



Greetings to all our readers!!

The 45th meeting of the GST Council was held on 17th September 2021. The Council proposed various changes vis-à-vis tax rate on various supplies, exemption entries, e-commerce transactions, etc.,

Certain amendments were proposed to be made effective from 01.01.2022. The same have now been notified on 18th November 2021. In this newsflash, we have summarized the gist and impact of these notifications which can be classified as under:

1. Change in GST rate of goods.
2. Change in GST rate of services.
3. Change in GST exemption for services.
4. Supplies through E-commerce operators.

We hope you find it an interesting read and wait to hear from you on the same.

Readers may kindly note that the amendments are applicable w.e.f 01st January 2022

In order to better understand the implications of the above amendments, we have scheduled an online session to be conducted by CA. Sunil Gabhawalla on 23.11.2021 from 5 p.m. to 6 p.m. The session would be conducted on Zoom platform and you can attend using following details:

Meeting ID: 820 5207 9740

Password: 346069

Team SBGco



1. Change in GST rate of goods – Notification No. 14/2021-Central Tax (Rate) amending notification 1/2017 – Central Tax (Rate)

- 1.1. On industry demand, the tax rates for textile and footwear industry are now streamlined to remove the inverted rate structure. Most of the textile and textile articles have also been included under 12% tax rate basket and the determination of tax rate for textile products based on selling price has been discontinued. The tax rate for footwear of sale value not exceeding Rs.1,000 per pair has been changed to 12%.
- 1.2. All these amendments will substantially ease the working capital problems on account of blockage of tax credit for both industries.

2. Change in GST rate of services – Notification No. 15/2021-Central Tax (Rate) amending notification 11/2017 – Central Tax (Rate)

- 2.1. A concessional tax rate of 12% is applicable for certain works contract services provided to Central Government, State Government, Union Territory, Local Authority, Government Entity, Governmental Authority in Entry 3 of Notification No. 11/2017-Central Tax (Rate). The current notification dated 18.11.2021 amends clauses (iii), (vi), (vii), (ix) and (x) of the said Entry to delete the terms Government Entity and Governmental Authority.
- 2.2. This means that concessional rate of GST will be available only for works contract services provided to Central Government, State Government, Union Territory, Local Authority. This will also impact sub-contract activity.
- 2.3. The tax rate for job-work services by way of dyeing or printing of the said textile and textile products have been amended from 5% to 12%.
- 2.4. The taxpayers need to carefully analyze the impact of the above amendments and carry out necessary changes to ensure smooth transition.

3. Change in GST exemption for services– Notification No. 16/2021-Central Tax (Rate) amending notification 12/2017 – Central Tax (Rate)

- 3.1. Entry 3 of notification 12/2017 – Central Tax (Rate) exempts pure services provided to Central Government, State Government, Union Territory, Local Authority, Government Entity and



Governmental Authority in relation to functions of Article 243W and 243G of Constitution of India. The said entry is amended and terms Government Entity and Governmental Authority have been omitted.

- 3.2. Similarly, Entry 3A of Notification No. 12/2017-Central Tax (Rate) exempts works contract services in which the value of supply of goods constitutes not more than 25 per cent. of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity in relation to functions of Article 243W and 243G of Constitution of India. The said entry is also amended and the terms Government Entity and Governmental Authority have been omitted from the said exemption.
 - 3.3. The effect of amendment to entry 3 & 3A is that the exemption will now be available only for prescribed services provided to Central Government, State Government, Union Territory, Local Authority. This amendment will resolve the ongoing conflicts for interpretation of terms “Governmental Authority and Government Entity”.
 - 3.4. The notification also inserts a proviso to Entry 15 and 17 of Notification No. 12/2017-Central Tax (Rate) restricting eligibility to claim exemption for following services, if supplied through electronic commerce operator:
 - a. non-airconditioned contract carriage other than radio taxi, for transportation of passengers, excluding tourism, conducted tour, charter or hire; or
 - b. stage carriage other than airconditioned stage carriage
 - c. metered cabs or auto rickshaws (including e-rickshaws)
 - 3.5. This amendment will increase compliance burden and cost of services and require taxpayer to carry out suitable changes (accounting, technology, etc.,) after consulting with various stakeholders.
- 4. Supplies through E-commerce operators – Notification 17/2021-Central Tax (Rate) amending notification 17/2017 – Central Tax (Rate)**
- 4.1. In respect of specified services as notified by the Government, GST is required to be paid by the E-Commerce Operator (ECO) on behalf of the supplier of service if such services are supplied through it and all the provisions of the GST Act apply to such ECO as if he is the supplier of service and the ECO is liable to pay GST in relation to the supply of such services.



- 4.2. The Government had already notified following categories of services vide Notification No. 17/2017-Central Tax (Rate) dated 28.06.2017 where the tax on intra-State/ inter-state supplies is to be paid by the ECO –

Sr.	Description of supply of Service	Supplier of service	Person Liable to Pay GST
1	Transportation of passengers by a radio-taxi, motorcab, maxicab and motor cycle	Any person	E-commerce operator
2	Providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes	Any person except who is liable for registration under sub- section (1) of section 22 of the said CGST Act	E-commerce operator
3	Services by way of house- keeping, such as plumbing, carpentering etc	Any person except who is liable for registration under sub- section (1) of section 22 of the said CGST Act	E-commerce operator

- 4.3. Notification No. 17/2021- Central Tax (Rate) dated 18.11.2021 widens the coverage of entry no 1 above to include omnibus or any other motor vehicle. Further, services provided by restaurants (other than those located in hotel premises having declared tariff of any unit of accommodation above Rs. 7,500/- per day) have also been included in the list of specified services notified u/s 9(5) of CGST Act, 2017.
- 4.4. This means that GST on any supplies made by stand-alone restaurants or restaurants in hotels having declared tariff of rooms below Rs. 7,500/- through ECO will be paid by the ECO and the restaurant need not pay GST on such transactions made through ECO. The relevant entry is tabulated below for reference:

Sr.	Description of supply of Service	Supplier of service	Person Liable to Pay GST
4	Supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises	Restaurants other than those located	E-commerce operator



Sr.	Description of supply of Service	Supplier of service	Person Liable to Pay GST
	Explanation: "specified premises" means premises providing hotel accommodation service having declared tariff of any unit of accommodation above seven thousand five hundred rupees per unit per day or equivalent	at specified premises	

- 4.5. This change will have a deep impact on how the restaurants operate in terms of billing, maintaining books of accounts, GST compliances, etc

Disclaimer

This newsletter is for general public information and knowledge sharing. In case any clarifications required, you may connect with us at:

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