

Key updates from 50th Meeting of GST Council held on July 11, 2023

A. Measures for facilitation of trade

S. No.	Decisions by GST Council	Impact
1.	Circular to be issued clarify that neither GST is chargeable by the manufacturer on replacement of parts and/ or repair service during warranty period nor reversal of ITC is required to be made by them	This will help manufacturers to substantiate that they are not required to reverse ITC on goods and services provided during warranty period even if the same is without consideration.
2.	Circular to be issued to provide clarification regarding TCS liability in cases where multiple E-commerce Operators (ECOs) are involved in a single transaction of supply of goods or services	We need to watch this as it may have an impact on e-commerce models.
3.	Circular to be issued on following refund related issues: a) Refund of accumulated ITC to be restricted to ITC on inward supplies reflected in FORM GSTR-2B of the said tax period or any previous tax period. b) Admissibility of refund in cases where export of goods, or the realization of payment for export of services, is made after the time limit provided under rule 96A of CGST Rules, 2017 c) Value of exported goods to be FOB value declared in the Shipping Bill/Bill of Export or the value declared in tax invoice, whichever is less	This may settle various anomalies faced by the exporters while claiming refund.
4.	Circular to be issued clarifying that E-invoices also to be issued for supplies made to Government Departments or	A registered person whose turnover exceeds the prescribed threshold for generation of E-invoicing, are required to issue E-

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	establishments / Government agencies / local authorities / PSUs, etc.	invoices also for the supplies made to Government Departments or establishments / Government agencies / local authorities / PSUs, etc., registered solely for the purpose of TDS.
5.	Circular to be issued to provide for procedure for verification of ITC in cases involving difference between ITC availed in FORM GSTR-3B vis-a-vis ITC available as per FORM GSTR-2A during the period 01.04.2019 to 31.12.2020	CBIC vide Circular No. 183/15/2022-GST dated 27.12.2022 has prescribed procedure for verification of ITC for difference between FORM GSTR-3B and FORM GSTR-2A for the FYs 2017-18 and 2018-19. Similar procedure may be prescribed for the period April 01, 2019 to December 31, 2020.
6.	Special procedure to be provided to enable manual filing of appeal against orders issued in respect of TRAN-1/ TRAN-2 claims and under certain specified circumstances	This will enable assesses to file manual appeal against orders issued by the departmental authorities in respect of revised TRAN-1/TRAN-2 claims filed in lieu of Circular no. 182/14/2022-GST dated November 10, 2022 and under other specified circumstances.
7.	To grant exemption from filing of annual return for taxpayers having aggregate annual turnover upto two crore rupees for FY 2022-23 also	This would ease compliance burden of smaller taxpayers.
8.	To extend amnesty schemes regarding non-filers of FORM GSTR-4, FORM GSTR-9 & FORM GSTR-10 returns, revocation of cancellation of registration and deemed withdrawal of assessment orders issued till August 31, 2023.	Various amnesty schemes were issued by CBIC via Notifications dated March 31, 2023. The benefit of these amnesty schemes were available till June 30, 2023. Now, the Council has decided to extend the benefits of the schemes till August 31, 2023.
9.	To extend due dates for filing of FORM GSTR-1, FORM GSTR-3B and FORM GSTR-7 for the months of April, May and June, 2023 for the registered persons of Manipur till July 31, 2023	In view of the prevailing law and order situation in the State of Manipur, these extensions have been recommended by the Council.

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10.	Amendment in CGST Rules, 2017 regarding registration	<ul style="list-style-type: none"> a) Amendment in Rule 10A to provide for the requirement to furnish bank account details, in name and PAN of the registered person, within 30 days of grant of registration or before filing of FORM GSTR-1/IFF, whichever is earlier. Previously, the account details were required to be furnished within 45 days of grant of registration or the due date of filing of Form GSTR-3B, whichever is earlier. b) To provide for system-based suspension of the registration for registered persons who do not furnish the details of valid bank account and its automatic revocation upon compliance with provisions of rule 10A. c) To restrict assesseees from filing of Form GSTR-1 or IFF if they have not furnished details of a valid bank account. d) Amendment in rule 9 and rule 25 to do away with the requirement that the physical verification of business premises is to be conducted in the presence of the applicant and also to provide for physical verification in high risk cases even where Aadhaar has been authenticated.

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B. Measures for streamlining compliances under GST

S. No.	Compliances	Recommendations
1.	Procedure for Recovery of Tax and Interest in terms of Rule 88C(3)	To prescribe FORM GST DRC-01D to provide for manner of recovery of tax and interest in respect of difference between outward tax disclosed in Form GSTR-1 vs. Form GSTR-3B which has not been paid and for which no satisfactory explanation has been furnished by the registered person.
2.	Mechanism to deal with differences in ITC between FORM GSTR-2B and FORM GSTR-3B	The Council has recommended a mechanism for system-based intimation to the taxpayers in respect of excess availment of ITC in FORM GSTR-3B vis a vis ITC made available in FORM GSTR-2B above a certain threshold, along with the procedure of auto-compliance on the part of the taxpayers, to explain the reasons for the said difference or take remedial action in respect of such difference. For this purpose, rule 88D and FORM DRC-01C to be inserted in CGST Rules, 2017.
3.	Amendment in Form GSTR-3A	FORM GSTR-3A to be amended to provide for issuance of notice to the registered taxpayers for failure to furnish Annual Return within due date.
4.	Amendment in Form GSTR-5A	FORM GSTR-5A to be amended to require OIDAR service providers to provide the details of supplies made to registered persons in India. This will help in tracking due payment of tax under RCM by the registered persons in India.
5.	Amendment in Rule 43	Value of supply of goods from Duty Free Shops at arrival terminal in international airports to the incoming passengers to

