

# TAX FLASH NEWS

1 October 2019

## Notifications update –37th GST Council meeting

Pursuant to the recommendations made by the GST council in its 37<sup>th</sup> Meeting held on 20 September 2019, Central Board of Indirect Taxes and Customs (CBIC) has released relevant notifications, giving effect to the recommendations.

All the notification shall be effective from 1 October 2019.

**Gist of the key notifications are as under –**

### 1. Place of supply (POS) –

POS in case of supply made by pharmaceutical sector with respect to specified research and development (R&D) services<sup>1</sup> shall be the location of service recipient, subject to fulfilment of other conditions prescribed for export of service.

**[Notification no. 4/2019-Integrated Tax dated 30 September 2019]**

### 2. Compensation cess –

Revised compensation cess rate has been notified for

- a. Caffeinated Beverages [CH 2202 9990]
- b. Motor Vehicle [CH 8702, 8703 21, 8703 22, 8703 31]

**[Notification no. 2/2019-Compensation Cess (Rate) dated 30 September 2019]**

### 3. GST rate – Accommodation, food and beverage services (heading 9963)

Summary of the GST rate is as under

#### A] Hotel accommodation

Sl. No.	Value per unit per day	Rate of GST
1	INR1000 to INR7500	12%
2	INR7500 and above	18%

<sup>1</sup> Specified R&D services as listed in Table B of Notification 4/2019-Integrated Tax dated 30 September 2019

## B] Restaurant Services / outdoor catering

Sl. No.	Description	Rate of GST	Condition (if any)
1	Restaurant services other than at specified premises <sup>2</sup>	5%	ITC on goods and services used in supplying the services not available
2	Outdoor catering services, at premises other than specified premises, by any person (Note i)	5%	
3	Composite supply of outdoor catering together with renting of premises at premises other than specified premises provided by any person (Note i)	5%	
4	All other cases of food and beverage services	18%	

### Notes –

- i. The phrase ‘by any person’ shall not include
  - a. Suppliers providing ‘hotel accommodation’ at ‘specified premises; or
  - b. Suppliers located in ‘specified premises’

**[Notification 20/2019-Central Tax (Rate) and Notification no. 19/2019-Integrated Tax (Rate) dated 30 September 2019]**

## 4. Reverse Charge Mechanism

Following additional supplies brought under the reverse charge mechanism

Sl. No.	Category of supply	Supplier of service	Person liable to pay GST
1	Supply of services by a music composer, photographer, artist or the like, by way of transfer or permitting the use or enjoyment of a copyright	Music composer, photographer, artist, or the like	Music company, producer or the like, located in the taxable territory.
2	Supply of services by an author by way of transfer or permitting the use or enjoyment of a copyright	Author	Publisher located in the taxable territory (note i)
3	Renting of motor vehicle provided to a body corporate	Any person other than body corporate (note ii)	Body corporate located in the taxable territory
4	Services of lending of securities under Securities Lending Scheme, 1997	Lender	Borrower

### Notes-

- i. Publisher shall not be liable if the author as a service provider, files prescribed declaration opting to pay GST under forward charge mechanism
- ii. Person providing renting of motor vehicle services who has opted to pay GST at 5% (CGST + SGST) with input tax credit only of input service in the same line of business

**[Notification no. 22/2019 – Central Tax (Rate) and Notification no. 21/2019 – Central Tax (Rate) dated 30 September 2019]**

<sup>2</sup> Specified premises – means premises providing ‘hotel accommodation’ services having declared tariff of any unit of accommodation in excess of INR7500 per unit per day or equivalent

## 5. Intermediary services –

Exemption has been granted where intermediary services are been provided in relation to supply of goods, where both the supplier and the recipient are outside the taxable territory. The exemption is available subject to the conditions that the prescribed documents are maintained by the service provider for a period of five years.

**[Notification 20/2019-Interated Tax (Rate) dated 30 September 2019]**

## 6. Services in relation to mining activity

New service category added in schedule – liable to 12% [HSN code 9983]

*“Other professional, technical and business services relating to exploration, mining or drilling of petroleum crude or natural gas or both”*

Further, entry (ii) of HSN code 9986 has been amended as follows:

Description of services	GST rate
<b><u>Original Entry</u></b>	
(ii) Service of exploration, mining or drilling of petroleum crude or natural gas or both.	12%
<b><u>Revised Entry</u></b>	
(ii) Support service to exploration, mining or drilling of petroleum crude or natural gas or both.	12%

**[Notification 20/2019-Central Tax (Rate) and Notification no. 19/2019-Integrated Tax (Rate) dated 30 September 2019]**

## 7. Job-work services –

New job-work related service category has been added under HSN code 9988

Description	Revised GST rate
Services by way of job work in relation to diamonds	1.50%
Services by way of job work, in relation to bus body building	18%
Other specified job work services	12%

**[Notification 20/2019-Central Tax (Rate) and Notification no. 19/2019-Integrated Tax (Rate) dated 30 September 2019]**

### Our comments

In line with the announcements made in the recently concluded GST meeting, the notifications are being issued to give effect to the same. The reduction in the GST rate for job work services is beneficial for the industry, however, the residual entry with 18% GST rate still continues. It needs to be seen the nature of job work services that would form part of the said residuary entry.

Further, circular on post supply discounts has not yet been rescinded, as was announced in the council meeting.

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