Minutes of the 32nd GST Council Meeting held on 10th January 2019

The thirty second Meeting of the Goods and Services Tax Council (hereinafter referred to as 'the Council') was held on 10th January, 2019 at Vigyan Bhawan, New Delhi, under the Chairpersonship of the Hon'ble Union Finance Minister, Shri Arun Jaitley (hereinafter referred to as the Chairperson). A list of the Hon'ble Members of the Council who attended the meeting is at **Annexure 1**. A list of officers of the Centre, the States, the GST Council and the Goods and Services Tax Network (GSTN) who attended the meeting is at **Annexure 2**.

2. The following agenda items were listed for discussion in the 32nd Meeting of the Council:

1. Confirmation of the Minutes of 31st GST Council Meeting held on 22nd December, 2018
2. Deemed ratification by the GST Council of Notifications, Circulars and Orders issued by the Central Government
3. Decisions of the GST Implementation Committee (GIC) for information of the Council
4. Interim Report of GoM (Group of Minister) on MSMEs
5. Issues recommended by the Fitment Committee for the consideration of the GST Council
    i. Proposal for boosting real estate sector under GST regime by providing a composition scheme for residential construction units
    ii. Proposal regarding rationalisation of GST rates on Lottery
    iii. Request by CAPSI (Central Association of Private Security Industry) to bring the entire security services sector including body corporate under RCM (Reverse Charge Mechanism)
6. Issues recommended by the Law Committee for the consideration of the GST Council
    i. Notification of provisions of the CGST (Amendment) Act, 2018; UTGST (Amendment) Act, 2018, the GST (Compensation to States) Amendment Act, 2018 and the IGST (Amendment) Act, 2018
    ii. Consequential amendments in notifications issued earlier in light of bringing into force the provisions of the CGST (Amendment) Act, 2018; the UTGST (Amendment) Act, 2018; the GST (Compensation to States) Amendment Act, 2018 and the IGST (Amendment) Act, 2018
    iii. Consequential amendments in Circulars and Orders issued earlier in light of bringing into force the provisions of the CGST (Amendment) Act, 2018; the UTGST (Amendment) Act, 2018; the GST (Compensation to States) (Amendment) Act, 2018 and the IGST (Amendment) Act, 2018
    iv. Proposal for amendment in CGST Rules, 2017
7. Review of Revenue position
8. Allowing ITGRC (IT Grievance Redressal Committee) to consider non-technical issues (errors apparent on the face of record)
9. Use of RFID (Radio-frequency Identification) data for strengthening enforcement of e-Way bill system under GST
10. Quarterly Report of the NAA (National Anti-profiteering Authority) for the quarter October to December 2018 for the information of the GST Council

CHAIRMAN'S INITIALS

11. Report of GoM on Revenue Mobilisation
12. Any other agenda item with the permission of the Chairperson
13. Date of the next meeting of the GST Council

Preliminary discussion

3. The Hon'ble Chairperson welcomed everyone to the 32nd Meeting of the Council. He informed that three new Members had joined the Council, namely, Shri T.S. Singh Deo, Shri Priyavrat Singh and Shri Shanti Kumar Dhariwal, Hon'ble Ministers from Chhattisgarh, Madhya Pradesh and Rajasthan respectively. By way of introduction for the newly joined Members, he stated that the Council was a new experiment on co-operative federalism, which met from time to time. He added that he was confident that the three new Members would contribute positively to the working of the Council.

3.1. Before taking up discussion on the Agenda items, Shri Yanamala Ramakrishnudu, Hon'ble Minister from Andhra Pradesh raised an issue that Agenda fixation for the Council Meeting should be in consultation with the States and observed that Agenda of the States was not appearing in the meeting. He added that alternatively, information on the Agenda items should be shared in advance with the States. Dr. A.B. Pandey, Union Revenue Secretary and Secretary to the Council (hereinafter referred to as the Secretary), stated that some of the Agenda items, like Agenda item 1(Confirmation of the Minutes of the 31st Meeting), Agenda item 2 (Deemed ratification of Notifications, Circulars and Orders issued by the Central Government) and Agenda item 7 (Review of Revenue position) were routine agenda items. Agenda items 5(i) (Proposal for boosting real estate sector under GST regime by providing a composition scheme for residential construction units), 5(ii) (Proposal regarding rationalisation of GST rates on Lottery), 8 (Allowing ITGRC to consider non-technical issues), and 11 (Report of GoM on Revenue Mobilisation) were placed before the Council in pursuance of the decision of the last Council Meeting to discuss these issues in a combined meeting of the Fitment Committee and the Law Committee or in the GoM and place the recommendations in the next meeting of the Council. He added that the only new substantive agenda was Agenda item 9 (Use of RFID data for strengthening enforcement of e-Way bill system under GST) which was discussed during the Officers meeting held on 9th January, 2019 and the Council would be apprised about its deliberations when this Agenda item came up for discussion.

3.2. The Hon'ble Chairperson observed that there should be a procedure by which any pressing issue raised by a State may be brought before the Council. He stated that the Hon'ble Minister of a State could write to him or the Finance Secretary of the State concerned could write to the Union Revenue Secretary. The Hon'ble Minister from Andhra Pradesh stated that they had written to the Council on certain issues and they would write again on those issues. Many of these issues related to fitment of rates, which needed to be considered in either way but they had not been brought before the Council. Shri Manish Sisodia, Hon'ble Deputy Chief Minister of Delhi, stated that there should be a practice to circulate the list of Agenda items forwarded by the States to the Council Secretariat every month or during the meeting of the Council even if these were not part of the Agenda.

CHAIRMAN'S INITIALS

3.3. The Hon'ble Chairperson observed that many times, the Hon'ble Members had raised issues orally during the Council Meeting and he always allowed them to be raised. Most of these issues related to rates and these were mostly referred to the Fitment Committee for

consideration. He observed that most of the issues, raised by the Hon'ble Minister from Andhra Pradesh also related to rates and as a test case, it needed to be verified whether or not all these issues had gone to the Fitment Committee for consideration.

3.4. Shri V. Narayanasamy, Hon'ble Chief Minister of Puducherry, stated that during the last Meeting of the Council, he had raised the issue of IGST settlement for the financial year 2017-2018 and it was decided that the Finance Secretaries of Puducherry and Delhi would meet the Union Revenue Secretary to find a solution. He urged that a decision on this issue was required to be taken early and requested intervention of the Hon'ble Chairperson in this regard. The Hon'ble Chairperson observed that the Secretary may discuss this issue with Puducherry and Delhi at the earliest possible.

3.5. The Hon'ble Deputy Chief Minister of Delhi stated that the amount lying in the IGST account should be settled by 31st March, 2019 and suggested that the Council could take a decision to this effect. He observed that in the absence of such a decision, the amount would be in the Consolidated Fund of India by default and then it would get devolved to the States to the exclusion of the UTs of Delhi and Puducherry. He further stated that if the money went to the Consolidated Fund of India after the IGST amount had been settled finally, then the problem associated with devolution for his State would not arise. The Hon'ble Chairperson observed that practically it was unlikely that the IGST amount could be kept as nil as collections and refunds would happen right till end of March. Hence, some amount would always remain un-apportioned. The Secretary stated that in March, 2019 also, some IGST amount would come into the Consolidated Fund of India and refunds would be given, and the Government would come to know about the exact amount lying in the Consolidated Fund of India only at the end of March, 2019. He further stated that they were taking legal opinion as to whether the unsettled IGST amount could be kept in the Consolidated Fund of India and whether it was devolvable. He added that this issue was also under discussion with the accounting authorities of the Central Government before taking appropriate decision.

3.6. The Hon'ble Chairperson observed that since the two Union Territories with legislature were not getting any money through devolution, their request to keep only a minimal amount under the IGST head would need to be examined. The Hon'ble Deputy Chief Minister of Delhi stated that an in-principle decision should be taken now that Union of India should keep only a minimal amount under the IGST head as this might be the last meeting of the Council during the current financial year. Dr. T.V. Somanathan, Commissioner, State Tax, Tamil Nadu, stated that the Government of Tamil Nadu held the same view as that of the Hon'ble Deputy Chief Minister of Delhi and the practice of *ad hoc* settlement should continue in March, 2019 and no money should lie in the IGST account at the end of March, 2019. The Hon'ble Chairperson observed that as mentioned by the Secretary, this would need further examination.

3.7. After these preliminary discussions, the Hon'ble Chairperson invited the Secretary to take up the Agenda items for discussion.

CHAIRMAN'S INITIALS

Agenda Item 1: Confirmation of the Minutes of 31st GST Council Meeting held on 22nd December, 2018

4. The Secretary stated that during the Officers meeting held on 9th January, 2019, no comments were received on the Minutes of the 31st GST Council Meeting held on 22nd December, 2018. The Hon'ble Chairperson stated that alternatively, if a Member found that he had been inaccurately quoted, then the correction to his version could be forwarded to the Secretary in writing and appropriate corrections could be made. He invited comments, if any, from the Members. Shri Manpreet Singh Badal, Hon'ble Minister from Punjab, stated that they had suggested some editorial corrections in writing, which should be taken on record. The following corrections were suggested:

(i) In paragraph 12.7 of the Minutes, to make corrections in the last three sentences as follows (the suggested additions are underlined in italics and suggested deletions are in strike through mode): 'He explained that the service providers like *Paytm in respect of telecom services provided by* BSNL and MTNL were accounting a large portion of taxes dues to his State, to their head offices in NOIDA based on the address of the suppliers *and not of the subscribers*. He suggested that a special group should be constituted to look at the possible State-wise distortions and suggest ways for augmentation of revenue and particularly the revenue which had not been reaching the destination States. He further suggested that rate rationalization should be looked at *keeping* in *mind* July, 2022 and not ~~*in*~~ *May,* ~~2018~~ *2019.*'

(ii) In paragraph 12.19 of the Minutes, to make corrections in the last two sentences as follows (the suggested changes are underlined and in italics and suggested deletions are in strike through mode): 'On Service Tax, he stated that earlier, *a* large part of Service Tax was levied on B2B ~~payment~~ *supplies* i.e. between *the stages of* manufacture and retail like renting of immovable properties, C&F agent, business auxiliary service, business support service, advertisement, etc. and the revenue from them was going to be ~~channelized~~ *cannibalized* in GST, *being a levy on the final price*. He stated that as per his estimate, the net revenue from Service Tax was supposed to be around Rs.70,000 crore depending upon the *exemption* threshold.'

(iii) In paragraph 12.20 of the Minutes, to make corrections in the first six sentences as follows (the suggested changes are in italics and underlined and suggested deletions are in strike through mode): 'The Advisor (Financial Resources), Punjab, further stated that ~~during the pre-~~ *at the time* GST ~~period (2008-15)~~ *design was first conceived around 2008,* the rate of State VAT was ~~originally~~ *standard rated* @12.54% and ~~CST~~ *merit rate was* 4% but the rates ~~varied~~ *rose* subsequently ~~among the~~ *across the* States as some States started levying 10% surcharge, some raised tax rates etc. ~~So, GST was rolled out.~~ *At the time GST was ushered,* ~~*M*~~ *m*ost States had a ~~tax~~ *VAT* rate of 13.5%-14% on a cascaded value, which included *Central* Excise ~~duty~~, in addition to CST of 2% plus the ~~tax of~~ *input tax credit reversals of* 4% on stock transfers. Thus, his estimate was that most of the States had a prevalent ~~tax~~ VAT rate of 18% *at the higher end* which had now become 9% (as SGST) and VAT rate of 6% *(together with similar cascading)* had become 2.5% *or 6%* SGST *at the most*. This had an impact on the revenue front. He stated that Punjab*'s primary* ~~had two-fold~~ problem, ~~namely Purchase Tax and~~ *was the* mismatch between ratio of Punjab's share of GDP in the country's GDP ~~and~~ *when compared with Punjab's* GST revenue *vis-à-vis* country's total GST revenue. He added

CHAIRMAN'S INITIALS

that share of Punjab in the country's GDP was 2.8% but its share of GST revenue was only 2.4%. *This automatically neutralized all factors such as Purchase Tax.*'

4.1. The Council approved the changes to the Minutes as proposed above. No other Member made any comments on the Minutes of the 31st GST Council Meeting.

5. **For Agenda item 1,** the Council decided to adopt the Minutes of the 31st Meeting of GST Council with changes as recorded in paragraph 4 above.

Agenda Item 2: Deemed ratification by the GST Council of Notifications, Circulars and Orders issued by the Central Government

6. The Secretary informed that during the Officers meeting held on 9th January, 2019, a presentation was made on this Agenda item (attached as **Annexure 3** to the Minutes) informing about the Notifications, Circulars and Orders issued under the GST Laws by the Central Government after 22nd December, 2018 (date of the 31st GST Council Meeting) and till 2nd January, 2019, which were required to be ratified by the Council. He informed that the officers did not raise any issues and proposed that the Council may ratify the Notifications, Circulars and Orders. The Council agreed to the same.

7. **For Agenda item 2,** the Council approved the deemed ratification of the following Notifications, Circulars and Orders issued by the Central Government after 22nd December, 2018 (date of the 31st GST Council Meeting), till 2nd January, 2019, which are available on the website: www.cbic.gov.in :

Act/Rules	Type	Notification/Circular/Order Nos.
CGST Act/CGST Rules	Central Tax	67 to 78 of 2018
	Central Tax (Rate)	24 to 30 of 2018
IGST Act	Integrated Tax	4 of 2018
	Integrated Tax (Rate)	25 to 31 of 2018
UTGST Act	Union Territory tax (Rate)	24 to 30 of 2018
Circulars	Under the CGST Act	76 to 81 of 2018 and 82 to 86 of 2019
ROD Orders	Under the CGST Act	2 to 4 of 2018

7.1. The Notifications, Circulars and Orders issued by the States, which are *pari materia* with the above Notifications, Circulars and Orders, were also deemed to have been ratified.

Agenda Item 3: Decisions of the GST Implementation Committee (GIC) for information of the Council

8. Introducing this Agenda item, the Secretary stated that the GST Implementation Committee (GIC) took one decision between 22nd December, 2018 (when the 31st GST Council Meeting was held), and 2nd January, 2019 (before the 32nd Council Meeting). The decision related to a provisional settlement on *ad hoc* basis of IGST amount to the tune of Rs.18,000 crore between the Centre and the States. The GIC had agreed to the proposal to

CHAIRMAN'S INITIALS

settle this additional IGST amount, 50% to the Centre and 50% to the States, on *ad hoc* basis. He stated that this Agenda item was discussed during the Officers meeting held on 9th January, 2019 (presentation on the issue attached as **Annexure 3** to the Minutes) and there were no comments from the Officers. He stated that this Agenda item was placed before the Council for information.

9. For **Agenda item 3**, the Council took note of the decision taken by the GIC between 22nd December, 2018 (when the 31st GST Council Meeting was held), and 2nd January, 2019.

Agenda Item 4: Interim Report of GoM (Group of Ministers) on MSMEs

10. Introducing this Agenda item, the Secretary stated that during the last meeting of the Council, certain issues relating to MSME sector were referred to the Group of Minister (GoM) on MSME. He informed that a meeting of the GoM on MSME was held on 6th January, 2019. The GoM made certain recommendations, which were placed before the Council for consideration. He invited Shri Manish Kumar Sinha, Joint Secretary, TRU-II to make a presentation on the recommendations. The Joint Secretary, TRU-II made a presentation on the five recommendations made by the GoM on MSME (attached as **Annexure 4** to the Minutes). A record of discussion with respect to each of the recommendations of the GoM is as below:

(I) Increase of limit of annual turnover for Composition scheme to Rs.1.5 crore with effect from 1st April, 2019

10.1. The Joint Secretary, TRU-II stated that during the 23rd Meeting of the Council held on 10th November, 2017, it was decided to raise the annual turnover threshold for eligibility of taxpayers under the Composition scheme to Rs.1.5 crore from the existing Rs.1.0 crore. In the last meeting of the Council, it was decided that all amendments to the CGST Act, 2017 and the SGST Acts, 2017 (which also includes this amendment) shall come into effect from 1st February, 2019. The GoM proposed that the increase in annual turnover threshold from Composition could be implemented with effect from 1st April, 2019 since the Composition taxpayers were filing quarterly return and the new threshold could be applied from the beginning of the quarter after coming into force of the new law from 1st February, 2019 i.e. with effect from 1st April, 2019. He added that this decision would give relief to manufacturers who were exempt from payment of Central Excise duty up to an annual turnover of Rs.1.5 crore during the pre-GST era. He stated that the annual revenue implication of this decision for all taxes put together was likely to be around Rs.742 crore.

10.2. On an inquiry from the Hon'ble Chairperson regarding the number of persons who would avail the benefit of this scheme, the Joint Secretary, TRU-II stated that about one lakh new taxpayers were likely to take benefit of the increase in annual turnover threshold under the Composition scheme from Rs.1.0 crore to Rs.1.5 crore.

10.3. Shri Krishna Byre Gowda, Hon'ble Minister from Karnataka, stated that from the figures indicated in the presentation, it appeared that when the annual turnover threshold for availing the Composition scheme was Rs.1.0 crore, only 22% of the eligible taxpayers had availed the Composition scheme. He further stated that the proposed increase in the annual turnover threshold for Composition taxpayers now being made was meant to address the grievance of the MSME sector. However, as only 22% of the eligible taxpayers had availed this Scheme, it was clear that this facility was not relieving the sufferings of the bulk of the

CHAIRMAN'S INITIALS

MSME units. He added that their suffering was more due to compliance burden and not composition or regular rate of tax. He added that the proposed increase in the annual turnover threshold might not solve the problem of the small taxpayers. He stated that while he was not opposed to this proposal, he wanted to put this perspective before the Council.

