

**Ref: Recommendation of 47th
GST Council Meeting dated
29.06.2022**



Input Service refund under Inverted duty structure

- The GST council in its 47th Meeting recommended the - Change in the formula for calculation of refund under rule 89(5) to take into account utilization of ITC on account of inputs and input services for payment of output tax on inverted rated supplies in the same ratio in which ITC has been availed on inputs and input services during the said tax period. This would help those taxpayers who are availing of ITC on input services also.



**GST Knowledge Partner: GKP21060
CA GAGAN KEDIA – 9830682188**

Recommendations of 47th GST Council Meeting

GoM on Casino, Race Course and Online Gaming to re-examine the issues based on further inputs from States and submit its report within a short duration

GoM to be constituted to address various concerns raised by the States on GST Appellate Tribunal and amendments in CGST Act

GoM on IT Reforms, inter alia, recommended that the GSTN should put in place the AI/ML based mechanism

All rate changes recommended by the 47th GST Council will be made effective from 18th July, 2022

Posted On: 29 JUN 2022 6:10PM by PIB Delhi

The 47th GST Council met under the Chairmanship of Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman here in Chandigarh today. The meeting was also attended by Union Minister of State for Finance Shri Pankaj Choudhary besides Finance Ministers of States & UTs and senior officers of the Ministry of Finance & States/ UTs.



The GST Council has *inter-alia* made the following recommendations relating to changes in GST rates on supply of goods and services and changes related to GST law and procedure:

I. Recommendations relating to GST rates on goods and services

A. Rate Rationalization to remove inverted duty structure [Approval of recommendations made by GoM on rate rationalization]

S. No.	Description	From	To
GOODS			
1.	Printing, writing or drawing ink	12%	18%
2.	Knives with cutting blades, Paper knives, Pencil sharpeners and blades therefor, Spoons, forks, ladles, skimmers, cake-servers etc	12%	18%
3.	Power driven pumps primarily designed for handling water such as centrifugal pumps, deep tube-well turbine pumps, submersible pumps; Bicycle pumps	12%	18%
4.	Machines for cleaning, sorting or grading, seed, grain pulses; Machinery used in milling industry or for the working of cereals etc; Pawan Chakki that is Air Based Atta Chakki; Wet grinder;	5%	18%
5.	Machines for cleaning, sorting or grading eggs, fruit or other agricultural produce and its parts, Milking machines and dairy machinery	12%	18%
6.	LED Lamps, lights and fixture, their metal printed circuits board;	12%	18%
7.	Drawing and marking out instruments	12%	18%
8.	Solar Water Heater and system;	5%	12%
9.	Prepared/finished leather/chamois leather / composition leathers;	5%	12%
10.	Refund of accumulated ITC not to be allowed on flowing goods: i. Edible oils		

	ii. Coal		
	Services		
11.	Services supplied by foreman to chit fund	12%	18%
12.	Job work in relation to processing of hides, skins and leather	5%	12%
13.	Job work in relation to manufacture of leather goods and footwear	5%	12%
14.	Job work in relation to manufacture of clay bricks	5%	12%
15.	Works contract for roads, bridges, railways, metro, effluent treatment plant, crematorium etc.	12%	18%
16.	Works contract supplied to central and state governments, local authorities for historical monuments, canals, dams, pipelines, plants for water supply, educational institutions, hospitals etc. & sub-contractor thereof	12%	18%
17.	Works contract supplied to central and state governments, union territories & local authorities involving predominantly earthwork and sub-contracts thereof	5%	12%

B. Other GST rate changes recommended by the Council

S. No.	Description	From	To
Goods			
1.	Ostomy Appliances	12%	5%
2.	Orthopedic appliance- Splints and other fracture appliances; artificial parts of the body; other appliances which are worn or carried, or implanted in the body, to compensate for a defect or disability; intraocular lens	12%	5%
3.	Tetra Pak (Aseptic Packaging Paper)	12%	18%
4.	Tar (whether from coal, coal gasification plants, producer Gas plants and Coke Oven Plants.	5%/18%	18%
5.	IGST on import of Diethylcarbamazine (DEC) tablets supplied free of cost for National Filariasis Elimination Programme	5%	Nil
6.	Cut and Polished diamonds	0.25%	1.5%
7.	IGST on specified defence items imported by private entities/vendors, when end-user is the Defence forces.	Applicable rate	Nil
Services			
1.	Transport of goods and passengers by ropeways.	18%	5% (with I T C o f services)
2	Renting of truck/goods carriage where cost of fuel is included	18%	12%

C Withdrawal of exemptions [Approval of recommendations made by GoM on rate rationalization]

C1. Hitherto, GST was exempted on specified food items, grains etc when not branded, or right on the brand has been foregone. It has been recommended to revise the scope of exemption to exclude from it prepackaged and pre-labelled retail pack in terms of Legal Metrology Act, including pre-packed, pre-labelled curd, lassi and butter milk.

