

Major recommendations of the 55th Meeting of the GST Council: [Part B]

Recommendations relating to GST Rates

A. Recommendations relating to GST rates on Goods

Sl. No	Description/ HSN	Recommendations
1.	Ready to eat popcorn	<p>A circular would be issued clarifying that,- ‘Ready to eat popcorn’ which is mixed with salt and spices are classifiable under HS 2106 90 99 and would attract GST @ 5% [<i>if other than pre-packaged and labelled</i>] and GST @ 12% [<i>if sold as packaged and labelled</i>], as it has the essential character of namkeens.</p> <p>However, when the popcorn is mixed with sugar thereby changing its character to sugar confectionary (e.g. caramel popcorn), it would be classifiable under HS 1704 90 90 attracting GST @ 18%.</p> <p>Issues pertaining to the past period would be regularized on as is basis.</p>
2.	Systems, sub-systems, equipment, parts , sub-parts, tools, test equipment, software meant assembly/manufacture of Long-Range Surface-to-Air Missile (LRSAM) system	Entry No. 21(II) of Notification No. 19/2019-Customs would be amended to extend the IGST exemption (on LRSAM) to include systems, sub-systems, equipment, parts, sub-parts, tools, test equipment, software meant for the LRSAM system.
3.	Sale of old and used Electric Vehicles (Chapter 87)	<p>The GST rate on sale of all old and used vehicles, including EVs would be increased from 12% to 18%.</p> <p><i>(Sale of old and used petrol vehicles of engine capacity of 1200 cc or more & of length of 4000 mm or more, diesel vehicles of engine capacity of 1500 cc or more & of length of 4000 mm and SUVs are already taxable @ 18% on margin value and sale of all other old and used vehicles, including EVs attract GST @ 12% in case of B2B transactions vide Notification No 08/2018-Central Tax (Rate) dated 25.01.2018. The said rate of 12% would be increased to 18%)</i></p>
4.	Fly ash based Autoclaved Aerated Concrete (AAC) Blocks	A circular would be issued clarifying that AAC blocks containing more than 50% fly ash content will fall under HS 6815 and attract 12% GST .
5.	Dried pepper of the genus Piper	<p>A circular would be issued clarifying that,-</p> <p>(i) pepper of genus piper, whether green (fresh), white or</p>

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		black, is covered under HS 0904 and would attract 5% GST . (ii) An agriculturist supplying dried pepper is not liable to be registered under Section 23(1) of the CGST Act and is exempt.
6.	Raisins	Clarification would be issued through a circular along the lines of the recommendations regarding the supply of pepper by the agriculturist.
7.	Clarification on what constitutes agricultural farm produce for the purpose of taxing commodities on pre-packaged and labelled basis	Definition of ‘pre-packaged and labelled’ would be amended to cover <u>all commodities</u> that are intended for retail sale and containing not more than 25 kg or 25 litre, which are ‘pre-packed’ as defined under the Legal Metrology Act , or a label affixed thereto is required to bear the declarations under the provisions of the said Act and rules.
8.	Supplies to merchant exporter by domestic supplier	A concessional rate of 0.1% of compensation cess on supplies to merchant exporter by domestic suppliers would be prescribed for the remaining period during which the compensation cess is in operation.
9.	Supply of Fortified Rice Kernels for ultimate use in PDS/ welfare schemes (HS 1904)	GST rate on supply of all fortified rice kernels would be reduced from 18% to 5% .
10.	Supply of food preparations for distribution under a government program. (HS 19 or 21)	Concessional rate of 5% would be extended to the inputs for the food preparation for distribution under the government program , subject to the same conditions as specified in Notification No 39/2017-Central Tax (Rate).
11.	Clarification regarding effective date of amendment in Entry 52B Notification No. 3/2023-Compensation Cess (Rate) regarding ground clearance of SUVs . <i>[Context: Following the 50th GST Council meeting, Notification No. 3/2023-Compensation Cess (Rate) dated 26th July 2023 substituted the entry 52B of Notification No. 01/2017-Compensation Cess (Rate) to impose a 22% cess on</i>	A circular would be issued clarifying that the explanation regarding ground clearance of SUVs (<i>measured in the unladen condition</i>) inserted into Entry 52B of Notification No. 01/2017-Compensation Cess (Rate) vide Notification No. 3/2023-Compensation Cess (Rate), will apply on or after 26th July 2023 .

