

LAW & POLICY UPDATE

TAXATION



An analysis of 47th GST Council Meeting held on June 28-29, 2022

Chandigarh | June 28-29, 2022

On June 29, 2022, through a press release, the Union Finance Minister Mrs Nirmala Sitharaman informed the outcome of the two-day meeting (held on June 28 and 29, 2022) of the 47th Goods and Services Tax (GST) Council convened in Chandigarh. The GST Council has proposed an array of significant reforms and improvements in relation to GST rates on supply of goods and services, as well as GST law and procedure. The recommendations pertaining to GST rate changes shall be made effective from July 18, 2022, while those pertaining to GST law and procedure, shall be implemented from January 01, 2023.

The GST Council has decided to further deliberate on fixing the GST rate on casinos, horse racing and online gaming, which shall be taken up in the 48th GST Council meeting, expected to be held in Madurai, Tamil Nadu during the first week of August 2022.

Key recommendations

- **GST rate changes on goods and services**
 - **Rate rationalization to remove inverted duty structure**
 - GST rates on several items, including those related to kitchenware, stationary, tetra packs, LED lamps, lights and fixtures, is recommended to be increased from 12% to 18%
 - GST rate for solar water heaters & systems, few types of leathers, etc. is recommended to be increased to 12%
 - GST rate for cut and polished diamonds is recommended to be increased from 0.25% to 1.5%
 - GST rate for transport of goods and passengers by ropeways is recommended to be decreased from 18% to 5% (with Input Tax Credit of services)
 - Renting of truck/goods carriage (where cost of fuel is included) is recommended to be decreased from 18% to 12%
 - GST rate for job work in relation to manufacture of leather goods and footwear is recommended to be increased to 12%
 - **Withdrawal of exemptions**
 - GST shall be levied on agricultural items like packaged cereals, wheat, maize, rice, which are unbranded but sold in a labelled package
 - GST shall be levied on pre-packaged and pre-labelled retail pack in terms of Legal Metrology Act, 2009, including pre-packed, pre-labelled curd, lassi and buttermilk
 - GST up to 18% is recommended to be levied on cheques, maps and hydrographic or similar charts of all kinds, including atlases, wall maps, topographical plans and globes, printed
 - **Rationalization of exemptions**
 - Hotel accommodation priced up to INR 1000 per day is recommended to be taxed at 12%

Our viewpoint

These recommendations, once implemented, will aid the country's economic growth and development. Additionally, the recommendation to waive the requirement of mandatory registration for sellers using e-commerce platforms, comes as a major relief for small-scale businesses, especially those in rural and semi-rural parts of India. Further, the decision of the GST Council to reduce the GST rate on ropeways and renting of goods carriage immensely benefits the transport sector in smaller cities and towns. However, on the flipside, there are negative aspect as well in terms of imposition of 5% GST of Non-ICU hospital room rents (per day) as well as pre-packaged and pre-labelled goods, which are consumed by millions of people in our country on a daily basis.

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- Room rent (excluding ICU) exceeding INR 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
- **Concessional GST**
 - Electric vehicles, whether or not fitted with a battery pack, are eligible for the concessional GST rate of 5%
- **GST law and procedure**
 - The requirement of mandatory registration under Section 24(ix) of CGST Act, 2017 for person supplying goods through ECOs is recommended to be waived, subject to certain conditions
 - The formula prescribed under Rule 89 (5) of CGST Rules, 2017 for calculation of refund of unutilized Input Tax Credit (ITC) is recommended to be amended
 - The waiver of late fee under Section 47 of the CGST Act, 2017 for delay in filing FORM GSTR-4 for Financial Year 2021-22, is proposed to be extended by approximately four more weeks i.e., till July 28, 2022
 - The due date of filing FORM GST CMP-08 for the 1st quarter of Financial Year 2022-2023 is recommended to be extended from July 18, 2022 to July 31, 2022
 - The time period from March 01, 2020 to February 28, 2022 is proposed to be excluded from calculation of the limitation period for filing refund claim under Section 54 and 55 of the CGST Act
 - It is suggested that proposals for comprehensive changes in FORM GSTR-3B be placed in the public domain for seeking inputs and suggestions of the stakeholders
 - The GST Council has decided to constitute a Group of Ministers to address the concerns raised by the States relating to the constitution of the CGST Act, 2017
 - The GST Council recommended granting exemption to the taxpayers having Annual Aggregate Turnover of up to INR 2 crore from filing annual return in FORM G
 - The GST Council has proposed that an amendment be made in the CGST Rules to provide for refund of unutilized ITC on account of export of electricity, to facilitate the exporters of electricity in claiming refund of utilized ITC on zero rated supplies

