

GST Council reduces the tax rates of various goods, mainly goods taxed at 28% and relaxes the compliance due dates

November 12, 2017

In brief

In its 23rd meeting, the GST Council significantly reduced the applicable tax rates on various goods. The Council also made amendments in the composition scheme, taxation of restaurants and relaxed the compliance requirements for taxpayers. The Council has also recommended issuance of certain clarifications to address the grievance of trade on issues relating to GST rates and taxability of certain goods/ services.

In detail

The proposed changes are detailed below¹:

GST rates for goods:

Reduction in rates of tax:

- Out of around 228 goods, only 50 goods are retained in the 28% category. Illustrative list of goods on which the tax rates are reduced are as under:

Reduction in rate from 28% to 18%

- Wire, cables, switches, fuses, relays etc.
- Furniture, mattress, etc.
- Suitcase, Brief cases, vanity cases etc.
- Detergents, washing and cleaning preparations

- Personal care products, e.g. liquid or cream for washing the skin, shaving preparations, perfumes, make-up preparations etc.

- Sanitary ware, slabs of marble and granite and tiles of marble and granite, ceramic tiles, ceramic flooring blocks

- Chocolates, chewing gum/bubble gum, waffles and wafers coated with chocolate, cocoa butter, fat, oil powder

- Goggles, binoculars, telescopes

- Multi-functional printers/ cartridges, office or desk equipments

- Fork lifts, bull dozers, excavators, loaders, road rollers, earth moving and levelling machinery
- All musical instruments and their parts

Reduction in rate from 28% to 12%

- Wet grinders consisting of stone as grinder
- Tanks and other armoured fighting vehicles

Reduction in rate from 28%/ 18% to 5%

- Aircraft engines
- Aircraft tyres and seats

Reduction in rate from 18% to 12%

- Condensed milk, refined sugar, pasta

¹ This alert has been prepared on the basis of press releases issued by the Government and announcements

made in the press conference by the Finance Minister. The formal notifications operationalising these

decisions are expected to be issued by 14/ 15 November, 2017.

- Medicinal grade oxygen
- Parts of specified agricultural, horticultural, forestry, harvesting or threshing machinery
- Spectacles frame
- Furniture wholly made of bamboo or cane

Reduction in rate from 18% to 5%

- Puffed rice chikki, peanut chikki, sesame chikki
- Fly ash, fly ash aggregate with 90% or more fly ash content
- Sulphur recovered in refining of crude

Reduction in rate from 12% to 5%

- Dessicated coconut
- Idli, dosa batter
- Fly ash brick

Exemption granted on goods, earlier taxed at 5%

- Fish frozen or dried (not put up in unit container bearing a brand name)
- Khandsari sugar

Exemptions granted from IGST/ GST in certain cases

- IGST on import of life saving medicines supplied free of cost by overseas supplier to patients exempted, subject to fulfilment of applicable conditions.
- IGST on import of goods (other than motor vehicles) under a lease agreement exempted if IGST is paid on the lease amount.
- GST exempted on specified goods such as scientific or technical instruments, software, prototype supplied to public funded research

institution or a university or IISc, or IITs or NIT.

Changes for harmonisation or clarifications

- Inter-State movement of goods like rigs, tools, spares and goods on wheel like cranes, not being in the course of furtherance of supply of such goods, not to constitute a supply.
- Service providers exporting services to Nepal and Bhutan (treated as exempt) allowed to claim input tax credit (ITC).
- Irrespective of permanent transfer of intellectual property is supply of goods or services,
 - Permanent transfer of intellectual property other than information technology software to attract GST @ 12%.
 - Permanent transfer of intellectual property in relation to information technology software to attract GST @ 18%.
- GST on supply of raw cotton by agriculturist to be payable by recipient under reverse charge.
- GST rate of 5% on e-waste will apply only on e-waste discarded as waste by consumer or bulk consumer.
- Credit of GST paid on aircraft engines, parts and accessories will be available for discharging GST liability on inter-State supply of such aircraft engines, parts and accessories by way of inter-State stock transfers between distinct persons as per section 25 of the GST Act.
- Processed products such as tea, processed coffee beans/ powder, pulses, jiggery etc. not

to qualify as agricultural produce.

