

## KEY HIGHLIGHTS OF THE 55<sup>th</sup> GST COUNCIL MEETING

The 55<sup>th</sup> Meeting of the GST Council was held on December 21, 2024 at Jaisalmer, Rajasthan under the chairpersonship of the Union Finance & Corporate Affairs Minister, Smt. Nirmala Sitharaman.

### Key recommendations made by the GST Council in its 55<sup>th</sup> Meeting:

#### 1. GST rate changes: Goods

SI	Goods	Recommendations
1	Fortified Rice Kernel (FRK) classified under HSN 1904	• Reduced to 5% (from 18%)
2	Assembly / manufacture of Long-Range Surface-to-Air Missile (LRSAM) system, equipment, parts, tools, test equipment, software etc.	• IGST exemption extended under Notification 19 / 2019-Customs
3	Supplies to merchant exporters	• Compensation Cess reduced to 0.1% at par with GST rate on such supplies
4	Imports of all equipment & consumable samples by Inspection Team of the International Atomic Energy Agency (IAEA)	• IGST exempted subject to specified conditions
5	Food preparations intended for free distribution to economically weaker sections under a Government program subject to the existing conditions (classified under HSN 19 or 21)	• Concessional 5% GST rate
6	Margin on the sale of all old & used vehicles, including electric vehicles	• Increased to 18% (from 12%)

- i. The definition of 'pre-packaged and labelled' proposed to be linked to the definitions under the Legal Metrology Act, 2009 to include all commodities, containing no more than 25 kg or 25 liters, intended for retail sale.

#### 2. GST rate changes: Services

- i. Supply of sponsorship services provided by body corporates to be brought under Forward Charge Mechanism.
- ii. GST exempted on contributions made by general insurance companies to the Motor Vehicle Accident Fund for providing compensation/ cashless treatment to the victims of road accidents including hit and run cases.
- iii. The definition of 'declared tariff' in hotel accommodation to be removed. Further, the definition of 'specified premises' to be amended to link the rate of GST on accommodation units in hotels to the actual value of the supply.

GST rate on restaurant services in hotels to depend on the value of supply of accommodation effective from April 1, 2025:

- 18% GST with ITC if the value of supply exceeds Rs. 7,500/-
  - 5% GST without ITC if the value of supply is equal to or below Rs. Rs. 7,500/-
  - The hotel shall have option to pay 18% GST with ITC on restaurant services on filing declaration before the financial year or at the time of registration
- iv. GST under reverse charge mechanism was introduced on rental of commercial or immovable property (excluding residential dwellings) by an unregistered person to a registered person. It is proposed to exempt composition dealers from the obligation to pay a reverse charge on such services. Past transactions to be regularized on an 'as-is-where-is' basis.
- v. Gene therapy to be exempt from GST.

### **3. Trade facilitation measures**

- i. Supply of goods stored in a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) to any person before the goods are cleared for export or moved to the Domestic Tariff Area not to be considered as supply of goods or services under paragraph 8 of Schedule III of the CGST Act similar to the treatment of supply transactions in a customs bonded warehouse.
- ii. The GST Council addressed long-standing concerns regarding **taxability of vouchers**:
- Transactions involving vouchers shall not be considered as supply of goods or services
  - No GST on distribution of vouchers on principal-to-principal transactions
  - In case of principal-to-agent transactions, GST payable only on commission / fees charged by the agents for distributing vouchers
  - Additional services such as advertising, co-branding, marketing & promotion, customization & technology support, customer support etc. subject to GST on the amount paid for such services
  - Unredeemed vouchers not to be considered as supply under GST. No GST is payable on income booked in the accounts in respect of unredeemed vouchers
  - Provisions related to taxability of vouchers providing for time of supply and valuation of vouchers to be omitted
- iii. Implementation of "Track and Trace" mechanism for certain commodities based on a Unique Identification Marking (UIM) which must be affixed to the goods or packages to improve supply chain transparency and reduce disputes due to traceability.
- iv. Suppliers of 'online services' (e.g. online money gaming, OIDAR services) to mention the state of the unregistered recipient on the tax invoice.

