

Decisions relating to Services in the 25th meeting of GST Council held at New Delhi on 18.01.2018

The following decisions relating to exemptions / changes in GST rates / ITC eligibility criteria, rationalization of rates / exemptions and clarification on levy of GST on services were taken by the Council in the meeting held at New Delhi on 18.01.2018. The information is being uploaded immediately after the GST Council's decision and it will be subject to further vetting during which the list may undergo some changes. The decisions of the GST Council are being communicated for general information and will be given effect to through Gazette notifications / circulars which shall have force of law.

(A) Exemptions / Changes in GST Rates / ITC Eligibility Criteria

- (1) To extend GST exemption on Viability Gap Funding (VGF) for a period of 3 years from the date of commencement of RCS airport from the present period of one year.
- (2) To exempt supply of services by way of providing information under RTI Act, 2005 from GST.
- (3) To exempt legal services provided to Government, Local Authority, Governmental Authority and Government Entity.
- (4) To reduce GST rate on construction of metro and monorail projects (construction, erection, commissioning or installation of original works) from 18% to 12%.
- (5) To levy GST on the small housekeeping service providers, notified under section 9 (5) of GST Act, who provide housekeeping service through ECO, @ 5% without ITC.
- (6) To reduce GST rate on tailoring service from 18% to 5%.
- (7) To reduce GST rate on services by way of admission to theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet, from 28% to 18%.
- (8) To grant following exemptions:
 - (i) To exempt service by way of transportation of goods from India to a place outside India by air;
 - (ii) To exempt service by way of transportation of goods from India to a place outside India by sea and provide that value of such service may be excluded from the value of exempted services for the purpose of reversal of ITC.The above exemptions may be granted with a sunset clause upto 30th September, 2018.
- (9) To exempt services provided by the Naval Insurance Group Fund by way of Life Insurance to personnel of Coast Guard under the Group Insurance Scheme of the Central Government retrospectively w.e.f. 1.7.2017.
- (10) To exempt IGST payable under section 5(1) of the IGST Act, 2017 on supply of services covered by item 5(c) of Schedule II of the CGST Act, 2017 to the extent of aggregate of the duties and taxes leviable under section 3(7) of the Customs Tariff Act, 1975 read with sections 5 & 7 of IGST Act, 2017 on part of consideration declared under section 14(1) of the Customs Act, 1962 towards

royalty and license fee includible in transaction value as specified under Rule 10 (c) of the Customs Valuation (Determination of Value of Imported Goods) Rules, 2007.

- (11) To allow ITC of input services in the same line of business at the GST rate of 5% in case of tour operator service.
- (12) To reduce GST rate (from 18% to 12%) on the Works Contract Services (WCS) provided by sub-contractor to the main contractor providing WCS to Central Government, State Government, Union territory, a local authority, a Governmental Authority or a Government Entity, which attract GST of 12%. Likewise, WCS attracting 5% GST, their sub-contractor would also be liable @ 5%.
- (13) To enhance the exemption limit of Rs 5000/- per month per member to Rs 7500/- in respect of services provided by Resident Welfare Association (unincorporated or nonprofit entity) to its members against their individual contribution.
- (14) To reduce GST rate on transportation of petroleum crude and petroleum products (MS, HSD, ATF) from 18% to 5% without ITC and 12% with ITC.
- (15) To exempt dollar denominated services provided by financial intermediaries located in IFSC SEZ, which have been deemed to be outside India under the various regulations by RBI, IRDAI, SEBI or any financial regulatory authority, to a person outside India.
- (16) To exempt (a) services by government or local authority to governmental authority or government entity, by way of lease of land, and (b) supply of land or undivided share of land by way of lease or sub lease where such supply is a part of specified composite supply of construction of flats etc. and to carry out suitable amendment in the provision relating to valuation of construction service involving transfer of land or undivided share of land, so as to ensure that buyers pay the same effective rate of GST on property built on leasehold and freehold land.
- (17) To amend entry 3 of notification No. 12/2017-CT(R) so as to exempt pure services provided to Govt. entity.
- (18) To expand pure services exemption under S. No. 3 of 12/2017-C.T. (Rate) so as to include composite supply involving predominantly supply of services i.e. upto 25% of supply of goods.
- (19) To reduce job work services rate for manufacture of leather goods (Chapter 42) and footwear (Chapter 64) to 5%.
- (20) To exempt services relating to admission to, or conduct of examination provided to all educational institutions, as defined in the notification. To exempt services by educational institution by way of conduct of entrance examination against consideration in the form of entrance fee.
- (21) To enhance the limit to Rs 2 lakh against Sl. No. 36 of exemption notification No. 12/2017-C.T. (Rate) which exempts services of life insurance business provided under life micro insurance product approved by IRDAI upto maximum

amount of cover of Rs. 50,000.

