto the turnover of Rs. 1.5 crore. Therefore, the incidence of Central Excise duty at the rate of 12.5% was not applicable on them and as such, taxing them at the rate of 28% was not justifiable and that GST on ply board at the rate of 18% would be more appropriate. The Hon'ble Chairperson stated that tax on these goods was not being imposed for the first time and if the existing combined tax rate was about 30%, it would be reasonable to keep it at 28% but not at 18%. He added that if such a steep reduction was made on one item, the Members should also suggest an item on which GST rate could be increased correspondingly. After discussion, the Council agreed to keep the rates as proposed in the agenda notes.

(xlix) **Mosquito net:** The Hon'ble Minister from Tamil Nadu stated that this was a life-saving product and was used by the common man and due to these considerations, no VAT was charged on this product in his State. He suggested that keeping in mind the availability of ITC, mosquito net should be levied to tax at the rate of 5% instead of the proposed 12%. It was suggested to keep this item in 12% bracket at par with fish net. The Council agreed to this proposal.

(l) **Mobile phone:** The Hon'ble Minister from Chhattisgarh stated that in his State even when duty on mobile phone was reduced to 12%, there was no reduction in the price of mobile phones but there was substantial loss of revenue to the State. He suggested that tax rate on mobile phones should be kept at either 18% or 28%. The Hon'ble Minister from Uttarakhand suggested to increase the rate of tax on mobile phone from 12% to 18%. The Hon'ble Minister from Kerala suggested that mobile phone should be taxed at the rate of 18%. The Secretary stated that the present combined incidence of tax on mobile phone was around 14% and therefore, it was put in the rate slab of 12%. He stated that this

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product was also very important for the Digital India Programme. The Hon'ble Deputy Chief Minister of Delhi stated that there was already a large grey market for mobile phones, and therefore, tax on it should not be too high. The Hon'ble Chairperson observed that this product was now being substantially manufactured in India. The Council agreed to keep the rate of tax on mobile phone at 12%.

(li) **Coconut water:** The Hon'ble Chief Minister of Puducherry stated that tender coconut water should not be taxed at the rate of 12%. Shri Alok Shukla, Joint Secretary (TRU-I), CBEC, clarified that only packaged tender coconut water was proposed to be taxed at the rate of 12%. The Secretary suggested that tender coconut water, put up in unit container and bearing a registered brand name, might be kept at 5% while other tender coconut water being served fresh might be kept at Nil rate. The Council approved the suggestion.

(lii) **Copper articles:** The Hon'ble Minister from Kerala stated that table and kitchen or other household articles of copper should be kept at a rate higher than 12%. However, after discussion, the Council agreed to keep the rate of such goods at 12%.

(liii) **Sports goods:** The Hon'ble Deputy Chief Minister of Delhi suggested that sports goods other than gym equipment should be taxed at the rate of 5%. After discussion, the Council agreed to keep the rate sports goods other than gym equipment at 12% and of gym equipment at 28% as recommended in the agenda notes.

(liv) **Insulin:** The Hon'ble Deputy Chief Minister of Gujarat suggested to tax this product at a lower rate. The Secretary stated that the domestic manufacturers would suffer if the tax rate on insulin was lowered. The Council approved the rate of 5% as proposed in the agenda notes.

**Annexure IV (List of goods at 18% GST rate):**

(lv) **Fruit, nuts and other edible parts of plants, otherwise prepared or preserved:** The Hon'ble Deputy Chief Minister of Delhi stated that this entry appearing at Sl.No.8 of Annexure IV attracting a tax rate of 18% had an overlapping entry at Sl.No.4 at Annexure II attracting a rate of 5% (edible fruit and nuts, in frozen state or preserved) and that this could lead to evasion of tax. He suggested to rectify it by deleting the word 'preserved' from the entry at Sl.No.4 at Annexure II. The Joint Secretary (TRU-I), CBEC, explained that entry at Sl.No.8 of Annexure IV referred to fruits, nuts and other edible parts of plants, prepared or preserved, by vinegar or acetic acid which fell under Chapter 20 whereas the entry at Sl.No.4 of Annexure II referred to fruits and nuts provisionally preserved (for example, by sulphur dioxide gas or in brine) which fell under Chapter 8. He stated that both were distinct entries under different Chapters of the Tariff.

(lvi) **Inorganic and organic chemicals:** The Hon'ble Deputy Chief Minister of Delhi stated that these being input materials, should be taxed at the rate of 12%. The Secretary stated that it was proposed to tax all intermediate products at the standard rate of 18%. The Council agreed to this suggestion.

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(lvii) **Betel nut product known as 'Supari':** The Hon'ble Chief Minister of Puducherry suggested to raise its rate from 18% to 28%. After discussion, the Council agreed to keep the tax rate at 18%, since it was an evasion prone item.

(lviii) **Insecticide and rodenticide:** The Hon'ble Chief Minister of Puducherry suggested that these products should be taxed at the rate of 5%. The Secretary stated that such a rate structure would lead to a lot of input tax credit overhang and would lead to large amount of refund claims. The Council agreed to keep the rate of these products at 18%.

(lix) **Helmet:** The Hon'ble Chief Minister of Puducherry suggested that the rate of tax for helmet should be reduced to 5% as it was very important for road safety. The Secretary stated that as per the combined incidence of tax, this product should be in the 28% rate slab, but as the inputs for this product would be taxed at the rate of 18%, the rate of tax on helmet was already proposed to be kept at 18%. The Council agreed to keep the rate of tax for helmet at 18%.

(lx) **Information Technology (IT) products:** The Hon'ble Minister from Karnataka stated that IT products were facing global competition and NASSCOM had suggested that the IT industry would be better off if IT products in India were classified as per the ITA-I (Information Technology Agreement-I) of the WTO. The Joint Secretary (TRU-I), CBEC, stated that the basis of classification of IT products under ITA-I and GST was the same, namely, the HSN and 217 items spread over HSN Chapters 38 to 90 were covered under the ITA-I agreement. The CEA stated that India was a signatory of ITA-I but not ITA-II and it only obliged the signatory countries to allow import of IT products at Nil Customs duty and there was no harmonisation of domestic taxes. The Hon'ble Minister from Karnataka stated that the annual exports from IT sector was approximately Rs. 200,000 crore and that he was not seeking any rate concession for IT products but requested to recheck whether the classification of goods under ITA-I and GST was in harmony as his feedback from NASSCOM was that they were not.

(lxi) **Recycled products:** The Hon'ble Minister from Karnataka suggested that in order to incentivise use of recycled materials, there should be a lower differential rate for recycled products like recycled paper and recycled plastic. The Joint Secretary (TRU-I), CBEC, stated that if such a differentiation was made, the importers would also claim a similar rate differential and this would create very wide spread classification disputes. The Hon'ble Minister from Karnataka stated that it was a national aspiration to use recycled products. The Hon'ble Minister from Kerala stated that instead of tax exemption, subsidies could be given to encourage the use of recycled products. The Council agreed not to have a rate differential for recycled products.

(lxii) **Sanitary napkins and tampons:** The Hon'ble Minister from Kerala suggested that the rate of tax on these products should be reduced to 12%. The Secretary stated that these goods had already been moved to the List of goods under 12% rate slab. The Council agreed to this rate.

(lxiii) **Arms and ammunition:** The Hon'ble Minister from Kerala stated that the rate on arms and ammunition should be kept in the square bracket. After discussion, the Council agreed to the rate as proposed in the agenda notes (i.e. 18% in Chapter 93).

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(lxiv) **Packed and branded cereals:** The Hon'ble Minister from Kerala observed that many goods proposed to be exempted from tax were also supplied by big enterprises and therefore, branded products packed in unit containers should be taxed at the rate of 5%. The Hon'ble Chief Minister of Puducherry stated that branded cereals like packed basmati rice should be levied to tax. The Secretary stated that the Fitment Committee had discussed whether food grains and cereals packed in unit containers and branded should be taxed at the rate of 5% instead of keeping them at Nil rate. He suggested that these goods could be taxed at the rate of 5%. The Hon'ble Minister from Haryana stated that in order to encourage investment in food sector, it would be desirable to exempt them. The Hon'ble Deputy Chief Minister of Gujarat stated that those cereals which were kept at Nil rate of tax should remain so irrespective of the fact that they were sold in a packed and branded state. The Hon'ble Minister from Bihar stated that a lot of money was being spent on advertisement of branded cereals, and therefore, they should be subject to tax. The Hon'ble Minister from Punjab also supported the suggestion to levy tax on packed and branded cereals. The Hon'ble Deputy Chief Minister of Delhi stated that even retailers in small shops packed cereals in packages of 1 kg and 2 kg and these should not get taxed. The Hon'ble Minister from Kerala stated that the term 'branded' meant use of a trade mark. The Hon'ble Minister from Jharkhand stated that all branded food should be taxed, as products like branded *atta* were sold at a high price. The Hon'ble Minister from Maharashtra stated that almost every district had a brand as for instance, there was a brand of *Mahakali atta* sold by ladies. The CCT, West Bengal, did not support the proposal to tax packed and branded food items. The Hon'ble Minister from Haryana stated that the activity of branding should not be penalised by way of a tax. The Hon'ble Minister from Karnataka stated that the primary grains were also being mostly sold in packed condition as milk, and therefore, it would be advisable to exempt packed and branded primary products. The Secretary stated that a small 5% tax on packed primary commodities would encourage the food processing industry as they could take credit of the tax paid on inputs. The Hon'ble Chairperson stated that it would be politically unwise to tax packed and branded milk. The Hon'ble Minister from Haryana stated that taxing packed pulses and grains would cause inflation. The Hon'ble Minister from Kerala suggested that tax could be levied on such branded primary products whose brand names were registered with the office of the Trade Mark. The Hon'ble Chairperson stated that this criterion might not help as even if the name *Amul* was not registered as a brand name, it could get the same right as a registered trade mark. The Hon'ble Minister from Assam stated that all big brands selling packed and branded primary commodities should be subject to tax. The Hon'ble Deputy Chief Minister of Delhi stated that more and more consumers were moving towards buying packed and branded cereals. The Hon'ble Minister from Haryana suggested that decision on this issue could be postponed to a later date. The Council agreed to this suggestion.

