

# **GST ALERT**

# **CHANGES IN RATES OF TAX**

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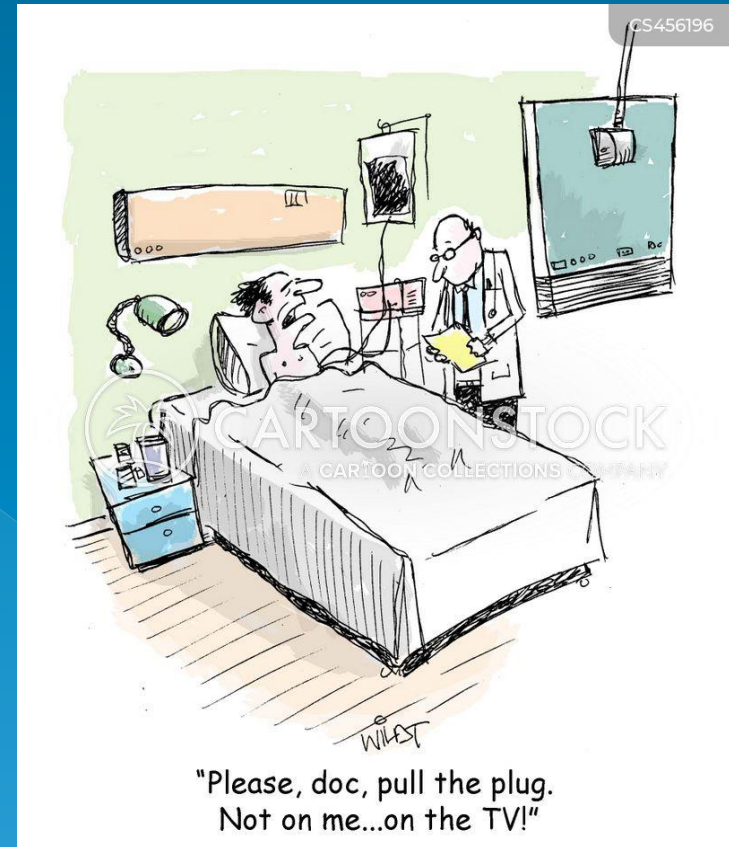
**NOTIFICATION NOS. 3/2022  
(CTR) to 11/2022 (CTR) have  
been issued bringing about  
significant changes to rates  
of tax / exemptions / RCM**

# HEALTHCARE SECTOR

- Services provided by a clinical establishment by way of providing room other than Intensive Care Unit (ICU) / Critical Care Unit (CCU) / Intensive Cardiac Care Unit (ICCU) / Neo Natal Intensive Care Unit (NICU) having room charges exceeding Rs. 5,000 per day to a person receiving healthcare services attract GST at 5% effective 18.07.2022
- Credit of ITC on goods and services used in supplying the service cannot be taken

# HEALTHCARE SECTOR

- Defeats the concept of composite supply
- No one stays in hospital for holiday or recreation
- Room stay is part and parcel of the recovery process post surgery /procedure
- Non-availability of ITC does not serve any purpose
- Impact on patients



# HEALTHCARE SECTOR

- GST exemption for services provided by the cord blood banks by way of preservation of stem cells or any other service in relation to such preservation withdrawn
- GST exemption for services provided by operators of the common bio-medical waste treatment facility to a clinical establishment by way of treatment or disposal of biomedical waste or the processes incidental thereto withdrawn and GST at 12% imposed
- Effective 18.07.2022

# CONSTRUCTION SECTOR

- GST rate increased from 12% to 18% in respect of various works contract services
- Entry 3(iii), (iv), (v), (va), (vi) and (ix) of Notification No. 11/2017 – CTR omitted
- **A few examples where higher rate would be applicable**
  - Construction of canal/dam/irrigation work for Government
  - Construction of road/bridge/tunnels etc
  - Works contract pertaining to affordable housing
  - Works contract pertaining to railways
  - Construction of single residential unit
  - Sub-contractor WCT services to main contractor providing certain services
- Effective 18.07.2022