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	<i>utility vehicles with engine capacity over 1500cc, length over 4000mm, and ground clearance of 170mm or more. It also clarified that ground clearance refers to the un-laden condition.]</i>	
12.	CAR- T cell therapy (HS 30)	GST rate on gene therapy would be reduced from 12% to nil to alleviate the burden of patients.
13.	Temporary import of equipment and consumable samples by Inspection Team of International Atomic Energy Agency (IAEA)	IGST exemption would be granted on temporary import of equipment and consumable samples by Inspection Team of International Atomic Energy Agency (IAEA) subject to the certain conditions as is available to the inspection team of Organisation for Prevention of Chemical Weapons (OPCW) (<i>vide notification no. 121/2003-Customs dated 1.8.2003 as amended by notification no. 43/2017-Cus dated 30.6.2017</i>) on imports of all equipment and consumable samples subject to the certain conditions.

B. Recommendations relating to GST rates on services

Sl. No	Proposal	Recommendations
1.	To clarify the GST treatment of penal charges in light of the recent shift in RBI guidelines from "penal interest" to "penal charges". <i>Context: It was clarified through Circular No. 102/21/2019-GST that penal interest on delayed EMI payments are exempted in terms of Sl. 27 of the Notification No 12/2017. However, from 01.01.2024, RBI's 18.08.2023 circular replaces "penal interest" with "penal charges" for loan defaults.]</i>	A circular would be issued to clarify that no GST is payable on the penal charges levied in compliance of provisions of the RBI direction dated 18-Aug-2023 by regulated entities specified in the said direction.
2.	To exclude the sponsorship services rendered by a body corporate to another body corporate from reverse charge mechanism and bring it under forward charge mechanism.	Sponsorship services provided by body corporates would be brought under forward charge.
3.	To clarify whether exemption (<i>under entry 34 of notification No. 12/2017-CTR dated 28.06.2017</i>) is available to	A Circular would be issued clarifying that,- (i) RBI regulated Payment Aggregators are eligible for exemption under entry 34 of the notification No. 12/2017-

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	<p>payment aggregators for transactions transacted through credit card, debit card, charge card or other payment cards over digital networks up to Rs. 2000/-.</p>	<p>CTR dated 28.06.2017 and, (ii) The exemption under Sl. No. 34 is limited to settlement function only which involves handling of money and not for payment gateway functions.</p>
4.	<p>To clarify the applicability of GST on transactions of the Motor Vehicle Accident Fund, established under the Motor Vehicles Act, 1988 and to consider exemption from GST requirements for the Fund at the earliest.</p>	<p>Services of insurance provided by the Motor Vehicle Trust Fund, established under the Motor Vehicles Act, 1988, <i>(by way of compensation or reimbursement of treatment expenses, including cashless treatment)</i>, for which contributions, as agreed by the Motor Vehicle Accident Fund Trust, are obtained from general insurance companies, would be exempted.</p>
5.	<p>To restore the tax exemption for Training Partners (TPs) approved by the National Skill Development Corporation (NSDC).</p>	<p>The exemption for Training Partners (TPs) approved by the National Skill Development Corporation (NSDC) would be reinstated by way of inserting item (f) in Sl. No. 69 of Notification No. 12/2017-CT(R) dated. The interim period, from the date of implementation of Notification No. 08/2024-CT(Rate), i.e. 10.08.2024, till the date the above entry is reinstated, would be regularized on 'as is where is' basis.</p>
6.	<p>To issue clarification on levy of GST on lease rentals payment made by OMCs to the National Highways Authority of India (NHAI) for the development of Way Side Amenities <i>(such as restaurants, fuel stations, and hotels etc.)</i> on expressways.</p>	<p>It would be clarified to the NHAI and OMCs that GST is applicable on renting of land to OMCs at applicable rates i.e. 18%.</p>
7.	<p>To amend Entry at Sl. No. 25A of notification No. 12/2017-CTR dated 28.06.2017 and to regularize the GST for the period from 10.10.2024 to the date of issue of amending notification. <i>[Context: Entry 25 of Notification No. 12/2017-CTR(Exemption Notification): Services for the transmission <u>or</u> distribution of electricity by electricity transmission <u>or</u></i></p>	<p>The entry 25A would be aligned with the entry at Sl. No 25 to maintain uniformity. The intervening period i.e., 10.10.2024 <i>(effective date of entry at Sr. No. 25A in notification No. 12/2017-CTR dated 28.06.2017)</i> up to the date of issue of amending notification would be regularised on "as is where is basis"</p>