(lxv) **X-ray plates and films:** The Hon'ble Deputy Chief Minister of Gujarat suggested that the rate of tax on x-ray plates and films for medical use should be reduced from 18% to 12% as bulk of these goods were used by Government hospitals. After discussion, the Council agreed to reduce the rate of tax on x-ray plates and films for medical use to 12% while retaining the proposed rate of 18% for x-ray films for other use.

(lxvi) **Stent for heart surgery:** The Hon'ble Deputy Chief Minister of Gujarat suggested that stent for heart surgery should be taxed at the rate of 5%. The Secretary clarified that coronary stent falling under Chapter 90 was already proposed to be taxed at the rate of 5%. The Council approved this proposal.

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(lxvii) **Bio-diesel:** The Hon'ble Deputy Chief Minister of Gujarat stated that bio-diesel should be taxed at the lower rate. After discussion, the Council agreed to keep the rate of tax on bio-diesel at 18%.

(lxviii) **Food served in *anganwadis*:** The Hon'ble Deputy Chief Minister of Gujarat raised a question whether food served in *anganwadis* like *upma*, *sheera*, etc. would get covered as preparations for infant use. He stated that rate of tax for food served in *anganwadis* should be exempt. The Secretary stated that this would be difficult to administer and would create classification disputes. He further added that in any case, if these items were served fresh, there would be no tax on them. The Council agreed not to have a separate tax exemption for food served in *anganwadis*.

**Annexure V (List of goods at 28% GST rate):**

(lxix) **Motor vehicles:** The Hon'ble Chief Minister of Puducherry stated that bigger and smaller cars should not be taxed at the same rate. The Joint Secretary (TRU-I), CBEC, stated that all cars were proposed to be taxed at the rate of 28% but the rate of compensation cess was proposed to be low for smaller cars. The Council agreed to this suggestion.

(lxx) **Cement:** The Hon'ble Deputy Chief Minister of Delhi stated that as real estate was kept out of GST, to help this sector, the rate of cement should be in the 18% rate slab. The Joint Secretary (TRU-I), CBEC, stated that the existing Excise Duty on cement was 12.5% plus a component of specific rate and VAT at standard rate. Therefore, the rate of tax on cement under GST would be lower than the present combined tax incidence. The Council agreed to keep the rate of tax on cement at 28%.

(lxxi) **Paint:** The Hon'ble Deputy Chief Minister of Delhi stated that as real estate was kept out of GST, to help this sector, the rate of paint should be in the 18% rate slab. After discussion, the Council agreed that it should be taxed at the rate of 28%, in line with the present incidence of tax on this item.

(lxxii) **Roofing material:** The Hon'ble Minister from Meghalaya stated that roofing materials like corrugated sheets were not similar to other building material as they were used by the poorest of the poor for shelter over their head, and therefore, they should be taxed at a lower rate. The Hon'ble Deputy Chief Minister of Gujarat suggested that roof tiles should be exempted from GST. The Hon'ble Minister from Uttarakhand stated that all building materials were proposed to be taxed at the rate of 28% and suggested that there should be a lower rate of tax for roofing materials like corrugated sheets of steel or asbestos. The Secretary stated that it would not be advisable to have separate rates for certain building materials. The Council agreed to this suggestion.

(lxxiii) **Marble and granite slabs:** The Hon'ble Minister from Rajasthan stated that these products were no more luxury items, and therefore, both should be taxed at the rate of 12%. He further stated that this sector gave large scale employment to people. The Hon'ble Chairperson observed that marble and granite was largely used by rich people. The Hon'ble Minister from Rajasthan stated that there were different grades of marble from high to the low end and it was used by all sections of the society. After discussion, the Council agreed to keep the rate of tax on marble and granite slabs at 28%.

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(lxxiv) **Motorcycles:** The Hon'ble Chief Minister of Puducherry stated that motorcycles were used by poorer and mid-income sections of the society, and therefore, they should be taxed at a lower rate. The Secretary stated that the combined rate of taxation on motorcycles was approximately 31%, and therefore, it was proposed to be taxed at the rate of 28%. The Council agreed to keep the rate of tax on motorcycles at 28%.

(lxxv) **Hybrid and Electrically operated cars:** The Hon'ble Minister from Karnataka stated that the rate of tax on these cars should be lower so that they could become affordable. He added that the world over, hybrid cars were taxed at low rates. The Joint Secretary (TRU-I), CBEC, stated that electrically operated cars were already proposed to be taxed at the rate of 12%. The Secretary stated that the GST rate for hybrid cars be at the rate of 28%. The Council agreed to this.

(lxxvi) **Carriage for disabled persons:** The Hon'ble Deputy Chief Minister of Gujarat suggested that carriage for disabled persons should be exempted from GST. The Hon'ble Minister from Uttar Pradesh suggested that carriage for physically challenged persons which included motorised wheel chairs should be taxed at a lower rate. The Secretary stated that since wheel chairs for disabled persons falling under Chapter heading 8713 was already at 5%, carriages for disabled persons, whether or not motorised, falling under Chapter head 8713, might also be kept at 5%. The Council agreed to this suggestion.

(lxxvii) **Intra-ocular lens:** The Hon'ble Deputy Chief Minister of Gujarat suggested that intra-ocular lens should be kept in lower tax slab.

**Rates of GST Compensation Cess:**

16.1. The **proposed rate of Compensation Cess for different supplies of goods** as contained in Annexure XI of Volume-3 of the detailed agenda notes was taken up for discussion. Introducing this subject, the Secretary stated that the rate of Cess on the varieties of cigarettes and other tobacco products was proposed on the lines of the present Central Excise tariff structure on these products and that the proposed multiple rates on cigarettes was proposed to maintain the existing tax rates.

16.2. Regarding the proposal to charge cess on motor vehicles, the Secretary stated that the present combined incidence of tax on small cars was around 28% and in order to protect revenue, it was proposed to impose a cess of 1% on small petrol cars and 3% on small diesel cars. He suggested that the proposed cess of 1% and 3% on small petrol and diesel hybrid motor vehicles respectively (at Sl.No.50 and 51 of Annexure XI referring to cars of length less than 4 metre and engine capacity of less than 1200 cc for petrol vehicles and of less than 1500 cc for diesel vehicles) and 1% cess on hydrogen vehicles based on fuel cell technology of length less than 4 metre (Sl.No.54 of Annexure XI) could be removed. The Secretary stated that large hybrid vehicles could be charged to Compensation Cess at the same rate (15%) as normal cars. The Council agreed to this proposal. The Hon'ble Minister from Haryana stated that one option of levying cess on motor vehicles could be on the basis of price bands instead of qualitative bands. He observed that criteria like ground clearance could lead to evasion of tax and that a price based rate structure could be adopted. The Secretary stated that due to the past experience of misuse of price based taxation system, certain objective criteria had been adopted for

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taxation of various categories of cars. The Hon'ble Minister from Haryana stated that some manufacturers might maintain the length of car applicable for lower rate of tax but sell it at a high value and that this would lead to loss of revenue. The Secretary stated that it was not advisable to change the criteria of taxation at this stage and suggested to adopt the criteria as used for excise classification and as recommended by the Fitment Committee. The Council agreed to this proposal.

16.3. The CEA suggested that the rate structure for cess could be rationalised by using certain objective criteria. The Secretary stated that rationalisation could be done at a later date as at this stage, the existing rates of taxes needed to be maintained.

16.4. The Secretary drew attention to page 114 of Volume-3 of the detailed agenda notes where Fitment Committee had recommended to impose cess on high-end motor bikes, say of engine capacity above 500 cc, aircrafts for personal use and yachts. As regards cess on aircrafts for personal use and yachts, the Secretary stated that if the cost of aircrafts and yachts became very high, this could lead to evasion of tax. The Secretary suggested that a Compensation Cess of 3% might be imposed on motor cycles of engine capacity more than 350 cc. He further suggested that similar rate of cess could be imposed on aircrafts for personal use and yachts and other vessels for pleasure or sports. The Council agreed to these suggestions.

#### IGST Exemptions/Concessions:

17. The Secretary introduced the Annexure XII of Volume-3 of the detailed agenda notes, which contained the proposed IGST exemptions/concessions. He stated that these were mostly existing exemptions on imports due to various multi-lateral and bi-lateral commitments and suggested that these should be continued under GST. The Hon'ble Minister from Haryana raised a question as to why there was an exemption from Customs duty for goods imported by the Vice President of India contained at Sl. No.13 of Annexure XII (Notification No.106/58-Customs dated 29.3.1958). He suggested that in today's time, such an exemption was not desirable. The Hon'ble Minister from Bihar stated that the IGST exemption for the Vice President of India should be continued. The Hon'ble Deputy Chief Minister of Delhi stated that his UT had no objection to continuing with this exemption. The Council approved this exemption as well as the other proposed exemptions/concessions from IGST.

18. For agenda item 9, the Council approved the rates of GST on supply of goods, Compensation cess and exemptions from IGST as presented in Volume-3 of the detailed agenda notes and the Addendum thereto and another Addendum attached as Annexure-4 to the Minutes with the following modifications: -

#### GST Rate on Goods

- (i) **Suji:** Other than put up in unit container and bearing a registered brand name, to be charged to Nil rate of tax instead of the proposed 5% and *suji* put up in unit container and bearing a registered brand name to be charged at the rate of 5%;
- (ii) **Dalia:** Other than put up in unit container and bearing a registered brand name to be charged to Nil rate of tax and *dalia* put up in unit container and bearing a registered brand name to be charged at the rate of 5%;

