

PRESS NOTE on GST rate on Services

GST Council in the meeting held at New Delhi on 21.07.2018 took following decisions relating to exemptions / changes in GST rates / ITC eligibility criteria, rationalization of rates / exemptions and clarification on levy of GST on services. The decisions of the GST Council enclosed as annexure has been presented in simple language for ease of understanding which would be given effect to through Gazette notifications/ circulars which shall have force of law.

2. It would be noted that multiple reliefs from GST taxation have been provided to following categories of services –

(i) Agriculture, farming and food processing industry,

(ii) Education, training and skill development,

(iii) Pension, social security and old age support.

3. Hotel industry has been given major relief by providing that the rate of tax on accommodation service shall be based on transaction value instead of declared tariff.

4. Services provided in sectors like banking, IT have been provided relief by exempting services supplied by an establishment of a person in India to any establishment of that person outside India [related party].

5. As a green initiative, GST on supply of e-books has been reduced from 18 to 5%.

6. For details of major decisions on services, annexure to this press note may be referred.

7. It is proposed to issue notifications giving effect to these recommendations of the Council with effect from 27th July, 2018.

ANNEXURE - EXEMPTIONS / CHANGES IN GST RATES AND SERVICES

Sector –Farmers/ Agriculture/ Food Processing

1. Exempt services by way of artificial insemination of livestock (other than horses).
2. Exempt warehousing of minor forest produce in line with exemptions provided to the agricultural produce.
3. Exempt the works of installation and commissioning undertaken by DISCOMS/ electricity distribution companies for extending electricity distribution network upto the tube well of the farmer/ agriculturalist for agricultural use.
4. Exempt services provided by FSSAI to food business operators.

Education/ Training/ Skill Development

5. Reduce rate of GST from 18% to 5% on supply only of e-books for which print version exist.

Social Security/ Pension Security/ Senior Citizens

6. Exempt services provided by Coal Mines Provident Fund Organisation to the PF subscribers from the applicability of GST on the lines of EPFO.
7. Exempt supply of services by an old age home run by State / Central Government or by a body registered under 12AA of Income Tax Act) to its residents (aged 60 years or more) against consideration upto Rupees Twenty Five Thousand per month per member provided consideration is inclusive of charges for boarding, lodging and maintenance.
8. Exempt GST on the administrative fee collected by National Pension System Trust.
9. Exempt services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in activities relating to the welfare of industrial or agricultural labour or farmer; or for the promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to own members against consideration in the form of membership fee up to an amount of one thousand rupees per member per year.

Banking/ Finance/ Insurance

10. Exempt Reinsurance Services provided to specified Insurance Schemes such as Pradhan Mantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat), funded by Government.

Government Services

11. Exempt services provided by Government to ERCC by way of assigning the right to collect royalty, DMFT etc. from the mining lease holders.
12. Exempt the guarantees given by Central/State Government/UT administration to their undertakings/PSUs.

Miscellaneous

13. Exempt GST on import of services by Foreign Diplomatic Missions/ UN & other International Organizations based on reciprocity.
14. Exempt services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in accordance with Explanation I in section 8 of the IGST Act provided the place of supply is outside the taxable territory of India in accordance with section 13 of IGST Act
15. Prescribe GST rate slabs on accommodation service based on transaction value instead of declared tariff which is likely to provide major relief to the hotel industry.
16. Prescribe GST rate of 12% with full ITC under forward charge for composite supply of multimodal transportation.
17. Rationalize the notification entry prescribing reduced GST rate on composite supply of works contract received by the Government or a local authority in the course of their sovereign functions.
18. Rationalize entry relating to composite supply of food and drinks in restaurant, mess, canteen, eating joints and such supplies to institutions (educational, office, factory, hospital) on contractual basis at GST rate of 5%; and making it clear that the scope of outdoor catering under 7(v) is restricted to supplies in case of outdoor/indoor functions that are event based and occasional in nature.

Clarifications

19. Supply of services provided by State and Central educational boards to students for conduct of examination will be clarified to be exempt.
20. To clarify that the courses run by private ITIs for designated trades are exempt under GST whereas non-designated courses are taxable.
21. To clarify that GST on premium paid by the Governments for implementing Pradhan Mantri Rashtriya Swasthya Suraksha Mission (PMRSSM) (Ayushman Bharat) is exempt from GST.
22. To provide clarification on applicability of Service Tax / GST on services rendered by an Indian Architect- Consultant in relation to immovable property located outside India to Indian Diplomatic Missions/Posts abroad.
23. To clarify to Auroville foundation that 'maintenance' paid by it to Aurovilians is not liable to GST.
24. To insert an explanation in notification No. 13/2017-Central Tax(Rate) to define the term renting of immovable property.
25. To clarify that certain services such as "deposit works(expenses for providing electric line/plant)" related to distribution of electricity provided by DISCOM, attract GST.

Export / other trade facilitation measures

26. Extend the exemption granted on outward transportation of all goods by air and sea by another one year i.e. upto 30th September, 2019 as relief to the exporter of goods.

27. Place liability to pay GST on services provided by individual DSAs to banks/NBFCs under reverse charge on the buying banks/NBFCs. However, services by non-individual NBFCs (corporate, partnership firms) to banks/NBFCs would continue under forward charge, as at present.