10.4. The Hon'ble Chairperson stated that the compliance issues were also being simplified. He observed that even where taxpayers were exempted from GST because their annual turnover was less than Rs.20 lakh, many were still taking registration for reasons like remaining within input tax credit chain and to make inter-State supplies. He stated that the proposed increase of Composition threshold would provide a window to those taxpayers who wanted to make supplies within the State and did not want to face too much of compliance burden. The Hon'ble Minister from Karnataka stated that business people wanted to continue in the supply chain but they also wanted easing of compliance requirements. He observed that the new return system had been deferred to 1st July, 2019 and the present measures might not cater to their needs. Shri Sushil Kumar Modi, Hon'ble Deputy Chief Minister of Bihar, stated that to ease the compliance requirements, the return filing by Composition taxpayers would become annual with quarterly payment of tax. The Hon'ble Chairperson suggested that the Council may agree to notify to increase the limit of annual turnover for Composition taxpayers from Rs. 1.0 crore to Rs.1.5 crore for goods from 1st April, 2019. The Council agreed to this proposal.

(II) Simplification under Composition scheme by way of quarterly payment with annual return

10.5. Introducing this proposal, the Joint Secretary, TRU-II stated that it was proposed to make compliance burden for Composition taxpayers simpler as they only needed to pay 1% tax on their turnover and hence the only relevant information required was their turnover declaration. It was proposed to continue with the system of collecting minimal details from Composition taxpayers while making quarterly payment of tax and they could file their return annually. He stated that the Law Committee and the Fitment Committee had agreed to this proposal in their joint meeting held on 4th January, 2019. He stated that a tax payment declaration would be designed by the Law Committee with details necessary for compliance verification and the FORM GSTR-4 would be suitably amended.

10.6. The Hon'ble Chairperson stated that it was a positive step forward and additional steps for simplification could be worked out in due course. The Hon'ble Minister from Karnataka reiterated that businesses wanted to stay in the tax chain as there were benefits for the same and as such there was a need to simplify compliance requirements. The Hon'ble Chairperson stated that the organised sector of business was, by and large, at ease with the GST system, but the small businessmen were finding it burdensome. Therefore, the smaller businesses may require to be offered multiple avenues of simplified system to reduce the compliance burden on them. He suggested that the Council could agree to this recommendation of GoM. The Council agreed to the same.

10.7. The Council agreed to the proposal to simplify the Composition scheme by providing for quarterly payment of tax and filing of only one return in a year with effect from 1st April 2019. The Law Committee to design a tax payment declaration with details necessary for

CHAIRMAN'S INITIALS

compliance verification and also to suitably amend the FORM GSTR-4 and to place it before the Council.

(III) Increasing threshold exemption for suppliers of goods

10.8. The Joint Secretary, TRU-II introduced the third recommendation of GoM regarding increasing exemption threshold for supplier of goods for registration up to Rs.75 lakh. He informed that during the joint meeting of the Law Committee and the Fitment Committee held on 4th January, 2019, the following two alternatives were suggested: (i) to raise the annual threshold exemption uniformly for goods and services to Rs.40 lakh; or (ii) to raise the annual threshold exemption for goods to Rs.40 lakh and a special composition scheme be provided for services between Rs. 20 lakh and Rs 40 lakh at the rate of 8% of GST. He added that for Special Category States, the preliminary view was to raise the limit uniformly to Rs.20 lakh. However, a separate decision was needed to be taken for the Special Category States after discussing the issue with them. He stated that the joint meeting of the Law Committee and the Fitment Committee held on 4th January, 2019 had also discussed the merits and demerits of the proposal for increasing the annual turnover threshold limit for registration.

10.9. The merits of the proposal were: (i) it would reduce the economic cost to the small traders and the money so saved could be invested in the economy leading to multiplier effect; (ii) there would be buoyancy of reporting in the economy as presently, it was observed that there was crowding of reporting around the existing threshold of Rs.20 lakh; (iii) the revenue implication would also be minimal as the exemption for higher threshold would largely be availed by those making Business to Consumer (B2C) transactions within the State; and (iv) this would help in better administration as a higher threshold would ensure that Tax Administration would not waste energy on non-productive taxpayers, etc. Certain demerits were also outlined, such as: (i) loss of revenue; (ii) higher opportunity for splitting of units and suppressing the turnover threshold and under-reporting of B2C supplies as considerable economic activity may take place below the threshold.

10.10. The Joint Secretary, TRU-II further stated that the GoM went through the various options and also looked at the data. It took note of the fact that even with the existing annual turnover threshold of Rs.20 lakh, several taxpayers whose turnover was below this limit, had taken registration and the same trend was expected when the annual turnover threshold for registration was further increased. He stated that going by the past experience, it was estimated that revenue foregone from regular taxpayers would be theoretically about 50% of the total revenue and similarly, the number of taxpayers who would go out of the GST net would be theoretically about 50% of the total number of taxpayers. Taking these presumptions into consideration in favor of the revenue, he stated that in the worst-case scenario, the total annual revenue that could be impacted would be about Rs.5,225 crore if the annual turnover threshold for registration for supplier of goods was increased to Rs. 40 lakh; it would be Rs.6,450 crore and 9,200 crore respectively if the annual turnover threshold for registration for supplier of goods was raised to Rs.50 lakh and Rs.75 lakh respectively. The total number of taxpayers expected to go out of the GST net would be about 20,64,000 if the annual turnover threshold was increased to Rs.40 lakh; the number would be about 21,91,000 and 23,81,000 if the threshold was increased to Rs.50 lakh and Rs.75 lakh respectively.

CHAIRMAN'S INITIALS

10.11. The Joint Secretary, TRU-II further stated that the fundamental argument for raising the threshold was that it would free the business of its expenditure which went into compliance. He informed that the taxpayers with turnover up to Rs. 60 lakh were usually paying only around Rs. 5000 annually as tax but their compliance cost was Rs. 15,000 to Rs. 20,000 per annum. He added that if the threshold was raised, more than the revenue, the money saved by the taxpayer on compliance would rotate in the economy and give a fillip to the smaller businesses. He stated that there was a tendency of crowding of reporting of turnover around the threshold. Therefore, it was likely to see betterment in reporting of turnover if the threshold was increased. He stated that this was likely to be availed only by B2C taxpayers and not by anyone who wished to be a part of input tax credit chain. He stated that there were demerits of increasing the threshold as well. The first being loss of revenue. The second could be an increased opportunity of splitting of the units and B2C declaration would be an issue as well but overall the economy would be benefitted in terms of better administration etc., if the turnover threshold was increased.

10.12. Joint Secretary, TRU-II informed that during the GoM deliberations, the general consensus was in favor of raising the threshold but while discussing the issue, three different sets of views were expressed. The first view was that increasing the exemption limit for GST was against the principle of widening the tax base and it was observed that reducing the rates of tax and the tax base simultaneously was not desirable. The second view point was that although the proposal would be highly beneficial to economically developed centres of the country (like Delhi), it would be rather skewed for those States where the majority of taxpayers were below the proposed threshold and, in this context, it was suggested that State-wise data of number of taxpayers becoming eligible for exemption should be made available. He added that they had compiled the data and any State desirous of looking at the data could request for it separately. He stated that a third view was that under the Central Excise regime, most of the MSMEs below the annual turnover of Rs.1.5 crore were exempt from taking registration and they needed to be facilitated. He stated that in view of the differing opinion, the GoM had taken a view that the annual turnover threshold for payment of tax by suppliers of goods needed to be raised but a final decision could be taken by the Council. He added that the threshold limit of services should not be raised because in services, there was considerable revenue involvement even at the lower threshold base. He further stated that the operational details for differential thresholds for goods and services could be worked out by the Law Committee. He stated that the implementation of the proposal might require amendment in the GST Law but alternatively, it could be done by the exemption notification as well.

10.13. Starting the discussion on this issue, the Hon'ble Minister from Kerala observed that the Council had already agreed to raise the annual turnover threshold for Composition taxpayers to Rs.1.5 crore, charge a reduced tax and had simplified the compliance burden by deciding to take only one return in a year from them. As the compliance cost for MSMEs had been taken care of fully, there was no need to increase the annual turnover threshold for registration as this would undermine the architecture of GST. He observed that the broad philosophy of GST is to keep the tax rate low and to widen the tax base. In order to maintain self-policing nature of GST, input tax credit should be available at each stage of transaction. If about 20-23 lakh taxpayers went out of the GST net due to increase in the annual turnover threshold for registration, this would compromise the efficiency of GST. He further stated that in addition to direct loss of revenue, there would be indirect loss of revenue as increased turnover threshold for registration would give incentive to the suppliers to suppress their

CHAIRMAN'S INITIALS

turnover. He added that the GoM did not consider to raise the registration threshold to an annual turnover of Rs.75 lakh. There was a suggestion to raise the annual turnover threshold to Rs.40 lakh and the Hon'ble Deputy Chief Minister of Bihar suggested to raise the annual turnover threshold to Rs.50 lakh. He stated that in the presentation, it was proposed to increase the threshold to Rs.75 lakh, which was not acceptable.

10.14. The Hon'ble Deputy Chief Minister of Delhi recalled that when the issue of annual turnover threshold for registration was first discussed in the Empowered Committee, in many States, the annual turnover threshold for registration was Rs. 5 lakh during the VAT regime. He stated that Delhi could agree to increase the annual turnover threshold to Rs.40 lakh but those States which earlier had an annual turnover threshold of Rs.5 lakh also needed to express their views. The Hon'ble Chairperson enquired whether the suggestion was to have differential criteria for different States. The Hon'ble Deputy Chief Minister of Delhi responded that it was important to listen to the views of other States.

10.15. The Hon'ble Chief Minister of Puducherry stated that one was slowly going against the principles of GST. He stated that GST was meant to make the tax base broader. In VAT regime, there was a certain turnover threshold and in GST, the annual turnover threshold was fixed higher at Rs.20 lakh and now the proposal was to increase it to Rs.75 lakh. He expressed apprehension against this proposal and stated that GST was in its initial stages. One should not attempt to wriggle out of the situation of a complicated procedure for return filing through other methods, like increasing the annual turnover threshold for registration. The solution for the people facing complication in return filing was to simplify the return filing system and not to increase the annual turnover threshold for registration. He stated that while Delhi might not face a problem in increasing the threshold, there would be problem for smaller States like theirs. He added that his State was already suffering a severe revenue shortfall because the revenue coming from the consumers of the adjoining States had gone due to equalization of rates of tax across the States under GST. He suggested that the Council should wait for some time before thinking of increasing the annual turnover threshold for registration and take a call once the revenue position had stabilized. He stated that increasing the annual turnover threshold for registration would lead to splitting of units and large-scale tax evasion.

10.16. Shri Mauvin Godinho, Hon'ble Minister from Goa, stated that while he would have normally welcomed the decision of raising the turnover threshold for registration, but the State of Goa would serve as a classic example for deciding on the particular agenda. He stated that if the annual turnover threshold for registration was increased from Rs.20 lakh to Rs.50 lakh, his State would suffer a revenue loss to the extent of 30% and if the registration threshold was increased to Rs.75 lakh, his State would suffer a revenue loss of 40%. He stated that while discussing this issue, needs of smaller States should also be kept in mind, particularly those like Goa, which was not a Special Category State. He observed that after five years, there would be no compensation. He added that time was not ripe to increase the annual turnover threshold for registration and suggested that the system should be allowed to stabilize before any changes were made.

10.17. Shri T.S. Singh Deo, Hon'ble Minister from Chhattisgarh, stated that the revenue loss projection for his State in 2022 was to the tune of Rs.3,628 crore and this loss would climb up to Rs.5,225 crore if the annual turnover threshold for registration was increased to Rs.40 lakh and to Rs.9,200 crore if the annual turnover threshold for registration was increased to Rs.75

CHAIRMAN'S INITIALS

lakh. He observed that his State could not bear any further loss in revenue. He added that if relaxations in compliance requirement worked out, then there was no need to take a hurried decision on increasing the annual turnover threshold for registration. The Hon'ble Minister from Andhra Pradesh supported the concerns expressed by other States. He stated that his State would suffer a loss of Rs.500 crore if the annual turnover threshold for registration was increased to Rs.75 lakh. He stated that such loss could only be met by imposing Cess on a few additional commodities and then distribute it amongst the States. He suggested that decision on this issue should be deferred.

10.18. Shri Priyavrat Singh, Hon'ble Minister from Madhya Pradesh, stated that increasing the annual turnover threshold for registration to Rs.75 lakh would lead to a big revenue loss. He suggested to settle for an annual turnover threshold of Rs.40 lakh. Shri Manoj Rai, Additional Commissioner (State Tax), Sikkim, stated that his State had recently passed the SGST (Amendment) Act, 2018 to raise the annual turnover threshold for registration to Rs.20 lakh which was yet to be implemented and he requested the Council to allow the Special Category States to stay at the threshold limit of Rs 20 lakh.

10.19. The Hon'ble Deputy Chief Minister of Bihar stated that his State was of the opinion that the threshold limit could be raised to Rs 40 lakh but he suggested that the annual turnover threshold for registration could be raised to Rs.50 lakh as the difference in revenue and the number of taxpayers as a result of raising the threshold from Rs.40 lakh to Rs.50 lakh was not very high. He observed that the background for the suggestion to increase the annual turnover threshold for registration was based on the erstwhile Excise Duty structure under which manufacturers up to an annual turnover of Rs.1.5 crore were exempted from Central Excise Duty. He added that the small manufacturers were most affected, and therefore, increasing the annual turnover threshold for registration to Rs.40 lakh or Rs.50 lakh would not result in significant revenue loss but would take out a large number of taxpayers from the GST net. He added that for Goa and other smaller States, one could think of a separate scheme. He further stated that even if the annual turnover threshold was increased, all the taxpayers covered within the new threshold might not go out of the tax net as many would like to continue with their registration for availing input tax credit, etc. and only 50% of the taxpayers were likely to go out of the tax net. He, therefore, suggested to raise the annual turnover threshold for registration to either Rs.40 lakh or Rs.50 lakh.

10.20. The Hon'ble Minister from Kerala stated that even in GoM, the proposal was to raise the threshold limit to Rs 40 lakh. The Hon'ble Deputy Chief Minister of Bihar suggested to increase the annual turnover threshold to Rs.50 lakh but the proposal placed before the Council was for Rs.75 lakh. He strongly objected to such a tweaking in the agenda notes for optics *vis-à-vis* the discussion that took place in the GoM.

10.21. Shri S.P. Shukla, Hon'ble Union Minister of State (Finance) and the Chairman of the GoM on MSMEs stated that the Fitment Committee had recommended an annual turnover threshold of Rs.40 lakh for registration. GoM on MSME had recommended the threshold to be between Rs. 40 to Rs.50 lakh. The Hon'ble Deputy Chief Minister of Bihar added that the turnover threshold of Rs.75 lakh was also discussed in the GoM, but it was felt that this was very high. He further stated that the Hon'ble Deputy Chief Minister of Delhi had suggested the annual turnover threshold figure of Rs.40 lakh and finally the GoM agreed to a figure of Rs.50 lakh.

CHAIRMAN'S INITIALS

10.22. Shri Nitinbhai Patel, Hon'ble Deputy Chief Minister of Gujarat stated that the States were assured of compensation for revenue loss for five years. The States could look at the revenue loss after 2022 as till then, 14% growth in revenue was assured to the States. He, therefore, suggested that the annual turnover threshold for registration could be increased to Rs.40 lakh or Rs.50 lakh.

10.23. Shri Manpreet Singh Badal, Hon'ble Minister from Punjab, stated that he seconded the observations of the Hon'ble Minister from Kerala and stated that the Council must maintain a gold standard of procedure, which should always be above board. He stated that his State had a large number of MSMEs and it was likely to lose 60% of revenue if the annual turnover threshold for registration was raised to Rs.75 lakh. He observed that most of the taxpayers would obtain two registrations – one for intra-State supply and the other for inter-State supply. He added that tax evasion through bill-to-ship-to mechanism would increase and only large taxpayers would be left in the tax net. He added that the world over, distinction between goods and services was blurring. For example, in Europe, tyres were also sold as a service in terms of the number of kilometers of travel. He stated that if the annual turnover threshold for registration for goods was to be raised to Rs.40 lakh, there should also be a provision in law to allow supply of services by such units up to 10% of the value of turnover of goods. He also suggested to create certain safeguards, like there should be only one PAN card for every registered taxpayer. He also suggested that there should be a negative list of goods, like *pan masala,* tobacco, ice cream, etc., which need not be given the benefit of increased turnover threshold for registration. He further cautioned that any increase in the turnover threshold for GST registration could also affect income tax collection. He added that if the annual turnover threshold had to be increased, then the Council should also have a re-look at the distribution of taxpayers between the Centre and the States, as a large number of small taxpayers would go out of the tax net.

10.24. Capt. Abhimanyu, Hon'ble Minister from Haryana appreciated the work done by the GoM on MSMEs and lauded its recommendations. He suggested that the annual turnover threshold for registration could be increased to Rs.50 lakh, though his State was ready to adopt even a higher threshold. The Hon'ble Chief Minister of Puducherry stated that as several States had expressed differing views on the issue and no consensus was emerging, the States should be given an option to choose the threshold. He added that the fundamental principle of GST relating to registration should not be diluted. The Hon'ble Minister from Goa suggested that the annual turnover threshold for registration for bigger States could be Rs.40 lakh and for smaller States, it could be Rs.20 lakh. Shri Shanti Kumar Dhariwal, Hon'ble Minister from Rajasthan, supported the statement of the Hon'ble Minister from Punjab regarding loss of revenue and stated that they also stood to lose about Rs.450 crore if the annual turnover threshold for registration was increased to Rs. 75 lakh. He also expressed the fear that there would be revenue loss because of splitting of businesses.