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	<p><i>distribution utilities</i></p> <p>Entry 25A (w.e.f. 10.10.2024) of Notification No. 12/2017-CTR.(Exemption Notification):</p> <p>“Supply of services by way of providing metering equipment on rent, testing for meters /transformers/capacitors etc., releasing electricity connection, shifting of meters/service lines, issuing duplicate bills etc., which are incidental or ancillary to the supply of transmission and distribution of electricity provided by electricity transmission and distribution utilities to their consumers</p> <p>Issue: Lack of alignment of entry 25A (on account of the use of word “and”) with entry 25.</p>	
8.	<p>To notify Delhi Development Authority as a Local Authority and to remove the reference of DDA from the answer to question #5 of the “FAQs on GST in Government Services Sector.”</p>	<p>It would be clarified that the DDA does not meet the requirements of a 'Local Authority' as defined under Section 2(69) of the CGST Act.</p>
9.	<p>To clarify that GST is not applicable on facility management services provided to Municipal Corporation of Delhi (MCD) HQ.</p>	<p>It would be clarified that GST is applicable on facility management services provided to Delhi (MCD) HQ for upkeep of its Headquarter building at applicable rates and no exemption is available to them.</p>
10.	<p>To review the levy of GST on RCM basis on renting of commercial property by unregistered person to a registered person.</p>	<p>Taxpayers under the composition scheme would be excluded from Sr. No. 5AB of Notification No. 13/2017-CTR dated 28.06.2017 (<i>Sl. 5AB introduced vide Notification No. 09/2024-CTR dated 08.10.2024 provides for levy of GST on RCM basis on renting of commercial property by unregistered person to a registered person.)</i></p> <p>The intervening period, i.e., from the effective date of the Notification No. 09/2024-CTR dated 08.10.2024 i.e. 10.10.2024 till the effective date of the proposed notification would be regularized on an 'as-is-where-is' basis.</p>
11.	<p>To revise the definition of 'specified premises' which refers to declared tariff of any unit of accommodation above Rs 7500 per unit per day or</p>	<p>The definition of 'declared tariff' in the notification Nos. 11/2017-CTR and 12/2017-CTR both dated 28.06.2017 would be deleted.</p> <p>The definition of specified premise in notification No.</p>

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	<p>equivalent, for the purpose of determining the GST rate on supply of restaurant service in specified premises.</p> <p>To clarify the period for which 18% is to be charged for restaurant located in specified premises.</p>	<p>11/2017-CTR would be amended so that a supplier of restaurant service in premises providing hotel accommodation would be required to pay tax on restaurant service at the rate of 18% with ITC, for the entire financial year, if the value of supply of any unit of accommodation rented out during the preceding financial year is above Rs. 7500/- per unit per day.</p> <p>An option would be given to a supplier of restaurant service in premises providing hotel accommodation to pay tax on restaurant service at the rate of 18% if the supplier so chooses, by giving a declaration to that effect on or before the beginning of the financial year or on obtaining registration.</p> <p>The above changes would be implemented with effect from 01.04.2025.</p> <p>The issue regarding the possibility of carrying out suitable amendments in the law in relation to eligibility/reversal of ITC for a restaurant transitioning from 5% without ITC to 18% with ITC, or vice versa would be referred to the Law Committee.</p>

Note: This document is prepared on the basis of Agenda Notes of the 55th GST Council Meeting and not to be construed as a legal explanation or interpretation of the Acts and the Rules. Please refer to the original Notifications when issued