

## ESSENTIAL UPDATES ON INDIA GST

The 14<sup>th</sup> GST Council which was set up to finalise the rules and guidelines of GST enrollment on May 18 &19, 2017 has set the ball rolling for the GST rollout targeted for July 1, 2017 with the finalization of GST rate schedule for goods [around 1200 products] and services.

Apart from the rates, the Classification Scheme for Services under GST based on Service codes has been prescribed along with the list of services on which GST would be paid under reverse charge. The list covers 18 services which are broadly grandfathered from the existing list with 100% liability to be discharged by the recipient.

### **I. Rate schedule of goods**

- The goods have been classified under the five-rate slab which was earlier agreed by the GST council. Majority of the products have been classified under the 18% rate and the broad structure appears as under:

GST rate	Goods (illustrative list)	Proportion of goods under respective slab
Nil	Fresh meat, eggs, milk, natural honey, fresh fruits and vegetables, flour, bread, salt, stamps, judicial papers, printed books, newspapers, bangles, handloom etc.	7%
5%	Fish fillet, cream, skimmed milk powder, branded paneer, frozen vegetables, sugar, coffee, tea, spices, pizza bread, kerosene, coal, medicines, stent, lifeboats etc.	14%
12%	Frozen meat products, butter, cheese, ghee, dry fruits in packaged form, fruit juices, namkeens, ayurvedic medicines, tooth powder, agarbatti, colouring books, picture books, umbrella, sewing machine, tractor, bicycle and cellphones.	17%
18%	Hair oil, toothpaste, soap, pasta, cornflakes, pastries and cakes, preserved vegetables, jams, sauces, soups, ice cream, instant food mixes, mineral water, tissues, envelopes, note books, steel products, printed circuits, camera, speakers, monitors etc.	43%
28%	Pan masala, aerated water, chewing gum, molasses, chocolate not containing cocoa, paint, deodorants, shaving products, hair shampoo, dye, sunscreen, wallpaper, ceramic tiles, water heater, dishwasher, weighing machine, washing machine, ATM machines, vending machines, vacuum cleaner, automobiles, motorcycles, aircraft for personal use and yachts.	19%

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GST rates for the remaining category of goods such as jewellery and precious metals etc. are expected to be discussed on June 3, 2017.

*Note: 81% of the goods will be liable to GST at a rate of 18% or lower.*

## Key highlights

- **Food products**
  - Items of daily consumption such as milk, fruits and vegetables, jaggery, food grains and cereals have been exempted from tax while others such as sugar, tea, coffee, edible oil, sweets and newsprint have been placed in the lowest slab of 5%.
- **FMCG sector**
  - FMCG products such as hair oil, toothpaste and soap would be taxed at 18% as compared to existing tax rate of approximately 28%.
- **Pharmaceutical products**
  - Lifesaving drugs/medicine would be taxed at 5% under GST as compared to the existing rate of approximately 10%.
- **Automobile sector**
  - A uniform GST rate of 28% on motor vehicles (except refrigerated motor vehicles) and its parts.
  - Further, GST compensation cess of 1%, 3% and 15% on small petrol cars, small diesel cars and other motor vehicles respectively has been finalized (refer section III for details).
  - All types motorcycles to attract 28% [compensation cess of 3% to apply on motorcycle above 350cc]
- **Other**
  - Coal, the key raw material for power produced, has been placed under the 5% slab.
  - Capital goods and industrial intermediate items will be under the 18% slab.
  - Electronic appliances such as air conditioner, refrigerator etc. are categorized to be tax at 28%

## II. GST rates on services

The GST Council in its meeting in Srinagar on 19 May 2017 has considered and finalised GST rates to be applicable for different types of services. Outlined below are the GST rates of key services:

**Major services other than those covered under reverse charge**

<b>Sr. no.</b>	<b>Particulars</b>	<b>Effective rate of tax as per the current legislation</b>	<b>Effective rate of tax under GST</b>	<b>Availability of ITC* under the GST regime</b>
1	Renting of immovable property	15%	18%	Available
2	Telecommunication	15%	18%	Available
3	Supply of food/drinks in outdoor catering	15%	18%	Available
4	Transfer of the rights to use goods	15%	GST rate and cess as applicable to similar goods	Available
5	Composite supply of works contract (immovable property)	6%/10.5%	18%	Available (credit restricted if not used for further supply of works contract services)
6	Selling of space for advertisement in print media	Currently under negative list	5%	Available
7	Construction of a complex, building, civil structure or a part thereof, intended for sale to a buyer, wholly or partly. (The value of land is included in the amount charged from the service recipient)	6%	12%	Available

\*Input Tax Credit

**Major services covered under reverse charge**

<b>Sr. no.</b>	<b>Particulars</b>	<b>Effective rate of tax as per the current legislation</b>	<b>Effective rate of tax under GST</b>	<b>Availability of ITC under the GST regime</b>
1	Rent-a-cab services provided by an electronic commerce operator. (If the fuel cost is borne by the service	7.5%/6%	5% (GST to be discharged by the electronic	Not available

	recipient, then 18% GST will apply)		commerce operator)	
2	Rent-a-cab services provided by a person other than electronic commerce operator	7.5%/6%	Not covered under RCM <sup>#</sup> under GST	Not available
3	Manpower recruitment services	15%	18% (not covered under RCM under GST)	Available
4	Works contract services	6%/10.5%	18% (not covered under RCM under GST)	Available (credit restricted if not used for further supply of works contract services)
5	Transfer or permitting the use or enjoyment of a copyright relating to original literary, dramatic, musical or artistic work.	Not under RCM currently	12%	Available
6	Goods transport agency	4.5%	5%	Not available
7	Legal consultancy services	15%	18%	Available
8	Sponsorship services	15%	18%	Available
9	Director sitting fees	15%	18%	Available
10	Import of services	15%	18%	Available
11	Ocean freight	4.5%	5%	ITC of only input services available

<sup>#</sup>Reverse charge mechanism

It may be noted that (Central Board of Excise and Customs) CBEC while publicising the above has clarified that the information will be uploaded immediately after the GST Council's decision and it will be subject to further vetting during which the list may undergo some changes.

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