10.25. The Hon'ble Minister from Karnataka stated that every decision should not be looked at in isolation. Every individual decision of the Council involved loss of revenue of a few hundred crore rupees and in his estimation, if revenue loss due to the decisions of only last three to four meetings were added together, the total loss of revenue could go up to about Rs.20,000 crore annually. He suggested that the cumulative figure of loss of revenue due to decisions of the Council from November, 2018 onwards should be placed before the Council.

CHAIRMAN'S INITIALS

The Hon'ble Chairperson observed that this was a good proposal and the Council could agree to this. The Council agreed to the same.

10.26. The Hon'ble Minister from Karnataka stated that during the last meeting of the Council, he had expressed serious concern about revenue shortfall. He also reminded that it was not the Central Government that was giving compensation but it was coming from Cess, which was contributed by every State and the Council was the owner of the revenue collected from Cess. Hence, compensation was not coming from the Centre but from the mechanism devised by the Council and was being redistributed among the States. He was very concerned about revenue situation after 2022. He added that while his State could agree to the proposal to increase the annual turnover threshold for registration to Rs.40 lakh, the views of the Hon'ble Members from Kerala, Puducherry, Goa, Chhattisgarh, Madhya Pradesh and Andhra Pradesh who had expressed their concern on this issue, should be respected. He added that one needed to remind oneself that the idea behind GST was to broaden the tax base, but the Central Government seemed to be now going away from this position.

10.27. Dr. Himanta Biswa Sarma, Hon'ble Minister from Assam, stated that though his State was a Special Category State, he was mindful that during the Central Excise regime, the annual turnover threshold for registration was Rs. 1.5 crore and small units were suffering under GST regime. He observed that employment was key to everything. He added that initially the bigger States wanted registration threshold to be Rs.40 lakh so that MSMEs did not suffer adversely but the decision was to keep it at Rs. 10 lakh and Rs. 20 lakh and in the process, the MSME had suffered losses because in the Central Excise regime, their exemption threshold was Rs. 1.5 crore. He added that this aspect should be considered with a view to ameliorate the adverse impact of GST on MSME Sector to boost the employment opportunities. In view of this, he suggested that the annual turnover limit for registration of MSMEs in GST could be kept at least half of the original limit under Central Excise. He stated that although his State was a Special Category State, in order to support the MSMEs, he would go by the view of the Council. He further stated that in 2022, the Council would have the power to relook at the registration threshold and the rate structure. Presently, the States were getting compensation with an annual growth rate of 14%, and therefore, this was the time to support the traders and the MSMEs. He added that Assam could go with the Council's decision of an annual turnover threshold for registration up to Rs.50 lakh, even though it was a Special Category State.

10.28. Shri Somesh Kumar, Principal Secretary (Finance), Telangana stated that earlier, the annual turnover threshold for registration in his State was Rs. 7.5 lakh. He stated that in his State, about 50,000 taxpayers were below annual turnover of Rs. 75 lakh and contributed about Rs.1300 crore of tax every year. He stated that apart from the direct loss of tax on account of this decision, there was also the issue of indirect loss of tax because of splitting of turnover etc. and the decision to increase the threshold upto Rs. 75 lakh would give impetus to such evasion and losses. He added that it was premature to increase the annual turnover threshold for registration. He suggested that an option could be given to the States to choose their annual turnover threshold limit for registration. He also suggested to have some safeguard in the interest of revenue, as suggested by the Hon'ble Minister from Punjab. He stated that there should be a system so that persons in the tax net should not be able to jump out of the net. He suggested that either the proposal to increase the annual turnover threshold for registration could be deferred or the choice could be left to the discretion of the State

CHAIRMAN'S INITIALS

concerned. The Hon'ble Chairperson invited other States to state their preference regarding the annual turnover threshold for registration.

10.29. Shri Sudhir Mungantiwar, Hon'ble Minister from Maharashtra, stated that he could agree to increase the annual turnover threshold for registration to Rs.40 lakh or Rs.50 lakh. Ms. Smaraki Mahapatra, CCT, West Bengal stated that the Hon'ble Minister from West Bengal had asked to convey that their State was in favor of raising the annual turnover threshold to Rs. 50 lakh. Shri Anirudh S. Singh, Commissioner (Tax & Excise), Arunachal Pradesh, stated that the annual turnover threshold for registration for Special Category States should be kept at Rs.20 lakh whereas for other States, it could be Rs.40 lakh. Shri Jagdish Chander Sharma, Principal Secretary (E&T), Himachal Pradesh, stated that his State would prefer to retain the threshold limit of Rs.20 lakh. He added that the procedure to ascertain the annual turnover of the taxpayer should be well thought of and should be part of an in-built system. He suggested to take up the exercise of determining the annual turnover threshold for registration at the beginning of every financial year i.e. in April and this could be made a part of law.

10.30. Shri Vanlal Chhuanga, Commissioner & Secretary (Taxation), Mizoram, stated that presently the States of Mizoram, Manipur, Nagaland and Meghalaya had an annual turnover threshold of Rs.10 lakh for registration and they would find it difficult to move to the threshold of Rs.20 lakh. He added that there were aspects other than revenue involved in taking a decision for increasing the threshold. He explained that there were great disparities amongst the districts in his State and while for a few districts, they could go for increasing the annual turnover threshold for registration to Rs.20 lakh, in many far-flung districts, this would lead to closing down the offices of the Tax Department. He stated that the earlier Government had taken a view of keeping the annual turnover threshold for registration at Rs.10 lakh and the new Government was yet to take a view on this issue. Shri Leonard Khongsit, Joint Commissioner (State Tax), Meghalaya, stated that recently, they had taken a decision to increase the annual turnover threshold for registration to Rs.20 lakh and that they would like to continue with this limit.

10.31. Shri Prakash Pant, Hon'ble Minister from Uttarakhand, stated that the Council had earlier decided to raise the threshold limit for registration from Rs. 10 lakh to Rs. 20 lakh for some Special Category States. He added that raising the registration threshold further to Rs. 40 lakh or Rs. 50 lakh would benefit the small taxpayers and this should also be co-related with the proposed increase in threshold for Composition scheme to an annual turnover of Rs.1.5 crore. Shri Rajesh Agarwal, the Hon'ble Minister from Uttar Pradesh stated that if the annual turnover threshold for registration was increased to Rs.75 lakh, then a large number of taxpayers in his State would go out of the tax net. However, he supported the proposal to increase the turnover threshold to Rs.40 lakh or Rs.50 lakh.

10.32. The Hon'ble Chairperson stated that the general consensus seemed to be to increase the annual turnover threshold for registration to around Rs.40 lakh or Rs.50 lakh. One also needed to take into account the suggestion of the Hon'ble Minister from Punjab that the proposed threshold for registration should be accompanied with a negative list of goods. He enquired whether this aspect had been examined. The Joint Secretary, TRU-II stated that such a scheme would be difficult to implement because a shopkeeper would be selling sin items as well as other items. Shri V.K. Garg, Advisor (Financial Resources) to Hon'ble Chief Minister

CHAIRMAN'S INITIALS

of Punjab, stated that in Europe, certain safeguards had been built-in. For instance, the benefit of a flat rate of tax was extended only to individuals and not to a Company Act registered entity such as partnership firms, LLPs, private limited companies, etc. as otherwise, one person could take benefit through multiple companies. Secondly, certain evasion-prone commodities and commodities that did not have much input tax credit, like agro based goods, or goods on which no input tax credit had been allowed for some reason were kept out of exemption threshold. He added that the global model was to have higher threshold for registration but very few exemptions. He stated that currently there was a long list of exemptions and if the annual turnover threshold for registration was to be increased, then the list of exemptions would also need to be reviewed. For example, exemption to *prasad* may need to be reviewed because most *halwais* would be below this annual turnover threshold limit of Rs.50 lakh. He added that certain items, where the rate of tax was high and which had a very high value addition, such as *pan masala, gutka,* aerated beverages, air conditioners, etc., should not be given the benefit of higher threshold at the manufacturers' level as otherwise a very huge amount of value addition would go out of the tax chain.

10.33. The Hon'ble Chairperson enquired whether, as a general proposition, could all items on which cess was levied, be kept out of the proposed increase in the annual turnover threshold for registration. The Joint Secretary, TRU-II responded that this would be very difficult to implement because a shopkeeper sold cold drinks along with other items and it would be administratively difficult to monitor their turnover on individual items and would also be discretionary. He added that 90% of the registrants belonged to the category of sole proprietorship or partnership firms and in most cases, the annual turnover was above Rs.50 lakh. The Hon'ble Chairperson observed that the benefit of higher annual turnover threshold for registration could be given to individual or partnership firms but it need not be given to multiple entities on the same PAN. Manufacturers of some sensitive items like *pan masala,* etc. could be kept out of such a scheme. He suggested that the Law Committee could work out a formulation on these issues. The Council agreed to these suggestions.

10.34. The Advisor (Financial Resources), Punjab, stated that whatever annual turnover threshold for registration was kept for goods, there should also be a provision to allow supply of services by such entities upto 10% of the value of supply of goods because a large number of goods suppliers would also be offering some services and earning interest on fixed deposits, etc. He added that without such provision, the scheme could become unworkable. On the issue related to single PAN, he stated that if one was conducting business as an individual and if one wanted to set up a partnership firm again on his/her PAN, he should not be allowed the benefit under such scheme. The Hon'ble Chairperson suggested that the Law Committee could work out a formulation on these issues. The Council agreed to these suggestions. Shri K.K. Sharma, Advisor to Governor, Jammu & Kashmir, stated that though his State was a Special Category State, its annual turnover threshold for registration was Rs.20 lakh and that his State would go by the new registration threshold fixed for the country.

10.35. The Hon'ble Chairperson requested the Joint Secretary, TRU-II to explain the calculation regarding likely revenue loss and the number of taxpayers getting the benefit for the proposed different annual turnovers for registration. The Joint Secretary, TRU-II drew attention to the slide in the presentation containing this data. According to it, if the annual registration threshold was increased to Rs.40 lakh, the total number of taxpayers that were likely to get relief would be 20,64,000 and the revenue foregone would be about Rs. 5,225

CHAIRMAN'S INITIALS

crore. If the annual turnover threshold for registration was raised to Rs.50 lakh, then the maximum total number of taxpayers likely to go out of the tax net would be 21,91,000 and the maximum revenue loss would be Rs.6,450 crore and if the annual turnover threshold was increased to Rs.75 lakh, the total number of taxpayers going out of the tax net would be 23,81,000 and the revenue loss would be about Rs.9,200 crore. He explained that these were conservative estimates where the revenue foregone and the taxpayers getting relief had been taken as 50% of the total numbers likely to be affected by the proposed increase in annual turnover threshold for registration. This was based as per the previous experience and also going by the fact that many businesses would be doing inter-State trade. He added that the revenue loss was not likely to be more than Rs.5,000 to Rs. 6,000 crore if the annual turnover threshold for registration was up to Rs.40 lakh or Rs.50 lakh. The Hon'ble Minister from Kerala stated that discussion on revenue loss should also take into account other causes of revenue loss such as splitting the businesses by suppressing the value of turnover of the unit.

10.36. The Hon'ble Chairperson stated that the discussion had broadly brought to light the various shades of opinion in the Council. The smaller States expressed that for registration under GST, they had recently moved from the annual turnover threshold of Rs.10 lakh to Rs.20 lakh and they were reluctant to move any further. The other Members, in general, had expressed an opinion not to consider increasing the annual turnover threshold for registration to Rs.75 lakh. He added that the general opinion was to consider increasing the annual turnover threshold for registration in the range of Rs.40 lakh to Rs.50 lakh. He observed that the suggestion of the Hon'ble Minister from Punjab regarding exclusion of some commodities from the benefit of higher threshold needed deeper consideration. He added that the Hon'ble Minister from Kerala had raised the issue regarding the risk of splitting of units and the need for working on some guidelines to avoid splitting. The Hon'ble Chief Minister of Puducherry suggested to give an option to the States regarding the annual turnover threshold for registration that they may like to maintain. The Hon'ble Minister from Kerala also observed that consensus could be arrived at Rs.40 lakh. North-Eastern States largely preferred a choice to be given to them regarding the threshold for registration. Assam and Jammu & Kashmir, which are Special Category States, expressed to go along with the threshold fixed at the national level.

10.37. The Hon'ble Chairperson further stated that three broad points emerged – one was an agreement to double the annual turnover threshold for registration to Rs.40 lakh; second was to give an option to the Special Category States, Goa and Puducherry to remain at Rs.20 lakh threshold; and third was that the date of implementation for the new threshold for registration could be 1st April, 2019. He further suggested that the Law Committee could work out the guidelines as to how to avoid splitting of businesses and also the category of goods to be excluded from availing the benefit of the enhanced turnover for registration for goods. He further stated that the representatives from Kerala and Punjab should attend the Law Committee meeting during discussion on these issues.

10.38. The Hon'ble Minister from Chhattisgarh stated that he did not agree with the proposal as there was no consensus in the House. He stated that the decision was being taken in a hurry whereas more thinking was needed on the subject. The Hon'ble Minister from Kerala stated that the States should be given an option to opt out of the proposed increase in annual turnover threshold for registration as the compliance burden on small taxpayers would go down substantially with the decision of the Council to increase the annual turnover threshold for

CHAIRMAN'S INITIALS

Composition to Rs.1.5 crore along with a facility for Composition taxpayers to file only an annual return.

10.39. The Hon'ble Chairperson observed that the whole concept of GST would suffer if an option was given to States to choose their annual turnover threshold for registration. He stated that perhaps an exception could be made for smaller States. The Joint Secretary, TRU-II stated that if there were too many exceptions, it would make it very complex to calculate the annual turnover threshold at all-India level. Shri Ritvik Pandey, Joint Secretary, DoR, stated that the Constitution had made a special provision for Special Category States in Article 279A(4)(g) but it was a moot question whether any differentiation could be made for other States and this would need to be examined legally. The Hon'ble Chief Minister of Puducherry stated that this was not a Special Category State issue. The Hon'ble Minister from Chhattisgarh stated that no taxpayers had asked for increase in annual turnover threshold for registration in his State.

10.40. The Hon'ble Deputy Chief Minister of Bihar suggested that two options could be given to the States, namely, to either remain at the annual turnover threshold for registration at Rs.20 lakh or to go up to Rs.40 lakh. The Hon'ble Chairperson observed that the Constitutional provision permitted fixation of thresholds under Article 279A(4)(d) and the annual turnover threshold for registration could be kept at Rs.20 lakh and Rs.40 lakh with the States having an option to opt for either one of the two. The Hon'ble Deputy Chief Minister of Gujarat stated that if an option was proposed to be given, then the annual turnover threshold for registration could be fixed at Rs.50 lakh. The Hon'ble Minister from Chhattisgarh stated that States could be given an option to keep their annual turnover threshold for registration at any level, namely, Rs.20 lakh, Rs.40 lakh or Rs.50 lakh. The Hon'ble Chairperson stated that the threshold could not be kept so variable. The Hon'ble Minister from Goa stated that the States could be allowed two annual turnover thresholds for registration, namely Rs.20 lakh or Rs.40 lakh. The Hon'ble Minister from Assam suggested to make the second turnover threshold as Rs.50 lakh.

10.41. Shri Upender Gupta, Principal Commissioner (GST Policy Wing), CBIC, stated that if a taxpayer had businesses in more than one State, it would become difficult to calculate the threshold. The Secretary stated that if there were differential thresholds, then it could lead to other complications and, in future, demand could also crop up to allow different rates of tax for different States.

10.42. The Hon'ble Minister from Goa reiterated that two annual turnover thresholds could be provided, namely, Rs.20 lakh and Rs.40 lakh so as to ensure that the GST architecture of the States was not disturbed. The Hon'ble Deputy Chief Minister of Delhi stated that a choice could be given to the States as to which threshold to adopt. The Hon'ble Chairperson enquired whether the State of Goa was ready to accept the annual turnover threshold of Rs.40 lakh for his State. The Hon'ble Minister from Goa stated that if the Council so decided, then they would join the consensus even if it meant loss of revenue to Goa. The Hon'ble Chairperson stated that this left only the other small Union territory of Puducherry which was unwilling to increase the threshold. The Hon'ble Minister from Uttarakhand stated that his State was a Special Category State and an increase in annual turnover threshold to Rs.40 lakh would affect 41,817 taxpayers. He stated that if the threshold was proposed to be kept at Rs.40 lakh, then sin goods should be kept out of this threshold. The Hon'ble Chairperson stated that it was desirable to follow the past practice of not giving any option to the States.

CHAIRMAN'S INITIALS

10.43. The Hon'ble Minister from Kerala supported the proposal that the States be given an option to keep the annual turnover threshold for registration at Rs.20 lakh or Rs.40 lakh. He stated that this would not affect inter-State taxation. The Hon'ble Minister from Goa stated that although he had been pleading for an annual turnover threshold for registration of Rs.20 lakh, it would not be desirable to take State specific decision and decision should be taken for the country as a whole. The Hon'ble Minister from Kerala stated that differentiation was already permitted for Special Category States and there was nothing wrong in recognizing the diversity between the States. The Hon'ble Minister from Goa stated that this would alter the very architecture of GST.

10.44. The Hon'ble Minister from Assam once again urged to fix the annual turnover threshold for registration at Rs.50 lakh and cautioned that if it was not done now, demands would again come to raise the annual turnover limit for registration. The Hon'ble Deputy Chief Minister of Bihar stated that they had recommended an annual turnover threshold for Composition for services at Rs.50 lakh and had noted that the number of taxpayers likely to be affected by adopting this threshold was not very high. The Hon'ble Deputy Chief Minister of Delhi stated that as observed by the Hon'ble Minister from Kerala, having a differential threshold would not affect inter-State trade and, therefore, urged that the States should be allowed to decide the annual turnover threshold for registration at Rs.20 lakh or Rs.40 lakh. The Joint Secretary, DoR, stated that this would lead to a problem where the same person was registered in two different States and the annual turnover in two States was different and it would need to be determined whether he was required to be registered in both the States. The Hon'ble Deputy Chief Minister of Delhi stated that this was already provided for in the case of Special Category States and the situation would be handled in the same way as was being done now.