# CONSTRUCTION SECTOR

- GST rate increased from 5% to 12% in respect of various works contract services
- Entry 3(vii) and 3(x) of Notification No. 11/2017 – CTR substituted
  - Works contract involving pre-dominantly earth work provided to Government
  - Sub-contractor providing such services

# CONSTRUCTION SECTOR

- Cost likely to increase due to increase in GST rates

Item	Old	New
LED Lamps, lights and fixtures	12%	18%
Solar water heater system	5%	12%
Centrifugal Pumps, Deep Tube well Turbine Pumps, Submersible Pumps	12%	18%
GTA exemption Rs. 750 and Rs. 1,500 withdrawn	Rs. 750/1500	Taxable



# HOSPITALITY SERVICES

- Originally, GST was not applicable for supply of house accommodation unless the amount was above Rs. 1000 per unit per day or equivalent
- The threshold benefit as well as exemption has been removed by amendment to Entry 7, Notification No. 11/2017 – CTR w.e.f. 18.07.2022 and deletion of Entry 14, Notification No. 12/2017 - CTR
- GST at 12% applicable for all hotel accommodation services where the amount per unit is less than or equal to Rs. 7,500 per unit per day or equivalent
  - Huge impact on small lodges, hotels, mansions and stays
  - Hospitality industry was hugely affected by the Pandemic
  - GST at 12% will be a burden on customers such as students, small business travellers, tourists etc.



# GOODS TRANSPORT AGENCY

- GTA related entries amended once again
- **GTA can exercise option to pay GST under forward charge**
  - 5% without ITC
  - 12% with ITC
  - Option to be exercised within a time frame in Annexure V
  - Option for FY 2022-23 to be exercised before 16.08.2022
  - Invoices for the period 18.07.2022 to 16.08.2022 can be issued before exercising the option provided option exercised on or before 16.08.2022
  - Invoice requires a declaration in the format specified in Annexure III
- **Where GTA does not exercise the forward charge option**
  - GST at 5% under RCM
  - No ITC on goods and services used in supplying the services
  - RCM not applicable where the supplier of service has GST registration and has exercised option to pay GST under forward charge; issued invoice and made declaration prescribed in Annexure III on such invoice

# GOODS TRANSPORT AGENCY

- Key exemptions withdrawn
  - GTA where consideration for transportation in a single carriage does not exceed Rs. 1,500
  - GTA where consideration for transportation of all such goods in a single carriage does not exceed Rs. 750
- GST at 18% on supporting services in transport through substituted Entry 11 with added explanation to provide that the entry does not include goods transport service involving GTA service which falls under heading 9965



# TRANSPORT MISC

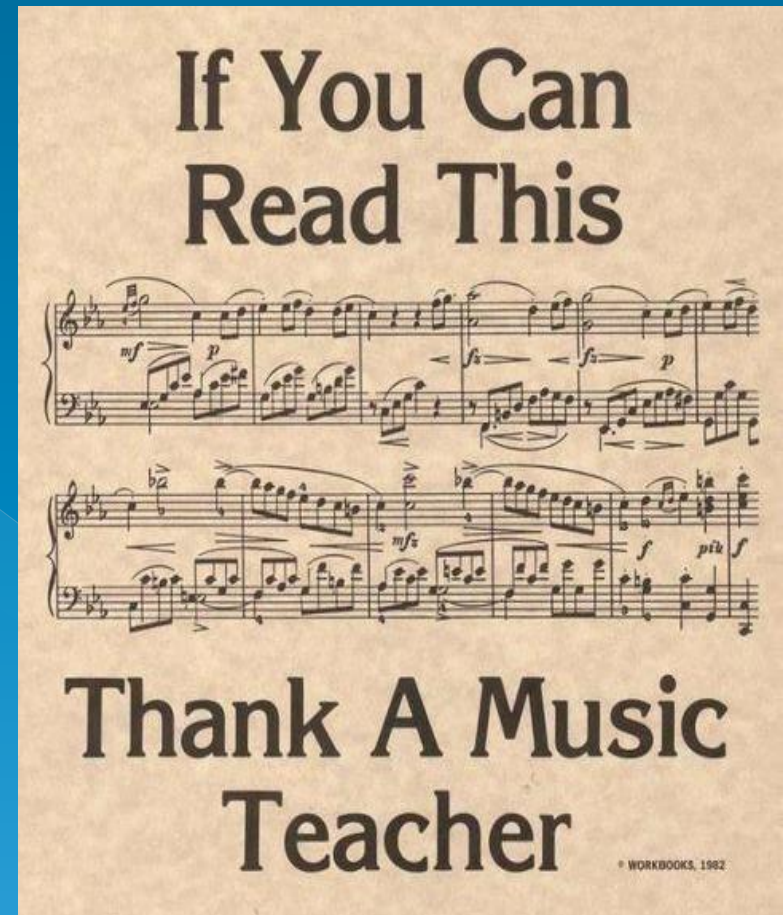
- GST exemption for services by way of transportation by rail or a vessel from one place in India to another of railway equipments or materials withdrawn
- GST exemption limited to transport of passengers, with or without accompanied belongings, by air in economy class, embarking from or terminating in an airport located in the state of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, or Tripura or at Bagdogra located in West Bengal
- GST at 5% on transport of passengers with or without accompanied belongings by ropeway – No ITC
- GST at 5% on transport of goods by ropeways – No ITC
- GST at 12% on renting of goods carriage where cost of fuel is included in the consideration charged