C.2 In case of the following goods, exemption from GST will be withdrawn:

S. No.	Description of goods	From	To
GST rate changes			
1.	Cheques, loose or in book form	Nil	18%
2.	Maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed	Nil	12%
3.	Parts of goods of heading 8801	Nil	18%

C.3 In case of the following goods, the exemption in form of a concessional rate of GST is being rationalized:

S. No.	Description of goods	From	To
GST rate changes			
1.	Petroleum/ Coal bed methane	5%	12%
2.	Scientific and technical instruments supplied to public funded research institutes	5%	Applicable rate
3.	E-waste	5%	18%

C4. In case of Services, following exemptions are being rationalized:

S. No.	Description
1.	Exemption on transport of passengers by air to and from NE states & Bagdogra is being restricted to economy class
2.	Exemption on following services is being withdrawn. a. Transportation by rail or a vessel of railway equipment and material. b. storage or warehousing of commodities which attract tax (nuts, spices, copra, jaggery, cotton etc.) c. Fumigation in a warehouse of agricultural produce. d. Services by RBI, IRDA, SEBI, FSSAI, e. GSTN. f. Renting of residential dwelling to business entities (registered persons). g. Services provided by the cord blood banks by way of preservation of stem cells

3.	Like CETPs, common bio-medical waste treatment facilities for treatment or disposal of biomedical waste shall be taxed at 12% so as to allow them ITC
4.	Hotel accommodation priced upto Rs. 1000/day shall be taxed at 12%
5.	Room rent (excluding ICU) exceeding Rs 5000 per day per patient charged by a hospital shall be taxed to the extent of amount charged for the room at 5% without ITC.
6.	Tax exemption on training or coaching in recreational activities relating to arts or culture, or sports is being restricted to such services when supplied by an individual.

D. GST on casinos, race course and online gaming

The Council directed that the Group of Ministers on Casino, Race Course and Online Gaming re-examine the issues in its terms of reference based on further inputs from States and submit its report within a short duration.

E. Clarification on GST rate

E1. Goods

1. Electric vehicles whether or not fitted with a battery pack, are eligible for the concessional GST rate of 5%.
2. All fly ash bricks attract same concessional rate irrespective of fly ash content
3. Stones covered in S. No.123 of Schedule-I (such as Napa stones), even if they are ready to use and polished in minor ways [not mirror polished], attract concessional GST rate of 5%.
4. The GST rate on all forms of mango under CTH 0804, including mango pulp (other than mangoes sliced, dried) attract GST at the 12%. Entry is also being amended to make this amply clear. Raw or fresh mangoes continue to be exempt.
5. Sewage treated water is exempted from GST and is not the same as purified water provided in S. No. 99 of notification 2/2017-CT(Rate). The word 'purified' is being omitted to make this amply clear.
6. Nicotine Polarilex Gum attracts a GST rate of 18%.
7. The condition of 90% fly ash content with respect to fly ash bricks applies only to fly ash aggregate, and not fly ash bricks. As a simplification measure, the condition of 90% content is being omitted.

E2 .Clarification in relation to GST rate on Services

1. Due to ambiguity in GST rates on supply of ice-cream by ice-cream parlours, GST charged @ 5% without ITC on the same during the period 1.07.2017 to 5.10.2021 shall be regularized to avoid unnecessary litigation.
2. Application fee charged for entrance or for issuance of eligibility certificate for admission or issuance of migration certificate by universities is exempt from GST.
3. Ginned or baled fibre is covered in entry 24B of notification No. 12/2017- Central Tax (Rate) dated 28.06.2017 in the category of raw vegetable fibres. The exemption under this entry is being rationalized

4. Services associated with transit cargo both to and from Nepal and Bhutan are covered by exemption under entry 9B of notification No. 12/2017-CT(R) dated 28.06.2017.
5. Activity of selling of space for advertisement in souvenirs published in the form of books is eligible for concessional GST at 5%.
7. Renting of vehicle with operator for transportation of goods on time basis is classifiable under Heading 9966 (rental services of transport vehicles with operators) and attracts GST at 18%. GST on such renting where cost of fuel is included in the consideration charged is being prescribed at 12%.
8. Allowing choice of location of a plot is part of supply of long term lease of plot of land. Therefore, location charge or preferential location charges (PLC) are part of consideration charged for long term lease of land and shall get the same treatment under GST.
9. Services provided by the guest anchors to TV channels in lieu of honorarium attract GST.
10. Additional fee collected in the form of higher toll charges from vehicles not having Fastag is essentially payment of toll for allowing access to roads or bridges to such vehicles and shall be given the same tax treatment as given to toll charges.
11. Services in form of Assisted Reproductive Technology (ART)/ In vitro fertilization (IVF) are covered under the definition of health care services for the purpose of exemption under GST.
12. Sale of land after leveling, laying down of drainage lines etc. is sale of land and does not attract GST.
13. Renting of motor vehicles for transport of passengers to a body corporate for a period (time) is taxable in the hands of body corporate under RCM.
14. The expression 'public transport' used in the exemption entry at SI No. 17(d) of notification No. 12/2017-CT(R), which exempts transport of passengers by public transport other than predominantly for tourism purpose, in a vessel between places located in India, means that such transport should be open to public for point to point transport [e.g. such transport in Andaman and Nicobar islands].

