

### Changes Announced by GST Council

The 52nd GST Council Meeting held on 7.10.2023, has made several recommendations on GST rates on goods and services to streamline the taxation system. Here is a breakdown of these recommendations:

#### I. Changes in GST rate on Goods

##### A. Millets

GST rates for millet flour, containing at least 70% millets by weight, have been specified as follows:

- Nil rate if sold in non-pre-packaged and unlabelled form
- 5% if sold in pre-packaged and labelled form

##### B. Imitation Zari Thread:

Imitation zari thread or yarn made from metalized polyester film/plastic film will be subject to a 5% GST rate, with no refund allowed on the polyester film (metallised)/plastic film due to inversion.

##### C. Foreign-Going Vessels:

Foreign flag foreign-going vessels converting to coastal runs may be exempt from 5% IGST, subject to reconversion to foreign-going status within six months.

##### D. Other Changes Relating to Goods:

1. Extra Neutral Alcohol (ENA): ENA used in the manufacture of alcoholic liquor for human consumption will be excluded from GST, pending suitable amendments.



2. **GST on Molasses:** GST on molasses will be reduced from 28% to 5%, improving liquidity for mills and aiding faster clearance of cane dues to sugarcane farmers.
3. **Rectified Spirit:** An 8-digit tariff HS code will cover rectified spirit for industrial use, with the GST rate notification to be amended for ENA for industrial use at 18% GST.

## II. Changes in Taxation of Services

### A. Exemptions:

Existing exemptions for pure and composite services provided to Central/State/UT governments and local authorities in relation to Panchayat/Municipality functions remain unchanged. However, it is recommended to exempt services related to water supply, public health, sanitation conservancy, solid waste management, and slum improvement and upgradation supplied to Governmental Authorities. More details are awaited.

### B. Taxability of Personal and Corporate Guarantees:

- a. Clarification would be issued saying that Personal guarantees provided by directors to banks for availing loans by their companies is exempt from levy of GST
- b. Amendment in law and rules would be made to tax corporate guarantees between related parties.

### C. Other Changes Relating to Services:

1. **Job Work for Processing Barley into Malt:** Job work services for processing barley into malt will be subject to a 5% GST rate, similar to "job work in relation to food and food products," rather than 18%.
2. **GST on Bus Transportation Services:** Liability for GST on bus transportation services supplied through Electronic Commerce Operators (ECOs) has been placed on the ECO, with an exemption for bus operators organized as companies, enabling them to pay GST on supplies using their Input Tax Credit (ITC).



3. **District Mineral Foundations Trusts (DMFT):** DMFTs set up by State Governments in mineral mining areas will be considered Governmental Authorities and thus eligible for the same GST exemptions as other Governmental Authorities.
4. **GST on Indian Railways:** All goods and services supplied by Indian Railways will be taxed under the Forward Charge Mechanism, allowing them to avail Input Tax Credit (ITC) and reducing costs.

### III. Legal Changes

- A. **Alignment with Tribunal Reforms Act:** Amendments will align the CGST Act with provisions of the Tribunal Reforms Act, including eligibility criteria, tenure, and age limits for GST Appellate Tribunal members. Advocates having 10 years of Indirect Tax Litigation will be allowed to become members of the GSTAT.
- B. **ISD Procedure Amendment:** Input Service Distributor (ISD) procedure changes will be made mandatory for distributing Input Tax Credit (ITC) in cases involving Head Office (HO) and Branch Office (BO), with amendments to the CGST Act and Rules.

### IV. Trade Facilitation Measures

1. **Amnesty Scheme for Appeals:** An amnesty scheme will enable taxpayers to file appeals against demand orders under certain conditions until January 31, 2024, with pre-deposits and Electronic Cash Ledger provisions.
2. **Automatic Restoration of Provisionally Attached Property:** Provisionally attached properties will be automatically released after one year.
3. **Place of Supply Clarifications:** A circular will clarify the place of supply for various services, including transportation of goods outside India, advertising services, and co-location services.
4. **Clarification on Export of Services:** A circular will clarify the admissibility of export



remittances received in Special INR Vostro accounts for the qualification of services as exports.

- 5. Supplies to SEZ Units/Developers:** Amendments will allow suppliers to Special Economic Zone (SEZ) units/developers to claim refunds of integrated tax on supplies of goods or services.

## V. Conclusion

Most of the decisions taken are benevolent in nature. Changes in GST tribunal related law is based on the petition filed by Madras Bar Association in the Supreme Court, hope the change proposed is done fast and we see the Tribunals functioning soon enough. I personally expected a decision on reduction of 30% pre-deposit currently required to file appeal in Tribunal, it will wipe of many MSME's. Hope it is done before the tribunals are activated.

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