



# **KEY GST UPDATES FROM 53<sup>rd</sup> GST COUNCIL MEETING HELD ON 22 JUNE 2024**

## A. CHANGES IN GST RATES OF GOODS

1. 5% IGST on Aircraft Parts: A uniform 5% IGST rate will apply to imports of parts, components, testing equipment, tools, and tool-kits for aircrafts to support MRO activities, subject to specified conditions.
2. 12% GST on Milk Cans and Paper Products:
  - All milk cans (steel, iron, aluminum) will attract 12% GST.
  - GST on cartons, boxes, and cases of both corrugated and non-corrugated paper or paper- board will be reduced from 18% to 12%.
3. 12% GST on Solar Cookers: All solar cookers, whether single or dual energy source, will attract 12% GST.
4. 12% GST on Poultry Keeping Machinery Parts: The entry covering Poultry keeping Machinery will be amended to include “parts of Poultry keeping Machinery” and regularize past practices due to genuine interpretational issues.
5. 12% GST on Sprinklers: All types of sprinklers, including fire water sprinklers, will attract 12% GST, and past practices will be regularized due to interpretational issues.
6. IGST Exemption for Defence Imports: The IGST exemption on imports of specified items for defence forces is extended for five years until June 30, 2029.
7. IGST Exemption for RAMA Programme: The IGST exemption on imports of research equipment and buoys under the RAMA programme will continue, subject to specified conditions.
8. Compensation Cess Exemption for SEZ Imports: Compensation Cess on imports by SEZ units/developers for authorized operations is exempt from July 1, 2017.

## II. RECOMMENDATIONS RELATING TO GST RATES ON SERVICES

### GST Exemption for Indian Railways Services:

- Exempt services such as platform tickets, retiring rooms, cloak room services, and battery-operated car services.
- Intra-Railway transactions exempted.

- Past issues regularized from October 20, 2023, to the exemption notification date.

#### GST Exemption for SPVs:

- Exempt services provided by SPVs to Indian Railways, including infrastructure use and maintenance.
- Past issues regularized from July 1, 2017, to the exemption notification date.

#### Accommodation Services Exemption:

- Exempt accommodation services up to Rs. 20,000 per month per person for stays of at least 90 days.
- Extend benefits to past cases.

#### B. MEASURES FOR FACILITATION OF TRADE:

##### Conditional Waiver of Interest or Penalty:

- Section 128A will be inserted in the CGST Act to waive interest and penalties for demands under Section 73 for FY 2017-18 to FY 2019-20 if the full tax is paid by March 31, 2025. Erroneous refunds are not covered.

##### Monetary Limits for Government Appeals:

- Limits for filing appeals to reduce litigation:
  - GSTAT: Rs. 20 lakhs
  - High Court: Rs. 1 crore
  - Supreme Court: Rs. 2 crores

##### Reduction of Pre-deposit for Appeals:

- Amend Sections 107 and 112 to reduce pre-deposit amounts:
  - Appeal to Appellate Authority: Max Rs. 20 crores CGST and SGST each.
  - Appeal to Appellate Tribunal: 10% of tax, max Rs. 20 crores CGST and SGST each.

#### GST on Extra Neutral Alcohol (ENA):

- Amend Section 9(1) to exclude ENA used for manufacturing alcoholic liquor for human consumption from GST.

#### Reduction in TCS Rate for ECOs:

- Reduce TCS rate for Electronic Commerce Operators from 1% to 0.5%.

#### Appeal Filing Period for Appellate Tribunal:

- Amend Section 112 to start the three-month appeal period from a date notified by the Government, providing more time for pending cases.

#### Relaxation in Section 16(4) of the CGST Act:

- Extend the time limit to avail input tax credit for FY 2017-18 to FY 2020-21 to November 30, 2021.
- Relax conditions for cases where returns were filed after revocation of cancellation.

#### Change in Due Date for GSTR-4:

- Extend the due date for composition taxpayers to file GSTR-4 from April 30 to June 30, effective FY 2024-25 onwards.

#### Amendment in Rule 88B:

- Do not include amounts in the Electronic Cash Ledger on the due date when calculating interest for delayed returns.

#### Insertion of Section 11A:

- Allow the government to regularize non-levy or short-levy of GST due to common trade practices.

#### Refund Mechanism for Additional IGST:

- Establish a mechanism for refund of additional IGST paid due to upward price revisions post-export.

Clarification on Valuation of Import of Services:

- Deem the value declared by the domestic entity for related foreign affiliate services as open market value.

Clarification on ITC for Optical Fiber Cable Network:

- Confirm ITC is available for ducts and manholes used in optical fiber cable networks.

Clarification on Custodial Services Place of Supply:

- Determine place of supply for custodial services by Indian banks to foreign portfolio investors under Section 13(2) of the IGST Act.

Clarification on Corporate Guarantee Valuation:

- Amend Rule 28(2) to clarify valuation rules for corporate guarantees between related parties.

Clarification on RCM Invoices:

- Clarify that the relevant financial year for RCM invoices is when the recipient issues the invoice.

Various Clarifications to Reduce Litigation:

- Address issues including ESOPs, life insurance premium, motor insurance claims, warranties, repair expenses by insurers, loans between related persons, annuity payments, spectrum allotment, goods supply to unregistered persons, post-sale discounts, and special procedures for specified commodities.

Amendment in Section 140(7):

- Provide transitional credit for pre-appointed date invoices received by Input Service Distributors.

#### Optional Facility via FORM GSTR-1A:

- Allow taxpayers to amend or add details in GSTR-1 before filing GSTR-3B.