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- (iii) **Gur(jaggery):** to be charged to Nil rate of tax instead of the proposed 5%;
- (iv) **Low Priced Biscuits:** Council to discuss it separately along with the rate of tax on biscuits;
- (v) **Silk yarn, cotton yarn in hank:** Council to discuss separately the goods falling in the entire textile chain;
- (vi) **Sewing thread:** Council to discuss separately the goods falling in the entire textile chain;
- (vii) **Chikan:** not to provide any special dispensation for *chikan*;
- (viii) **Handloom and handicrafts:** Council to discuss separately the goods falling in the entire textile chain and the handicrafts;
- (ix) **Fish net and fish net fabric:** to be charged at the rate of 12%;
- (x) **Cotton fabrics, cotton textiles and man-made fabrics:** Council to discuss separately the goods falling in the entire textile chain;
- (xi) **'Puja samagri':** Fitment Committee to first define the term '*puja samagri*' and then to exempt it;
- (xii) **Footwear:** Council to discuss separately the tax rate on footwear;
- (xiii) **Sale by CSD Canteen:** Council to discuss it separately;
- (xiv) **Power driven agricultural implements:** Council to discuss it again;
- (xv) **Electricity:** Council to examine this issue further and put it in exempt list, if required;
- (xvi) **Coffee beans, not roasted:** To be charged to Nil rate of tax;
- (xvii) **Areca nut:** Dried areca nuts, whether or not shelled or peeled, to be taxed at the rate of 5%;
- (xviii) **Natural Resin:** to be charged to 5% of tax instead of the proposed rate of 18%;
- (xix) **Tendu Leaves and Bidi:** Council to discuss separately the tax rate on biri and tendu leaves;
- (xx) **Dried tobacco leaves:** to levy 5% GST on tobacco leaves under reverse charge;
- (xxi) **'Namkeen' including 'khakhra':** to be charged to 12% of tax instead of the proposed 18%;
- (xxii) **Mosquito net:** to be taxed at the rate of 12%;
- (xxiii) **Packed and branded cereals:** Council to discuss separately the rate of tax on packed and branded pulses, cereals and flours;
- (xxiv) **X-ray plates and films for medical use:** to be charged to 12% rate of tax instead of the proposed 18% (and retain the proposed rate of 18% for x-ray films for other use);
- (xxv) **Carriage for disabled persons, whether or not motorised (8713):** to be taxed at the rate of 5%;

**Rate of Compensation Cess on Supply of Goods**

- (xxvi) To not charge cess on small hybrid petrol (less than 1200 cc) and small hybrid diesel (less than 1500 cc) motor vehicles and small hydrogen vehicles based on fuel cell (of length less than 4 metre);
- (xxvii) Levy a cess on motorcycles with engine capacity above 350 cc at the rate of 3%;
- (xxviii) Levy a cess at the rate of 3% on aircraft for personal use and yacht and other vessels for pleasure or sports.

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**Exemptions/Concessions from IGST**

- (xxix) All proposed IGST exemptions/concessions in Annexure XII of Volume-3 of the detailed agenda notes approved.

**Discussion on rates for Services**

19. The Secretary introduced the proposed rates of tax and exemptions for services as contained in Annexure VI to X of Volume-3 of the detailed agenda notes and the Addendum thereto. He stated that after discussion during the meeting of officers of the Centre and the States held on 17 May, 2017 in Srinagar, it was agreed to add a few more services to be exempt under GST as they were exempted under the existing Service Tax regime and was circulated to the Council on 18 May, 2017 (Annexure-4 of the Minutes). The Council, thereafter, took up for consideration the various Annexures VI to X and Annexures XIII and XIV relating to services contained in the detailed Agenda Notes for agenda item 9.

**Annexure VI (List A-1):**

19.1. The Secretary stated that in List A-1 of Annexure VI, it was proposed to continue with 54 exemptions under GST that were available under the Service Tax. He stated that one additional exemption was proposed in respect of services provided by GSTN to the Government. The Hon'ble Minister from Chhattisgarh suggested that the Local Self Government should also be exempt from GST. The Hon'ble Minister from Punjab raised an apprehension that security services provided to the Chief Ministers and the Governors would become taxable. The Hon'ble Deputy Chief Minister of Gujarat expressed an apprehension that functions of local bodies like giving domicile certificates, caste certificates, etc. would also become taxable. The Secretary clarified that these services were already exempt.

19.2. Shri V.K. Garg, Advisor (GST), Punjab, stated that GST was leviable on a supply made by a person for a consideration in the course or furtherance of business and that services given by an employer to his employee was also subject to GST. He further stated that in Punjab, a fee was charged for giving liquor licence. He stated that where fee was being charged under the authority of the Constitution, no GST should be payable on collection of such fee. He pointed out that Government provided security to high dignitaries as part of its sovereign function and that since services provided by an employer to his employee were taxable for a value above Rs. 50,000, security services would be liable to GST. The Additional Chief Secretary, Haryana, stated that in his State also, there was a fee for giving liquor licence and no GST should be levied on that for the reasons as explained by Punjab and also on the ground that as alcohol for human consumption was not covered under GST, the activities connected to it should also not be charged to GST. The Hon'ble Ministers from Himachal Pradesh, Meghalaya, Rajasthan and Telangana also supported the view that no GST should be charged on the licence fee for giving liquor licence for human consumption. Shri Amitabh Kumar, Joint Secretary (TRU-II), CBEC, stated that there was no GST for services given by an employee to his employer in the course of or in relation to his employment under Schedule III of the CGST Act. He further added that services provided by Government to other than business entity, except the specified /prescribed services, were exempt in view of the very first entry in list A-1. The Secretary stated that

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by issuing a liquor licence, the Government was giving a service to the business entities and GST should be leviable on it. He stated that if GST was not collected for giving service to a business entity, then the Government would lose a huge amount of revenue on spectrum fee. He, therefore, stated that Government services given to a business entity should not be exempt as the tax paid would also be available as input tax credit. The Hon'ble Minister from Punjab stated that this exemption could be limited only for fees relating to liquor licences. The Secretary stated that if exemption was given in respect of fee for giving liquor licence, then there would be very weak justification for charging tax from telecom operators on spectrum fees. The Hon'ble Minister from Bihar stated that tax on liquor fee should not be exempted as this tax would now be shared with the Central Government. The Hon'ble Chairperson stated that 42% of this collection would also be shared with the States.

19.3. The Hon'ble Minister from Jammu & Kashmir raised an issue as to what was the broad policy objective for charging tax on Government services. The Secretary stated that tax was charged on big items like giving right-of-way for laying pipeline or sale of spectrum. The Advisor (GST), Punjab, stated that a distinction should be made between the Constitutional power to levy a tax (like entry 51 and 56 of List II of Schedule 7 of the Constitution) and other taxes. The Hon'ble Deputy Chief Minister of Gujarat supported the levy of tax on the fee for giving liquor licence as this would be distributed to all the States. The Hon'ble Minister from Assam stated that no exemption should be given for tax on fee for liquor licence as this would send a wrong signal to the public. The Hon'ble Minister from Goa also supported this view. The Hon'ble Minister from Punjab stated that his State had already lost Rs. 2,300 crore due to abolition of purchase tax and it stood to lose another Rs. 1,000 crore due to tax on licence fee for liquor. The Hon'ble Chairperson stated that this loss could be offset by increasing the rate of tax on alcohol for human consumption which was in the State's domain. The Advisor (GST), Punjab, stated that tax paid on spectrum fee was available as ITC but tax paid on the liquor fee by the contractor could not be used as ITC as there was no GST on alcohol for human consumption. The Hon'ble Chairperson stated that licence fee for the present financial year would have already been collected and they could look at changing their tax model next year.

19.4. The Hon'ble Minister from Himachal Pradesh stated that in his State, the fee for liquor licence was collected on quarterly basis. The Hon'ble Deputy Chief Minister of Delhi also stated that the arrangement of charging higher tax on liquor would lead to problems. The Hon'ble Minister from Telangana stated that in his State liquor fee was collected by a Corporation and services given by the Corporation could be exempt. The Hon'ble Chairperson stated that from the taxation policy point of view, the price effect on dealers or consumers of alcohol was not a primary policy objective. The Hon'ble Deputy Chief Minister of Delhi stated that the main problem was lack of set off of ITC under State Excise. The Hon'ble Minister from Punjab stated that liquor fee was a *de facto* tax and there should be no tax on tax. The Secretary stated that grant of a licence was a service given by the Government and this could not be exempted. The Hon'ble Chairperson stated that the only way to address this issue was to change the taxation model where excise duty on alcohol could be increased and licence fee on liquor could be reduced. He added that for the transitional period, the affected States could pass some order. He stated that as the States were aware of the GST roll out, they should have changed their policy accordingly. The Hon'ble Minister from Chhattisgarh stated that they had already changed their policy in anticipation of the GST implementation. The Hon'ble Minister from Jharkhand stated that consumers would bear the additional cost of the tax and the Government should not seek

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any exemption for the same. Shri Navin Kumar Choudhary, Finance Secretary, Jammu & Kashmir, stated that licence fee was only about 20% of the total amount collected from alcohol for human consumption and this could easily be passed on to the consumer. The Secretary informed that service tax was already leviable on licence fee for liquor with effect from 1 April, 2016. The Council agreed to continue this tax on licence fee for liquor in the GST regime also and not to exempt it.

19.5. The Hon'ble Minister from Madhya Pradesh stated that an exemption should also be given for services provided for religious pilgrimage such as *Kailash Mansarovar Yatra*. The Secretary clarified that it was already exempt. Shri R.K. Tiwari, Additional Chief Secretary, Uttar Pradesh, suggested that services given by State bodies like State Co-operative Banks should also be exempted from tax. The Secretary stated that in the Addendum to the agenda notes for Agenda Item 9 circulated on 18 May, 2017, there was an entry to exempt services by way of collection of contribution under any scheme of the State Governments and under this, the States could list out their specific schemes for exemption from GST which could be brought before the Council.

#### **Annexure VI (List A-2):**

20.1. The Secretary explained that List A-2 of Annexure VI contained proposals to continue Service Tax exemptions in GST with modifications as recommended by the Fitment Committee. Starting the discussion on List A-2, the Hon'ble Deputy Chief Minister of Delhi stated that at Sl.No.3, the proposed exemption from GST to hotels with room rent below Rs. 500 per day was too low and that no hotel would be able to take benefit of this exemption. He proposed to increase the limit of room rent to Rs. 1,500 per day. The Hon'ble Chief Minister of Puducherry also supported this proposal and stated that people using such hotels came from lower middle-class strata of the society. The Secretary stated that the scheme of taxation on hotel industry under GST was that for room rent up to Rs. 500 per day, it was exempt; for room rent above Rs. 500 and up to Rs. 2,000 per day, the proposed rate was 12%; for room rent above Rs. 2,000 and up to Rs. 5,000, the proposed rate was 18%; and for room rent above Rs. 5,000 and for five-star hotels, the proposed rate was 28%. He stated that during the deliberations in the Fitment Committee, the smaller States had argued that their revenue would be adversely affected if the room rent limit for exemption was kept high. The Hon'ble Minister from Goa suggested to keep the exemption limit for room rent at Rs. 500 per day as this figure was arrived at after consideration in the Fitment Committee.