#### 4. Notifications / Circulars to provide clarification on the following issues

SI	Goods & Services	Clarifications proposed
1	Autoclaved Aerated Concrete (ACC) blocks containing more than 50% fly ash content classified under HSN 6815	<ul style="list-style-type: none"><li>• GST rate of 12%</li></ul>
2	Pepper (whether fresh green or dried) and raisins when supplied by an agriculturist	<ul style="list-style-type: none"><li>• Not liable to GST</li></ul>
3	Ready-to-eat popcorn: <ul style="list-style-type: none"><li>• Popcorn mixed with salt and spices<ul style="list-style-type: none"><li>– pre-packaged</li><li>– other than pre-packaged</li></ul></li><li>• Popcorn mixed with sugar</li></ul>	<ul style="list-style-type: none"><li>• 12% (HSN 2106 90 99)</li><li>• 5% (HSN 2106 90 99)</li><li>• 18% (HSN 1704 90 90)</li></ul>
4	Penal charges levied by Banks and NBFCs from borrowers for non-compliance with loan terms	<ul style="list-style-type: none"><li>• Not liable to GST</li></ul>

- i. Payment Aggregators regulated by the RBI to qualify for the exemption under entry No. 34 of Notification No. 12/2017-CT(R) dated 28.06.2017 being considered as 'acquiring bank'. However, this exemption does not apply to payment gateways (PG) or other fintech services that do not involve fund settlement.
- ii. Electronic Commerce Operators (ECOs) paying GST directly u/s 9(5) of the CGST Act not required to reverse ITC proportionally under sections 17(1) or 17(2) of the CGST Act.
- iii. Under ex-works contracts, goods handed over to the recipient or transporter at the supplier's business location will be considered as 'received' by the recipient u/s 16(2)(b) of the CGST Act. Further, ITC will be available on meeting all conditions u/s 16 & 17 of the CGST.
- iv. Late fees will apply if the complete Annual Return, including both Forms GSTR-9 and GSTR-9C (if applicable), is filed late. In respect of Form GSTR-9C for FY from 2017-18 to FY 2022-23, late fee to be waived in excess of the late fee payable till the date of filing of Form GSTR-9 of the respective year, provided Form GSTR-9C is filed by March 31, 2025.
- v. Explanation regarding 'ground clearance' for the levy of compensation cess on the Utility Vehicle<sup>1</sup> to be applicable from July 26, 2023

#### 5. Other Proposals

- i. Amendments to enhance the functionality of the **Invoice Management System (IMS)**
  - To provide legal framework for generating Form GSTR-2B based on taxpayer actions on IMS
  - To provide for reversal of ITC (on credit note issued by supplier) by the recipient facilitating reduction in the supplier's output tax liability
  - To prescribe a method for adjusting the supplier's output tax liability against credit notes
  - To ensure filing of GSTR-3B for a tax period only after Form GSTR-2B is available on the portal

<sup>1</sup> In terms of Sl. No. 52B of Notification No. 1/2017- Compensation Cess (Rate) dated June 28, 2017

- ii. The phrase 'plant or machinery' u/s section 17(5)(d) of the CGST Act to be replaced with 'plant and machinery' retrospectively from July 1, 2017 overcoming the recent Supreme Court decision in the case of **M/s Safari Retreats Private Ltd.**<sup>2</sup>
- iii. Pre-deposit requirement for appeals before an appellate authority reduced from 25% to 10% for cases involving only penalties.
- iv. Inter-state reverse charge transactions to be included under the Input service distributor (ISD) mechanism along-with intra-state reverse charge transactions effective from April 1, 2025.
- v. New Rule 16A to allow tax officers to generate a Temporary Identification Number for persons, who are not liable to be registered under CGST Act but are required to make tax payment.
- vi. Composition taxpayers shall be able to modify their category through Form GST CMP-02 Table 5.
- vii. Section 2(69)(c) of the CGST Act to be amended to include explanation defining the terms 'Local Fund' and 'Municipal Fund'.
- viii. Committee of officers to be formed to suggest improvements to the IGST settlement process to be finalized and implemented by March 2025.
- ix. Procedural rules proposed by the Law Committee for the internal functioning of GSTAT will be notified after examination and approval.
- x. Restructuring of the GST Compensation Cess (designed to compensate States for revenue losses due to GST implementation) extended till June 30, 2025.
- xi. Group of Ministers (GoM) to be constituted to examine the legal and structural issues in Andhra Pradesh in the event of any natural disasters or calamities and recommend a uniform policy.
- xii. GST on FSI charges deferred for further examination at the request of the Central Government highlighting the need for clarity as these charges relating to municipalities or local authorities.

The recommendations of the GST Council would be given effect through relevant Circulars / Notifications / Law amendments which alone shall have the force of law. Please [Click Here](#) to read the Press Release.

*This publication contains information of general nature. The information is only for general guidance and is not meant to be a substitute for professional advice in any manner. In case the reader requires any specific inputs / suggestions / advice from our end, please contact us separately.*

---

<sup>2</sup> Civil Appeal No. 2984 of 2023 dated October 3, 2024