

The following amendments have been notified by the Government on 27th July 2018 in GST:

- In spite of being under inverted duty structure i.e. rate of tax on inputs being higher than rate of tax on output supplies, refund of unutilised input tax credit is not allowed on certain items under GST. Notification no. 5/2017-Central Tax (rate) contains the list of all the items on which no such refund will be available. With effect from 1st August 2018, the **refund of unutilised input tax credit** on account of **inverted duty structure** has been **allowed** on the following:

| SI No | HSN | Description |
|-------|--------------|---|
| 1 | 5007 | Woven fabrics of silk or of silk waste |
| 2 | 5111 to 5113 | Woven fabrics of wool or of animal hair |
| 3 | 5208 to 5212 | Woven fabrics of cotton |
| 4 | 5309 to 5311 | Woven fabrics of other vegetable textile fibres, paper yarn |
| 5 | 5407, 5408 | Woven fabrics of manmade textile materials |
| 6 | 5512 to 5516 | Woven fabrics of manmade staple fibres |
| 7 | 60 | Knitted or crocheted fabrics |
| 6A | 5608 | Knotted netting of twine, cordage or rope; made up fishing nets and other made up nets, of textile materials |
| 6B | 5801 | Corduroy fabrics |
| 6C | 5806 | Narrow woven fabrics, other than goods of heading 5807; narrow fabrics consisting of warp without weft assembled by means of an adhesive (bolducs)" |

Surprisingly, it has also been stated that the substantive right of a taxable person in the form of unutilised balance of **input tax credit** after payment of tax for and upto July 2018 on the inward supplies received **up to 31st July 2018 will lapse**. This provision seems to be regressive and difficult to implement as finding out the input tax credit accumulated on account of inverted duty structure may be very difficult to calculate. This provision may be subject to litigation as the GST Acts do not give power to the Government to notify lapsing of input tax credit in any situation.

Notification no. 20/2018-Central Tax (rate) dated 26th July 2018

Notification no. 21/2018-Integrated Tax (rate) dated 26th July 2018

Notification no. 20/2018-Union Territory Tax (rate) dated 26th July 2018

- On certain **handicraft items**, the **rate of GST** has been **reduced** significantly. The maximum rate on these handicraft items is now given as 12%. Handicraft goods have been defined as follows:

“Goods predominantly made by hand even though some tools or machinery may also have been used in the process; such goods are graced with visual appeal in the nature of ornamentation or in-lay work or some similar work of a substantial nature; possess distinctive features, which can be aesthetic, artistic, ethnic or culturally attached and are amply different from mechanically produced goods of similar utility”

Notification no. 21/2018-Central Tax (rate) dated 26th July 2018

Notification no. 22/2018-Integrated Tax (rate) dated 26th July 2018

Notification no. 21/2018-Union Territory Tax (rate) dated 26th July 2018

- The rate of tax on services has been amended as follows:
 - Supply of **food** and drinks in restaurant, mess, canteen, eating joints and such supplies to institutions (educational, office, factory, hospital) **on contractual basis** will not be taxable at GST rate of **5%**. It has been stated that the scope of outdoor catering under 7(v) is restricted to supplies in case of **outdoor/indoor functions** that are **event based** and occasional in nature wherein the rate will be **18%**.
 - Supply of **food** or article for human consumption by **Indian Railways** or IRCTC in trains or platforms will be taxable at **5%**
 - GST rate slabs on **accommodation service** will now be based on **transaction value** instead of declared tariff which is likely to provide major relief to the hotel industry.
 - In case of **multimodal transportation** of goods i.e. by atleast two different modes of transport from the place of acceptance of goods to the place of delivery by a multimodal transporter, the rate will be **12%**.
 - The rate of tax on **e-books** has been prescribed as **5%**.

Notification no. 13/2018-Central Tax (rate) dated 26th July 2018

Notification no. 14/2018-Integrated Tax (rate) dated 26th July 2018

Notification no. 13/2018-Union Territory Tax (rate) dated 26th July 2018

- Services by the **Central Government, State Government, Union territory or local authority** in relation to a function entrusted to a **Municipality** under Article 243W or 243G to the Panchayat will be considered as **neither supply of goods nor supply of services**. Earlier, the said function was exempt which has now been rationalized.