10.45. The Secretary reiterated that State-wise distinction could lead to many more demands for State specific dispensations except those for Special Category States. He suggested to have only one annual turnover threshold for registration for non-Special Category States. The Hon'ble Deputy Chief Minister of Delhi stated that, almost 90% of traders fell in the category of annual turnover between Rs.20 lakh and Rs.1.5 crore, where the administration of taxpayer was with the State Government. If the annual turnover threshold for registration was raised to Rs.40 lakh, a large number of traders would go out of the tax net of the State administration and the same would be the situation for Composition taxpayers. The Hon'ble Chairperson observed that taxpayers with annual turnover of more than Rs.1.5 crore were equally distributed between the Centre and the States and bulk of revenue came from this segment. Taxpayers below this annual turnover were largely an additional load on the tax administration.

10.46. The Hon'ble Minister from Assam supported the suggestion to have two annual turnover thresholds for registration. He stated that his State had originally opted for the annual turnover threshold of Rs.10 lakh as a Special Category State, but due to public pressure, they later decided to adopt the annual turnover threshold of Rs.20 lakh. He expressed a hope that a similar situation would prevail in future if two annual turnover thresholds for registration were allowed for non-Special Category States. The Hon'ble Chief Minister of Puducherry stated that the experience suggested that even the Special Category States now wanted to come to higher threshold of Rs. 20 lakh. Similarly, in the instant case also, situation would automatically evolve in future. The Hon'ble Chairperson observed that even taxpayers in the

CHAIRMAN'S INITIALS

exempted category were taking registration. The Hon'ble Minister from Punjab stated that the Council could observe for the next year or two as to how the new system operated. The Hon'ble Minister from Chhattisgarh reiterated that decision was being taken in a very hurried manner. The Hon'ble Chairperson stated that the issue had been deliberated in detail and that a decision would only be taken by consensus. The Hon'ble Minister from Goa stated that his State was ready to adopt the annual turnover threshold of Rs.40 lakh. The Hon'ble Deputy Chief Minister of Bihar reiterated the suggestion to go for two options for annual turnover threshold for registration, namely, Rs.20 lakh and Rs.40 lakh with an option to the States to choose either of them. The Hon'ble Minister from Karnataka stated that he preferred two annual turnover thresholds, namely Rs.20 lakh and Rs.40 lakh.

10.47. The Hon'ble Minister from Rajasthan stated that total revenue implication of the decisions taken so far in recent times should be analysed first and then the matter be considered further. In the written speech circulated by the Hon'ble Minister from Tamil Nadu, it was requested that the States should be given adequate time to examine the pros and cons of the recommendations of the GoM as there could be revenue implications in increasing the annual turnover threshold limit for supplier of goods and in providing for composition scheme for small service providers.

10.48. The Hon'ble Chairperson stated that the consensus seemed to be to have two annual turnover thresholds for registration, namely Rs.20 lakh and Rs.40 lakh, with an option to the States to choose the higher threshold. He suggested that the Council could adopt this decision. The Commissioner, State Tax, Tamil Nadu, stated that while adopting this decision, it should also be taken note of that the Council's decision was guided by the consideration that this would not affect the inter-State trade. The Hon'ble Chairperson stated that this could be part of the decision also. The Council agreed to this suggestion. The Commissioner, State Tax, Tamil Nadu further stated that a time limit should be given to the States to opt for the higher threshold. The Hon'ble Chairperson suggested that preferably one week's time could be given to the States to convey their decision regarding the annual turnover threshold that they would like to adopt for registration. The Council agreed to this suggestion.

10.49. The Joint Secretary, TRU-II stated that the Council also needed to decide the annual turnover threshold for Composition scheme for Special Category States. The Hon'ble Chairperson stated that this threshold was already Rs.75 lakh, except for Uttarakhand and Jammu & Kashmir. The annual turnover threshold for Composition for States other than the Special Category States was being raised from Rs.1.0 crore to Rs.1.5 crore. The Hon'ble Minister from Assam stated that his State would like to adopt the annual turnover threshold of Rs.1.5 crore for the Composition scheme. The Hon'ble Chairperson observed that the Composition threshold for Special Category States need not be disturbed at this stage and suggested that only those States, which wanted to increase this turnover threshold to Rs.1.5 crore could inform the GST Council Secretariat in writing, preferably within a week's time. The Council agreed to this suggestion as also to the other proposals, in the agenda note. The Advisor to Governor of Jammu & Kashmir stated that his State would also adopt the annual turnover threshold of Rs.1.5 crore for Composition. The Hon'ble Chairperson stated that this should be communicated by the State in writing to the GST Council Secretariat.

CHAIRMAN'S INITIALS

(IV) Composition scheme for small service providers

10.50. The Joint Secretary, TRU-II made a presentation on this proposal. He stated that this issue was examined in detail in the joint meeting of the Law Committee and the Fitment Committee held on 4th January, 2019 and it recommended to introduce a Composition scheme for services up to an annual turnover of Rs.50 lakh and to have a tax rate of 8% (4% CGST and 4% SGST). He further stated that this proposal was discussed by the GoM and they had proposed that while they agreed to the suggestion of annual turnover threshold of Rs.50 lakh, they recommended the rate of tax to be 5%. He added that it was felt that those taxpayers who were not eligible for Composition Scheme for goods, should have a scheme to avail composition for services between annual turnover thresholds of Rs. 20 lakh to Rs. 50 lakh, while the threshold for registration for supplier of services would remain at Rs. 20 lakh. He further stated that if a 5% rate of tax was applied under Composition scheme for services, the revenue loss would be in the range of Rs.5,000 crore (Rs.2,500 crore of CGST and Rs.2,500 crore of SGST), on the assumption that 50% of taxpayers would still stay in the input tax credit chain. He further stated that this scheme was proposed to be applied for those who either supplied pure services or made mixed supplies of goods and services. Hence, it would be a residual category of Composition scheme for those who were ineligible to avail the benefit of Composition Scheme for goods up to an annual turnover of Rs.1.5 crore.

10.51. The Hon'ble Chairperson requested the Joint Secretary, TRU-II to present data regarding the number of taxpayers and amount of revenue involved if a Composition scheme was introduced for small service providers. The Joint Secretary, TRU-II drew attention to the relevant slide in the presentation and informed that the total number of taxpayers likely to be covered by the benefit of Composition scheme for small service providers up to an annual turnover of Rs.50 lakh would be about 33,23,766, who paid tax in cash to the tune of about Rs.37,046 crore. He added that these numbers would also have mixed suppliers. The effective rate of tax collection in terms of cash to turnover would be in the range of 7-7.5%. Hence the originally proposed rate was 8%. He stated that despite a Composition scheme, some categories of service providers, like contractors and professionals, were likely to continue in the tax chain because of the input tax credit involved. However, small local service providers, like beauticians, plumbers, etc. were likely to move out of the tax chain. He stated that at 5% tax rate, the revenue loss would be about Rs.4,500 crore. He added that the GoM took into account these considerations and then suggested the rate of tax as 5%. The Hon'ble Chairperson wondered as to how many pure service providers would be covered under this scheme. The Joint Secretary, TRU-II stated that with the available data, it would appear that the traders constituted much larger percentage and service providers and manufacturers constituted about 25% only. However, he added that it would be difficult to identify the pure service providers. Therefore, the numbers were arrived at by taking out the numbers of traders and manufacturers. He also added that the changes could be made operational from 1st April 2019, and till amendment in law was made, these changes could be effected by notifying exemption from tax as well as exemption from registration.

10.52. The Hon'ble Chairperson invited comments of Members on the proposal. The Hon'ble Minister from Chhattisgarh raised a question as to why the rate of tax was proposed to be fixed at 5%. The Hon'ble Chairperson observed that this rate was proposed keeping in view the revenue consideration and the incentive for compliance. The Hon'ble Minister from Chhattisgarh observed that the estimated revenue loss for their State at 5% tax would be more

CHAIRMAN'S INITIALS

than Rs.50 crore and they wanted to keep the rate of tax at 8%. The Hon'ble Minister from Karnataka stated that keeping in view the observations of the Hon'ble Minister from Chhattisgarh and the recommendation of the Officers, he suggested to keep the revenue neutral rate (RNR) of 8% so that everyone was at ease with the new Composition scheme. The Hon'ble Minister from Kerala stated that the RNR was 7%, and therefore, 8% was marginally positive and he would be happy to support this rate. The Hon'ble Minister from Karnataka added that the past experience had been that the benefit of tax reduction was not being passed on to the public, and therefore, it was not desirable to give any extra benefit to the taxpayers.

10.53. The Hon'ble Deputy Chief Minister of Bihar stated that the tax rate of 7% to 8% for Composition on services was very high and the difference in rate from the proposed rate was only about 1.7% without much loss in revenue. He suggested that a lower tax rate should be adopted. He stated that the GoM had considered that to start with, a lower rate of tax be applied for service providers under the Composition scheme and had unanimously recommended the rate of 5%. The Hon'ble Chairperson enquired regarding the view of the Officers on this subject during the meeting on 9th January 2019. The Secretary stated that since the recommendation was from the GoM and the decision of the GoM was unanimous, the Officers did not analyse it further. He further stated that while taking a decision in the Council, it needed to be remembered that lower rate of tax would help in higher revenue realization. It was important to make this scheme attractive, and therefore, one need not stick to Revenue Neutral Rate (RNR). He also pointed out that the rate of Composition tax for restaurants was also 5%.

10.54. The Hon'ble Deputy Chief Minister of Delhi stated that the rate of Composition tax for goods suppliers was 1% and a Composition tax rate of 8% for services suppliers would make the difference between the two very huge. He further stated that it was important to incentivize taxpayers in the services sector to adopt the Composition scheme. The Hon'ble Minister from Kerala stated that the Composition scheme for services was being adopted for the first time. He added that there was no such scheme even under the Service Tax regime and therefore a higher rate could be adopted so that there was no loss in revenue. The Hon'ble Chairperson stated that the experience in GST was that response from Service Tax was much below expectation, and therefore, there was a need to get them into the habit of paying the tax. The Hon'ble Minister from Chhattisgarh stated that the Composition limit could be set at an annual turnover of Rs.40 lakh and the rate of tax could then be kept at 5%.

10.55. The Joint Secretary, TRU-II stated that in goods, the RNR was 2% but tax rate was kept at 1% and keeping a tax rate of 8% in services sector would be harsh. He added that the scheme was not only for pure service suppliers but also for those who were making mixed supply of goods and services.

10.56. The Hon'ble Minister from Chhattisgarh stated that if the tax rates were reduced, the Centre would need to continue to compensate the States. The Hon'ble Minister from Karnataka requested that the GST Council Secretariat should place before the Council the cases where revenue and compliance had increased on account of reduction in tax rates. The Council should know as to in which cases the trade had reciprocated the trade friendly decisions. The Hon'ble Chairperson stated that in the first year of GST, the response to the Composition scheme for goods for traders and manufacturers was not encouraging but the response had improved in the second year and in pure services, presently compliance was not

CHAIRMAN'S INITIALS

encouraging as a lot of them were in informal sector, and therefore, there was a need to encourage them to come into the GST net. He stated that one proposal was to keep the tax rate for Composition on services slightly higher than the RNR. He requested the Members to give their views on this proposal.

10.57. The Hon'ble Minister from Goa stated that the annual turnover threshold of Rs.50 lakh and the tax rate of 5% was appropriate as there was need to bring the services providers in the tax net. He added that the global experience was that lowering the rate of tax led to higher compliance. The Hon'ble Ministers from Maharashtra, Andhra Pradesh, Tamil Nadu, Uttarakhand and the Hon'ble Deputy Chief Minister of Gujarat also supported the proposal to keep the annual turnover threshold at Rs.50 lakh and the rate of tax at 5%. The Hon'ble Minister from Rajasthan stated that the rate of tax should not be less than 8% as services sector had very few inputs and value addition in this sector was very high.

10.58. The Advisor (Financial Resources), Punjab, stated that the rate of tax on goods had been brought down over a period of time and now painters, plywood manufacturers, etc. were paying a lesser rate of tax on their input purchases as compared to the original 28%. He further stated that in the instant case, the calculation of revenue loss was notional and one needed to look at other changes taking place in the economy today, such as service providers suffering lower taxes due to reduction in tax rates on their input goods. He added that all these concessions (of fixing 5% rate of tax) would create havoc to revenue and suggested to keep the rate of tax at 8%. He added that the input tax credit would never be 10% and where the available input tax credit was less, the taxpayer would never opt for Composition scheme. He added that retail services (B2C), like hair dressers, cable operators, dry cleaners, etc. in which there was a high margin, a lower rate of tax would have implication on revenue. The Hon'ble Minister from Karnataka stated that a very reasoned argument had been presented by the State of Punjab to keep the tax rate at 8% and it should be respected. Shri G.D. Lohani, Joint Secretary, TRU-I stated that while fixing the tax rate for composition, one should also keep in mind that the composition taxpayer would be paying the tax on his full turnover including the exempted supplies, and also the threshold exemption i.e. Rs 20 lakh, was available to him.

10.59. The Principal Secretary (E&T), Himachal Pradesh, stated that his State was already suffering revenue loss of 35% and the revenue yield from service sector was quite low. He, therefore, suggested to keep the rate of tax at 7%. The Hon'ble Minister from Chhattisgarh reiterated that if the annual turnover threshold was to be kept at Rs.50 lakh, then the rate of tax should be 8%, but if the threshold was fixed at Rs.40 lakh, then the rate of tax could be 7%.

10.60. The Hon'ble Chairperson stated that there should be a balance between considerations of not losing too much revenue and to incentivize the service sector where compliance till now was not very high. He stated that if the rate of tax was kept at 6%-7%, it would be in the range of RNR and if the rate of tax was kept higher than RNR, the Composition scheme for services would be a non-starter. The Hon'ble Minister from Karnataka stated that the Council had already extended the benefit of procedural simplification. The Hon'ble Minister from Chhattisgarh reiterated that the rate of tax should be kept at 7% with annual turnover threshold at Rs.40 lakh. The Hon'ble Minister from Punjab observed that those who opted for Composition scheme, did not necessarily opt for paying lower taxes but to ease the burden of compliance for them.

CHAIRMAN'S INITIALS

10.61. The Hon'ble Chairperson suggested that a residual category of Composition scheme for services (including those making a mixed supply of goods and services) could be introduced in the GST Law, and the annual turnover threshold in the preceding financial year for this Composition scheme could be fixed at Rs.50 lakh and the rate of tax could be 6% (3%CGST+3%SGST). The Council agreed to this suggestion as also the other proposals in the agenda note.

(V) Provision of free Accounting and Billing Software to small taxpayers by GSTN

10.62. Shri Prakash Kumar, Chief Executive Officer (CEO), Goods and Services Tax Network (GSTN) made a presentation on this Agenda item (attached as **Annexure 5** to the Minutes). He stated that the then Finance Secretary had tasked the GSTN to explore the possibility of providing free accounting and billing software to small taxpayers, with annual turnover upto Rs.1.5 crore. He stated that after rigorous selection process involving national level Expression of Interest (EoI), evaluation by external tech experts and panel of experts from ICAI (Institute of Chartered Accountants of India), they have identified seven companies out of 43 companies, which had submitted the Expression of Interest to provide software for tax compliance purposes under GST. This software would enable a taxpayer to generate invoices, take stock of purchases, auto-prepare FORMS GSTR-1, GSTR-3B, GSTR-4, GSTR-9, etc. and also prepare balance sheet, profit and loss account, etc. He stated that all the selected companies have agreed to provide basic version of software covering above mentioned functionalities free of cost to taxpayers having annual turnover upto Rs 1.5 crore. He further stated that the software was proposed to be introduced in a staggered manner from 1st February, 2019, starting with two States and adding more in a phased manner with an aim to cover all States in two to three months. The Secretary stated that through a rigorous process, GSTN had worked to provide accounting and billing software to small taxpayers free of cost by enlisting service providers. This would be available to those having an annual turnover of up to Rs.1.5 crore.

10.63. The Hon'ble Minister from Kerala stated that there should also be a scheme to provide free computers to small taxpayers. The Secretary stated that over a period of time, it was planned to allow generation of invoices on mobile applications. The Hon'ble Minister from Uttar Pradesh suggested that the free accounting software should be connected to the e-Way bill system. The Secretary stated that ultimately, it would also get connected. The CEO, GSTN, stated that this was not presently planned but this could be done eventually. The Secretary suggested that the present proposal of GSTN could be agreed to. The Council agreed to the same.