Changes in taxation of restaurants

- All stand-alone restaurants (whether air-conditioned or not) to attract GST @ 5%, without any ITC. Food parcels or takeaways will also attract 5% GST without ITC.
- Restaurants in hotel premises having room tariff of less than INR 7,500/- per unit per day also to attract GST @ 5% without ITC. In case, the room tariff for even one room is INR 7,500/- per unit per day or above, the restaurants in such hotel premises to attract GST @ 18% with full ITC.
- Outdoor catering to continue to remain @ 18% with full ITC.

Changes in the composition scheme:

- The tax rate under composition scheme for manufacturers as well as traders made uniform @ 1% of the turnover. For traders, the tax would be payable only on the value of taxable supplies.
- The GST Act would be amended to
 - Allow persons opting for composition scheme to provide services up to INR 0.5 million per annum. The Government may exempt such services.
 - Increase the turnover ceiling for composition dealers, which can be notified by the Government, to INR 20 million. After the change in the law, the upper ceiling for opting for composition to be increased to INR 15 million.

Relaxation in compliance requirements:

- Monthly Summary return in Form GSTR 3B extended till March, 2018 for all taxpayers.
- Due dates for submission of Form GSTR 1 (Return of outward supplies) revised as under:
 - Taxpayers with annual aggregate turnover of upto INR 15 million to submit Form GSTR 1 on quarterly basis as per due dates below:

Period	Extended due dates
July – September, 2017	31 December, 2017
October – December, 2017	15 February, 2018
January – March, 2018	30 April, 2018

- Taxpayers with annual aggregate turnover above INR 15 million to submit Form GSTR 1 on monthly basis as per due dates below:

Period	Extended due dates
July – October, 2017	31 December, 2017
November, 2017	10 January, 2018
December, 2017	10 February, 2018
January – March, 2018	10 March, 2018
February, 2018	10 April, 2018
March, 2018	10 May, 2018

- The due dates for filing Form GSTR 2 (Return of inward supplies) and GSTR 3

(Consolidated monthly return) for the months of July, 2017 to March, 2018 would be separately worked out.

- Late submission fees for delayed submission of Form GSTR 3B was waived for the period of July to September, 2017 and any late fee paid will be re-credited to the electronic cash ledger of the taxpayers.
- The late submission fee for the periods of October, 2017 reduced from INR 200 per day to INR 20 per day for NIL returns.
- Service providers having annual aggregate turnover below INR 2 million (INR 1 million in special category States except Jammu & Kashmir) exempted from obtaining registration, even if they are providing services through an e-commerce platform.

- Extension of other due dates:

Return	Period	Original due date (prior to granting any extension)	Extended due dates
GST ITC – 04	July-September, 2017	25 October, 2017	31 December, 2017
GSTR 4	July-September, 2017	18 October, 2017	24 December, 2017
GSTR 5	July, 2017	20 August, 2017 (or 7 days from last day of the registration, whichever is earlier)	11 December, 2017
GSTR 5A	July, 2017	20 August, 2017	15 December, 2017
GSTR 6	July, 2017	13 August, 2017	31 December, 2017
Tran 1 (Original as well as revised)		30 September, 2017	31 December, 2017

- For the above returns, the due dates for the subsequent periods would declared later on.

Other amendments:

- A facility of manual filing of application for advance ruling is being introduced for the time being.
- To lessen the compliance

burden on Foreign Diplomatic Missions/ UN organisations, a centralised UIN will be issued to every Foreign Diplomatic Missions/ UN Organisation by the Central Government and all compliance for such agencies will be done by the

Central Government in coordination with the Ministry of Finance.

All the above changes would be effective from 15 November, 2017.