20.2. The Hon'ble Chief Minister of Puducherry stated that his Union Territory was a tourist destination where houses were being converted as hotels and there was increasing inflow of tourists. He, therefore, suggested to keep the exemption limit for room rent at Rs. 1,000 per day. The Hon'ble Ministers from Uttarakhand and Telangana also supported this proposal. The Hon'ble Ministers from Uttar Pradesh, Himachal Pradesh, Jharkhand and Bihar supported the exemption limit for room rent at Rs. 500 per day. The Hon'ble Minister from Rajasthan stated that the tourism industry and the hotel industry needed to be treated differently and suggested the exemption limit of room rent to be Rs. 3,000 per day. The Hon'ble Minister from Goa suggested that the exemption limit for room rent could be made Rs. 750 per day. After further discussion, the Council agreed that the exemption limit for room rent of hotels would be Rs. 1,000 per day.

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20.3. The Hon'ble Deputy Chief Minister of Delhi expressed his reservation at the proposed removal of exemption on exhibition of cinematographic film (Sl.No.9). He stated that this exemption was needed to promote regional films, parallel cinema, one-day events, etc. and suggested that entry at Sl.No.9 should be modified to permit exemption to such films so that viewership of films with a social message could be encouraged. He further stated that one-day events like marathon race etc. was a way of life in the country and these should be encouraged. The Secretary stated that as the Entertainment Tax, Luxury Tax and Service Tax were getting subsumed, the Fitment Committee suggested to fix a tax rate on the basis of these taxes. He stated that if States wanted to promote a particular film, they could give reimbursement of SGST portion of the tax. The Hon'ble Deputy Chief Minister of Delhi stated that theatre and cultural activity was a different dimension of society and could not be treated the same as consumption of alcohol in a restaurant. He observed that in a place like Mandi House, which had a seating capacity of 200, even 50 tickets were sold with difficulty, and therefore, it needed to be encouraged. The Hon'ble Chairperson stated that though Delhi had world-class stadia, it had very few big events. The Hon'ble Deputy Chief Minister of Delhi responded that Delhi might not have many big events, it had several small events and charitable programmes. The Secretary stated that smaller theatre groups would enjoy exemption up to the turnover of Rs. 20 lakh. The Hon'ble Minister from Goa also agreed with the proposed rates.

20.4. The Hon'ble Minister from Punjab stated that exemption at Sl.No.7 to processes of electroplating, zinc coating, etc. should be continued. The Secretary explained that in GST, job workers would not suffer any tax if the value of their job charges were less than Rs. 20 lakh in a year but they would need to pay tax if their job charges exceeded Rs. 20 lakh. He stated that in GST, it was not advisable to have a separate exemption for activities like electroplating, zinc plating, etc. The Hon'ble Deputy Chief Minister of Gujarat stated that even small job workers would need to keep account and work on gold and jewellery was done at home and such small people should not be subject to tax. The Hon'ble Chairperson stated that tax would be charged only for relatively bigger job workers. The Hon'ble Minister from Punjab stated that removing exemption would not lead to much tax collection but would increase harassment. The Secretary stated that in GST, job work could be done in different sectors like textile, diamonds, gold jewellery etc. and exemption to particular activities could not be justified. The Hon'ble Deputy Chief Minister of Gujarat suggested that tax on job charges could be kept at a lower rate. The Secretary stated that tax on the job charges would be paid by the principal manufacturer and he would be eligible to take ITC on the same.

**Annexure VI (List A-3):**

21. The Secretary stated that List A-3 of Annexure VI contained proposals to withdraw in GST certain exemptions extended under Service Tax. He further stated that this List should be read along with Addendum circulated on 18 May, 2017 after the meeting of officers of the Centre and the States (Annexure 4 of the Minutes) in which some exemptions were proposed to be restored and it was also provided that services by way of collection of contribution under any scheme of the State Governments could also be included in the exemption list after consideration by the Council. The Council approved List A-3 of Annexure VI along with the Addendum circulated on 18 May, 2017.

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**Annexure VI (List B):**

22.1. The Secretary explained that List B of Annexure VI contained those items on which service tax exemption was recommended to be withdrawn or modified by the Fitment Committee but which needed to be reviewed by the Council. The Hon'ble Deputy Chief Minister of Delhi raised a question regarding rationale for levying tax on selling of space for advertisements in print media (Sl.No.1 of List B). The Secretary explained that the selling of space for advertisement in the electronic media attracted Service Tax of 18% with ITC and the same was proposed to be continued in GST. He stated that presently, selling of space for advertisements in print media was exempt, but it was now proposed to impose a tax of 5% so that the ITC chain could be completed because GST of 5% was proposed to be levied on news print. He stated that 90% of the country's newsprint was imported and the Indian manufacturers wanted a low rate of tax in order to avoid embedded tax on newsprint manufactured in India. He further stated that 50% of advertisement came from businesses and they would get credit for this tax. He added that 6 major news group had proposed that a tax of 5% should be imposed on selling of space for advertisements in print media if GST was levied on newsprint. He stated that if tax was exempted, then, the major newspapers would suffer a disadvantage due to embedded taxes. The Principal Secretary (Finance), Chhattisgarh, stated that they had also received representations to levy 5% tax on supply of newspapers. The Secretary stated that this tax should not be levied as burden would fall on the consumers, who would not be eligible for ITC. The Hon'ble Minister from Bihar stated that the print media deserved to be congratulated for coming forward with a suggestion to levy tax in their sector. The Hon'ble Chairperson stated that the taxation on media was different from taxation on business and there were court judgments to the effect that taxation on media should be moderate as it was connected to the freedom of press. After deliberation, the Council agreed to levy 5% tax on selling of space for advertisements in print media.

22.2. The Hon'ble Minister from Andhra Pradesh stated that exemption from tax for sponsorship for sporting events organised by National Sports Federations should be reconsidered. The Hon'ble Chairperson stated that National Sports Federations were short of funds as hardly any tickets were getting sold, and therefore, exemption from tax for sponsorship should be considered. He stated that events like IPL and Pro-Kabaddi were not organised by National Sports Federations, and therefore, they would pay tax as was being done presently.

22.3. Dr. C. Chandramouli, Additional Chief Secretary, Tamil Nadu, raised an issue that in Sl.No.2 of List B of Annexure VI, it was provided that there will be no exemption in respect of renting of rooms in a clinical establishment during the course of providing health care services where room charges were Rs. 2,000 or more per day. The Joint Secretary (TRU-II), CBEC, stated that the tax would be charged at the rate of 18% in view of entry at Sl.No.6 of Annexure IX. The Hon'ble Minister from Karnataka stated that presently they charged luxury tax at the rate of 18% for such hospital rooms. The Hon'ble Minister from Telangana stated that they charged tax for such hospital rooms at the rate of 10%. The Joint Secretary (TRU-II), CBEC, stated that such luxury tax was also being charged in Kerala and a few other States. The Hon'ble Deputy Chief Minister of Delhi stated that patients did not go to hospital for luxury but for treatment and no tax should be levied for their stay in hospital. The Hon'ble Chairperson stated that taxation in education and health sectors should be avoided and even if some States were charging luxury tax for hospital rooms, rate of 18% appeared excessive. The

  
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Secretary stated that the rate could be reduced further but a lower rate could lead to credit accumulation and demands for refund. He, therefore, proposed that tax on room charges in hospitals could be exempt. The Council agreed to this proposal.

22.4. After further deliberation, the Council approved the proposals contained in List B of Annexure VI and also agreed to delete the proviso to Sl.No.2 which provided for not extending exemption from tax for renting of rooms in a clinical establishment during the course of providing health care services where room charges were Rs. 2,000 or more per day.

**Annexure VII:**

23. The Secretary explained that this Annexure contained services which were proposed to be taxed at the rate of 5%. He stated that there was no tax for travel in rail in sleeper class but travelling in higher classes in Railways, transportation by road and freight movement by rail and road were subject to service tax with abatement. They were proposing to keep the tax on transport of goods and passengers by rail (except passengers travelling in sleeper class) at the rate of 5% as there was no GST on petroleum products. The Hon'ble Minister from Uttarakhand stated that in respect of transport of passengers by air-conditioned contract or stage carriage, no benefit of tax would now accrue to the States as it was a destination based tax. The Secretary stated that this would be governed by the provisions of place of supply under the IGST Act. The Hon'ble Minister from Karnataka stated that a flat composition rate of 5% on transportation by road was a retrograde step as this would encourage grey market operations whereas the general effort under the GST was to bring all businesses into the tax net. He stated that in order to encourage transparency of business of transport, which was bedrock of economic development, it was important that the tax administration should be able to ascertain as to how much fuel etc. was consumed by the transporter. He stated that this scheme would encourage under reporting of business and a better method would be to give certain abatement in regard to the value of fuel contained in this service and then fix the tax with full ITC. He stated that evasion in other areas could also be assessed by making an assessment of the volume of business of the transporter and therefore, it was important to bring it into the ITC net. The Secretary stated that non-petrol input in transportation service was about 36% and keeping this into account, a tax rate of 5% had been fixed without any input tax credit. He further stated that the user of transport service would be recorded as the sector was in the tax net at the rate of 5%. He added that this method of levy of tax was followed in this sector for many years and this had not led to any serious tax evasions. He further stated that any innovation could be considered at a later stage. The Hon'ble Minister from Karnataka suggested that the tax rate could be kept at 8% after deducting the tax on fuel and ITC could be allowed on the same. The Hon'ble Chairperson observed that the officers had calculated the set-off on account of petrol/diesel and earlier the tax on transport sector came to 4.5%, which was now being made 5%. The Secretary stated that increasing the rate of tax at a level much higher than the present rate would be disruptive for the economy and suggested to continue with the proposed rate. The Council agreed to the proposal and approved the proposal to levy 5% GST on all services covered under Annexure VII.