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		be included in the value of exempt supplies for the purpose of ITC reversal.
6.	Compounding of offences under CGST Act	Rule 162 of the CGST Rules to be amended to prescribe compounding amount for various offences under section 132 of CGST Act.
7.	Amendment in Place of Supply Provisions	To clarify the place of supply in respect of supply of goods to unregistered persons.
8.	Biometric-based Aadhaar authentication for granting GST registrations	Pilot to be conducted in U.T. of Puducherry for risk-based biometric-based Aadhaar authentication of registration applicants. The State of Andhra Pradesh also expressed its intent to join this pilot after the system's readiness is tested in the state of Gujarat and U.T. of Puducherry.
9.	E-way bill requirement for movement of Gold/ Precious stones	To insert rule 138F in CGST Rules as well as in SGST Rules of the States, who want to mandate the requirement of generation of e-way bills for intra-State movement of gold and precious stones under Chapter 71 within their States.
10.	Capacity based taxation and Special Composition Scheme	<ul style="list-style-type: none"> a) To prescribe a special procedure to be followed by the manufacturers of tobacco, pan masala & other similar items for registration of machines and for filing of special monthly returns along with special penalty for non-registration of machines by such manufacturers; b) To provide for restriction of IGST refund route in respect of exports of tobacco, pan masala & other similar items as well as mentha oil.

C. GST on Casinos, Racecourses and Online Gaming

- Suitable amendments to be made to law to include online gaming and horse racing in schedule III as taxable actionable claims.
- **Casino, Horse Racing and Online gaming to be taxed at the uniform rate of 28%.**
- Tax will be applicable on the face value of the chips purchased in the case of casinos, on the full value of the bets placed with bookmaker/totalisator in the case of Horse Racing and on the full value of the bets placed in case of the Online Gaming.

D. Exemptions proposed

- To exempt IGST on cancer medicine **Dinutuximab (Quarziba)** when imported for personal use.
- To exempt IGST on medicines and Food for **Special Medical Purposes (FSMP)** used in the treatment of rare diseases enlisted under the National Policy for Rare Diseases, 2021 when imported for personal use subject to certain conditions. Similarly, IGST exemption is also being extended to FSMP when imported by Centres of Excellence for Rare Diseases or any person or institution on recommendation of any of the listed Centres of Excellence.
- To exempt satellite launch services **supplied by ISRO, Antrix Corporation Limited and New Space India Limited (NSIL)** may be extended to such services supplied by organisations in private sector to encourage startups.

E. Amendment in GST Rates

Particulars	Current GST rates	Proposed GST rates
Uncooked/unfried snack pellets	18%	5%
Imitation Zari thread or yarn	12%	5%
Linz-Donawitz (LD) slag	18%	5%
Fish soluble paste	18%	5%
Supply of food and beverages in cinema halls as long as (a) they are supplied by way of or as part of a service and (b) supplied independently of the cinema exhibition service.	18%	5%

F. Other Key changes

- **GTAs will not be required to file declaration for paying GST under forward charge every year.** If they have exercised this option for a particular financial year, they shall be deemed to have exercised it for the next and future financial years unless they file a declaration that they want to revert to RCM. The last date of exercising the option by GTAs to pay GST under FCM shall be March 31st of preceding Financial Year instead of March 15th. January 01 of preceding Financial Year shall be the start date for exercise of option.
- Services supplied by a **director of a company to the company in his private or personal capacity** such as supplying services by way of renting of immovable property to the company or body corporate are not taxable under RCM.
- To tax **supply of raw cotton, including kala cotton, by agriculturists to cooperatives** under RCM.
- To include RBL Bank and ICBC bank in the list of specified banks for which IGST exemption is available on imports of gold, silver or platinum and update the list of banks /entities eligible for such IGST exemption as per Annexure 4B (HBP) of Foreign Trade Policy 2023.

- To levy **22% compensation cess on all utility vehicles** provided they meet the parameters of Length exceeding 4000 mm, Engine capacity exceeding 1500 cc and having Ground Clearance of 170 mm & above and to clarify by way of explanation that ‘Ground clearance’ means Ground Clearance in un-laden condition.
- On **pan masala, tobacco products, etc. where it is not legally required to declare the retail sale price**, the earlier ad valorem rate as was applicable on March 31, 2023 may be notified in order for levy of Compensation Cess.

****This update has been prepared with support from our Knowledge Partners, Deloitte India****