



Recommendations of the 55th Meeting of the GST Council

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The 55th GST Council meeting was convened to discuss and recommend several key changes in GST tax rates, measures to streamline compliance, provide relief to individuals, and facilitate trade. Below is an in-depth summary of the recommendations:

A. Changes in GST Rates on Goods and Services

1. Goods

1. Fortified Rice Kernel (FRK):

- The GST rate on Fortified Rice Kernel (FRK), classified under HSN 1904, has been reduced to 5%, to make it more affordable and encourage consumption.

2. Gene Therapy:

- Gene therapy is now **exempted from GST**, supporting advancements in medical treatments and providing relief to patients.

3. LRSAM System Components:

- Extension of IGST exemption to systems, sub-systems, equipment, parts, sub-parts, tools, test equipment, and software meant for the assembly or manufacture of the LRSAM (Long Range Surface to Air Missile) system under Notification 19/2019-Customs.

4. Supplies to Merchant Exporters:

- Reduction in Compensation Cess rate to 0.1% on supplies to merchant exporters, aligning it with the GST rate applicable to similar supplies.

5. International Atomic Energy Agency (IAEA) Imports

- Exemption from IGST for all equipment and consumable samples imported by the Inspection Team of the IAEA, subject to specified conditions.

6. Food Inputs for Free Distribution:

- Concessional 5% GST rate on food preparations under HSN 19 or 21, supplied for government programs distributing food to economically weaker sections, has been extended.



2. Services



1. Sponsorship Services:

- Sponsorship services provided by corporate bodies are now brought under the **Forward Charge Mechanism**, shifting the responsibility to the service provider.

2. Motor Vehicle Accident Fund Contributions:

- GST exemption granted on contributions made by general insurance companies from third-party motor vehicle premiums to the Motor Vehicle Accident Fund. This fund provides compensation and cashless treatment to road accident victims, including hit-and-run cases.

3. Hotel and Restaurant Services:

- The definition of "declared tariff" has been omitted and replaced with actual value of supply for accommodation units.
- GST on restaurant services in hotels will now depend on the **preceding financial year's unit supply value**:
 - 18% GST with ITC** if the supply value exceeds ₹7,500.
 - 5% GST without ITC** otherwise.
- Hotels can opt for **18% GST with ITC** by declaring their choice at the beginning of the financial year

4. Renting of Commercial Property:

- Taxpayers under the composition levy scheme are excluded from the Reverse Charge Mechanism introduced for renting commercial property by unregistered persons to registered persons.
- Regularization of transactions from October 10, 2024, till the issuance of a new notification.

2. Other Goods and Services Changes



1. GST on Old and Used Vehicles:

- GST rate increased from **12% to 18%** for the sale of old and used vehicles, including EVs, except specified categories. GST applies to the margin (difference between purchase and selling price) for registered suppliers.

3. Agricultural Produce (Pepper and Raisins):

- Fresh or dried pepper and raisins supplied by agriculturists are exempt from GST.

2. Classification of Autoclaved Aerated Concrete (ACC) Blocks:

- ACC blocks containing more than 50% fly ash are classified under HSN 6815 and attract 12% GST.

4. Definition of Pre-Packaged Goods:

- Revised to include retail-sale commodities (up to 25 kg/liter) pre-packed as per the Legal Metrology Act.



5. Ready-to-Eat Popcorn:

- **5% GST** on salted/spiced popcorn (non-prepackaged).
- **12% GST** on pre-packaged and labeled popcorn.
- **18% GST** on sugar-coated popcorn (classified as confectionery).

7. RBI-Regulated Payment Aggregators:

- Exemption under Notification No. 12/2017-CT(R) extended to Payment Aggregators engaged in fund settlement, excluding payment gateways or fintech services.

6. Ground Clearance Clarification:

- GST applicability on vehicles based on ground clearance effective from July 26, 2023.

8. Penal Charges by Banks and NBFCs:

- Penal charges for non-compliance with loan terms are clarified to be outside the GST scope.

B. Measures for Trade Facilitation

1. Schedule III Amendment:

- Transactions involving goods warehoused in SEZ/FTWZ before export or domestic clearance will not be treated as supply of goods/services. This brings these transactions on par with customs-bonded warehouses.

2. Taxability of Vouchers:

- Vouchers are excluded from being treated as goods or services under GST.
- Principal-to-agent transactions on vouchers are taxable, while principal-to-principal are exempt.
- Breakage (unredeemed vouchers) is not taxable.

3. Circulars for Clarity:

- **E-commerce Operators (ECOs):** No proportional ITC reversal required for supplies taxed under Section 9(5).
- **Input Tax Credit (ITC):** Clarification provided for Ex-Works contracts regarding receipt of goods.
- **Late Fee Waiver:** Waiver of excess late fees for delayed GSTR-9C filing for 2017-18 to 2022-23, if completed by March 31, 2025.

C. Measures for Streamlining GST Compliance

1. Track and Trace Mechanism:

- Introduction of a Unique Identification Marking system for evasion-prone commodities to enhance traceability and compliance.

2. Online Services Compliance:

- Suppliers of online services (OIDAR, gaming) must correctly declare the recipient state and place of supply on invoices.

Conclusion:

These recommendations aim to simplify GST compliance, resolve ambiguities, encourage fair trade practices, and support economic growth. The Council's approach balances relief measures, clarity in taxation, and trade facilitation to enhance the GST regime's efficiency and effectiveness.





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