

Recommendations of the 55th GST council meeting

Proposals for change in GST rate of goods

Nature of goods	HSN	Existing rate	Proposed rate
Fortified Rice Kernel (FRK)	1904	As applicable	5%
Gene therapy	As applicable	As applicable	Exempt
Systems, sub-systems, equipment, parts, sub-parts, tools, test equipment, software meant assembly/manufacture of LRSAM system (Notification 19/2019-Customs)	As applicable	As applicable	Exempt
Compensation cess on supplies to merchant exporters	NA	As applicable	0.1% (par with GST rate on such supplies)
Imports of equipment and consumable samples by Inspection Team of the International Atomic Energy Agency (IAEA)	As applicable	As applicable	Exempt (subject to specified conditions)
Food inputs of food preparations that are intended for free distribution to economically weaker sections under a government program	19 or 21	As applicable	5%
Sale of all old and used vehicles, including EV's other than those specified at 18% (GST is applicable only on the Value that represents Margin i.e. the difference between the Purchase price and Selling price (depreciated value if depreciation is claimed) and not on the value of the vehicle. Also, it is not applicable in case of unregistered persons.	As applicable	12%	18%

Further, the GST Council has proposed to clarify the following changes in GST rates for goods:

- Autoclaved Aerated Concrete (ACC) blocks (having more than 50% fly ash) will fall under HS 6815 and attract 12
- Pepper, whether fresh green or dried pepper and raisins when supplied by an agriculturist, is not liable to GST.

- Amend the definition of ‘*pre-packaged and labelled*’ to cover all commodities that are intended for retail sale and containing not more than 25 kg or 25 litre, which are ‘pre-packed’ as defined under the Legal Metrology law.
- Ready-to-eat popcorn which is mixed with salt and spices are classifiable under HS 210690 99 and attracts:
 - 5% GST if supplied as, other than pre-packaged and labelled, and – 12% GST if supplied as, pre-packaged and labelled.
- Popcorn mixed with sugar (e.g. caramel popcorn), would be classifiable under HS 1704 90 90 and attract 18% GST Rate.

Proposals for change in GST rate of services

- Contributions made by general insurance companies from the third-party motor vehicle premiums collected by them to the Motor Vehicle Accident Fund, constituted under section 164B of the Motor Vehicles Act, 1988 proposed to be exempted from GST.
- Composite Dealers are proposed to be exempted under reverse charge on renting of immovable property (other than residential dwelling) from unregistered person and regularize for the past period from 10 October, 2024.
- Exemption from GST proposed on services provided by RBI regulated Payment Aggregators in relation to settlement of an amount up to INR 2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service. Further, it is proposed to clarify that the said exemption does not cover payment gateway (PG) and other fintech services which do not involve settlement of funds.
- Clarification proposed that no GST is payable on ‘penal charges’ levied and collected by banks and NBFCs from borrowers for non-compliance with loan terms.
- Sponsorship services provided by body corporates proposed to be taxed under forward charge mechanism, as against existing practice of payment of GST under reverse charge.
- Omitting the definition of declared tariff and amending the definition of specified premises by linking with the actual value of supply of hotel accommodation services, in excess Rs 7,500 in the previous year, making it taxable at 18% during the current financial year. Moreover, option would be provided to hoteliers wherein GST on restaurant services could either be paid at 18% with ITC or 5% without ITC by giving a declaration to that effect on or before beginning of the financial year. This is proposed to be changed from 1 April 2025.

Proposals which enable trade facilitation

A. Proposed amendment to Schedule III to the Central Goods and Services Tax Act, 2017

- Retrospective amendment proposed in paragraph 8 of Schedule III to the Central Goods and Services Tax Act, 2017 (CGST Act) to include a new clause, effective from 01 July 2017, to clarify that the supply of goods warehoused in Special Economic Zones or Free Trade Warehousing Zones, before clearance for export or the domestic tariff area, will neither be treated as a supply of goods nor services under GST.

B. Proposals relating to taxability of vouchers

- Sections 12(4) and 13(4) of the CGST Act and Rule 32(6) of the Central Goods and Services Tax Rules, 2017 proposed to be omitted. The deletion of these provisions will resolve the ambiguity relating to the time of supply of vouchers.
- Clarification proposed on the following issues relating to taxability of vouchers:

Issue	Clarification
Taxability of vouchers	Transactions in vouchers neither treated as a supply of goods nor services under GST.
Distribution on principal-to-principal basis	No GST is applicable on the distribution of vouchers when done on a principal-to-principal basis.
Distribution on principal-to-agent basis	GST is applicable on the commission/fee or any other charge by the agent for distributing vouchers.
Additional services related to vouchers	Services like advertisement, co-branding, marketing, promotion, customization, technology support, customer support related to vouchers are subject to GST.
Unredeemed vouchers (breakage)	No GST is payable on the income booked from unredeemed vouchers (breakage). These are not considered a supply under GST.