11. **For Agenda item 4,** the Council approved the following in relation to the 5 issues discussed under this head:

(I) Increase of limit of annual turnover for Composition scheme to Rs.1.5 crore with effect from 1st April, 2019

11.1. To notify the increase in annual turnover for Composition scheme for goods to Rs. 1.5 crore from 1st April, 2019;

CHAIRMAN'S INITIALS

(II) Simplification under Composition scheme by way of quarterly payment with annual return

11.2. Taxpayers under Composition scheme for goods to make quarterly payment of tax and to file only one return in a year. The Law Committee to design a tax payment declaration with details necessary for compliance verification and to also suitably amend the FORM GSTR-4 and to place it before the Council;

11.3. The changes to be made operational from 1st April, 2019;

(III) Increasing threshold exemption for suppliers of goods

11.4. In GST Law, the States shall have an option to adopt one of the two annual turnover thresholds for registration for suppliers of goods, namely Rs.20 lakh or Rs.40 lakh;

11.5. Benefit of higher annual threshold for registration of Rs. 40 lakh not to be given to entities to which an individual with the same PAN is associated; to manufacturers of some sensitive items like *pan masala,* etc.; to allow supply of services to the extent of 10% of turnover; to find means to avoid splitting; and the Law Committee to work out a formulation on these issues (which should have participation from the States of Kerala and Punjab) and present it before the Council;

11.6. The changes to be made operational from 1st April 2019;

11.7. Till amendment in law is made to give effect to this change, the scheme to be made operational by notifying exemptions from tax and registration;

11.8. Council took note that it had agreed to have an option of two annual turnover thresholds for registration to suppliers of goods only on the consideration that it would not affect the inter-State trade;

11.9. The States to convey their decision regarding the applicable annual turnover threshold for registration preferably within a week's time;

11.10. For the Special Category States, to retain the existing annual turnover of Rs. 75 lakh for Composition scheme for goods but those Special Category States desirous of increasing their turnover threshold for Composition scheme to Rs.1.5 crore, to inform the GST Council Secretariat in writing, preferably within a week's time;

11.11. GST Council Secretariat to place before the Council the cumulative figure of loss of revenue due to decisions of the Council from November, 2018 till date;

(IV) Composition scheme for small service providers

11.12. To have a residual category of Composition scheme under the GST Law for service suppliers (including those making a mixed supply of goods and services) i.e. for those who are not eligible for present composition scheme, and for this Composition scheme, the annual turnover threshold in the preceding financial year shall be Rs.50 lakh and the rate of tax shall be 6% (3%CGST+3%SGST);

CHAIRMAN'S INITIALS

11.13. The changes to be made operational from 1st April 2019;

11.14. Till amendment in law is made, the scheme to be made operational through a notification;

(V) Provision of free Accounting and Billing Software to small taxpayers by GSTN

11.15. GSTN to operationalize the scheme of providing free accounting and billing software to small taxpayers, with annual turnover upto Rs.1.5 crore, in a staggered manner from 1st February 2019 onwards and to cover small taxpayers in all States in two to three months.

Agenda Item 5: Issues recommended by the Fitment Committee for consideration of GST Council:

Agenda Item 5(i): Proposal for boosting Real Estate Sector under GST regime by providing a Composition Scheme for construction of Residential Units

12. The Secretary invited Joint Secretary, TRU-II, to explain the proposals under this agenda item. The Joint Secretary, TRU-II, made a presentation which is attached as **Annexure 6** to the Minutes. He stated that for the past few years, the Real Estate sector had been performing far below the potential than what it could contribute to the economy and revenue. To address the situation, the current proposal had been brought before the Council which might lead to substantial benefit to buyers and slight gains in revenue also. The proposal, he informed, was based on the representations received from the Confederation of Real Estate Developers Association of India (CREDAI), Ministry of Housing and Urban Affairs and Maharashtra RERA regarding various aspects relating to the sector. The proposal was to levy a flat rate of GST @ 5% (akin to composition scheme) without Input Tax Credit (hereinafter referred as ITC) for under-construction flats before the occupation certificate was issued. He further informed that CREDAI had slightly modified their demand subsequent to their first proposal by stating that either the GST rate @ 5% or @ 8% with ITC would be appropriate. However, both the proposed tax rates would lead to inverted GST rate structure in the sector leading to refund. The proposal was initially brought in the 31st Council Meeting where considering its importance, it was referred to the Law Committee and the Fitment Committee for consideration jointly and the instant proposal was based on the recommendations arising out of such a joint meeting.

12.1. Explaining the proposal, Joint Secretary, TRU-II further stated that:

a. the proposal was prepared keeping in mind the buyers' perception that GST rate was high and the benefit of ITC was also not being passed on by the builders;
b. the sector was not in good health and that it was suffering from cash flow problems on account of credit overhang which was aggravated by tax payment to be done on intermediate services such as Transfer of Development rights;
c. the actual tax payment data of the sector was analyzed and it was found that the total cash payment from the sector was less than 5%;
d. during the discussions in the Fitment Committee, it was brought out that the impact of proposed tax on lower end flats might lead to price rise; hence, GST @ 3% was proposed on the Affordable Housing category, which were proposed to be defined as per the Reserve Bank of India priority sector lending norms. Houses up to Rs.45 lakh

CHAIRMAN'S INITIALS

(with population of 10 lakh and above) in the big cities and up to Rs.30 lakh in the smaller cities would be covered under the Affordable Housing category;

e. due to levying of flat tax rate without input tax credit as proposed, the backward credit chain would be broken. Therefore, it was proposed that 80% or more purchases of Input Services and Capital Goods should be from the registered GST suppliers. Further, where a builder was found to have purchased less than 80% Inputs, Input Services and Capital Goods from Unregistered Dealers, in that case tax under reverse charge mechanism would be recoverable from him on the amount which was less than 80% @ 12% instead of the applicable tax rates on the individual item;

f. since the final product was proposed to be taxable @ 5%, it was proposed to exempt intermediate services such as Transfer of Development Rights, Development Rights in cases of Joint Development Agreements (JDA). However, the Transfer of Development Rights and similar rights in Joint Development Agreements would be taxable for the portion of the residential properties which were sold after the issue of completion certificate by adjusting the point of taxation.

12.2. The joint meeting of the Fitment Committee and the Law Committee, while considering the proposal, had identified certain benefits as well as the drawbacks of the proposal which were also listed in the Agenda and placed before the Council. He concluded that if the above proposal was accepted by the Council, the details such as definition of 'Residential Property', 'Commercial Property', 'Transfer of Development Rights', 'transitional issues' *vis-à-vis* credit lying in the ledger of the builder pertaining to inputs, input services, etc. lying unused with the builder would be worked out by the Fitment Committee.

12.3. The Hon'ble Deputy Chief Minister of Delhi sought clarification on the treatment of mixed projects involving part commercial and part residential development. Joint Secretary, TRU-II explained that it would be dealt with in a manner similar to a situation in GST where a manufacturer manufactured not only taxable but also exempt goods using common inputs and input services. In such cases, the input tax credit pertaining to the production of exempt goods was liable to be reversed and for this, an elaborate procedure for calculation was provided under the GST Rules.

12.4. The Hon'ble Deputy Chief Minister of Gujarat sought further clarification that in his State, it was common to have construction with first two floors being commercial and floors above it being residential. The Secretary explained that the commercial property would be taxed at the tax rate applicable to the commercial property and the Fitment Committee would appropriately define the residential and commercial property. Joint Secretary, TRU-II added that there were various methods to identify the nature of property such as declaration of type of property in the registration documents, definition of residential property in the local municipal laws, definition under the allied acts such as Income Tax Act etc. which would also be explored by the Fitment Committee before arriving at a proper definition under the GST Act. The Hon'ble Deputy Chief Minister of Gujarat further enquired whether the tax would be applicable on the selling price. The Secretary explained that in case of a big building with some floors commercial and some floors residential, the commercial floors would attract the tax rate applicable to commercial flats whereas the tax rate of 5% or 3% as the case may be, would be attracted on remaining residential floors with no proportionate ITC. The Joint Secretary TRU-II clarified during discussions later that tax would be charged on the full sale price.

CHAIRMAN'S INITIALS

12.5. The Hon'ble Minister from Kerala stated that earlier one-third abatement from selling price was given before applying GST rate in case the cost of land was included in the overall value, whereas in this proposal, a flat tax at the rate of 5% was proposed on the entire consideration for the sale of the flat. Thus, it seemed to be in the nature of taxing the immovable property under GST and hence legally not sustainable. Thus, he enquired that since Stamp Duty was imposed on the sale of immovable property which was a taxation subject of the States, whether the proposed tax @ 5% would have any impact on the Stamp Duty legislations across the country. The Joint Secretary, TRU-II replied that it was not proposed to affect the Stamp Duty legislations in any manner, as sale of property was not covered under GST. Similar position existed in the earlier Service Tax regime where Stamp Duty and Service Tax legislations operated parallelly.

12.6. The Hon'ble Chairman summarized the proposal and the challenges faced by the sector. He stated that there was a slowdown in the sector which impacted creation of employment in the economy and consequently affected the allied sectors such as steel, cement, paints and other construction items. It, therefore, impacted the availability of inventory in the market and ultimately the tax revenue. He added that the principal reasons identified for this situation were:

a. The monetary situation relating to credit and liquidity in the sector created by the crisis in NBFC (Non-Banking Financial Company) sector which had stopped lending due to their own survival issues. It was manageable by taking care of monetary and liquidity situations.
b. Sale of built up residential/commercial property was out of GST whereas sale of property under construction where the buyer pays in stages was taxed @ 18% giving the one-third abatement for the land component which effectively came to 12% tax rate. The flat buyers were under the impression that if they bought completed property, they would be saving this 12% tax and only paying Stamp Duty and hence waiting for the property to be completed. Since the buyers had stopped buying under construction property, the money supply to the sector had stopped and projects were not getting completed.
c. It was also a fact that builder paid tax at the rate of 28% on cement, 18% on majority of other input items and 12% on some other materials and the combined ITC available to him for payment of his output tax came to 8-9%. Eventual tax burden on him would be 12% minus the ITC available to him. However, the unscrupulous builders were not passing the benefit of input tax credit to the potential buyers by reducing the base rates but were recovering the entire 12% in cash from the buyers.

12.7. The Hon'ble Chairperson added that a question arose as to how to resolve the issue and to come out of the logjam. The proposed solution was to fix the GST rate at 5% for normal/luxury flats and at 3% for the affordable category flats, and at the same time, to impose the condition of buying 80% of Inputs and Input Services from the registered dealers to prevent the input items going out of GST chain. Thus, the entire situation in the real estate sector where the unscrupulous builders were not passing the input tax credit benefit to the buyers would be eliminated.

12.8. The Hon'ble Minister from Chhattisgarh stated that there was no doubt that the real estate sector was stressed and it had been assured in the current proposal that there was no

CHAIRMAN'S INITIALS

revenue loss. As per his understanding, for a Rs.15 lakh property, after one-third abatement for land component, the cost would come to Rs.10 lakh and @ 12%, the tax worked out to Rs.1.2 lakh. The Hon'ble Chairman clarified that Rs.10 lakh flat would come under affordable category, where the tax rate was 8% and thus the tax payable would be Rs.80,000 and not Rs.1.2 lakh. The Hon'ble Minister from Chhattisgarh continued that at the moment, in the affordable segment, the entire Rs.80,000 would be recovered from the ITC and no extra tax payment in cash was required. However, if the tax was computed as per the current proposal, then for Rs.15 lakh property, the tax component would work out to Rs.75,000 which was to be paid in cash and hence the buyer had to bear the burden of extra Rs.75,000 tax. Similarly, he gave the example of a high value property of say Rs.3 crore, where after abatement, the value of the property would be Rs.2 crore and the tax payable would be Rs.36 lakh, out of which Rs.25 - 28 lakh would be the ITC benefit and the potential buyer would have to pay about Rs.8 lakh in cash. Thus, as per the current proposal, if one imposed tax @ 5% on it without ITC, the tax incidence would increase by approximately Rs.10 lakh in cash. Thus, in both the cases, i.e. affordable category and luxury category, there would be increase in tax incidence which would be ultimately borne by the consumer.

12.9. The Secretary explained that in real estate sector, the tax rate was 12% on normal property and with ITC available, the builder was to pay cash to the extent of 4%. However, this was one sector where not only the evasion of tax was there, but at the same time, input cost was being inflated by way of purchasing bills. Thus, a situation existed where neither one was getting any tax nor was the consumer getting any benefit as he was charged tax @12%/ 8% on the invoice depending on the type of property he was purchasing. Thus, the situation was similar to restaurants and by having GST rate of 5% or 3% as proposed in the Agenda, the consumer would see only the above tax rates on invoice which would be substantially lower. The safeguard of 80% purchases from the registered dealers would maintain the credit chain.

12.10. The Hon'ble Chairman further explained that the present tax structure was 8% on the affordable category and 12% on the normal or luxury category and both were covered by ITC benefit, which was to the tune of roughly 8% as per his interaction with the builders. An honest builder would show on the invoice that he was reducing the base price by 8% and thereafter imposing tax of 8% or 12% as the case may be. The problem was that the builders were not operating fairly and the buyers were scared away from the sector instead of actually appreciating the benefits of GST. Thus, the unfair trade practice was to make a profit of 8% by not giving the benefit of ITC to the customers and charging full tax from them.

12.11. The Hon'ble Minister from Punjab stated that the foundation of GST was to reward the honest taxpayers who remained in the credit chain and punish the unscrupulous traders who operated by purchasing the goods and services without bills. The current proposal before the Council seemed to be alien to the spirit of GST. He further stated that as the Hon'ble Minister from Kerala pointed out, GST was a self-policing tax where if any tax was missed at one stage, it would be recovered at the next stage. However, the Council departed from this principle in the past in the case of Restaurants primarily because they were in MSME sector and the ITCs in the sector was very low. However Real Estate Sector was the major sector of the economy contributing 10% of GDP and at the same time, a major generator of black money and therefore, this kind of pitfall had to be avoided. He reminded of the famous speech of the President of United States of America, late John F Kennedy and stated that the history

CHAIRMAN'S INITIALS

would judge us whether we were men of courage and it was not just the courage to stand up against the enemy but the real courage lay in standing up against friends and family, when it was required. Thus, the instant moment required courage to resist public pressure and private greed. He stated that if the current proposal was so good, then entire GST tariff should be brought down to 5% without ITC but with the present kind of proposal, all sorts of evasion, over valuation, under valuation, etc. would follow. He added that in view of Constitutional validity issues involved *vis-à-vis* issue regarding sale of property, it would be proper to refer the matter to a GoM who could go through the proposal in detail.

12.12. The Hon'ble Minister from Karnataka stated that he needed a clarification as to whether the proposed tax @ 5% was payable on full value or on the value after adjusting / abatement for land component. If the proposal was to tax on the full value, then land would be getting taxed under GST. The current tax rate of 12% which had been arrived at after one-third abatement should not become basis for this situation where tax was proposed to be levied on full value rather than the abated value of sale.

12.13. The Hon'ble Chairperson enquired from Joint Secretary, TRU-II that if the proposal for taxing at the rate of 3% or 5% on the sale value of property was adopted, the question was whether it included the value of land. The Joint Secretary, TRU-II stated that tax rate would be charged on the full value of the flat including the land value and that the proposed tax rate of 3% or 5% might lead to marginal increase in the tax on the builder which would be borne by the buyer ultimately. The Hon'ble Chairperson observed that if it was so, why such a decision should be taken, as unethical conduct of developers could be dealt with by use of Anti-profiteering proceedings or through redressal under RERA proceedings. He observed that this proposal, instead of effectively reining in the builders, might increase the incidence of tax on the consumer which could be counter-productive.

12.14. The Hon'ble Minister from Karnataka submitted that studies available in the public domain showed that the incidence of tax on the high-end houses would come down while on the affordable category, it would go up. DG, Anti-profiteering submitted that there were about 30 complaints under investigation with the DG, Anti-profiteering in case of builders and they were going through the input, output and the other records of the builders to establish whether or not the benefit of ITC had been passed on. The Hon'ble Chairperson observed that addressing the problem by way of Anti-profiteering mechanism or through RERA mechanism would be better. Otherwise, with the remedy that had been proposed, a situation could arise where consumer would be worse off than living with the problem itself.

12.15. The Hon'ble Deputy Chief Minister of Delhi stated that it was better to refer the issue to a Group of Ministers as suggested by the Hon'ble Minister from Punjab. The Hon'ble Deputy Chief Minister of Bihar stated that a day before, in the Times of India, a story on real estate appeared which showed that the prices of affordable houses would go up with the proposed levy while the high-end flats would be cheaper. The Hon'ble Chairperson responded that there was another lobby of builders who were likely to be badly affected by the proposed method of taxation and hence were lobbying through newspapers by intentionally inserting such reports. The Hon'ble Minister from Goa supported the proposal and stated that the present tax rate of 18% was dissuading the buyers from buying flats under construction and hence the issue was required to be addressed.

CHAIRMAN'S INITIALS

12.16. The Hon'ble Chairperson proposed that a seven-member Group of Ministers could be formed to consider all aspects of the problem and to propose a solution. The Council agreed to this proposal.

13. For **Agenda item 5(i),** the Council agreed to constitute a 7 Member Group of Ministers (GoM) to study the issues for boosting Real Estate Sector under GST regime.

Agenda Item 5(ii): Rationalisation of GST rates on Lottery

14. Joint Secretary, TRU-II, introduced the agenda and explained that at present, GST rate on lottery run by State government was 12% and GST rate on lottery authorized by State Governments was 28%. However, this differential was being misused by the trade and majority of them were paying tax @12%. He further explained that the proposal was for rationalisation of GST rates on Lottery by increasing tax rate on State run lotteries to 28 % from the present 12%. Further, if the GST rate was increased to 28% from 12%, it would lead to revenue gain of approximately Rs. 1250 crore. He added that the details are contained in agenda for removing the differential tax rates for lotteries which are as follows: -

i. There was only one type of lottery allowed in the States i.e. the one which conforms to the provisions of Section 4 of the Lotteries Regulations Act, 1998. Discrimination in GST rates was leading to reduction of sales especially in major States of Maharashtra and Punjab.
ii. It was beyond comprehension as to how two different rates of GST could be fixed on same product when sold in the State itself and when sold in the other States, which was against the provisions of the Competition Act, 2012. Discrimination did not exist in any other category of products.
iii. The huge variation of 16% between two rates helped the larger States to exploit customers as smaller States could not compete with them. High differential rates encouraged non-compliance by small business.
iv. Hon'ble Calcutta High Court in a judgement dated 10.10.2018 in the case of M/s Teesta Distributor vs UoI had upheld the prevailing rate structure. Even then, the product being a sin / de-merit good, needed to be taxed at rates higher than 12%. The high differential in tax rate also led to malpractice of attempting to avail tax rate of 12% by mis-representation.

