

# GST Rate on Services as Recommended by The GST Council in Its 37<sup>th</sup> Meeting

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The 37<sup>th</sup> GST Council met in Goa today under the Chairmanship of Union Finance & Corporate Affairs Minister Smt Nirmala Sitharaman . The meeting was also attended by Union Minister of State for Finance & Corporate Affairs Shri Anurag Thakur besides Chief Minister of Goa Shri Pramod Sawant, Finance Ministers of States & UTs and seniors officers of the Ministry of Finance .

GST Council took following decisions relating to changes in GST rates, ITC eligibility criteria, exemptions and clarifications on connected issues.

## (A) EXEMPTIONS / CHANGES IN GST RATES / ITC ELIGIBILITY CRITERIA:

### Rate reduction sector wise:

#### Hospitality and tourism:

1. To reduce the rate of GST on hotel accommodation service as below: -

Transaction Value per Unit (Rs) per day	GST
Rs 1000 and less	Nil
Rs 1001 to Rs 7500	12%
Rs 7501 and more	18%

2. To reduce rate of GST on outdoor catering services other than in premises having daily tariff of unit of accommodation of Rs 7501 from present 18% with ITC to 5% without ITC. The rate shall be mandatory for all kinds of catering. Catering in premises with daily tariff of unit of accommodation is Rs 7501 and above shall remain at 18% with ITC.

#### Job work service:

3. To reduce rate of GST from 5% to 1.5% on supply of job work services in relation to diamonds.
4. To reduce rate of GST from 18% to 12% on supply of machine job work such as in engineering industry, except supply of job work in relation to bus body building which would remain at 18%.

#### Exemption sector wise:

#### Warehousing:

5. To exempt prospectively services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, rice, coffee and tea.

#### Transportation:

6. To increase the validity of conditional exemption of GST on export freight by air or sea by another year,

i.e. till 30.09.2020.

### **Insurance:**

7. To exempt “BANGLA SHASYA BIMA” (BSB) crop insurance scheme of West Bengal Government.
8. To exempt services of life insurance business provided or agreed to be provided by the Central Armed Paramilitary Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the respective Group Insurance Schemes of these Central Armed Paramilitary forces.

### **Export promotion:**

9. To exempt services provided by an intermediary to a supplier of goods or recipient of goods when both the supplier and recipient are located outside the taxable territory.
10. To issue a notification under Section 13(13) of IGST Act notifying the place of supply of specified R&D services (such as Integrated discovery and development, Evaluation of the efficacy of new chemical/ biological entities in animal models of disease, Evaluation of biological activity of novel chemical/ biological entities in in-vitro assays, Drug metabolism and pharmacokinetics of new chemical entities, Safety Assessment/ Toxicology, Stability Studies, Bio Equivalence and Bio Availability Studies, Clinical trials, Bio analytical studies) provided by Indian pharma companies to foreign service recipients, as the place of effective use and enjoyment of a service i.e. location of the service recipient.
11. To clarify that the place of supply of chip design software R&D services provided by Indian companies to foreign clients by using sample test kits in India is the location of the service recipient and section 13(3)(a) of IGST Act, 2017 is not applicable for determining the place of supply in such cases.

### **Miscellaneous**

12. To allow the registered authors an option to pay GST on royalty charged from publishers under forward charge and observe regular GST compliance.
13. To notify grant of liquor licence by State Governments against payment of license fee as a “no supply” to remove implementational ambiguity on the subject.
14. To exempt services related to FIFA Under-17 Women's World Cup 2020 similar to existing exemption given to FIFA U17 World Cup 2017.

### **(B) RATIONALIZATION/ TRADE FACILITATION MEASURES:**

15. To allow payment of GST on securities lending service under reverse charge mechanism (RCM) at the merit rate of 18% and to clarify that GST on securities lending service for period prior to RCM period shall be paid on forward charge basis. IGST shall be payable on supply of these services and in cases where CGST/SGST/UTGST have been paid, such taxpayers will not be required to pay tax again.
16. To allow RCM to suppliers paying GST @ 5% on renting of vehicles, from registered person other than body corporate (LLP, proprietorship) when services provided to body corporate entities.

### **(C) CLARIFICATIONS:**

17. To clarify the scope of the entry ‘services of exploration, mining or drilling of petroleum crude or natural gas or both’.
18. To clarify taxability of Passenger Service Fee (PSF) and User Development Fee (UDF) levied by airport operators.

Note: It is proposed to issue notifications giving effect to these recommendations of the Council on 1<sup>st</sup> October, 2019.

*[This note presents the decision of the GST Council in simple language for easy understanding which would be given effect to through Gazette notifications/ circulars which shall have force of law.]*

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RM/KMN

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