# TOUR OPERATOR SERVICES

- Tour operator service, performed partly in India and partly outside India, supplied by a tour operator to a foreign tourist, to the extent of the value of the tour operator service which is performed outside India is exempt from GST
- Methodology prescribed for computation
- ‘Foreign Tourist’ means a person not normally resident in India, who enters India for a stay not more than 6 months for legitimate non-immigrant purposes

# COACHING AND TRAINING

- Entry 80, Notification No. 12/2017 – CTR substituted w.e.f. 18.07.2022
- Scope of exemption narrowed
- Exemption in respect of services by way of training or coaching in
  - Recreational activities relating to arts or culture **by an individual**
  - Sports by charitable entities registered under Section 12AA or 12AB of the Income Tax Act, 1961



# RESIDENTIAL DWELLING

- Entry 12, Notification No. 12/2017 – CTR provides for exemption on services by way of renting of residential dwelling for use as residence
- **Amendment made to the entry to withdraw exemption with respect to renting of residential dwelling to a registered person w.e.f. 18.07.2022**
  - Impact on individual assesseees who are GST registered such as engineers, consultants, chartered accountants, traders, caterers etc.
- Entry 5AA inserted in Notification No. 13/2017- CTR to provide that GST on service by way of renting of residential dwelling by any person to a registered person shall be paid by the registered person under reverse charge mechanism
- In substance, renting of residential dwelling to a registered person will attract GST at the rate of 18% and such GST shall be paid by the registered person under reverse charge mechanism

# STORAGE AND WAREHOUSING

- Originally, Entry 24B provided for exemption in respect of services by way of storage and warehousing of cereals, pulses, fruits, nuts, vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute, etc., indigo, unmanufactured tobacco, beetle leaves, tendu leaves, coffee and tea
- Entry substituted w.e.f. 18.07.2022
- Exemption confined to storage and warehousing of **cereals, pulses, fruits and vegetables**
- Exemption in respect of services by way of fumigation in a warehouse of agricultural produce withdrawn



# JOB WORK

- Entry 26, Notification No. 11/2017 – CTR provided for a concessional rate of 5% for various kinds of job work
- Entry 26(i)(e), (ea) and (h) omitted
  - (e) – Processing of hides, leather and skins
  - (ea) – Manufacture of leather goods or footwear
  - (h) – Manufacture of clay bricks
- GST at 12% on these activities w.e.f. 18.07.2022

# MISCELLANEOUS

- Notification providing concessional rate of 5% on scientific and technical equipments supplied to public funded research institutions rescinded
- GST of 5% for supplies to Exploration and Production notified under section 11(1) increased to 12%
- GST increased from 12% to 18% in respect of services provided by a foreman of a chit fund in relation to a Chit
- Exemption in respect of services by RBI, IRDA, SEBI, GSTN withdrawn
- Exemption in respect of services by way of licensing, registration and analysis or testing of food samples by FSSAI to food business operators withdrawn
- Exemption in respect of services by way of slaughtering of animals withdrawn
- Concessional rate provided to supply of fly ash bricks etc. subject to conditions