14.1. The Hon'ble Minister from Karnataka stated that from the proposal it was not clear as to from where it had originated. He further stated that as had been pointed out by the Hon'ble Minister from Andhra Pradesh, a number of proposals were sent by the States to the GST Council/Fitment Committee which were not finding mention in the final agenda circulated before the meeting. He, therefore, stated that there was a need to evolve a process of dealing with such representations, else States might lose interest and feel that on the one hand, they had lost autonomy in GST while on the other, they were also not being adequately heard. The Hon'ble Minister from Kerala supported this point and stated that in the October 2018 Meeting of the Council held at New Delhi, a phenomenon of bringing the agenda directly before the Council and by-passing the Fitment Committee was observed. In the last Council Meeting also, the agenda on Lotteries was brought without being circulated prior to the meeting. This should be curtailed as they eroded the faith in the system. The Hon'ble Minister from Tamil Nadu, in his printed speech circulated during the Council meeting also reiterated the pending demands on fitment from his State.

CHAIRMAN'S INITIALS

14.2. The Hon'ble Chairman stated that it was not correct to say that States were not being heard in the Council and there was a set precedent in the Council that all the decisions were taken by consensus and wherever differing views emerged, the matter was referred to a Group of Ministers and that he would try to reinforce the tradition further during the conduct of Council Meetings. The Hon'ble Minister from Karnataka stated that he apologised for the statement that the States were not being heard. Instead, what he wanted to convey was that State's issues were not being properly addressed and not that they were not being heard in the Council.

14.3. The Hon'ble Chairperson explained the issue further and stated that when the rates on lottery were fixed by the Council at the time of GST implementation, the issue was thoroughly examined and a two-tier rate structure was adopted. One was lotteries run by State Governments, like Kerala model, where GST was fixed @ 12%. Thus, Kerala ran its own lottery, not allowing any other private lotteries in the State and it was taxable @ 12% and they used the profit earned out of this lottery system for social welfare and health care scheme. Second model was a purely private party run model which attracted GST @ 28%. In addition, there was a third hybrid model where lotteries were run in the name of the State but were effectively private lotteries, i.e. it carried only authorisation by State Governments. In that model, the State took some fixed amount based on some percentage, whereas the whole operation was private thereafter and was misdeclared so as to pay tax @12%. Despite the higher rate of GST being applicable to these lottery owners, there was low GST collection because of this hybrid structure which was leading to evasion of taxes. Taxation of this model needed to be addressed and it should be taxed @ 28% GST.

14.4. The Hon'ble Minister from Kerala stated that majority of States had banned the lottery, and, therefore, they did not have any direct stake or interest in the instant agenda. However, States, particularly North Eastern States and 5 other major States, viz. Maharashtra, Punjab, West Bengal, Kerala and Goa who were running lotteries had a stake on the issue. One would agree that lottery was not a desirable activity as it had an element of gambling, but it could be allowed only for the purposes of revenue generation. Government of India had promulgated a Central Lottery Act to ensure one did not undertake measures which would make lottery addictive, such as the number of draws that lottery could have, the number of digits in the lottery, price system, etc. Secondly, objective of Central Law was that the benefits would go directly into public service and for that purpose, it was provided in the law that Government had to print the lottery tickets. Further, all revenues from lottery would go directly to the State treasury and all-inclusive expenditure for it would be paid out of State treasury. Now, there were models of some States, particularly North Eastern States which did not directly run lottery but had put middle men in return of payment of a percentage or lump-sum amount as small as Rs.10 crore, i.e. they had the right to sell the lottery and once they got the rights, they behaved as if they were law unto themselves, breaking each and every law related to the issue. He further stated that various CAG reports regarding lottery of Sikkim, Mizoram and other States, had pointed out the facts stated by him leading to various other political and social issues. He continued that due to certain reasons, State of Kerala was the most lottery savvy place and therefore, this was a Rs.15,000 crore market with more than Rs.1200 crore profit which everyone would like to penetrate. To control that, Kerala had introduced a law on gambling (being a State subject) and had also put a fee on registration and every draw with lots of regulations for lottery in the State. However, due to GST, Kerala's law on gambling was nullified and not applicable thereafter. GST Council, during initial elaborate

CHAIRMAN'S INITIALS

discussions, understood these circumstances and decided that a State which was directly running the lottery had to pay GST @ 12% and any middleman/contractor run lottery would attract 28% GST. Punjab, Maharashtra, Goa or any other State which were running lottery directly were liable for tax rate of 12% within the State and contractors should not point out that all lottery supply should be taxed @ 28%.

14.5. The Hon'ble Chairperson stated that on this issue, one would not have too many conflicting views to the situation where States were merely a name lender; but the question was how one could ensure that 28% GST was charged on such private players. Thus, for this purpose, one needed to have some strict guidelines.

14.6. The Hon'ble Minister from Kerala stated that Council took the decision which was challenged in the Hon'ble Kolkata High Court which held that Council had legally the right to take such a decision. Thus, to take benefit, other States may also avoid middlemen and run the lottery by themselves. Kerala Government could provide the technical support to other States who wanted it.

14.7. The Hon'ble Minister from Assam stated that North Eastern States have lottery system, but they lacked proper infrastructure to run it by State machinery and that is why they ran it through somebody else as authorised outsourced agency. The Hon'ble Minister from Kerala stated that private players who had to pay tax at the rate of 28% were not finding it attractive enough to compete with Kerala model. Therefore, such players were campaigning to remove this differential rate and adopt uniform rates for lottery across the country for their personal gains and accessing market in other States. This issue did not concern the majority of States but it was a serious concern for States where lottery operated. One should not upset the present system, allow it to continue and asked as to what was the rationale for changing the present structure. He stated that Kerala would help create a structure for smaller States or pay the amount that was paid by these private players to those States acting as their agent in lottery distribution but they should avoid giving lottery to these middlemen and upset the order in the society.

14.8. The Hon'ble Minister from Assam stated that before introduction of GST, Kerala had demanded 28% GST on lottery universally from GST Council but now Kerala wanted 12% for their lottery. He further stated that as to who was running the lottery should not matter for the purpose of tax rate. Since North-Eastern States were unable to operate lottery on their own, hence were suffering heavily. Further, when North Eastern States would float the tender for running the lottery, desirous States might participate as outsource partner, and they would give rights to the party who would offer maximum rate/price. However, differential rates in the same commodity was against GST principle and North Eastern States' lottery tickets were not being sold because of higher tax outside the State. Kerala was having 22% growth in the lottery revenue, but North Eastern States were suffering and one should not condemn the outsourcing model *per se* which was being adopted by North Eastern States.

14.9. The Secretary stated that the existing two rates, 12% and 28%, were leading to a lot of distortions and tax evasion. If one analyses the revenue *vis-a-vis* where these lotteries were conducted and where the lottery tickets were sold, the average revenue should be towards 28% rate but the real scenario was that average revenue collection was closer to 12% rate. It showed that lotteries were being shown as run in States but tickets were sold secretly outside

CHAIRMAN'S INITIALS

States and because of two tax rates, a lot of litigations were also taking place. This being a sin item, needed to be discouraged and therefore, 28% rate should be imposed on the lottery as was the original proposal in the past. However, it was decided in the Council that there should be some distinction between State operated lottery and private lottery but there was now requirement of a uniform rate to plug the revenue leakage and distortions.

14.10. The Hon'ble Minister from Kerala stated that lottery was not a normal commodity and one should question as to whether it was like any other commodity for which a freedom of trade all over India under GST regime had to be given. Lottery was not a normal commodity and that was why central law on lottery existed which had prohibited the middlemen running lottery at other places. CAG report clearly indicated that some middlemen from some States were running it in an inappropriate way. Therefore, the proposal could not be accepted.

14.11. The Hon'ble Minister from Punjab stated that differential rate in lottery was contested by lottery group/associations till the Hon'ble Supreme Court, but present rate structure of 12% and 28% had been upheld even by the apex court and it was clear that State run lottery attracts 12% GST whereas State authorised privately run lottery would attract 28% GST.

14.12. The Hon'ble Minister from Assam stated that the argument of differential tax rates was not proper, and it was like punishing North Eastern States for inability to do certain things. On one commodity two rates should not exist and it was not warranted.

14.13. Shri Manoj Rai, Additional Commissioner, State Tax, Sikkim stated that a lot of misreporting was happening regarding inter-State operations of lottery and that it was more in case of online lotteries. Further, carrying lottery tickets to neighbouring States was not a big task as tickets could be transported easily. He supported the proposal of uniform GST structure to avoid misreporting. Shri Anirudh S. Singh, Commissioner, State Tax, Arunachal Pradesh also stated that misrepresentation and misreporting was rampant, especially in online lottery and was leading to revenue leakage.

14.14. The Hon'ble Chief Minister of Puducherry stated that this issue had already been deliberated earlier in the Council, and the Council took a conscious decision that State-run lottery would be taxed @ 12% and State authorized lottery run by private persons would be taxed @ 28%. Till now, the system was running smoothly and issues of tax evasion, distortion, diversion which were coming up did not prevent any State to run their own lottery. The issues arose when the State authorised somebody else to run the lottery on their behalf, and they wanted to sell tickets in another State apart from their own State. If any particular State government wanted to run it, the infrastructure, mechanism required was not so huge and they could easily replicate it. Similarly, some States had taken a principled decision that they did not want lottery at all. Now when the States were not prevented from running the lottery to get the advantage of tax, why to compare both. If some people were authorised to run the lottery, not directly connected to the State government, paying certain royalty to the government and running the lottery; there could be a different rate slab for these lotteries. It had stood the test of law and the Apex Court had declared that no North Eastern State was punished by these two different rate slabs. The present system was running smoothly, and should not be disturbed.

CHAIRMAN'S INITIALS

14.15. The Hon'ble Minister from Assam stated that North Eastern States were lacking resources and should not be compared with other States such as Punjab or Kerala and for their inability to develop a system, they should not be punished. There were various challenges in running a government mechanism for lottery *vis a vis* North East States which needed to be addressed and they needed special consideration.

14.16. The Hon'ble Minister from Goa stated that Goa had lottery in the State but was losing revenue because there was no rationalization in rates for lottery. Kerala was selling lottery outside the State and other States were losing because of twin GST rates. Thus, all should rise, think for the country, and suggest best practices and way forward, i.e. ways to plug revenue leakages. He added that in the Council, one should talk about streamlining the revenue and better working of Tax administration. One had to look to fix leakage in revenue and as to why all taxpayers were not coming in the system, evading GST and needed suggestions on these real issues. He added that discussion should be in the spirit of having a truly functional GST.

14.17. The Hon'ble Deputy Chief Minister of Delhi suggested that if the Council agreed, the issue could be discussed later, and it may be referred to a GoM for detailed examination. Commissioner, State Tax, West Bengal suggested that all the States who run lottery might be members of this GoM as other States were actually not affected.

14.18. The Hon'ble Chairperson observed that in a large group like Council, one might not be able to discuss all aspects of the issue. He added that during the discussion, several issues were discussed such as what was the significance of different tax rates on lottery, why one needed a uniform rate on different types of lottery systems, and what the challenges were. It was also felt that the matter pertained to only few States including many North East States. Hence, the issue required a wider consultation with all lottery States. Therefore, he suggested that a GoM could be constituted on this subject in which States like Kerala, North Eastern States might be given representation and one representative be taken from amongst non-lottery States. Further, the existing Committee of Officers constituted in the past may provide assistance to this GoM. The Council agreed to the suggestion.

15. For **Agenda item 5(ii),** the Council decided to form a Group of Ministers (GoM) on Lottery in which States dealing in lottery such as Kerala, Maharashtra, Goa, some North Eastern States along with one representative State from non-lottery States to examine aspects like the disparity in rates of lottery, case of private enrichment at the cost of State, tax evasion aspects, etc.

Agenda Item 5(iii): Request by CAPSI (Central Association of Private Security Industry) to bring the entire security services sector including body corporate under RCM (Reverse Charge Mechanism)

16. The Secretary briefed the Council about the request of CAPSI to bring the entire Security Services sector including the body corporates under Reverse Charge Mechanism (RCM) mode of tax payment on the ground of it being a major employment creator and maintaining law and order. They had also stated in their representation that due to delayed payments from the clients, the security industry was forced to pay GST out of borrowed funds before the actual receipt of payments from the clients. The matter had been taken up in the 31st Council meeting on their earlier representation and a Notification 29 of 2018 dated 31.12.2018 (Sl. No.14 of the Notification) had been issued which provided that the security

CHAIRMAN'S INITIALS

services provided by any person other than a body corporate to a registered person except Government Departments who had taken registration for TDS and entities registered for Composition scheme had been put under RCM. He further informed that the matter was discussed in the Officers' meeting a day before and the view taken was that no further change was required. The Secretary suggested that in view of the discussion in the Officers' meeting, the recommendation of the TRU to reject the request of the CAPSI to bring the entire Private Security Service sector including body corporates under RCM may be agreed to. The Council agreed to the proposal.

17. For **Agenda item 5(iii),** the Council decided not to agree to the request of CAPSI (Central Association of Private Security Industry) to bring the entire security services sector including body corporate under RCM (Reverse Charge Mechanism).

Agenda Item 6: Issues recommended by the Law Committee for the consideration of the GST Council

Agenda Item 6(i): Notification of provisions of the CGST (Amendment) Act, 2018; UTGST (Amendment) Act, 2018 and the GST (Compensation to States) Amendment Act, 2018 and the IGST (Amendment) Act, 2018

18. The Secretary invited the Principal Commissioner (GST Policy Wing), CBIC, to make a presentation on this Agenda item. The Principal Commissioner (GST Policy Wing), CBIC, made a presentation (attached as **Annexure 3** to the Minutes). He explained that the Council, in its 31st Meeting held on 22nd December, 2018 had recommended that the Amendment Acts of the CGST Act, the UTGST Act, the GST (Compensation to States) Act and the IGST Act, were to be brought into force with effect from 1st February, 2019. The Law Committee examined the provisions of all the GST (Amendment) Acts, 2018 in conjunction with the CGST Act, 2017, the SGST Acts, 2017, etc. and proposed to bring into force all the provisions of the four GST (Amendment) Acts with effect from 1st February, 2019 except the provisions contained in Sections 8(b), 17, 18 and 20(a) of the CGST (Amendment) Act, 2018 for the time being. These were proposed to be notified later as they related to the new return system which was proposed to be rolled out from 1st July 2019, and therefore, these were to be notified along with the new return system.

18.1. He further stated that Section 28(b)(i) and Section 28(c)(i) of the CGST (Amendment) Act, 2018 was proposed not to be notified as it related to Section 140 of the CGST Act, dealing with transitional arrangement for input tax credit for which a circular would be issued by the Central Government to clarify the issue and that no such similar provision was there in the respective SGST (Amendment) Acts. He stated that the corresponding amendments to the SGST Act of the respective States would also be notified with effect from 1st February, 2019. He requested the Council to approve the proposal to notify the provisions of the CGST (Amendment) Act, 2018; the UTGST (Amendment) Act, 2018, the GST (Compensation to States) Amendment Act, 2018 and the IGST (Amendment) Act, 2018 except the provisions contained in Sections 8(b), 17, 18, 20(a), 28(b)(i) and 28(c)(i) of the CGST Act, 2018. The States would be required to notify amendments to the enabling provisions of the SGST (Amendment) Acts, except the provisions corresponding to Sections 8(b), 17, 18, 20(a), 28(b)(i) and 28(c)(i) of the CGST (Amendment) Act, 2018. The

CHAIRMAN'S INITIALS

Amendments shall be issued after due vetting of the notifications by the Union Ministry of Law. The Council approved the proposal.

19. For **Agenda item 6(i),** the Council approved to notify the provisions of the CGST (Amendment) Act, 2018; the UTGST (Amendment) Act, 2018, the GST (Compensation to States) Amendment Act, 2018 and the IGST (Amendment) Act, 2018 except the provisions contained in Sections 8(b), 17, 18, 20(a), 28(b)(i) and 28(c)(i) of the CGST (Amendment) Act, 2018. The States shall also be required to notify amendments to the enabling provisions of the SGST (Amendment) Acts, except the provisions corresponding to Sections 8(b), 17, 18, 20(a), 28(b)(i) and 28(c)(i) of the CGST (Amendment) Act, 2018.

Agenda Item 6(ii): Consequential amendments in notifications issued earlier in light of bringing into force the provisions of the CGST (Amendment) Act, 2018; the UTGST (Amendment) Act, 2018; the GST (Compensation to States) Amendment Act, 2018 and the IGST (Amendment) Act, 2018

20. Introducing this Agenda item, the Principal Commissioner (GST Policy Wing), CBIC, stated that certain notifications would need to be issued pertaining to the Notifications on the Amendment Acts of the CGST Act, the UTGST Act, the GST (Compensation to States) Act and the IGST Act. The details of the amendments to be carried out were contained in **Annexure A** to Agenda notes for Agenda Item 6(ii). The Council agreed to the proposal.

21. For **Agenda item 6(ii),** the Council approved to carry out amendments to the Notifications as contained in **Annexure A** to Agenda Item 6(ii) and to also amend the corresponding Notifications issued by the States (except Notification No.02/2017-Central Tax dated 19th June, 2017). Notifications carrying out these amendments shall be issued after due vetting by the Union Ministry of Law.