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**Annexure VIII:**

24.1. The Secretary stated that Annexure VIII contained the services which were proposed to be taxed at the rate of 12%. He explained the scheme of taxation for restaurants and stated that a composition rate of 5% was available for restaurants with turnover between Rs. 20 lakh and Rs. 50 lakh and air-conditioned or non-air-conditioned restaurants would attract a tax rate of 12% with full ITC and restaurants with liquor licence (whether or not air-conditioned) would be taxed at the rate of 18%. The Hon'ble Minister from Maharashtra stated that in his State, the Composition scheme was available to the restaurants at the rate of 5% where turnover was less than Rs. 3 crore and at the rate of 8% where turnover was more than Rs. 3 crore. He suggested the following: (i) The limit of composition scheme to the restaurants, eating house, hotels etc. which did not serve liquor could be increased upto turnover of Rs. one crore; (ii) Hotels which did not serve liquor and whose turnover was above Rs. one crore could be taxed at the rate of 12%; (iii) All the hotels which serve liquor (other than hotels having rating five star and above) could be retained in tax bracket of 18% as recommended by the Council. The Hon'ble Deputy Chief Ministers of Delhi and Gujarat expressed reservation as to why a restaurant which served alcohol should tax all its customers at the rate of 18% when many customers might not be consuming alcohol. The Hon'ble Minister from Rajasthan suggested to keep the rate of tax for restaurants at 12% irrespective of the fact whether or not it had a liquor licence. The Hon'ble Minister from Meghalaya stated that all non-air-conditioned restaurants should be taxed at the rate of 5%. The Secretary stated that the present weighted average of only VAT incidence on restaurants was about 12% and if it was reduced to 5%, it would lead to a big loss of revenue. The Hon'ble Deputy Chief Minister of Puducherry suggested to keep different rates of tax for air-conditioned and non-air-conditioned restaurants. After further discussion, the Council agreed that restaurants having facility of air-conditioning or central heating at any time during the year (whether serving liquor or not) would be levied to tax at the rate of 18%, restaurants serving liquor would be taxed at the rate of 18% and restaurants not having facility of air-conditioning or central heating at any time during the year and not having licence to serve liquor would be taxed at the rate of 12%.

24.2. The Secretary stated that in the construction sector, works contracts have been deemed as service and GST would be applicable for supply of work contract services before completion of construction of a building but there would be no GST on the sale of a ready built building or flat. He stated that as per the decision of the Supreme Court, no tax could be charged on the value of land, and therefore, the Fitment Committee recommended that in a supply of works contract service where the value of land was included in the amount charged from the service recipient (along with the value of building materials and the services given by the contractor), one-third of the total consideration amount could be taken as the value of land for abatement purpose. He stated that full ITC on works contract would encourage purchase of building materials from registered suppliers but no refund of input tax credit overflow would be permitted. He stated that presently the approximate combined incidence of tax was around 9% -10% but the headline rate of tax would now become 12% with the benefit of ITC. He added that the overflow of input tax credit in this sector would not be refunded. He stated that building materials would be mostly in the rate slab of 12% and due to benefit of ITC, the prices of flats should become cheaper. He stated that consumer education would be required on this subject.

  
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24.3. The Hon'ble Minister from Telangana stated that two different schemes of taxation in construction sector could lead to confusion and suggested that sale of finished flats should also get ITC as otherwise there was a risk of builder selling finished flats as flats under construction. The Hon'ble Deputy Chief Minister of Gujarat stated that this possibility had become remote after the enactment of the Real Estate (Development and Regulation) Act (RERA). The Hon'ble Minister from Maharashtra stated that abatement regarding value of land should be kept out of the current proposal as in his State, in 12 Corporations, the land value was about 50% of the value of the flat and abatement of 30% would lead to litigation. He suggested that abatement should be given as per ready reckoner of the land value or on the basis of the stamp duty value. He also referred to the Supreme Court Judgment in the case of M/s. Larsen & Toubro Limited, decided in September 26, 2013 (Para 115) which was as follows: "It may, however, be clarified that activity of construction undertaken by the developer would be works contract only from the stage the developer enters into a contract with the flat purchaser. The value addition made to the goods transferred after the agreement is entered into with the flat purchaser can only be made chargeable to tax by the State Government. In view of this, he made the following proposal for abatement for the part transfer of property in goods or services used in construction, before the contract between buyer and the developer came into existence:

Sr. No.	Stage during which the developer enters into a contract with the purchaser.	Rate of Abatement
a)	Before issue of the Commencement Certificate.	NIL
b)	From the Commencement Certificate to the completion of plinth level.	5%
c)	After the completion of plinth level to the completion of 100% of RCC framework	15%
d)	After the completion of 100% RCC framework to the Occupancy Certificate.	45%
e)	After the Occupancy Certificate	100%

He added that for determining the value of supply of services as per the above Table, it shall be necessary for the dealer to furnish a certificate from the Competent Authority. This would make the levy compliant with Law laid down by Hon'ble Courts and such deduction would avoid hardship to people in Maharashtra (mainly MMRDA region). He further proposed exemption from levy of Maharashtra SGST on ongoing construction of complex, building etc. services, where lump sum amount was already paid on full consideration under the Maharashtra Value Added Tax Act. He stated that the Government of Maharashtra proposed to grant exemption from levy of tax for such construction services where the full amount in lieu of tax was already deposited in the Government treasury along with the return for the tax period preceding the appointed day. The Hon'ble Minister from Maharashtra sought a recommendation from the Council for grant of exemption under Section

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11 of the SGST Act from levy of State GST on such construction services. The Hon'ble Deputy Chief Minister of Gujarat also expressed apprehension that if Courts gave adverse judgments regarding the proposed abatement for land value, it could create problems. The Secretary stated that taking land value as per ready reckoner would create complications as flats would be of different sizes and common areas would also need to be allocated. He stated that if an option was given for abatement on the basis of ready reckoner of the land value, this would lead to exercise of discretion and could affect revenue. After discussion, the Council agreed to the proposal on the rate of tax on construction service proposed in Annexure VIII and also the other taxation proposals in Annexure VIII.

#### **Annexure IX:**

25. The Secretary explained that this Annexure contained services which were proposed to be taxed at the rate of 18%. He stated that some of the items covered under this Annexure such as renting of hotels and supply of food/drinks in air-conditioned restaurants had already been discussed earlier while discussing the services covered under Annexure VI (List A-2) and Annexure VIII respectively. He proposed that subject to these modifications, the rate of services proposed under Annexure IX might be approved. He added that any other service not covered in 5%, 12% or 28% Schedule would fall in this slab. The Council agreed to the proposal.

#### **Annexure X:**

26.1. The Secretary explained that this Annexure contained those services which were proposed to be taxed at the rate of 28%. The Hon'ble Minister from Chhattisgarh stated that local bodies had the power to levy Entertainment Tax and if GST was also levied at the rate of 28%, the combined rate of taxation would become very high. The Secretary stated that presently, the rate of Entertainment Tax varied from 18% to over 100% which in the GST regime was getting pegged at the rate of 28%. He stated that this gave cushion to local bodies to charge additional Entertainment Tax. The Hon'ble Deputy Chief Minister of Delhi stated that 28% was not a fair rate of taxation for services covered under Sl.No.1 of Annexure X, like admission to cinematographic film, circus, dance and theatrical performance including drama. He added that entry to circus, dance, theatrical performance, drama and Indian classical dance should be exempt from tax. The Hon'ble Minister from Telangana stated that circus should not be taxed at the rate of 28%. The Secretary clarified that if the ticket rate on circus and theatrical performance was less than Rs. 250, then the tax would be exempt. The Hon'ble Chief Minister of Puducherry stated that tax on admission to cinema should be kept at the lower slab of 18%. The Hon'ble Minister from Telangana suggested that the rate for entry into multiplex cinema hall could be kept at 28% and for entry into other cinema hall could be kept at the rate of 18%. The Hon'ble Chairperson stated that tax at the rate of about 28% was already being paid on entry into cinema halls. He suggested that services by way of admission or access to circus, Indian classical dance including folk dance, theatrical performance and drama could be charged to GST at the rate of 18% and the rest of the entries under Sl.No.1 of Annexure X could be taxed at the rate of 28%. The Council agreed to this proposal.

26.2. The Hon'ble Minister from Assam raised an issue as to at what rate tax on dish TV, cable TV etc. would be charged. The Secretary clarified that it would be charged at the rate of 18% under Sl.No.6

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of Annexure IX (all other services not specified in any exemption notification). The Hon'ble Minister from Rajasthan suggested that limit of hotel room rent for tax at the rate of 12% should be between Rs. 1,000 to Rs. 3,000 per day and that for tax at the rate of 18%, it should be between Rs. 3,000 to Rs. 5,000 per day. The Hon'ble Minister from Rajasthan stated that a separate rate of tax should be fixed for heritage hotels which were set up in remote villages and tribal areas where the cost of raw material was much higher and which provided job to the local people. The Secretary stated that value based criteria would be the most appropriate method of taxation as descriptions like heritage hotels could be subject to dispute. The Hon'ble Minister from Kerala observed that during the discussion on the rate structure, there were hardly any proposals to increase taxes and that it was important to remember that all Members had to run Governments. The Hon'ble Minister from Jammu & Kashmir cautioned that the architecture of GST should not be impaired by making various carve outs and one should avoid going towards the system of modified VAT. After further discussion, the Council agreed that hotels with room tariff of Rs. 1,000 and above but less than Rs. 2,500 per room per day would attract the rate of 12% with full ITC and hotels with room tariff of Rs. 2,500 and above but less than Rs. 5,000 per room per day would attract the rate of 18% with full ITC.

26.3. The Hon'ble Minister from Karnataka stated that a high tax of 28% on horse racing would lead to evasion of tax. However, the Council agreed to keep the tax rate at 28%.

26.4. After further discussion, the Council approved the entries under Annexure X with the following amendment: -

(i) services by way of admission or access to circus, Indian classical dance including folk dance, theatrical performance and drama to be taxed at the rate of 18% and the rest of the entries under Sl.No.1 of Annexure X to be taxed at 28%.

#### **Annexure XIII:**

27. The Secretary stated that Annexure XIII proposed that some services should attract GST rates as applicable to goods along with compensation cess (if any) to discourage tax arbitrage. He explained that instead of buying a car if someone leased a car, then it should attract the same rate of tax as for buying the car. After discussion, the Council approved the entries in Annexure XIII.

#### **Annexure XIV:**

28. The Secretary stated that this Annexure contained 18 entries of services the tax on which was proposed to be collected on reverse charge basis. The Council approved the same.

#### **Approval of Schedules for classification of Goods and Services**

29.1. The Secretary drew attention to paragraph 6 of the agenda notes to agenda item 9 in Volume-3 and stated that GST rates would generally be prescribed at the 4-digit HS Classification, unless a carve out was required to specify the rate for a good at 6 or 8-digit levels. He proposed that for GST purposes, the classification of goods and the Rules for Interpretation thereof as given in the First Schedule to the Customs Tariff Act, 1975 be relied upon. The Council agreed to this proposal.