- (22) To exempt reinsurance services in respect of insurance schemes exempted under S.Nos. 35 and 36 of notification No. 12/2017-CT (Rate).
[It is expected that the premium amount charged from the government/insured in respect of future insurance services is reduced.]
- (23) To increase threshold limit for exemption under entry No. 80 of Notification No. 12/2017-C.T. (Rate) for all the theatrical performances like Music, Dance, Drama, Orchestra, Folk or Classical Arts and all other such activities in any Indian language in theatre GST from Rs.250 to 500 per person and to also extend the threshold exemption to services by way of admission to a planetarium.
- (24) To reduce GST on Common Effluent Treatment Plants services of treatment of effluents, from 18% to 12%.
- (25) To exempt services by way of fumigation in a warehouse of agricultural produce.
- (26) To reduce GST to 12% in respect of mining or exploration services of petroleum crude and natural gas and for drilling services in respect of the said goods.
- (27) To exempt subscription of online educational journals/periodicals by educational institutions who provide degree recognized by any law from GST.
- (28) To exempt the service provided by way of renting of transport vehicles provided to a person providing services of transportation of students, faculty and staff to an educational institution providing education upto higher secondary or equivalent.
- (29) To extend the concessional rate of GST on houses constructed/ acquired under the Credit Linked Subsidy Scheme for Economically Weaker Section (EWS) / Lower Income Group (LIG) / Middle Income Group-1 (MIG-1) / Middle Income Group-2 (MIG-2) under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana (Urban) and low-cost houses up to a carpet area of 60 square metres per house in a housing project which has been given infrastructure status, as proposed by Ministry of Housing & Urban Affairs, under the same concessional rate.
- (30) To tax time charter services at GST rate of 5%, that is at the same rate as applicable to voyage charter or bare boat charter, with the same conditions.
- (31) To levy concessional GST @12% on the services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of building used for providing (for instance, centralized cooking or distributing) mid-day meal scheme by an entity registered under section 12AA of IT Act.
- (32) To exempt services provided by and to Fédération Internationale de Football Association (FIFA) and its subsidiaries directly or indirectly related to any of the events under FIFA U-20 World Cup in case the said event is hosted by India.

- (33) To exempt government's share of profit petroleum from GST and to clarify that cost petroleum is not taxable *per se*.

(B) Rationalization of certain exemption entries

- (1) To provide in CGST rules that value of exempt supply under sub-section (2) of section 17, shall not include the value of deposits, loans or advances on which interest or discount is earned (This will not apply to a banking company and a financial institution including a non-banking financial company engaged in providing services by way of extending deposits, loans or advances).
- (2) To defer the liability to pay GST in case of TDR against consideration in the form of construction service and on construction service against consideration in the form of TDR to the time when the possession or right in the property is transferred to the land owner by entering into a conveyance deed or similar instrument (eg. allotment letter). No deferment in point of taxation in respect of cash component.
- (3) To tax renting of immovable property by government or local authority to a registered person under reverse Charge while renting of immovable property by government or local authority to un-registered person shall continue under forward charge
- (4) To define insurance agent in the reverse charge notification to have *the same meaning as assigned to it in clause (10) of section 2 of the Insurance Act, 1938*, so that corporate agents get excluded from reverse charge.
- (5) To insert a provision in *GST Rules under section 15 of GST Act* that the value of lottery shall be 100/112 or 100/128 of the price of lottery ticket notified in the Gazette (the same is currently notified in the rate notification).
- (6) To add, in the GST rate schedule for goods at 28%, actionable claim in the form of chance to win in betting and gambling including horse racing.
- (7) To insert in GST rules under section 15 of GST Act,-
Notwithstanding anything contained in this chapter, value of supply of Betting & Gambling shall be 100 % of the face value of the bet or the amount paid into the totalizator.