Agenda Item 6(iii): Consequential amendments in Circulars and Orders issued earlier in light of bringing into force the provisions of the CGST (Amendment) Act, 2018; the UTGST (Amendment) Act, 2018; the GST (Compensation to States) (Amendment) Act, 2018 and the IGST (Amendment) Act, 2018

22. Introducing this Agenda item, the Principal Commissioner (GST Policy Wing), CBIC, stated that certain consequential amendments were required to be carried out in Circulars and Orders issued earlier in the light of bringing into force the CGST (Amendment) Act, 2018; the UTGST (Amendment) Act, 2018; the GST (Compensation to States) (Amendment) Act, 2018 and the IGST (Amendment) Act, 2018. He stated that similar amendments would be required to be carried out in the Circulars and Orders issued by the States. He further stated that the Law Committee had examined those Circulars and Orders issued under the CGST Act, 2017 and the IGST Act, 2017 in conjunction with the provisions of the GST Amendment Acts and proposed to amend certain Circulars and Orders, as contained in the Agenda notes of Item 6(iii). He further stated that the Law Committee also recommended to rescind the Removal of Difficulty Order No.01/2017-Central Tax dated 13th October, 2017 issued to remove difficulties in implementing provisions of Composition scheme. In its place, the Law Committee had recommended to issue a new Removal of Difficulty Order to provide for extension of the beneficial condition detailed below for all Composition taxpayers:

CHAIRMAN'S INITIALS

"that for computing the aggregate turnover in order to determine eligibility for composition scheme, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account."

22.1. He sought the approval of the Council for the above proposal. The Council approved the same.

23. For **Agenda item 6(iii),** the Council approved the proposed amendments to the list of Circulars and Orders issued earlier as per **Annexure A** of Agenda notes to Agenda item 6(iii) and to also rescind the Removal of Difficulty Order No.01/2017-Central Tax dated 13th October, 2017 and to issue a new Removal of Difficulty Order providing for extension of the following beneficial condition for all Composition dealers:

"that for computing the aggregate turnover in order to determine eligibility for composition scheme, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account."

23.1. The Removal of Difficulty Order shall be issued in consultation with the Union Ministry of Law. The States shall also issue similar Circulars and Orders as well as Removal of Difficulty Order.

Agenda Item 6(iv): Proposal for amendment in CGST Rules, 2017

24. The Principal Commissioner (GST Policy Wing), CBIC, stated that the Law Committee in its meeting held on 3rd and 4th January, 2019 had recommended minor amendments in the CGST Rules, 2017 to ease the process of refunds and to extend the date of examination for GST Practitioners. He explained the proposed changes in the Rules and suggested that the Council could approve the proposed changes, as contained in the notes of Agenda Item 6(iv). The Council agreed to the same. It also agreed that *pari materia* changes would be carried out in the SGST Rules.

25. For **Agenda item 6(iv),** the Council approved the proposals as contained in the Table below the notes of Agenda item 6(iv). The Council also approved that suitable notifications shall be issued after due vetting by the Union Ministry of Law and that *pari materia* changes shall be carried out in the SGST Rules.

Agenda Item 7: Review of Revenue Position

26. Secretary, stated that the revenue position had been discussed by the Council in its 31st meeting about three weeks back and since then not much had changed. Accordingly, if the Council agreed, the revenue position may be discussed in the next Council meeting. The Council agreed to the proposal and agreed to consider the revenue position in the next Council meeting.

27. For **Agenda item 7**, the Council agreed to consider the revenue position in the next Meeting of the Council.

CHAIRMAN'S INITIALS

Agenda Item 8: Allowing ITGRC (IT Grievance Redressal Committee) to consider non-technical issues (errors apparent on the face of record)

28. Introducing this Agenda item, the Secretary stated that the IT Grievance Redressal Committee (ITGRC) was set up with the approval of the Council during its 26th Meeting held on 10th March, 2018. The mandate of ITGRC was to address IT related issues or IT glitches where owing to glitches in GSTN, relief was needed to be given to a section of taxpayers, such as allowing filing of any Form or Return prescribed in law or amending any Form or Return that had already been filed. The GSTN received various references through nodal officers and Writ Petitions filed in the Hon'ble High Courts where non-technical issues were involved and the ITGRC could not recommend those cases as it was not empowered to take any decision on those issues that did not fall in the category of technical glitches. He further explained that since there was no appeal mechanism for filing Forms TRAN-1/TRAN-2 under GST law, hence more and more taxpayers were approaching various Hon'ble High Courts for consideration and obtaining favourable orders and in some cases, Hon'ble High Courts had given specific directions to take up the cases as per the Grievance Redressal Mechanism. The ITGRC recommended to refer the issue to the Council to empower it to consider and decide cases for extending the benefit of allowing filing of any Form or Return prescribed in law or amending any Form or Return already filed for *bona fide* non-technical mistakes of the taxpayers. He stated that this Agenda item was discussed in the Law Committee and the formulation recommended by the Law Committee was discussed in the meeting of the Officers held on 9th January, 2019. During the Officers meeting, it was agreed to expand the mandate of the ITGRC to consider cases of non-technical glitches but in a very limited manner.

28.1. The formulation agreed upon during the Officers meeting held on 9th January, 2019 was presented by the Principal Commissioner (GST Policy Wing), CBIC (attached as **Annexure 3** to the Minutes). He stated that the ITGRC shall consider on merits, the specific cases as covered under the orders of the Hon'ble High Court of Madras and by any other Hon'ble High Court as sent by any State or Central authority, to the GST Council Secretariat by 31st January, 2019. The ITGRC shall consider the listed cases (as informed by States / Centre before 31st January, 2019) where the following conditions are satisfied:

i. TRAN-1, including revision thereof, has been filed on or before 27th December, 2017 and there is an error apparent on the face of the record (such cases of error apparent on the face of the record will not cover instances where there is a mistake like wrong entry of an amount e.g. Rs.10,000/- entered for Rs.1,00,000/-); and

ii. The case should be recommended to the ITGRC through GSTN by the concerned jurisdictional Commissioner or an officer authorised by him in this behalf (in case of credit of Central taxes/duties, by the Central authorities and in the case of credit of State taxes, by the State authorities, notwithstanding the fact that the taxpayer is allotted to the Central or the State authority).

28.2. The Secretary informed that the above formulation was agreed upon during the Officers meeting held on 9th January, 2019 and proposed that the Council could also approve the same. The Council agreed to the proposal.

CHAIRMAN'S INITIALS

29. For **Agenda item 8,** the Council approved to extend the scope of ITGRC to also consider on merits, the specific cases as covered under the orders of the Hon'ble High Court

of Madras and by any other Hon'ble High Court as sent by any State or Central authority, to the GST Council Secretariat by 31st January, 2019.

29.1. The ITGRC shall consider the listed cases (as informed by States / Centre before 31st January, 2019) where the following conditions are satisfied:

i. TRAN-1, including revision thereof, has been filed on or before 27th December, 2017 and there is an error apparent on the face of the record (such cases of error apparent on the face of the record will not cover instances where the there is a mistake like wrong entry of an amount e.g. Rs.10,000/- entered for Rs.1,00,000/-); and

ii. The case has been recommended to the ITGRC through GSTN by the concerned jurisdictional Commissioner or an officer authorised by him in this behalf (in case of credit of Central taxes/duties, by the Central authorities and in the case of credit of State taxes, the State authorities, notwithstanding the fact that the taxpayer is allotted to the Central or the State authority).

Agenda Item 9: Use of RFID (Radio-frequency Identification) data for strengthening enforcement of e-Way Bill system under GST

30. The Secretary informed that during the Officers Meeting held on 9th January, 2019, the Agenda item was discussed and a presentation was made on this Agenda item (attached as **Annexure 7** to the Minutes) and several issues arising out of reports of GSTN and Member (Budget), CBIC and recommendations were identified such as adoption of FASTag, legal requirements thereof and inter-operability of existing systems, etc. The officers were unanimous in implementing Stage-I, where data was used for passive Risk-based intervention as suggested in the proposal at the earliest. As regards Stage-II where data was proposed for active real time intervention, they raised the issue that while implementing it, one should preserve the good attributes of GST and avoid return to the permanent static check posts system.

30.1. The Hon'ble Minister from Tamil Nadu in his written speech relating to the agenda stated that his State was opposed to the recommendations contained in agenda of adopting Option-II (i.e. Stage-II) for stoppage and checking of vehicles in real time near the toll plaza where RFID reader was located. It was further stated that it would pave the way for creation of check post in a new nomenclature with all attendant problems negating the benefits of GST. Further, the RFID technology should be implemented after due consultation with all stakeholders, adequate training and awareness to the Industries, failure free testing and piloting the same with stakeholder.

30.2. Secretary stated that it was felt that the issue required a wider consultation with some other stakeholders who were not part of the exercise so far. Accordingly, it was recommended to form a Committee of Officers from Centre, States and GSTN to deliberate and suggest on following Terms of Reference (ToR):

i. Building an inter-operable robust system and examine the feasibility and advantages of existing system versus. use of FASTag Data;
ii. Conduct stakeholders' consultation;
iii. Identify legal requirements, if any.

CHAIRMAN'S INITIALS

30.3. The Secretary suggested that the Council may approve the recommendations as above of the Officers' meeting of 9th January 2019. The Council agreed to the same.

31. For **Agenda item 9,** Council agreed to the suggestion to form a Committee of Officers with following ToR:

a. Building an inter-operable robust system and examine the feasibility and advantages of existing system vs. use of FASTag Data;
b. Conduct stakeholders' consultation;
c. Identify legal requirements, if any.

Agenda Item 10: Quarterly Report of the NAA (National Anti-profiteering Authority) for the quarter October to December 2018 for the information of the GST Council

32. The Secretary informed the GST Council that Rule 127(iv) of the CGST Rules 2017 mandated the NAA to furnish a performance report to the Council and accordingly the NAA had forwarded Performance Report for the quarter ending 31.12.2018.

32.1. The salient features of the report were as per the agenda and the presentation made (attached as **Annexure 8** to the Minutes), i.e. during the period from 01.10.2018 to 31.12.2018, 41 investigation reports were received by the NAA from the Directorate General of Anti-Profiteering (DGAP) while they already had 29 investigation reports pending as on 30.09.2018 forwarded by the DGAP. During this period, out of these 70 investigation reports, NAA had passed orders in 20 cases which were all unanimous. Profiteering was established in 6 cases involving anti-profiteering amount of Rs.542.59 crores. Major among these were the case of M/s. Hindustan Unilever Limited and M/s. Hardcastle Restaurants Private Limited involving profiteering amount of Rs.534.890 crore and Rs.7.59 crore respectively. Profiteering was not established in remaining 14 cases. Thus, as on 01.01.2019, 37 investigation reports were pending disposal with the NAA while 13 cases were referred back to the DGAP for further investigation.

32.2. In the written speech circulated by the Hon'ble Minister from Tamil Nadu, he reiterated his stand taken earlier that the amount lying with the NAA should be shared between the Centre and the States.

33. For **Agenda item 10,** the Council took note of the facts reported by the National Anti-profiteering Authority (NAA) in its report for the quarter 1st October 2018 to 31st October 2018.

Agenda Item 11: Report of the GoM on Revenue Mobilisation

34. Introducing the Agenda, the Joint Secretary (DoR) stated that the Group of Ministers (GoM) held two meetings to discuss the following Terms of Reference:

i. Whether the mechanism of funding to the States through National Disaster Response Fund (NDRF) is sufficient in case of natural calamities and disaster;

ii. Whether there should also be a supplementary mechanism for funding natural calamities and disasters through GST, and if so, whether it should be through

CHAIRMAN'S INITIALS

additional cess or tax, and whether such levy should be State specific or across the country;

iii. The circumstances in which a State shall become entitled to get funding over and above the funds obtained through NDRF mechanism;

iv. Whether it is permissible under the relevant provisions of Constitution and the GST law to create an omnibus GST Disaster Relief Fund for natural calamities or whether resources can be raised only for a specific event qualifying as natural calamity or disaster;

v. If a GST Disaster Relief Fund is created, what should be the mechanism for its collection, accountal and disbursement, including whether such disbursement should only be for a major natural calamity/disaster and the criteria thereof;

vi. What changes in law, if any would be needed to create a GST Disaster Relief Fund.

34.1. After detailed deliberations, a questionnaire had been made and sent to all the States seeking their views/suggestions on the following points:

i. Which of the following would be better and convenient mechanism to support the State in case of Natural Calamity or disaster;

a) Increase in the borrowing limits of State

b) Tweaking of NDRF Norms

c) States specific disaster cess

ii. Whether increase in GST rate or levy of cess would be a better mechanism to raise resources for supporting a State in case of natural calamities.

iii. Whether increase in GST rate or increase of tax on non-GST goods would be better for mobilization of revenue in case of Natural Calamity.

iv. In case of State Specific disaster cess, such cess should be levied on all items or only on luxury goods over all GST (CGST/IGST/UTGST) or only on SGST.

v. What would be the amount of revenue mobilized due to increase of 0.25% or 0.5% in SGST rate as suggested by Kerala Govt? Whether it would be sufficient for meeting the requirement on account of relief and rehabilitation?

vi. Mechanism for raising of resources for disaster management within the framework of Disaster Management Act, 2005 and how it should be dovetailed with the recommendations of Finance Commission.

34.2. The suggestions received from the States as well as Officers were considered and the following were recommended by the GoM:

CHAIRMAN'S INITIALS

i. The NDRF norms should be considered for revision after due consultation with State Governments.

ii. The Council might consider allowing levy of a cess on intra-State supply of goods and services within the State of Kerala at a rate not exceeding 1% for a period not exceeding two years.

iii. Regarding FRBM limits of fiscal deficit, GoM felt that for the purposes of reconstruction after the initial impact of natural calamities, Central Government might consider allowing States to incur a fiscal deficit higher than the FRBM without impacting their ongoing development programmes. GoM felt that this could either be done by excluding the reconstruction expenditure outside the FRBM limits or by providing additional borrowings over and above the FRBM target over a specified number of years.

34.3. The Hon'ble Chairperson asked the Minister from Kerala as to whether the above recommendations were acceptable to him to which he agreed. The Hon'ble Ministers from Assam and Goa also supported the recommendations of the GoM. The Hon'ble Deputy Chief Minister of Delhi stated that the recommendation (i) and (iii) had nothing to do with the GST while recommendation (ii) pertained to GST which was acceptable. The Hon'ble Minister from Kerala stated that though this may not be part of GST Council's mandate but it needed to be understood that for rebuilding after a natural disaster, funds were required which the Government of India allows through borrowing from external agencies. He added that the Government of India should permit external borrowing as a means of additional resource mobilisation. The Hon'ble Chairperson stated that this suggestion was out of direct scope of the GST Council, but the recommendations of the GoM would be taken up with the Government of India separately. He further suggested that the recommendations of the GoM may be approved by the Council. The Council agreed to the same.

35. For **Agenda item 11,** the Council approved the recommendations of GoM on Revenue Mobilisation, as mentioned at paragraph 34.2 and the action proposed at paragraph 34.3 above.

Agenda Item 12: Any other agenda item with the permission of the Chairperson

36. No issues were discussed under this agenda item.

36.1. The Hon'ble Minister from Tamil Nadu circulated a written speech during the Meeting of the Council. The extracts of the speech relating to the relevant agenda items have been recorded as part of the discussion on those agenda items. In addition to that, he drew attention of the Council Members to the decision of the Council taken in the 31st Meeting held on 22nd December 2018 regarding the implementation of the GST Amendment Act, 2018 from 1st February, 2019. He stated that the State of Tamil Nadu was broadly in agreement with those recommendations wherein it was proposed to notify the provisions relating to new returns at a later date and also for consequential changes proposed in the Notifications/Circulars/Order and Rules.

CHAIRMAN'S INITIALS

36.2. The Hon'ble Minister from Uttar Pradesh stated that *Dry Singhara* was used by *Sadhu-Sant*, *Kalpvasis* and general public during Kumbh and other religious ceremonies during fast. Hence the State of Uttar Pradesh had requested time and again to exempt *Dry Singhara* from GST. He further stated that the present tax rate of 18% on handmade soap was quite high. He added that handmade soap was manufactured by small scale industries and by labour in the unorganized sector and that it was used by poor people in rural areas. Hence handmade soap should also be exempted from GST. The Hon'ble Chairperson observed that these requests should be examined by the Fitment Committee.

Agenda Item 13: Date of the next meeting of the GST Council

37. This agenda item could not be taken up for discussion

38. The Meeting ended with a vote of thanks to the Chair.

(Arun Jaitley)
Chairperson, GST Council

CHAIRMAN'S INITIALS

Annexure 1

List of Ministers who attended the 32nd GST Council Meeting on 10th January 2019			
Sl No	**State/Centre**	**Name of Hon'ble Minister**	**Charge**
1	Govt of India	Shri Arun Jaitley	Union Finance Minister
2	Govt of India	Shri S.P. Shukla	Minister of State (Finance)
3	Andhra Pradesh	Shri Yanamala Ramakrishnudu	Minister of Finance, Planning, CT and Legislative Affairs
4	Assam	Dr Himanta Biswa Sarma	Finance Minister
5	Bihar	Shri Sushil Kumar Modi	Deputy Chief Minister
6	Chattisgarh	Shri T.S. Singh Deo	Minister for Commercial Taxes
7	Delhi	Shri Manish Sisodia	Deputy Chief Minister
8	Goa	Shri Mauvin Godinho	Minister for Panchayat
9	Gujarat	Shri Nitinbhai Patel	Deputy Chief Minister
10	Haryana	Capt. Abhimanyu	Excise & Taxation Minister
11	Jharkhand	Shri C.P. Singh	Minister - Department of Urban Development, Housing and Transport
12	Karnataka	Shri Krishna Byre Gowda	Minister for Rural Development, Law and Parliamentary Affairs
13	Kerala	Dr. Thomas T M Isaac	Finance Minister
14	Madhya Pradesh	Shri Priyavrat Singh	Minister (Energy)
15	Maharashtra	Shri Sudhir Mungantiwar	Finance Minister
16	Nagaland	Shri Metsubo Jamir	Minister, Urban Development and Municipal Affairs
17	Puducherry	Shri V. Narayanasamy	Chief Minister
18	Punjab	Shri Manpreet Singh Badal	Finance Minister
19	Rajasthan	Shri Shanti Kumar Dhariwal	Minister for Local Self Government, Urban Development and Housing, Law & Legal affairs and Parliamentary affairs
20	Tamil Nadu	Shri D. Jayakumar	Minister for Fisheries and Personnel & Administrative Reforms
21	Tripura	Shri Jishnu Dev Varma	Deputy Chief Minister
22	Uttarakhand	Shri Prakash Pant	Finance Minister
23	Uttar Pradesh	Shri Rajesh Agarwal	Finance Minister
24	Jammu & Kashmir*	Shri K K Sharma	Advisor to Governor (I/c Finance)

Note* - The representative from Jammu & Kashmir attended the Meeting on behalf of the Hon'ble Governor of Jammu & Kashmir. The matter regarding exact status of the Advisor to the Governor in the GST Council was under consideration in consultation with the Union Ministry of Law.