Notification no. 16/2018-Central Tax (rate) dated 26th July 2018

Notification no. 17/2018-Integrated Tax (rate) dated 26th July 2018

Notification no. 16/2018-Union Territory Tax (rate) dated 26th July 2018

- The following services have been **exempted** from GST:
- Services by an **old age home** run by Central Government, State Government or by an entity registered under section 12AA of the Income-tax Act, 1961 (43 of 1961) to its residents (aged 60 years or more) against consideration upto twenty five thousand rupees per month per member, provided that the consideration charged is inclusive of charges for boarding, lodging and maintenance.
 - Services supplied by **electricity distribution** utilities by way of construction, erection, commissioning, or installation of infrastructure for extending electricity distribution network **upto the tube well of the farmer** or agriculturalist for agricultural use.
 - Exemption on Services by way of **transportation of goods** by an aircraft from **customs station of clearance in India to a place outside India** and Services by way of transportation of goods by a vessel **from customs station of clearance in India to a place outside India** has been extended till 30th September 2019
 - Services by way of **warehousing of minor forest produce**.
 - Services by **Coal Mines Provident Fund Organisation** to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 (46 of 1948).
 - Services by **National Pension System (NPS)** Trust to its members against consideration in the form of administrative fee.
 - Services supplied by Central Government, State Government, Union territory to their undertakings or **Public Sector Undertakings(PSUs)** by way of **guaranteeing** the loans taken by such undertakings or PSUs from the financial institutions.
 - Services by way of licensing, registration and analysis or testing of food samples supplied by the **Food Safety and Standards Authority of India (FSSAI)** to Food Business Operators.
 - Services by way of **artificial insemination of livestock** (other than horses).
 - Services supplied by a **State Government to Excess Royalty Collection Contractor (ERCC)** by way of assigning the right to collect royalty on behalf of the State Government on the mineral dispatched by the mining lease holders subject to certain conditions
 - Services provided by an **unincorporated body or a non-profit entity** registered under any law for the time being in force, engaged in,- (i) activities relating to the welfare of industrial or agricultural labour or farmers; or (ii) promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to its own members against consideration in the form of **membership fee upto an amount of one thousand rupees (Rs 1000/-) per member per year**.
 - It has been clarified that the **Central and State Educational Boards** shall be treated as **Educational Institution** for the limited purpose of providing services by way of conduct of examination to the students.

Notification no. 14/2018-Central Tax (rate) dated 26th July 2018

Notification no. 15/2018-Integrated Tax (rate) dated 26th July 2018

Notification no. 14/2018-Union Territory Tax (rate) dated 26th July 2018

- In case of services supplied by **Individual Direct Selling Agents (DSAs)** other than a body corporate, partnership or limited liability partnership firm **to a banking company** or a non-banking financial company, located in the taxable territory, it has been prescribed that the recipient will be liable to pay taxes under **reverse charge** under Section 9(3) of the CGST Act.

Notification no. 15/2018-Central Tax (rate) dated 26th July 2018

Notification no. 16/2018-Integrated Tax (rate) dated 26th July 2018

Notification no. 15/2018-Union Territory Tax (rate) dated 26th July 2018

- An explanation has been inserted in the rate notification for services (Notification no. 11/2017-Central Tax (rate) dated 28th June 2017) that the term '**business**' shall **not include** any activity or transaction undertaken by the Central Government, a State Government or any local authority in which they are **engaged as public authorities**

Notification no. 17/2018-Central Tax (rate) dated 26th July 2018

Notification no. 18/2018-Integrated Tax (rate) dated 26th July 2018

Notification no. 17/2018-Union Territory Tax (rate) dated 26th July 2018

- On the following items, the rate of **compensation cess** has been prescribed as **NIL**:
 - Coal rejects supplied by a coal washery, arising out of coal on which compensation cess has been paid and no input tax credit thereof has not been availed by any person
 - Fuel Cell Motor Vehicles

Notification no. 2/2018-Compensation Cess (rate) dated 26th July 2018

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