PwC Comments

- The reduction in rate of various goods largely from 28% to 18% and also in other slabs is a step in the right direction and is indicative of a policy shift from principle of 'equivalence' to what is right for GST structure and consumers. This should result in significant benefits to the consumers by way of reduced prices.
- The changes in tax structure for restaurants based on the Governments' belief that the industry has not passed on the GST benefit to the customers clearly indicates that the Government is concerned about price increase and is closely watching the price movements for various goods and services. The Government is likely to take action, where the benefits gained by the businesses are not passed on to the consumers, whether by such policy measures or by invoking the anti-profiteering provisions. The industry need to assess/re-assess the impact of the changes in the tax rates and the additional credit benefits on the price of the goods/ services and pass on the same to consumers.
- The time lines for undertaking the compliances have also been significantly relaxed by extending the period for

submission of summary return till March 2018 and the due dates for other returns has also been extended. This is a great relief for taxpayers who have been struggling to meet the compliance requirements. Where taxpayers have made errors in filing Form 3B, the Government had clarified that the errors could be corrected while filing the regular GSTR Forms 1, 2 and 3. Since these Forms have been dispensed for now, a new process to rectify such errors in Form 3B needs to be prescribed.

- While the requirement to file the inward supply returns and the resultant credit matching in the GSTN system has been deferred for now, the payment of tax by supplier as a mandatory condition for taking credit remains in the law. It seems that invoice matching will continue which is necessary to preserve the basic GST design and would help in reducing tax leakage. This will necessitate companies to have proper systems and documentation to substantiate the receipt of goods/ services and the payment of taxes by the supplier. The revenue authorities are also likely to scrutinise this aspect more closely, considering the past experience.
- It is quite encouraging that the

Government is open to listen to the Industry concerns and take corrective measures quickly. The Government should also come out with clarifications on key issues where there is lack of clarity in the GST legislation.

Acceptance of manual filing of applications before the Advance Ruling authority is welcome and the authority should start functioning soon at the various States to address taxpayers' questions.

- The focus will now shift to the legislative changes, for which an advisory committee has been set up recently by the Government to recommend the changes required in GST laws by the end of this month. It is also time now to start the debate on structural changes like inclusion of real estate and petroleum products under GST as the real benefit of GST would only be realised if these sectors are included in ambit of GST. The Government should also focus to simplify the tax structure by reducing the rate slabs to three from present five rate slabs over next couple of years.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

Our Offices

Ahmedabad

1701, 17th Floor, Shapath V,
Opp. Karnavati Club,
S G Highway,
Ahmedabad – 380051
Gujarat
+91-79 3091 7000

Hyderabad

Plot no. 77/A, 8-2-624/A/1, 4th
Floor, Road No. 10, Banjara Hills,
Hyderabad – 500034
Telangana
+91-40 44246000

Gurgaon

Building No. 10, Tower - C
17th & 18th Floor,
DLF Cyber City,
Gurgaon – 122002
Haryana
+91-124 330 6000

Bengaluru

6th Floor
Millenia Tower 'D'
1 & 2, Murphy Road, Ulsoor,
Bengaluru – 560 008
Karnataka
+91-80 4079 7000

Kolkata

56 & 57, Block DN.
Ground Floor, A- Wing
Sector - V, Salt Lake
Kolkata – 700 091
West Bengal
+91-033 2357 9101/
4400 1111

Pune

7th Floor, Tower A - Wing 1,
Business Bay, Airport Road,
Yerwada, Pune – 411 006
Maharashtra
+91-20 4100 4444

Chennai

8th Floor
Prestige Palladium Bayan
129-140 Greams Road
Chennai – 600 006
Tamil Nadu
+91 44 4228 5000

Mumbai

PwC House
Plot No. 18A,
Guru Nanak Road (Station Road),
Bandra (West), Mumbai – 400 050
Maharashtra
+91-22 6689 1000

For more information

Contact us at
pwctr.knowledgemanagement@in.pwc.com

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

In India, PwC has offices in these cities: Ahmedabad, Bengaluru, Chennai, Delhi NCR (Gurgaon), Hyderabad, Kolkata, Mumbai and Pune. For more information about PwC India's service offerings, visit www.pwc.com/in

PwC refers to the PwC International network and/or one or more of its

For private circulation only

member firms, each of which is a separate, independent and distinct legal entity. Please see www.pwc.com/structure for further details.

©2017 PwC. All rights reserved

Follow us on:



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwCPL, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. Without prior permission of PwCPL, this publication may not be quoted in whole or in part or otherwise referred to in any documents.

© 2017 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.