# GST RATES - GOODS

- Notification no. 6/2022 – CTR has introduced a number of rate of tax changes in respect of goods by amending Notification No. 1/2017 – CTR
- Notification No. 7/2022 – CTR has introduced a number of rate of tax changes in respect of goods by amending Notification No. 2/2017 – CTR
- Some of the major changes are alone reflected in the following slides

# GST RATES - GOODS

- **Major changes in the context of pre-packaged and labelled goods**
- Originally certain goods other than those bearing a registered brand or bearing a brand name where certain rights were foregone, were exempt
- Amendment now provides that such goods would enjoy exemption provided they are not pre-packaged and labelled
- The expression pre-packaged and labelled means a pre-packaged commodity as defined in Section 2(1) of the legal Metrology Act, 2009 where the package in which the commodity is pre-packed or a label securely affixed thereto is required to bear declarations under the provisions of the LM Act or Rules made thereunder
  - LM Act and Rules have certain exceptions
- Similar amendments in Schedule II, covering certain goods attracting GST at 12%



# GST RATES - GOODS

- New Schedule VII providing for a GST rate of 1.5% - Cut and Polished Diamonds
- E-waste to attract GST at 18% through Entry 371A, Schedule III, Notification No. 1/2017 – CTR
  - Definition of e-waste added
- Exemption applicable for certain goods provided they are other than *pre-packaged and labelled*
  - Goods falling under Chapter 0202, 0203, 0204, 0205, 0206, 0207, 0208, 0209, 0210, 0303, 0304, 0305, 0306, 0307, 0308, 0309
  - Curd, lassi and buttermilk
  - Similar changes across the Schedule covering goods under various chapters
- Exemption withdrawn and GST at 18% levied on parts of balloons, gliders, hand gliders etc.
- Exemption withdrawn and GST at 18% levied on cheques
- Effective from 18.07.2022

# BOARD CIRCULAR ON PRE-PACKAGED AND LABELLED GOODS

- CBIC FAQ with reference to rate of tax changes
- If commodities do not require declarations under the Legal Metrology Act or Rules, GST would not apply
- With reference to food items such as pulses, rice, wheat, flour etc. LM Act and Rules would apply if the pre-packaged and labelled packages contain a quantity upto 25 kilos or 25 litres
- Where the quantity is more than 25 kilos or 25 litres, declaration is not required under the LM Act and Rules
- Where the pre-packed commodity is supplied in packages containing quantity of less than or equal to 25 kilos, GST will apply
- Supply of packaged commodity for consumption by industrial consumer or institutional consumer is excluded from LM Act and such supplies will not be considered as pre-packaged or labelled for levy of GST.

# INVERTED DUTY STRUCTURE

- No refund of unutilised ITC shall be allowed, where the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on the output supplies of such goods
  - **Soyabean Oil, Groundnut Oil, Olive Oil, Palm Oil, Sunflower-seed, safflower or cotton-seed oil, Coconut (copra), palm kernel or babassu oil, Rape, colza or mustard oil, other fixed vegetable or microbial fats and oils (including jojoba oil), and their fractions, whether or not refined, but not chemically modified**
  - Other oils and their fractions, obtained solely from olives, whether or not refined, but not chemically modified, including blends of these oils or fractions with oils or fractions of heading 1509
  - Edible mixtures or preparations of vegetable fats or vegetable oils or of fractions of different vegetable fats or vegetable oils of this Chapter, other than edible fats or oils or their fractions of heading 1516
  - Vegetable fats and oils and their fractions, boiled, oxidised, dehydrated, sulphurised, blown, polymerised by heat in vacuum or in inert gas or otherwise chemically modified, excluding those of heading 1516
  - Coal; briquettes, ovoids and similar solid fuels manufactured from coal
  - Lignite, whether or not agglomerated, excluding jet
  - Peat (including peat litter), whether or not agglomerate

*For any further queries, you can reach out to us  
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