



TAXQUEST

55TH GST COUNCIL MEETING UPDATE



The GST Council in its 55th meeting discussed several pivotal issues, offering crucial clarifications and recommending legislative changes aimed at facilitating trade and enhancing compliance. Below is an overview of the key recommendations:

Recommendations on change of tax rates

Supply	Existing Rate	Proposed Rate
Sale of old and used vehicles including EVs (other than those falling under the 18% rate)	12%	18%
Fortified Rice Kernel (FRK) under HSN 1904	18%	5%
Compensation Cess on supply to merchant exporters	As applicable on the commodity	0.1%
Import of all equipment and consumable samples by Inspection Team of the International Atomic Energy Agency (IAEA)	As applicable on the commodity	Exempt
Contributions made by general insurance companies to the Motor Vehicle Accident Fund for providing compensation/cashless treatment to victims of road accidents, including hit-and-run cases	18%	Exempt

Clarification on tax rates

- Autoclaved Aerated Concrete ('ACC') blocks containing more than 50% fly ash content to be classified under Heading 6815 and subject to 12% GST.
- Popcorn: 5% GST if unpackaged, 12% if pre-packaged and labelled, and 18% for caramel popcorn.
- Services provided by RBI-regulated payment aggregators eligible for exemption except payment gateways (PG) or other fintech services that do not facilitate the settlement of funds

Other Recommendations

- An amendment has been proposed to Section 17(5)(d) of the Central Goods and Services Tax Act, 2017 (CGST Act), substituting the term “plant or machinery” with “plant and machinery,” effective retroactively from July 1, 2017. This amendment addresses the interpretational discrepancies highlighted by the Supreme Court’s ruling in Safari Retreats, which discussed the distinction between “plant and machinery” in Section 17(5)(c) and “plant or machinery” in Section 17(5)(d).
- **Accommodation and Restaurant Services**
 - The concept of "declared tariff" has been eliminated for GST rate determination. GST rates are now directly linked to the actual value of accommodation: 18% (with Input Tax Credit) for units charging above ₹7,500 per day, and 5% (without Input Tax Credit) for units charging up to ₹7,500 per day.
- **Vouchers and GST Applicability**
 - The distribution of vouchers (on a principal-to-principal basis) is not classified as a taxable supply; therefore, GST does not apply.
 - Any commission or fees charged by an agent for voucher distribution on a principal-to-agent basis are taxable.
 - Breakage income from unredeemed vouchers is also exempt from GST.
- GST will not apply to penalty fees imposed by banks and non-banking financial companies (NBFCs) for non-compliance with loan agreements.
- E-commerce operators are exempt from reversing Input Tax Credit (ITC) under Sections 17(1) and 17(2) for supplies where they are required to pay tax on a reverse charge basis under Section 9(5) of the CGST Act.
- For goods delivered at the supplier's premises, the recipient will be deemed to have "received" the goods under Section 16(2)(b) of the CGST Act, provided that ownership transfers to the recipient at the supplier's location.
- Suppliers of online services, such as Online Information Database Access and Retrieval (OIDAR) or online gaming, catering to unregistered recipients, must include the recipient's state on tax invoices. This state will be regarded as the "address on record" to ascertain the place of supply.
- A new provision under Entry 8 of Schedule III of the CGST Act will classify the supply of goods stored in Special Economic Zones (SEZs) or Free Trade and Warehousing Zones (FTWZs) prior to export or clearance to the Domestic Tariff Area as "neither a supply of goods nor services." This amendment is retroactively effective from July 1, 2017.
- Sponsorship services provided by corporate entities will now fall under the Forward Charge Mechanism for GST.
- Composition taxpayers will no longer be liable to pay GST under reverse charge for the rental of immovable properties (excluding residential dwellings) from unregistered persons.

Trade Facilitation Measures

- **Appeals Pre-Deposit:** Reduction of pre-deposit for appeals in cases related to penalty on detention of goods before the Appellate Authority from 25% to 10%. Introduction of 10% pre-deposit for appeals to the Appellate Tribunal in such matters.
- **Return Filing & ITC Adjustments:** Providing legislative backing to Invoice Management System
- Include intra- and inter-state reverse charge transactions in the ISD mechanism from April 1, 2025.
- Introduction of Rule 16A for temporary IDs for unregistered taxpayers making tax payments.
- Waiver of excess late fees for Form GSTR-9C for FY 2017-18 to 2022-23 if filed by March 31, 2025.
- Introduction of Section 148A to enable Unique Identification Marks for traceability of evasion-prone commodities.