#### Exemption from Annual Return Filing:

- Exempt taxpayers with annual turnover up to Rs. 2 crore from filing GSTR-9/9A for FY 2023-24.

#### Amendment in Section 122(1B):

- Clarify that penal provisions apply only to e-commerce operators required to collect tax under Section 52.

#### Amendment in Rule 142:

- Prescribe a mechanism for adjusting payments made via GST DRC-03 against pre-deposit amounts for appeals.

#### Other measures pertaining to Law and Procedures

##### 1. Biometric Aadhaar Authentication:

- Roll out biometric-based Aadhaar authentication for GST registration on a pan-India basis to combat fraudulent ITC claims.

##### 2. Amendments in Demand Notice Timelines:

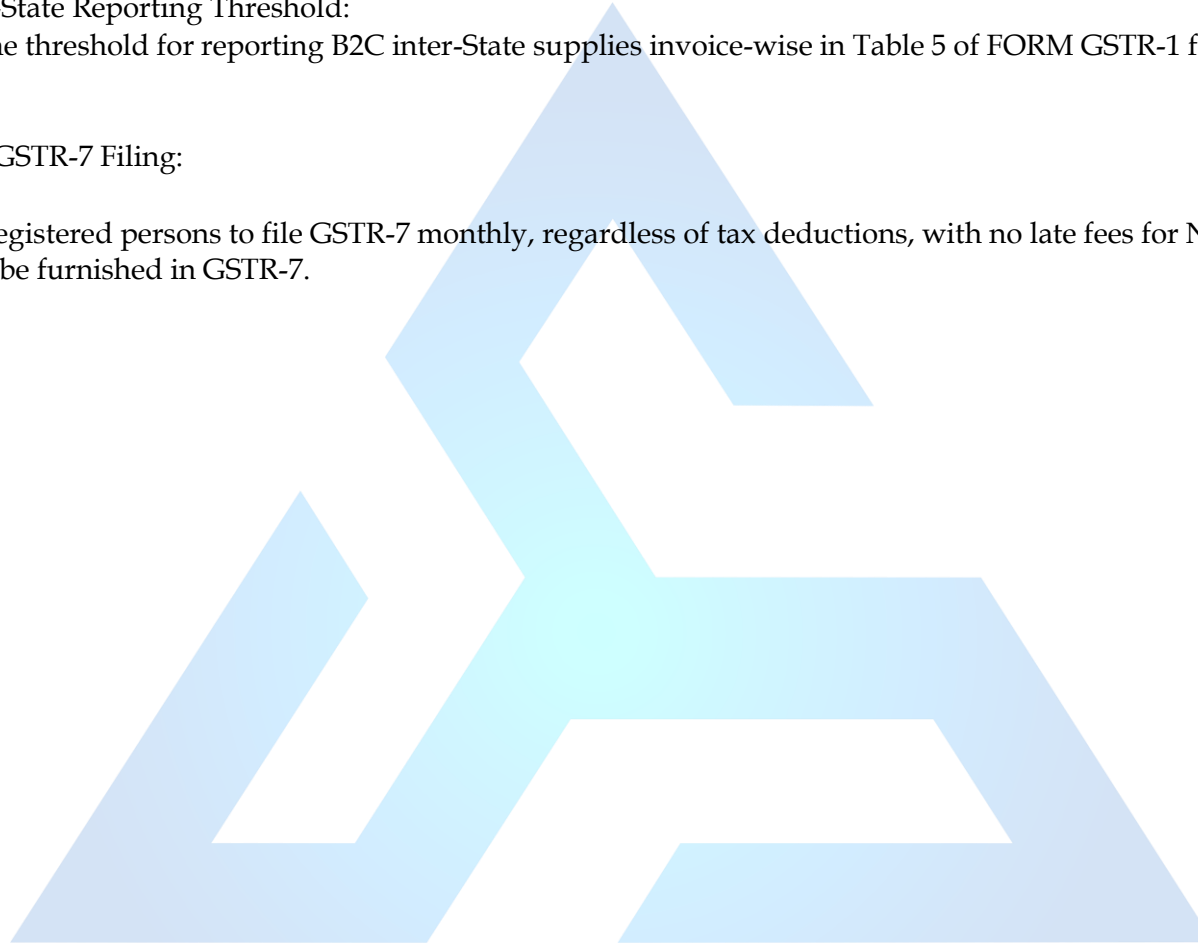
- Amend Sections 73 and 74 and insert Section 74A to establish a common timeline for issuing demand notices and orders, whether involving fraud or not, for FY 2024-25 onwards. Increase the penalty payment period from 30 to 60 days.

##### 3. Sunset Clause for Anti-Profitteering:

- Amend Sections 171 and 109 to provide a sunset clause for anti-profitteering provisions and handle cases by the Principal bench of GST Appellate Tribunal. No new anti-profitteering applications after April 1, 2025.

##### 4. Restrictions on IGST Refund for Export Duty Goods:

- Amend Sections 16 of the IGST Act and 54 of the CGST Act to restrict refunds for goods subject to export duty, even if supplied to SEZ developers or units.
5. Lower B2C Inter-State Reporting Threshold:
- Reduce the threshold for reporting B2C inter-State supplies invoice-wise in Table 5 of FORM GSTR-1 from Rs 2.5 lakh to Rs 1 lakh.
  - Monthly GSTR-7 Filing:
  - Require registered persons to file GSTR-7 monthly, regardless of tax deductions, with no late fees for Nil returns. Invoice-wise details to be furnished in GSTR-7.



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