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29.2. The Secretary drew attention to an Addendum to Agenda Notes circulated by the GST Council Secretariat on 16 May, 2017 wherein it was mentioned that a new Chapter 99 was proposed to be added to the First Schedule to the Customs Tariff Act, 1975 which would provide 6-digit classification of services based on the United Nations Central Product Classification (UN CPC). He stated that the 5-digit classification of UN CPC (excluding '99') had been adapted to meet the Indian requirements. He informed that a Committee of officers in CBEC was constituted to recommend a scheme of classification of services for GST. The Committee had proposed a scheme of classification based on National Product Classification for Services Sector (NPCSS) developed by NSO, which in turn was based on the UN CPC. He explained that NPCSS was based on UN's 5-digit Central Product Classification (UN-CPC). Broadly, NPCSS classification followed the following formulation: "99+5 digitized UN-CPC code +1 digit for Indian requirements". He stated that NPCSS was essentially a 6-digit expansion of the 5 digit UN-CPC classification. The codes at 6-digit level had been devised to meet Indian requirements. The classification Codes and the descriptions under NPCSS at 5-digit level matched with those at the 5-digit level under the UN-CPC. The difference in the Codes and the descriptions was at the 6-digit level. This ensured that the NPCSS was compatible with the international UN-CPC at 5-digit level.

29.3. He stated that the classification recommended by the Committee was an improvement over the current Services Accounting Code (SAC) based classification followed for payment of Service Tax and statistics, which essentially was a list of taxable services which were covered in the positive list regime. The new GST system would enable collection of data at a more disaggregated level *vis-a-vis* the present system of clubbing all services under 120 odd accounting heads. He proposed that the Council might accept this classification of services for GST. The Council approved the proposal.

30. For agenda item 9, the Council approved the proposals related to supply of services as presented in Volume-3 of the detailed agenda notes and the Addendum thereto and another Addendum attached as Annexure-4 to the Minutes along with the modifications, where relevant, as listed below:-

(i) **Annexure VI (List A-1):** The Council approved the proposal of the Fitment Committee to continue under GST, the 54 existing listed exemptions under the service tax, and to also exempt the services provided by the GSTN to the Central of State Governments/Union Territories for implementation of GST;

(ii) **Annexure VI (List A-2):** The Council approved the proposal of the Fitment Committee to continue under GST, the 10 existing listed exemptions under the service tax with certain modifications and with the following further modifications:

(a) The exemption limit for services by a hotel, inn, guest house, club or campsite shall be room rent of Rs. 1,000 per day instead of the proposed rate of Rs. 500 per day;

(iii) **Annexure VI (List A-3):** The Council approved the proposal of the Fitment Committee to withdraw under GST, the 18 existing listed exemptions under the service tax;

(iv) **Annexure VI (List B):** The Council approved the proposed review of 13 Service Tax exemptions which were recommended for withdrawal/modification by the Fitment Committee with the following further modifications:

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- (a) To fully exempt tax on renting of rooms in a clinical establishment during the course of providing healthcare services whereas earlier it was proposed to limit this exemption only for room charges of less than Rs. 2,000 per day;
- (v) **Annexure VII:** The Council approved the proposal to levy tax at the rate of 5% on the 11 listed services;
- (vi) **Annexure VIII:** The Council approved the proposal to levy tax at the rate of 12% on the 7 listed services with the following modifications:
- (a) restaurants having facility of air-conditioning or central heating at any time during the year (whether serving liquor or not) to be levied to tax at the rate of 18% and restaurants not having facility of air-conditioning or central heating at any time during the year and not having license to serve liquor to be taxed at the rate of 12%, , restaurants not having facility of air-conditioning or central heating at any time during the year and having license to serve liquor to be taxed at the rate of 18%;
- (vii) **Annexure IX:** The Council approved the proposal to levy tax at the rate of 18% on the 6 listed services subject to the modification of rates in respect of renting of hotels and supply of food/drinks in air-conditioned restaurants recorded under Annexure VI (List A-2) and Annexure VIII respectively;
- (ix) **Annexure X:** The Council approved the proposal to levy tax at the rate of 28% on the 5 listed services subject to the following modifications:
- (a) services by way of admission or access to circus, Indian classical dance including folk dance, theatrical performance and drama to be taxed at the rate of 18% and the rest of the entries under Sl.No.1 of Annexure X to be taxed at the rate of 28%;
- (b) hotels with room tariff of Rs. 1,000 and above but less than Rs. 2,500 per room per day to be taxed at the rate of 12% with full ITC and hotels with room tariff of Rs. 2,500 and above but less than Rs. 5,000 per room per day to be taxed at the rate of 18% with full ITC;
- (x) **Annexure XIII:** The Council approved the proposal to levy GST and cess (where applicable) on the listed services at the rates as applicable to goods;
- (xi) **Annexure XIV:** The Council approved the proposal to levy tax on 18 listed services under reverse charge;
- (xii) **Schedules for classification of Goods and Services:** The Council approved the proposal to adopt the First Schedule to the Customs Tariff Act, 1975 and the Rules for Interpretation thereof for classification of Goods under GST and addition of a new Chapter 99 to the First Schedule to the Customs Tariff Act, 1975 providing for a 6-digit classification of Services based on the United Nations Central Product Classification (UN CPC).

**Agenda Item 10: Any other agenda item with the permission of the Chairperson:**

31. The Hon'ble Minister from Jammu & Kashmir stated that the Council needed to deliberate on the tax treatment in respect of trade across the Line of Control (LOC) in his State. The Secretary stated that broadly the existing regime could be continued but this could be examined and discussed further. The Hon'ble Minister from Tamil Nadu circulated a written speech which was taken on record.

**Agenda Item 11: Date of the next meeting of the GST Council:**

32.1. The Hon'ble Chairperson observed that it was a very successful two days meeting during which a lot of ground had been covered. He stated that in the next meeting, the outstanding agenda for fitment

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of rates for goods and the GST Rules would be taken up. He also suggested that GSTN should make a presentation in the next meeting about their preparedness for GST. After discussion, it was agreed that the next meeting of the Council would be held in New Delhi on 3 June 2017.

32.2. In conclusion, the Hon'ble Chairperson once again profusely thanked the Government of Jammu & Kashmir for hosting the Council Meeting in Srinagar and for a very warm hospitality. The Hon'ble Minister of Finance, Jammu & Kashmir, thanked the Hon'ble Chairperson and all the other Members for accepting the invitation to host the Council Meeting in Srinagar and stated that this Meeting affirmed the determination of Jammu & Kashmir to fully participate in the national economic process.

33. The meeting ended with a vote of thanks to the Chair.

(Arun Jaitley)

Chairperson, GST Council

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**Annexure – 1**

**List of Ministers who attended the 14<sup>th</sup> GST Council Meeting on 18-19 May 2017**

S No	State/Centre	Name of the Minister	Charge
1	Govt. of India	Shri Arun Jaitley	Finance Minister
2	Govt. of India	Shri Santosh Kumar Gangwar	Minister of State (Finance)
3	Puducherry	Shri V. Narayanasamy	Chief Minister
4	Delhi	Shri Manish Sisodia	Deputy Chief Minister
5	Arunachal Pradesh	Shri Chowna Mein	Deputy Chief Minister
6	Gujarat	Shri Nitinbhai Patel	Deputy Chief Minister
7	Manipur	Shri Y. Joykumar Singh	Deputy Chief Minister
8	Andhra Pradesh	Shri Yanamala Ramakrishnudu	Finance Minister
9	Assam	Dr. Himanta Biswa Sarma	Finance Minister
10	Bihar	Shri Bijendra Prasad Yadav	Finance Minister
11	Chhattisgarh	Shri Amar Agrawal	Minister, Commercial Taxes
12	Goa	Shri Mauvin Godinho	Minister for Panchayat
13	Haryana	Captain Abhimanyu	Minister, Excise & Taxation
14	Jammu & Kashmir	Dr. Haseeb Drabu	Finance Minister
15	Jharkhand	Shri C. P Singh	Minister, Urban Development, Housing & Transport
16	Karnataka	Shri Krishna Byregowda	Minister, Agriculture
17	Kerala	Dr. Thomas Isaac	Finance Minister
18	Madhya Pradesh	Shri Jayant Malaiya	Finance Minister
19	Maharashtra	Shri Sudhir Mungantiwar	Finance Minister
20	Meghalaya	Shri Zenith Sangma	Minister, Taxation
21	Punjab	Shri Manpreet Singh Badal	Finance Minister
22	Rajasthan	Shri Rajpal Singh Shekhawat	Finance Minister
23	Tamil Nadu	Shri D. Jayakumar	Minister (Fisheries, Finance & Administrative Reforms)

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S No	State/Centre	Name of the Minister	Charge
24	Telangana	Shri Etela Rajender	Finance Minister
25	Uttar Pradesh	Shri Rajesh Agrawal	Finance Minister
26	Uttarakhand	Shri Prakash Pant	Finance Minister



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## Annexure – 2

### List of Officials who attended the 14th GST Council Meeting on 18-19 May 2017

S No	State/Centre	Name of the Officer	Charge
1	Govt. of India	Dr. Hasmukh Adhia	Revenue Secretary
2	Govt. of India	Ms. Vanaja N. Sarna	Chairman, CBEC
3	Govt. of India	Dr. Arvind Subramanian	Chief Economic Adviser
4	Govt. of India	Shri Mahender Singh	Member (GST), CBEC
5	Govt. of India	Shri R.K. Mahajan	Member (Budget), CBEC
6	Govt. of India	Shri P.K. Jain	Chief Commissioner, (AR), CESTAT, CBEC
7	Govt. of India	Shri B.N. Sharma	Additional Secretary, Dept. of Revenue
8	Govt. of India	Shri P.K. Mohanty	Advisor (GST), CBEC
9	Govt. of India	Shri Alok Shukla	Joint Secretary (TRU), Dept. of Revenue
10	Govt. of India	Ms. Hemambika R. Priya	Commissioner (Coordination), CBEC
11	Govt. of India	Shri Simanchala Dash	PS to FM
12	Govt. of India	Shri B.B. Mohapatra	ADG Systems, DG Systems
13	Govt. of India	Shri Upender Gupta	Commissioner (GST), CBEC
14	Govt. of India	Shri Udai Singh Kumawat	Joint Secretary, Dept. of Revenue
15	Govt. of India	Shri Amitabh Kumar	Joint Secretary (TRU), Dept. of Revenue
16	Govt. of India	Shri G.D. Lohani	Commissioner, CBEC
17	Govt. of India	Shri D.S. Malik	ADG, Press, Ministry of Finance
18	Govt. of India	Shri Hemant Jain	OSD to MoS (Finance)
19	Govt. of India	Shri G.G. Pai	Director, TRU
20	Govt. of India	Shri Reyaz Ahmed	Director, TRU
21	Govt. of India	Shri Somesh Chander	Director, TRU

