

Recent Changes in GST Rates, Reverse Charge Provisions, GST TDS and Refund Rules

I. Change in GST Rates on goods [Noti – 5/2024-CTR – effective from 10.10.2024]

1. GST rate on cancer drugs namely, Trastuzumab Deruxtecan, Osimertinib and Durvalumab reduced from 12% to 5%
2. GST rate of extruded or expanded products, savoury or salted (other than un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion), falling under HS 1905 90 30 reduced from 18% to 12% at par with namkeens, bhujia, mixture, chabena (pre-packaged and labelled) and similar edible preparations in ready for consumption form which are classifiable under HS 2106 90.
3. The GST rate of 5% will continue on un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion.
4. GST rate on car seats classifiable under 9401 increased from 18% to 28%. This has been done to bring parity with seats of motorcycles which already attract a GST rate of 28%.

II. Change in GST Rates on Services [Noti – 7/2024-CTR – effective from 10.10.2024]

Transport of passengers by helicopters on seat share basis to be taxed @ 5%. In case helicopter is chartered it will still attract 18% GST.

Past period transaction will be regularized on 'as is where is' basis whereby any person who has paid GST @ 5% on helicopter travel on seat sharing basis prior to 10.10.2024 will not be questioned however a person who had paid 18% will not be eligible for any refund. Circular on this aspect is not yet issued, it is expected anytime soon.

III. Exemptions extended to certain services [Noti – 8/2024-CTR – effective from 10.10.2024]

Following services have been exempted from levy of GST

1. Providing metering equipment on rent, testing for meters/transformers/capacitors etc., releasing



electricity connection, shifting of meters/service lines, issuing duplicate bills etc., which are incidental or ancillary to the supply of transmission and distribution of electricity provided by electricity transmission and distribution utilities to their consumers.

2. Research and development services against consideration received in the form of grants supplied by –

(a) a Government Entity; or

(b) a research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961.

Provided that the research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961 is so notified at the time of supply of the research and development service.

3. Services of affiliation provided by a Central or State Educational Board or Council or any other similar body, by whatever name called, to a school established, owned or controlled by the Central Government, State Government, Union Territory, local authority, Governmental authority or Government entity.

IV. Changes introduced for Metal Scrap suppliers and buyers - RCM on goods [Noti – 6/2024-CTR and 25/2024 CT – effective from 10.10.2024]:

METAL SCRAP falling in HSN chapter 72, 73, 74, 75, 76, 77, 78, 79, 80 or 81 have been put under Reverse Charge method. In other words, if a registered buyer purchases such metal scrap from an unregistered person, the buyer who is registered will be liable to pay GST on the same under RCM provisions. Longstanding demand of the industry was to put metal scrap bought either from registered or unregistered suppliers under RCM, however, council has chosen to accept only part of the demand. With this change, Metal scrap traders and other purchasers are hit with a triple whammy effective from 10.10.2024 as under:

1. GST on Purchases of metal scrap from unregistered suppliers will have to be paid by buyer under RCM at 18% - this is not that bad as ITC will be available to the buyer.



In case the buyer is also unregistered he will have to take GST registration as it is mandatory u/s 24 of the GST Act.

2. In B2B transactions where metal scrap is sold by a registered supplier to a registered buyer, the buyer will be responsible for deducting TDS @ 2% (CGST 1% & SGST 1% or IGST 2%) - this will increase of additional compliance and will also result in huge blockage of working capital as margins are wafer thin.
3. In case of goods and services falling under RCM where recipient has to pay the tax, suppliers are exempt for taking registration even if their turnover is over 20 lacs or 40 lacs, but this crucial benefit has been withdrawn for metal scrap suppliers.

Impact of this registration becoming mandatory on crossing of threshold limit of 40 lacs is explained by way of an example.

Unregistered supplier A sells scrap to B worth Rs. 5 lacs in October 2024. B pays 90,000 tax on RCM @ 18%. After 3 yrs, i.e. in 2027 department discovers that A's turnover in 2024-25 (upto October 2024) was beyond 40 lacs and he was required to register

Impact would be as under

- a. Supplier (A) will be forced to pay tax under Forward charge on earlier sale to B.
- b. Buyer B will be given demand notice seeking reversal of ITC claimed by him of tax paid under RCM as he was not liable to pay tax under RCM in first place.

I am not saying this out of thin air, department has issued such demand notices on recipients in the past on several such mirror issues. buyer will eventually win in court of law but litigation cost will have to be borne.

These are unwarranted changes being brought which have zero revenue, zero intelligence but a great deal of nuisance value attached to it. Scrap sector is reeling under the fake invoicing cases, expecting them to undertaken RCM and TDS compliances is huge ask. These changes will increase the compliance, working capital and litigation cost for the sector by huge proportions.



Detailed note covering all aspects including GST TDS is being published separately for the benefit of users.

V. RCM on Services [Noti – 09/2024-CTR – effective from 10.10.2024]:

Service by way of renting of ANY property other than a residential dwelling by an unregistered person to a registered person has been put under RCM, in other words if a non-residential dwelling has been rented to a registered person, then the recipient will have to pay GST thereon under RCM @ 18%.

The recipient will be eligible to avail ITC of the tax so paid if it is into supply of taxable goods or services.

VI. Time Limit prescribed for issuance of invoice by recipient for goods and services falling under RCM [Rule 47A - Noti – 20/2024-CT – effective from 8.10.2024]:

As per section 31(3)(f) a registered person who is liable to pay tax under sub-section under RCM is required to issue an Self invoice if the purchase is done from an Unregistered supplier. However, there was no time-limit prescribed in law as to when this invoice was required to be issued.

Rule 47A has been specifically included in the GST rules whereby effective from 8.08.2024 such recipient shall issue the said invoice within a period of 30 days from the date of receipt of the said supply of goods or services.

VII. Changes in Refund related rules - [Rule 89 and 96 - Noti – 20/2024-CT – effective from 8.10.2024]:

1. There is a formula-based refund mechanism prescribed in rule Rule 89(4) which is simple and practical to follow. However, Rule 89 (4A) and (4B) were mandated to seek refund of ITC for persons availing benefit of certain notifications applicable for deemed exports or merchant exports etc.

Now, these 2 sub-rules [4A and 4B] have been deleted summarily, which means effective from 8.10.2024, all refunds pertaining to zero-rated supply of goods or services without payment of tax will be processed in rule 89(4).



2. Rule 96 (10) provided that persons availing benefit of certain notifications were not allowed to seek refund of IGST paid on export of goods. Such exporters were required to export goods without payment of tax and seek refund of unutilized ITC. This rule has been subject to huge litigation which has travelled to many high courts including Gujarat High Court where it has been held that this rule was not effective prior to 9.10.2018. For period thereafter, judgement on its validity has been reserved.

This rule now stands deleted which means all exporters, whether or not they avail benefit of Advance Authorization Licence, deemed exports, merchant exports etc., will be allowed to export goods with payment of IGST and seek refund thereof.

Both these amendments are welcome.

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