Other miscellaneous changes

1. All taxable service of Department of Posts would be subject to forward charge. Hitherto certain taxable services of Department of post were taxed on reverse charge basis.
2. Goods transport agency (GTA) is being given option to pay GST at 5% or 12% under forward charge; option to be exercised at the beginning of Financial Year. RCM option to continue.
3. Service provided by Indian Tour operator to a foreign resident for a tour partially in India and partially outside India is to be subject to tax proportionate to the tour conducted in India for such foreign tourist subject to conditions that this concession does not exceed half of tour duration.

The rate changes recommended by the 47th GST Council will be made effective from **18th July, 2022**.

II. Further, the GST Council has *inter-alia* made the following recommendations relating to GST law and procedure:

A.Measures for Trade facilitation:

1. In-principal approval for relaxation in the provisions for suppliers making supplies through E-

- I. **Waiver of requirement of mandatory registration under section 24(ix) of CGST Act for person supplying goods through ECOs**, subject to certain **conditions**, such as- the aggregate turnover on all India basis does not exceed the turnover specified under sub-section (1) of section 22 of the CGST Act and notifications issued thereunder. the person is not making any inter-State taxable supply
- II. **Composition taxpayers would be allowed to make intra-State supply through e-commerce operators** subject to certain **conditions**.

The details of the scheme will be worked out by the Law Committee of the Council. The scheme would be tentatively implemented with effect from 01.01.2023, subject to preparedness on the portal as well as by ECOs.

2. **Amendment in formula prescribed in sub-rule (5) of rule 89 of CGST Rules, 2017 for calculation of refund of unutilized Input Tax Credit on account of inverted rated structure**
 - a. Change in formula for calculation of refund under rule 89(5) to take into account utilization of ITC on account of inputs and input services for payment of output tax on inverted rated supplies in the same ratio in which ITC has been availed on inputs and input services during the said tax period. **This would help those taxpayers who are availing ITC on input services also.**
3. **Amendment in CGST Rules for handling of pending IGST refund claims:** In some cases where the exporter is identified as **risky exporter** requiring verification by GST officers, or where there is a violation of provisions of Customs Act, the refund claims in respect of **export of goods** are suspended/withheld.
Amendment in rule 96 of the CGST Rules has been recommended to provide for transmission of such IGST refund claims on the portal in a system generated **FORM GST RFD-01** to the jurisdictional GST authorities for processing. **This would result in expeditious disposal of such IGST refund claims, after due verification by GST officers, thus benefitting such exporters.**
4. **Re-credit of amount in electronic credit ledger** to be provided in those cases where erroneous refund amount sanctioned to a taxpayer on account of accumulated ITC or on account of IGST paid on zero rated supply of goods or services, in contravention of rule 96(10) of the CGST Rules, is deposited by him along with interest and penalty, wherever applicable. A new **FORM GST PMT-03A** is introduced for the same.
This will enable the taxpayers to get re-credit of the amount of erroneous refund, paid back by them, in their electronic credit ledger.
5. **Clause (c) of section 110 and section 111 of the Finance Act, 2022 to be notified by Central Government at the earliest.** These provisions relate to-
 - a. retrospective amendment in section 50(3) of CGST Act, with effect from 01.07.2017, to provide that interest will be payable on the wrongly availed ITC only when the same is utilized;
 - b. amendment in sub-section (10) of section 49 of CGST Act to provide for transfer of balance in electronic cash ledger of a registered person to electronic cash ledger of CGST and IGST of a distinct person.

The rules providing for the manner of calculation of interest under section 50 of CGST Act have also been recommended for more clarity. This will remove ambiguities regarding manner of calculation of interest and will also provide for transfer of balance in CGST and IGST cash ledgers between distinct persons, thereby improving liquidity and cash flows of such taxpayers.