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S No	State/Centre	Name of the Officer	Charge
22	Govt. of India	Ms. Aarti Saxena	Deputy Secretary, Dept. of Revenue
23	Govt. of India	Shri Promod Kumar	OSD, TRU
24	Govt. of India	Shri Paras Sankhla	OSD to FM
25	Govt. of India	Shri Siddharth Jain	Assistant Commissioner, GST Policy
26	GST Council	Shri Arun Goyal	Additional Secretary
27	GST Council	Shri Shashank Priya	Commissioner
28	GST Council	Shri G.S. Sinha	Joint Commissioner
29	GST Council	Shri Kaushik TG	Assistant Commissioner
30	GST Council	Shri Shekhar Khansili	Superintendent
31	GST Council	Shri Amit Soni	Inspector
32	GSTN	Shri Navin Kumar	Chairman
33	GSTN	Shri Prakash Kumar	CEO
34	Andhra Pradesh	Shri J. Syamala Rao	Commissioner, Commercial Taxes
35	Andhra Pradesh	Shri T. Ramesh Babu	Additional Commissioner, Commercial Taxes
36	Arunachal Pradesh	Shri Marnya Ete	Commissioner, Commercial Taxes
37	Arunachal Pradesh	Shri Tapas Dutta	Assistant Commissioner
38	Assam	Shri Anurag Goel	Commissioner, Commercial Taxes
39	Bihar	Ms. Sujata Chaturvedi	Commissioner, Commercial Taxes
40	Bihar	Shri Arun Kumar Mishra	Additional Secretary, Commercial Taxes
41	Chhattisgarh	Shri Amitabh Jain	Principal Secretary (Finance)
42	Chhattisgarh	Ms. Sangeetha P	Commissioner, Commercial Taxes
43	Delhi	Shri S. N. Sahai	Principal Secretary, Finance



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S No	State/Centre	Name of the Officer	Charge
44	Delhi	Shri Anand Kumar Tiwari	Additional Commissioner
45	Goa	Shri Dipak Bandekar	Commissioner, Commercial Taxes
46	Gujarat	Dr. P.D. Vaghela	Commissioner, Commercial Taxes
47	Gujarat	Ms. Mona Khandhar	Secretary, Economic Affairs
48	Haryana	Shri Sanjeev Kaushal	Additional Chief Secretary
49	Haryana	Shri Shyamal Misra	Commissioner, Excise & Taxation
50	Haryana	Shri Rajeev Chaudhary	Deputy Commissioner, Excise & Taxation
51	Himachal Pradesh	Shri Onkar Chand	Principal Secretary, Excise & Taxation
52	Himachal Pradesh	Shri Pushpendra Rajput	Commissioner, Excise & Taxation
53	Himachal Pradesh	Shri Sanjay Bhardwaj	Additional Commissioner, Commercial Taxes
54	Jammu & Kashmir	Shri Navin K. Choudhary	Secretary, Finance
55	Jammu & Kashmir	Shri P.I. Khateeb	Commissioner, Commercial Taxes
56	Jammu & Kashmir	Ms. Anu Malhotra	Additional Commissioner, Commercial Taxes
57	Jammu & Kashmir	Dr. Shamim Ahmed Wani	Additional Commissioner, Commercial Taxes
58	Jammu & Kashmir	Shri P.K. Bhat	Additional Commissioner, Commercial Taxes
59	Jharkhand	Shri Sanjay Kumar Prasad	Joint Commissioner, Commercial Taxes
60	Jharkhand	Shri G.S. Kapardar	Asst. Commissioner, Commercial Taxes
61	Karnataka	Dr. M.P. Raviprasad	Joint Commissioner, Commercial Taxes
62	Kerala	Dr. Rajan Khobragade	Commissioner, Commercial Taxes
63	Madhya Pradesh	Shri Raghwendra Kumar Singh	Commissioner, Commercial Taxes
64	Madhya Pradesh	Shri Sudip Gupta	Deputy Commissioner, Commercial Taxes

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S No	State/Centre	Name of the Officer	Charge
65	Maharashtra	Shri Dhananjay Akhade	Joint Commissioner
66	Manipur	Shri R.K. Khurkishor Singh	Assistant Commissioner
67	Meghalaya	Shri Leonardo Khongsit	Assistant Commissioner
68	Nagaland	Shri Y. Mhathung Murry	Additional Commissioner, Commercial Taxes
69	Nagaland	Shri Wochamo Udyuo	Additional Commissioner, Commercial Taxes
70	Odisha	Shri Ashok Meena	Special Secretary (Finance)
71	Odisha	Shri Sahadev Sahu	Joint Commissioner, Commercial Taxes
72	Puducherry	Dr. V. Candavelou	Secretary, Finance & Commercial Taxes
73	Puducherry	Shri G. Srinivas	Commissioner, Commercial Taxes
74	Punjab	Shri V.K. Garg	Advisor (GST), Govt. of Punjab
75	Punjab	Shri V.P. Singh	Commissioner, Excise & Taxation
76	Punjab	Shri Pawan Garg	Deputy Commissioner, Commercial Taxes
77	Rajasthan	Shri Prem Singh Mehra	Principal Secretary, Finance
78	Rajasthan	Shri Praveen Gupta	Secretary, Finance
79	Rajasthan	Shri Alok Gupta	Commissioner, Commercial Taxes
80	Sikkim	Shri Manoj Rai	Joint Commissioner, Commercial Taxes
81	Tamil Nadu	Dr. C. Chandramouli	Additional Chief Secretary
82	Tamil Nadu	Shri K. Gnanasekaran	Additional Commissioner, Commercial Taxes
83	Telangana	Shri Somesh Kumar	Principal Secretary (Revenue)
84	Telangana	Shri Anil Kumar	Commissioner, Commercial Taxes
85	Telangana	Shri Kaashi Vishweshwar Rao	Deputy Commissioner, Commercial Taxes
86	Tripura	Ms. Brahmneet Kaur	Commissioner, Commercial Taxes



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S No	State/Centre	Name of the Officer	Charge
87	Uttarakhand	Shri Piyush Kumar	Additional Commissioner, Commercial Taxes
88	Uttarakhand	Shri Vipin Kumar	Additional Commissioner, Commercial Taxes
89	Uttar Pradesh	Shri R.K. Tiwari	Additional Chief Secretary
90	Uttar Pradesh	Shri Mukesh Kumar Meshram	Commissioner, Commercial Taxes
91	Uttar Pradesh	Shri Vivek Kumar	Additional Commissioner
92	West Bengal	Ms. Smaraki Mahapatra	Commissioner, Commercial Taxes
93	West Bengal	Shri Khalid Anwar	Sr. Joint Commissioner, Commercial Taxes

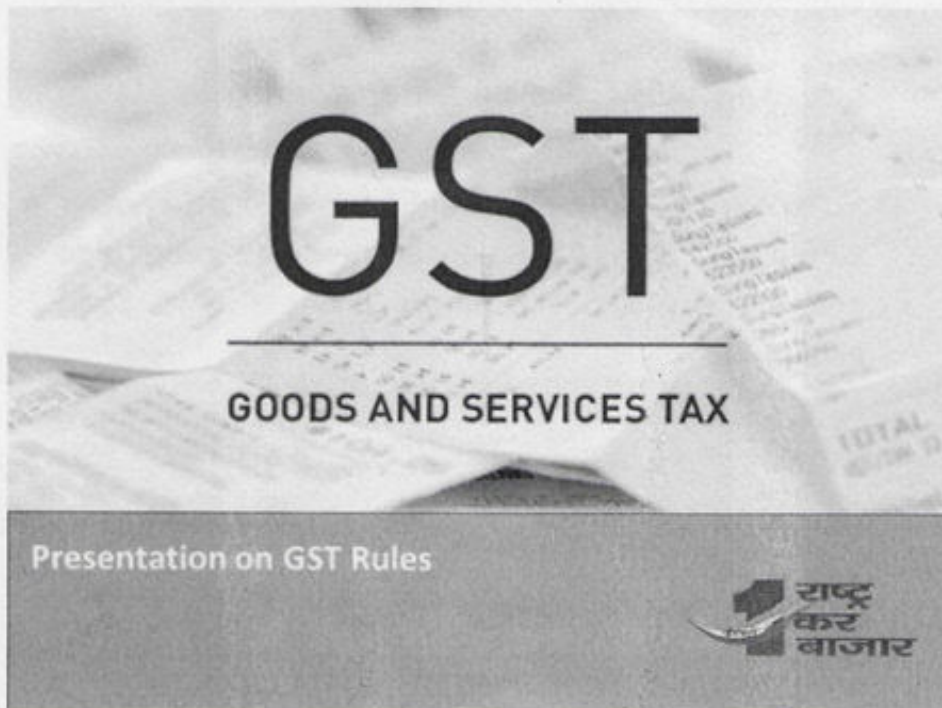
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Annexure – 3

Presentation on GST Rules



Agenda

- ☐ Introduction
- ☐ Updated Rules for
  - Registration
  - Payment
  - Refund
  - Invoice
  - ITC
  - Valuation
  - Composition
- ☐ Related Formats

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## Introduction



- ❑ Nine Rules for Registration, Payment, Invoice, Refund, ITC, Transition, Composition and Valuation were placed in public domain after approval in March, 2017
- ❑ Rules have been re-examined in view of stakeholder comments received from departmental officers, trade and industry and accordingly changes have been proposed

2

## Updated Rules for Registration (1/2)



- ❑ Provides that an Input Service Distributor (ISD) shall make a separate application for registration as ISD
- ❑ Provides for separate registration for units or developer in a Special Economic Zone
- ❑ Provides for verification of application through electronic verification code (EVC)
- ❑ Provides that in case of non-resident taxable person, a business entity incorporated or established outside India has to submit a tax identification number or unique number on the basis of which the entity is identified by the Government of that country or its PAN, if available for registration