(C) Clarifications

- (1) To clarify that exemption of Rs 1000/- per day or equivalent (declared tariff) is available in respect of accommodation service in hostels.
- (2) To clarify that fee paid by litigants in the Consumer Disputes Commissions and any penalty imposed by these Commissions, will not attract GST.
- (3) To clarify that elephant/ camel joy rides are not classified as transportation services and attract GST @ 18% with threshold exemption to small services providers.
- (4) To clarify that leasing or rental service, with or without operator, of goods, attracts same GST as supply of like goods involving transfer of title in the said goods. Therefore, the GST rate for the rental services of self-Propelled Access

Equipment (Boom. Scissors/Telehandlers) is 28%.

(5) To clarify that,-

1) Services provided by senior doctors/consultants/technicians hired by the hospitals, whether employees or not, are healthcare services which is exempt.

2) Hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc., is towards the healthcare services provided by the hospitals to the patients and is exempt.

3) Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and not separately taxable. Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors is taxable.

(6) To clarify that services by way of,-

1. admission to entertainment events or access to amusement facilities including casinos, race-course

2. ancillary services provided by casinos and race-course in relation to such admission.

3. services given by race-course by way of totalisator (if given through some other person or charged separately as fees for using totalisator for purpose of betting,

are taxable at 28%. Services given by race-course by way of license to bookmaker which is not a service by way of betting and gambling, is taxable at 18%.

3. It is proposed to issue notifications giving effect to these recommendations of the Council on 25th January, 2018.

**RECOMMENDATIONS FOR CHANGES IN GST/IGST RATE AND
CLARIFICATIONS IN RESPECT OF GST RATE ON CERTAIN GOODS**

[As per discussions in the 25th GST Council Meeting held on 18th January, 2018]

These decisions of the GST Council are being communicated for general information, and will be given effect to through Gazette notifications / circulars which only shall have the force of law.

A. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR REDUCTION FROM 28% TO 18%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	87	Old and used motor vehicles [medium and large cars and SUVs] on the margin of the supplier, subject to the condition that no input tax credit of central excise duty/value added tax or GST paid on such vehicles has been availed by him.
2.	8702	Buses, for use in public transport, which exclusively run on bio-fuels.

B. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR REDUCTION FROM 28% TO 12%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	87	All types of old and used motors vehicles [other than medium and large cars and SUVs] on the margin of the supplier of subject to the conditions that no input tax credit of central excise duty /value added tax or GST paid on such vehicles has been availed by him.

C. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR REDUCTION FROM 18% TO 12%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	1704	Sugar boiled confectionary
2.	2201	Drinking water packed in 20 liters bottles
3.	2809	Fertilizer grade Phosphoric acid
4.	29 or 38	Bio-diesel

5	38	The following Bio-pesticides, -																										
		<table border="1"> <thead> <tr> <th>S. No.</th> <th>Name of the bio pesticide</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Bacillus thuringiensis var. israelensis</td> </tr> <tr> <td>2</td> <td>Bacillus thuringiensis var. kurstaki</td> </tr> <tr> <td>3</td> <td>Bacillus thuringiensis var. galleriae</td> </tr> <tr> <td>4</td> <td>Bacillus sphaericus</td> </tr> <tr> <td>5</td> <td>Trichoderma viride</td> </tr> <tr> <td>6</td> <td>Trichoderma harzianum</td> </tr> <tr> <td>7</td> <td>Pseudomonas fluorescens</td> </tr> <tr> <td>8</td> <td>Beauveria bassiana</td> </tr> <tr> <td>9</td> <td>NPV of Helicoverpa armigera</td> </tr> <tr> <td>10</td> <td>NPV of Spodopteralitura</td> </tr> <tr> <td>11</td> <td>Neem based pesticides</td> </tr> <tr> <td>12</td> <td>Cymbopogon</td> </tr> </tbody> </table>	S. No.	Name of the bio pesticide	1	Bacillus thuringiensis var. israelensis	2	Bacillus thuringiensis var. kurstaki	3	Bacillus thuringiensis var. galleriae	4	Bacillus sphaericus	5	Trichoderma viride	6	Trichoderma harzianum	7	Pseudomonas fluorescens	8	Beauveria bassiana	9	NPV of Helicoverpa armigera	10	NPV of Spodopteralitura	11	Neem based pesticides	12	Cymbopogon
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6.	4418	Bamboo wood building joinery																										
7.	8424	Drip irrigation system including laterals, sprinklers																										
8.	8424	Mechanical Sprayer																										

D. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR REDUCTION FROM 18% TO 5%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	13	Tamarind Kernel Powder
2.	1404/3305	Mehendi paste in cones
3.	2711	LPG supplied for supply to household domestic consumers by private LPG distributors
4.	88 or any other chapter	Scientific and technical instruments, apparatus, equipment, accessories, parts, components, spares, tools, mock ups and modules, raw material and consumables required for launch vehicles and satellites and payloads

E. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR REDUCTION FROM 12% TO 5%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	4601, 4602	Articles of straw, of esparto or of other plaiting materials; basketware and wickerwork

F. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR INCREASE FROM 12% TO 18%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	5601 22 00	Cigarette filter rods

G. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR REDUCTION FROM 12% TO 5% WITH NO REFUND OF UNUTILISED INPUT TAX CREDIT:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	5801 37 20	Velvet fabric

H. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR REDUCTION FROM 3% TO 0.25%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	7102	Diamonds and precious stones

I. NIL GST RATE:

- (i) Vibhuti
- (ii) Parts and accessories for manufacture of hearing aids.
- (iii) De-oiled rice bran

J. LIST OF GOODS ON WHICH GST RATE RECOMMENDED FOR INCREASE FROM NIL TO 5%:

S. No.	Chapter/Heading/Sub-heading/Tariff item	Description
1.	2302	Rice bran (other than de-oiled rice bran)

K. CHANGES IN COMPENSATION CESS ON CERTAIN GOODS:

S. No	Chapter/Heading/Sub-heading/Tariff item	Description	Present Compensation Cess Rate	Compensation Cess Rate Recommended
1.	8702	Motor vehicles [falling under heading 8702, as it was in excise regime] cleared as ambulances, duly fitted with all	15%	Nil

		fitments, furniture and accessories necessary for an ambulance from the factory manufacturing such vehicles.10-13 seater buses and ambulances, subject to specified conditions.		
2.	87	Old and used motor vehicles [medium and large cars and SUVs], on the margin of the supplier, subject to the condition that no input tax credit of central excise duty/value added tax or GST paid on such vehicles has been availed by him.	Applicable rate	Nil
3.	87	All types of old and used motors vehicles [other than medium and large cars and SUVs] on the margin of the supplier of subject to the conditions that no input tax credit of central excise duty /value added tax or GST paid on such vehicles has been availed by him.	Applicable rate	Nil

L. CHANGES IN IGST RATE RECOMMENDED ON CERTAIN GOODS:

S. No	Chapter/ Heading/ Sub- heading/ Tariff item	Description	Present IGST Rate	IGST Rate Recommended
1.	88or any other chapter	Satellites and payloads and Scientific and technical instruments, apparatus, equipment, accessories, parts, components, spares, tools, mock ups and modules, raw material and consumables required for launch vehicles and satellites and payloads	18%	5%

M. MODIFICATION IN DEFINITION/ CLARIFICATION IN RESPECT OF CHANGES IN GST/IGST RATES ON GOODS:

S. No	Chapter/ Heading/ Sub- heading/ Tariff item	Description	Present GST Rate	Modification/clarification Recommended
1.	27	Poly Butylene Feed Stock & Liquefied Petroleum Gas	18%	The GST to apply only on the net quantity of Poly Butylene Feed Stock or Liquefied Petroleum Gases retained for the manufacture of Poly Iso Butylene or Propylene or di-butyl para cresol respectively, subject to specified conditions.

2.	Any chapter	Rail coach industry	Applicable GST rate	Only the goods falling under chapter 86 attract 5% GST rate with no refund of unutilised ITC. Goods falling in any other chapter will attract applicable GST rate under the respective chapters, even if supplied to the Indian railways.
3.	2701	Coal rejects	5% + Rs. 400 PMT Compensation Cess	Coal rejects fall under heading 2701 and attract 5% GST and Rs. 400 PMT Compensation Cess.

It is proposed to issue notification giving effect to the recommendations of the Council on 25th January, 2018 to be effective from 00 HRS on 25th January, 2018