6. **Waiver of late fee for delay in filing FORM GSTR-4 for FY 2021-22 and extension of due date for filing FORM GST CMP-08 for Q1 of FY 2022-23:**
 - a. To **extend the waiver of late fee** under section 47 for delay in filing **FORM GSTR-4** for FY 2021-22 by approximately four more weeks, i.e. **till 28.07.2022** (*The existing waiver is for the period from 01.05.2022 till 30.06.2022*)
 - b. To **extend the due date of filing** of **FORM GST CMP-08** for the 1st quarter of FY 2022-23 from 18.07.2022 to **31.07.2022**.
GSTN has also been asked to expeditiously resolve the issue of negative balance in Electronic Cash Ledger being faced by some of the composition taxpayers.
7. **Present exemption of IGST on import of goods under AA/EPCG/EOU scheme to be continued and E-wallet scheme not to be pursued further.**
8. **Issuance of the following circulars in order to remove ambiguity and legal disputes** on various issues, thus benefiting taxpayers at large:
 - a. Clarification on issue of claiming refund under inverted duty structure where the supplier is supplying goods under some concessional notification.
 - b. Clarification on various issues relating to applicability of demand and penalty provisions under the CGST Act in respect of transactions involving fake invoices.
 - c. Clarification on mandatory furnishing of correct and proper information of inter-State supplies and amount of ineligible/blocked Input Tax Credit and reversal thereof in return in **FORM GSTR-3B**.
 - d. **Clarification in respect of certain GST related issues:** Clarification on the issues pertaining to refund claimed by the recipients of supplies regarded as deemed export; Clarification on various issues relating to interpretation of section 17(5) of the CGST Act; Clarification on the issue of perquisites provided by employer to the employees as per contractual agreement; Clarification on utilization of the amounts available in the electronic credit ledger and the electronic cash ledger for payment of tax and other liabilities.
9. Exemption from filing annual return in **FORM GSTR-9/9A** for FY 2021-22 to be provided to taxpayers having AATO upto Rs. 2 crores.
10. Explanation 1 after rule 43 of CGST Rules to be amended to provide that there is no requirement of reversal of input tax credit for exempted supply of **Duty Credit Scrips** by the exporters.
11. UPI & IMPS to be provided as an additional mode for payment of Goods and Services Tax to taxpayers under Rule 87(3) of CGST Rules.
12. In respect of refunds pertaining to supplies to SEZ Developer/Unit, an Explanation to be inserted in sub-rule (1) of rule 89 of CGST Rules to clarify that “specified officer” under the said sub-rule shall mean the “specified officer” or “authorized officer”, as defined under SEZ Rules, 2006.
13. **Amendment in CGST Rules to provide for refund of unutilized Input Tax Credit on account of**

Export of Electricity. This would facilitate the exporters of electricity in claiming refund of utilized ITC on zero rated supplies.

14. Supplies from Duty Free Shops (DFS) at international terminal to outgoing international passengers to be treated as exports by DFS and consequential refund benefit to be available to them on such supplies. Rule 95A of the CGST Rules, Circular No. 106/25/2019-GST dated 29.06.2019 and related notifications to be rescinded accordingly.

B. Measures for streamlining compliances in GST

1. Provision for automatic revocation of suspension of registration in cases where suspension of registration was done by the system under Rule 21A(2A) of CGST Rules, for non-compliance in terms of clause (b) or clause (c) of sub-section (2) of section 29[*continuous non-filing of specified number of returns*], once all the pending returns are filed on the portal by the taxpayer. (*Amendment in rule 21A*)
2. Proposal for comprehensive changes in **FORM GSTR-3B** to be placed in public domain for seeking inputs/suggestions of the stakeholders.
3. **Time period from 01.03.2020 to 28.02.2022 to be excluded** from calculation of the limitation period for filing refund claim by an applicant under section 54 and 55 of CGST Act, as well as for **issuance of demand/ order (by proper officer) in respect of erroneous refunds** under section 73 of CGST Act. Further, limitation under section 73 for FY 2017-18 for issuance of order in respect of other demands linked with due date of annual return, **to be extended till 30th September, 2023.**

C. The Council has decided to constitute a Group of Ministers to address various concerns raised by the States in relation to constitution of GST Appellate Tribunal and make recommendations for appropriate amendments in CGST Act.

D. The GST Council approved ad-hoc apportionment of IGST to the extent of Rs. 27,000 crores and release of 50% of this amount, i.e. Rs. 13,500 crore to the States.

E. The GoM on IT Reforms, inter alia, recommended that the GSTN should put in place the AI/ML based mechanism to verify the antecedents of the registration applicants and an improved risk-based monitoring of their behavior post registration so that non-compliant tax payers could be identified in their infancy and appropriate action be taken so as to minimize risk to exchequer.

Note: The recommendations of the GST Council have been presented in this release containing major item of decisions in simple language for information of all stakeholders. The same would be given effect through relevant Circulars/ Notifications/ Law amendments which alone shall have the force of law.

RM/MV/KMN

(Release ID: 1838020)