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### Updated Rules for Registration (2/2)



- ☐ Provides for Aadhar based electronic verification code as a mode of authentication of any document
- ☐ Such verification to be done within two days of furnishing of documents
- ☐ Provides that Companies have to authenticate documents through digital signature certificate only

### Updated Rules for Payment



- ☐ Provides that a registered person upon noticing any discrepancy in his electronic liability or cash ledger can communicate the same to the officer exercising jurisdiction in the matter

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## Updated Rules for Refund (1/2)



- ☐ Provides that refund of advance tax paid by casual or non-resident taxpayer to be claimed in the last return to be furnished
- ☐ Provides for declaration from SEZ Unit or Developer regarding non-availment of ITC for tax paid on supplies to them
- ☐ Provides for document to be submitted for claiming refund on account of wrong or excess payment of tax
- ☐ Provides for formula for calculation of refund of accumulated ITC in case of inverted duty structure

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## Updated Rules for Refund (2/2)



- ☐ Provides for acknowledgement to indicate date of filing of refund which is crucial for determination of 60 days period for sanctioning of refund
- ☐ Provides that acknowledgement to be issued in three days in case of refund of integrated tax on account of exports
- ☐ Conditions for grant of provisional refund have been liberalized
- ☐ Provides that reasons for withholding of refund by Commissioner to be communicated to the claimant

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### Updated Rules for Invoice (1/2)



- ☐ Provides that maximum number of characters in Invoice No., Bill of Supply, etc. can be 16
- ☐ Provides for signature or digital signature of invoice issued by recipient under reverse charge
- ☐ Provides that in context of advance received
  - o where the rate of tax is not determinable it will be paid @ 18%
  - o where nature of supply is not determinable it will be deemed to be inter-State supply

8

### Updated Rules for Invoice (2/2)



- ☐ Particulars to be contained in payment voucher and refund voucher have been provided
- ☐ Provides that Special dispensation for issuance of invoice already made available for Banking company, insurer, Financial institution, etc. will be applicable in case of issuance of receipt voucher, payment voucher, refund voucher also

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## Updated Rules for ITC (1/2)



- ☐ Provides for availment of ITC on the basis of a bill of entry or any similar document prescribed under the Customs Act, 1962 or rules made thereunder for assessment of integrated tax on imports
- ☐ Provides for keeping supplies without consideration under Schedule I out of the ambit of time period specified for payment of consideration i.e. 180 days
- ☐ Provides for denial of proportionate ITC in case of part payments
- ☐ Provides that time limit for availment of ITC is only applicable to its availment first time rather than on re-availment after reversal

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## Updated Rules for ITC (2/2)



- ☐ Provides for calculation of credit on supply of capital goods or plant and machinery from the date of issuance of invoice for such goods
- ☐ Provides for certification of certain details by practicing chartered accountant or cost accountant in relation to determination of amount of credit to be paid by taxpayer in certain circumstances

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### Updated Rules for Valuation



- ☐ Provides that the supplier of goods or services to distinct or related persons can also opt to declare value as 90% of the price charged by recipient
- ☐ Provides that special valuation Rules in case of certain supplies would be applicable only at the option of the supplier
- ☐ Provides for valuation of goods repossessed from the defaulting borrower for recovery of loan or debt
- ☐ Valuation of services procured through pure agent simplified
- ☐ Provides for valuation of supplies in case such supplies were inclusive of tax

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### Updated Rules for Composition



- ☐ Provides for verification of intimation through electronic verification code (EVC)

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**Annexure – 4**

**ADDENDUM DATED 18.05.2017 TO THE GST RATE SCHEDULE FOR GOODS  
CIRCULATED ON 14.05.2017**

**[As per discussions in the Fitment Committee]**

**A. Amendments in the Detailed Horizontal Rate Sheets circulated to CCTs on 14.05.2017:**

The following amendments / additions are proposed to be made to the aforesaid document:

1. Prasadam [2106] supplied by religious places like temples, mosques, churches, gurudwaras, dargahs, etc. presently recommended to be at 5% (as sweetmeats) / 18% (as other edible preparations) may be kept at Nil.
2. Granite slabs [2516], presently recommended to be at 12% may be kept at 28%, the rate recommended for marble and travertine, in slabs [2515 12 20, 2515 12 90].
3. Sandstone, other monumental or building stone [2516] to be excluded from 12% List, as these stones are recommended to be at 5%.
4. All types of contraceptives [Chapter 30] presently recommended to be at 5% may be kept at Nil, the rate recommended for condoms [Chapter 40].
5. Soaps manufactured by KVIC [3401] presently recommended to be at Nil may be kept at 18%, which is the general rate applicable to soaps.
6. Mats, mattings, screens, basket works, wickerwork and other articles of vegetable materials bamboo, rattan or other vegetable materials [4601, 4602] {Plaits and similar products of plaiting materials, whether or not assembled into strips; plaiting materials, plaits and similar products of plaiting materials, bound together in parallel strands or woven, in sheet form, whether or not being finished articles (for example, mats, matting, screens) of vegetables materials such as of bamboo, of rattan, of other vegetable materials [4601] and Basketwork, wickerwork and other articles, made directly to shape from plaiting materials or made up from goods of heading 4601; articles of loofah [4602]} presently recommended to be at 18% may be kept at 12%.
7. Fly ash bricks [Ch. 68] presently recommended to be at 18% may be kept at 12%, along with sand lime bricks.
8. Indigenous handmade musical instruments [Ch. 92] presently recommended to be at 12% may be kept at Nil.
9. Branded broomsticks, phool bahari jhadoo (9603 10 00) presently recommended to be at 18% may also be kept at 5% the rate recommended for unbranded broomsticks, phool bahari jhadoo.

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**B. Addendum to Annexure-VI (List A1) (Existing service tax exemptions to continue in GST):**

60.	Services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation;	Exemption may be continued.
61	Services by way of training or coaching in recreational activities relating to, - (i) arts or culture. or (ii) sports by charitable entities registered under section 12AA of Income tax Act, 1961;	Exemption may be continued.
62	Any services provided by, - (i) the National Skill Development Corporation set up by the Government of India; (ii) a Sector Skill Council approved by the National Skill Development Corporation; (iii) an assessment agency approved by the Sector Skill Council or the National Skill Development Corporation; (iv) a training partner approved by the National Skill Development Corporation or the Sector Skill Council  in relation to (a) the National Skill Development Programme implemented by the National Skill Development Corporation; or (b) a vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or (c) any other Scheme implemented by the National Skill Development Corporation."	Exemption may be continued.
63	Services of assessing bodies empanelled centrally by Directorate General of Training, Ministry of Skill Development and Entrepreneurship by way of assessments under Skill Development Initiative (SDI) Scheme	Exemption may be continued
	Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana under the Ministry of Rural Development by way of offering skill or vocational training courses certified by National Council For Vocational Training.	Exemption may be continued
64.	Services by way of sponsorship of sporting events organised, - (a) by a national sports federation, or its affiliated federations, where the participating teams or individuals represent any district, State, zone or Country;	Exemption may be continued

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	<p>(b) by Association of Indian Universities, Inter-University Sports Board, School Games Federation of India, All India Sports Council for the Deaf, Paralympic Committee of India or Special Olympics Bharat;</p> <p>(c) by Central Civil Services Cultural and Sports Board;</p> <p>(d) as part of national games, by Indian Olympic Association; or</p> <p>(e) under Panchayat Yuva Kreedha Aur Khel Abhiyaan (PYKKA) Scheme;</p>	
65.	<p>Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of, -</p> <p>(bb) a civil structure or any other original works pertaining to the Beneficiary-led individual house construction / enhancement under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana;</p>	Exemption at (bb) may be continued in respect of pure labour contracts.
66.	<p>Services by way of construction, erection, commissioning, or installation of original works pertaining to,-</p> <p>(b) a single residential unit otherwise than as a part of a residential complex;</p>	Exemption at (bb) may be continued in respect of pure labour contracts.
67.	<p>Services of general insurance business provided under following schemes -</p> <p>(a) Hut Insurance Scheme;</p> <p>(b) Cattle Insurance under Swarnajayanti Gram Swarozgar Yojna (earlier known as Integrated Rural Development Programme);</p> <p>(c) Scheme for Insurance of Tribals;</p> <p>(d) Janata Personal Accident Policy and Gramin Accident Policy;</p> <p>(e) Group Personal Accident Policy for Self-Employed Women;</p> <p>(f) Agricultural Pumpset and Failed Well Insurance;</p> <p>(g) Premia collected on export credit insurance;</p> <p>(h) Weather Based Crop Insurance Scheme or the Modified National Agricultural Insurance Scheme, approved by the Government of India and implemented by the Ministry of Agriculture;</p> <p>(i) Jan Arogya Bima Policy;</p> <p>(j) National Agricultural Insurance Scheme (Rashtriya Krishi Bima Yojana);</p> <p>(k) Pilot Scheme on Seed Crop Insurance;</p> <p>(l) Central Sector Scheme on Cattle Insurance;</p> <p>(m) Universal Health Insurance Scheme;</p> <p>(n) Rashtriya Swasthya Bima Yojana; or</p> <p>(o) Coconut Palm Insurance Scheme;</p> <p>(p) Pradhan Mantri Suraksha Bima Yojana;</p>	Exemption may be continued and its present scope expanded to include State insurance schemes.

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	(q) Niramaya Health Insurance Scheme implemented by Trust constituted under the provisions of the National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999 (44 of 1999). (r) Any other insurance scheme of the State Government as may be notified by Government of India on the recommendation of GSTC	
68.	Services of life insurance business provided under following schemes - (a) Janashree Bima Yojana (JBY); or (b) Aam Aadmi Bima Yojana (AABY); (c) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of fifty thousand rupees; (d) Varishtha Pension Bima Yojana; (e) Pradhan Mantri Jeevan Jyoti Bima Yojana; (f) Pradhan Mantri Jan Dhan Yojana; (g) Pradhan Mantri Vaya Vandana Yojana (h) Any other insurance scheme of the State Government as may be notified by Government of India on the recommendation of GSTC	Exemption may be continued.
69	Services by way of collection of contribution under Atal Pension Yojana (APY).	Exemption may be continued.
70	Services by way of collection of contribution under any scheme of the State Governments	

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