C. Issuance of clarifications through the circulars to remove ambiguity and legal disputes

The GST Council has recommended issuance of circulars to address specific areas of ambiguity in the application of GST provisions, which proposed to clarify as below:

- No proportional reversal of ITC is required under sections 17(1)/ 17(2) of the CGST Act by ECOs for supplies taxable in their hands under section 9(5) of the CGST Act. In other words, this clarification applies to supplies where the ECO is required to pay tax on behalf of the supplier.
- In an Ex-Works contract, where goods are delivered by the supplier to the recipient or a transporter at the supplier's place of business, and the property in goods transfers to the recipient at that point, the

goods are considered to be "received" by the recipient under section 16(2)(b) of CGST Act. Consequently, recipient can claim ITC on such goods, subject to the conditions in sections 16 and 17.

- Late fee under section 47(2) of the CGST Act is applicable for delayed filing of complete annual returns, which includes both Form GSTR-9 and 9C.
- Additionally, a waiver of late fee (in excess of the amount applicable for delay of filing Form GSTR-9) is allowed for delayed filing of Form GSTR-9C for the years 2017-18 to 2022-23, provided the return is filed by 31 March 2025.

Proposals for streamlining GST compliances

A. Proposals for insertion of new provisions for Track and Trace Mechanism

- Section 148A will be inserted in the CGST Act, 2017 for creating a legal framework to enable the tracking and tracing of specified evasion prone commodities throughout the supply chain.
- The system will use a Unique Identification Marking affixed to goods or their packaging.

B. Clarification regarding recording of correct details of name of the State of the un-registered recipient as well as correct declaration of place of supply in respect of supply of 'Online Services'

- In respect of supply of 'Online Services' such as supply of online money gaming, OIDAR services, etc. to unregistered recipients, the supplier is required to mandatorily record the name of the State of the unregistered recipient on the tax invoice and such name of State of recipient shall be deemed to be the address on record of the recipient for the purpose of section 12(2)(b) of Integrated Goods and Services Tax Act, 2017 read with proviso to rule 46(f) of CGST Rules.

Proposals regarding amendments in GST law

- Retrospective amendments proposed to section 17(5)(d) of the CGST Act to replace the phrase 'plant or machinery' with 'plant and machinery' so that the said phrase may be interpreted as per the explanation to Section 17 of the CGST Act.
- Amendment proposed in section 107(6) and 112(8) of the CGST Act to provide for payment of predeposit @ 10% for filing appeals before Appellate Authority and Appellate Tribunal, in cases involving only demand of penalty without involving demand of tax.
- Amendment proposed in the definition of Local Authority to insert an Explanation to provide for definitions of the terms 'Local Fund' and 'Municipal Fund' used in the said clause.
- Amendment proposed in Input Service Distributor provisions to explicitly include inter-state transactions subject to reverse charge under the ISD mechanism. These amendments will be effective from 1 April 2025.

- New Rule 16A proposed to be inserted in CGST Rules to provide for a separate provision for generation of temporary identification number for persons, who are not liable to be registered but are required to make any payment.
- Amendment proposed to provide legal framework in respect of generation of Form GSTR-2B based on the action taken by the taxpayers on the Invoice Management System (IMS). The Council also recommends that Form GSTR-3B of a tax period shall be allowed to be filed only after generation of Form GSTR-2B of the said tax period.
- Amendment proposed in Section 34(2) of CGST Act to specifically provide for requirement of reversal of ITC as is attributable to a credit note, by the recipient, to enable the reduction of output tax liability of the supplier. The Council also recommends to insert a new rule 67B in CGST Rules to prescribe the manner in which the output tax liability of the supplier shall be adjusted against the credit note issued by him.

Other proposals

- The GST Council approved the recommendation of the committee of officers suggesting measures for various issues raised by the States in respect of issues pertaining to IGST settlement and asked the committee to conclude the desired changes by March 2025.
- The GST Council took note of the procedural rules proposed for the internal functioning of the GST Appellate Tribunal (GSTAT), which would be notified after examination by the Law Committee. This would help in operationalization of the GSTAT.
- The Council also decided to extend the time frame for the Group of Ministers (GoM) on the restructuring of the GST compensation till 30 June 2025.
- On the request of state of Andhra Pradesh, the Council recommended that a GoM be constituted to examine the legal and structural issues and recommend a uniform policy on imposition of levy in case of a natural disaster/calamity in the State.
- Charges collected by municipalities for granting Floor Space Index (FSI) including additional FSI, subjected to GST on reverse charge basis was brought up in the Council and the same was deferred for further examination, on the ground that this amount relates to Municipalities or local authority.