CHAIRMAN'S INITIALS

Annexure 2

List of Officials who attended the 32nd GST Council Meeting on 10th January 2019			
Sl No	**State/Centre**	**Name of the Officer**	**Charge**
1	Govt. of India	Dr. A B Pandey	Revenue Secretary
2	Govt. of India	Dr. Krishnamurthy Subramanian	Chief Economic Adviser
3	Govt. of India	Shri Pranab Kumar Das	Chairman, CBIC
4	Govt. of India	Dr. John Joseph	Member (Budget), CBIC
5	Govt. of India	Ms. Ameeta Suri	Member (GST), CBIC
6	Govt. of India	Dr. Rajeev Ranjan	Special Secretary, GST Council
7	Govt. of India	Shri J P S Chawla	Pr. CCA
8	Govt. of India	Shri Manoj Sethi	CCA
9	Govt. of India	Shri P.K. Mohanty	Adviser (GST), CBIC
10	Govt. of India	Shri P.K. Jain	Pr. DG, DG-Audit, CBIC
11	Govt. of India	Shri Sandeep M Bhatnagar	Pr. DG, DG Systems, CBIC
12	Govt. of India	Shri G.D. Lohani	Joint Secretary, TRU-I, DoR
13	Govt. of India	Shri Manish Kumar Sinha	Joint Secretary, TRU-II, DoR
14	Govt. of India	Shri Ritvik Pandey	Joint Secretary, DoR
15	Govt. of India	Shri Upender Gupta	Pr. Commissioner (GST), CBIC
16	Govt. of India	Shri Yogendra Garg	Pr. ADG, GST, CBIC
17	Govt. of India	Shri S.K. Rehman	ADG, GST, CBIC
18	Govt. of India	Shri D.S. Malik	DG (M&C)
19	Govt. of India	Shri Rajesh Malhotra	ADG (M&C)
20	Govt. of India	Shri Parmod Kumar	OSD, TRU-II, DoR
21	Govt. of India	Shri Pramod Kumar	Deputy Secretary, TRU-II, DoR
22	Govt. of India	Shri N Gandhi Kumar	Deputy Secretary, DoR
23	Govt. of India	Shri Amaresh Kumar	Joint Comm., GST Policy Wing
24	Govt. of India	Shri Ravneet Khurana	Joint Comm., GST Policy Wing
25	Govt. of India	Shri Susanta Mishra	Technical Officer, TRU-II, DoR
26	Govt. of India	Shri Harsh Singh	Technical Officer, TRU-II, DoR
27	Govt. of India	Shri Shashikant Mehta	OSD, TRU-II, DoR
28	Govt. of India	Shri Siddharth Jain	Dy. Comm., GST Policy Wing
29	Govt. of India	Shri Vikash Kumar	Dy. Comm., GST Policy Wing
30	Govt. of India	Ms. Meghaa Gupta	Asst. Comm., GST Policy Wing
31	Govt. of India	Shri Achin Garg	Asst. Comm., GST Policy Wing
32	Govt. of India	Shri Paras Sankhla	OSD to Union Minister
33	Govt. of India	Shri Nikhil Varma	OSD to MoS (Finance)
34	Govt. of India	Shri Mahesh Tiwari	PS to MoS
35	Govt. of India	Shri Debashis Chakraborty	OSD to Finance Secretary
36	Govt. of India	Shri Anurag Sehgal	OSD to Chairman, CBIC
37	Govt. of India	Shri Vikash Shukla	Media Advisor to RS
38	Govt. of India	Shri Nagendra Goel	Adviser, CBIC

CHAIRMAN'S INITIALS

39	Govt. of India	Ms Bhagyadevi	Technical Member, NAA
40	Govt. of India	Shri A K Goel	Secretary, NAA
41	Govt. of India	Shri Dev Kumar Rajwani	OSD to Chairman, NAA
42	Govt. of India	Dr Sumit Garg	Dy. Commissioner, TPRU
43	Govt. of India	Shri Shekhar Kumar	Dy. Commissioner, TPRU
44	GST Council	Shri Shashank Priya	Joint Secretary
45	GST Council	Shri Dheeraj Rastogi	Joint Secretary
46	GST Council	Shri Rajesh Agarwal	Director
47	GST Council	Shri G.S. Sinha	Director
48	GST Council	Shri Jagmohan	Director
49	GST Council	Shri Arjun Meena	Under Secretary
50	GST Council	Shri Rakesh Agarwal	Under Secretary
51	GST Council	Shri Rahul Raja	Under Secretary
52	GST Council	Shri Mahesh Singarapu	Under Secretary
53	GST Council	Shri Debashish Dutta	Under Secretary
54	GST Council	Shri Mukesh Gaur	Superintendent
55	GST Council	Shri Rajeev Mirchia	Superintendent
56	GST Council	Shri Sandeep Bhutani	Superintendent
57	GST Council	Shri Vipul Sharma	Superintendent
58	GST Council	Shri Sarib Sahran	Superintendent
59	GST Council	Shri Amit Soni	Superintendent
60	GST Council	Shri Anis Alam	Superintendent
61	GST Council	Shri Dipendra Kumar Singh	Superintendent
62	GST Council	Shri Sunil Kumar	Superintendent
63	GST Council	Ms Sangeeta Dalal	Inspector
64	GSTN	Shri Prakash Kumar	CEO
65	GSTN	Ms Kajal Singh	EVP (Services)
66	GSTN	Shri Jagmal Singh	VP(Services)
67	Govt. of India	Shri C K Jain	ADG, Audit
68	Govt. of India	Shri Kishori Lal	Pr. Commissioner, Chandigarh Zone, CBIC
69	Govt. of India	Shri Pramod Kumar	Pr. Commissioner, Delhi Zone, CBIC
70	Govt of India	Shri Pradeep Kumar Goel	Pr. Commissioner, Meerut Zone, CBIC
71	Govt of India	Shri Neerav Kumar Mallick	Commissioner, Bhopal Zone, CBIC
72	Govt of India	Shri G.V. Krishna Rao	Chief Commissioner, Bengaluru Zone, CBIC
73	Govt. of India	Shri R.C. Sankhla	Commissioner, Lucknow Zone, CBIC
74	Govt. of India	Shri S. Kannan	Commissioner, Chennai Zone, CBIC
75	Govt. of India	Shri Vijay Mohan Jain	Commissioner, Panchkula Zone, CBIC
76	Govt. of India	Shri Virender Choudhary	Pr. Commissioner, Vadodara Zone, CBIC
77	Govt. of India	Shri P.K. Singh	Commissioner, Jaipur Zone, CBIC
78	Govt. of India	Shri Milind Gawai	Commissioner, Pune Zone, CBIC
79	Govt. of India	Shri Srinivas Mandalika	Pr. Commissioner, Hyderabad Zone, CBIC

CHAIRMAN'S INITIALS

80	Govt. of India	Shri Sadhu Narasimha Reddy	Jt. Commissioner, Vishakhapatnam Zone, CBIC
81	Govt. of India	Shri Nitin Anand	Commissioner, Ranchi Zone, CBIC
82	Andhra Pradesh	Dr D.Sambasiva Rao	Special Chief Secretary, Revenue
83	Andhra Pradesh	Shri T Ramesh Babu	Commissioner, State Tax
84	Arunachal Pradesh	Shri Satya Gopal	Chief Secretary
85	Arunachal Pradesh	Shri Anirudh S Singh	Commissioner (Tax & Excise)
86	Assam	Shri Anurag Goel	Commissioner, CT
87	Bihar	Dr Pratima	Commissioner and Secretary, CTD
88	Bihar	Shri Arun Kumar Mishra	Additional Secretary, CTD
89	Bihar	Shri Ajitabh Mishra	Jt. Commissioner, CTD
90	Chhattisgarh	Smt Sangeetha P	Commissioner, CT
91	Chhattisgarh	Shri S. L. Agarwal	Special Commissioner
92	Chhattisgarh	Manish Mishra	Dy. Commissioner
93	Delhi	Ms. Renu Sharma	Pr. Secretary (Finance)
94	Delhi	Shri H. Rajesh Prasad	Commissioner, State Tax
95	Delhi	Shri Rajesh Goel	Additional Commissioner, State Tax
96	Goa	Shri Dipak Bandekar	Commissioner, CT
97	Gujarat	Shri Arvind Agarwal	Addl. Chief Secretary, Finance Dept.
98	Gujarat	Shri Ajay Kumar	Special Commissioner, State Tax
99	Gujarat	Shri Riddhesh Raval	Dy. Commissioner, State Tax
100	Haryana	Shri Sanjeev Kaushal	Addl Chief Secretary, E & T Dept
101	Haryana	Shri Vijay Kumar Singh	Addl. Commissioner, E & T Dept
102	Himachal Pradesh	Shri Jagdish Chander Sharma	Principal Secretary (E&T)
103	Himachal Pradesh	Shri Rajeev Sharma	Commissioner of State Tax and Excise
104	Himachal Pradesh	Shri Rakesh Sharma	Joint Comm., State Tax & Excise
105	Jammu & Kashmir	Shri Navin K. Choudhary	Pr. Secretary, Finance Dept.
106	Jammu & Kashmir	Shri P K Bhatt	Commissioner, CT
107	Jharkhand	Shri Prashant Kumar	Secretary & CCT
108	Jharkhand	Shri Ajay Kumar Sinha	Addl. Commissioner of State Taxes
109	Jharkhand	Shri Brajesh Kumar	State Tax officer
110	Karnataka	Shri Ravi Prasad	Jt. Commissioner, CT
111	Kerala	Smt Tinku Biswal	CCT
112	Madhya Pradesh	Shri Pawan Kumar Sharma	Commissioner, CT

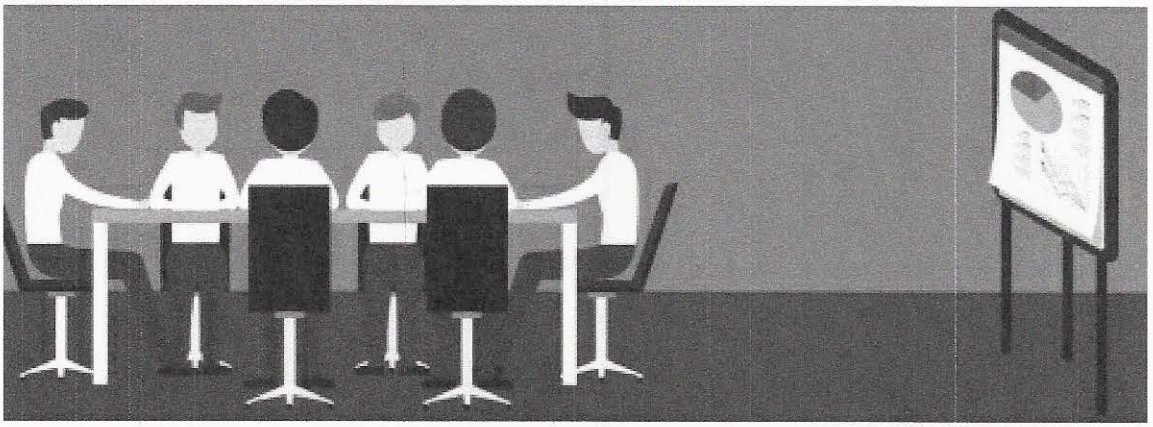
CHAIRMAN'S INITIALS

113	Madhya Pradesh	Shri Avinash Lavania	Addl. Commissioner
114	Madhya Pradesh	Shri Sudip Gupta	Jt. Commissioner, CT
115	Maharashtra	Shri Rajiv Jalota	Commissioner, State Tax
116	Maharashtra	Shri Sudhir Rathod	PS to Minister
117	Manipur	Shri Y Indra Kumar	Asst. Commissioner, CT
118	Meghalaya	Shri Leonard Khongsit	Jt. Commissioner, CT
119	Meghalaya	Shri Kitbokson War	Asst. Commissioner, CT
120	Mizoram	Shri Vanlal Chhuanga	Commissioner & Secretary (Taxation)
121	Mizoram	Shri R Zosiamliana	Jt. Commissioner, State Tax
122	Nagaland	Ms. Kalash Jyoti	Pr. Resident Commissioner
123	Nagaland	Shri Kesonyu Yhome	Commissioner, CT
124	Odisha	Shri Saswat Mishra	Commissioner, CT
125	Odisha	Shri Sahadev Sahoo	Addl. Commissioner, CT
126	Puducherry	Shri L Kumar	Commissioner (ST)
127	Punjab	Shri M. P Singh	Addl. Chief Secretary-cum-Financial Commissioner (Taxation)
128	Punjab	Shri V. K. Garg	Advisor (Financial Resources) to CM
129	Punjab	Shri Vivek Pratap Singh	Excise & Taxation Commissioner
130	Punjab	Shri Pawan Garg	Dy. Commissioner
131	Rajasthan	Dr. Prithvi Raj	Secretary Finance (Revenue)
132	Rajasthan	Dr. Preetam B Yaswant	Commissioner, State Tax
133	Rajasthan	Shri Ketan Sharma	Addl. Commissioner, GST, State Tax
134	Sikkim	Shri Manoj Rai	Addl. Commissioner, State Tax
135	Tamil Nadu	Dr. T.V Somanathan	ACS/CCT
136	Tamil Nadu	Shri C Palani	Jt. Commissioner (Taxation)
137	Telangana	Shri Somesh Kumar	Pr. Secretary (Finance)
138	Telangana	Shri Anil Kumar	Commissioner of State Tax
139	Telangana	Shri Laxminarayan Jannu	Addl. Commissioner, State Tax
140	Tripura	Shri Sudip Bhowmik	Dy Commissioner, State Tax
141	Tripura	Shri Badal Baidya	Superintendent of State Tax
142	Uttar Pradesh	Shri Alok Sinha	ACS, CT
143	Uttar Pradesh	Shri C. P. Mishra	Joint Commissioner, CT
144	Uttar Pradesh	Shri Sanjay Pathak	Joint Commissioner, CT
145	Uttarakhand	Ms. Sowjanya	Commissioner, State Tax
146	Uttarakhand	Shri Piyush Kumar	Addl. Commissioner State Tax
147	Uttarakhand	Shri Roshan Lal	Dy. Comm., State Tax
148	West Bengal	Ms. Smaraki Mahapatra	Commissioner, CT
149	West Bengal	Shri Khalid A Anwar	Senior Joint Commissioner, CT

CHAIRMAN'S INITIALS

Annexure 3

32nd Meeting of GST Council



Deemed ratification & Issues for consideration

Agenda

- **Agenda No. 2** - Deemed Ratification of Notification / Circulars issued post 31st Meeting of GST Council
- **Agenda No. 3 -** Decisions taken by GIC post 31st Meeting of GST Council
- **Agenda No. 6(i)** – Notification of provisions of GST Law Amendment Acts
- **Agenda No. 6(ii)** – Consequential amendments to notifications issued earlier
- **Agenda No. 6(iii)** - Consequential amendments to circulars & orders issued earlier
- **Agenda No. 6(iv)** – Proposal for changes in Rules
- **Agenda No. 8** – Expansion of scope of IT-GRC

CHAIRMAN'S INITIALS

Agenda No. 2 (1/1)

- **Ratification of following notifications, circulars & orders issued post 31st meeting (dated 22nd December, 2018) of GST Council:**

Act/Rules	Type	Notification / Circular / Order Nos.
CGST Act/CGST Rules	Central Tax	67 to 78 of 2018
	Central Tax (Rate)	24 to 30 of 2018
IGST Act	Integrated Tax	4 of 2018
	Integrated Tax (Rate)	25 to 31 of 2018
UTGST Act	Union territory Tax (Rate)	24 to 30 of 2018
Circulars	Under the CGST Act	76 to 81 of 2018 & 82 to 86 of 2018
ROD Orders	Under the CGST Act	2 to 4 of 2018

3

Agenda No. 3 (1/1)

Decision by Circulation (27.12.2018)

- Provisional settlement of another Rs. 18,000 crore, 50% to Centre and 50% to States
  - ✓Order No. F. No. S-34011/21/2018-ST-I DoR dated 28.12.2018 issued

4

CHAIRMAN'S INITIALS

Agenda No. 6 (i) (1/1)

Notification of provisions of the GST Amendment Acts

- Amendment to UTGST Act, IGST Act, GST (Compensation to States Act) to be notified w.e.f. 01.02.2019
- Amendment to CGST Act to be notified w.e.f. 01.02.2019,

  except:
  - ✓provisions contained in section 8(b), 17, 18 & 20(a) - to be notified at a later date
  - ✓provisions contained in section 28(b)(i) and 28(c)(i) - not to be notified
- Corresponding amendment to SGST Acts of the respective States would be notified accordingly w.e.f. 01.02.2019

5

Agenda No. 6 (ii) (1/4)

Consequential amendments in notifications issued earlier in light of bringing into force the provisions of the GST Amendment Acts

- Amendment also to be done by States
- 8 notifications require amendments, out of which
  - ✓ S. No. 1 - Notification No. 02/2017- CT dated 19.06.2017 not required to be carried out by States
  - ✓ S. No. 3- Notification No. 57/2017-CT dated 15.11.2017 to be amended after new return system is implemented
  - ✓ S. No. 5, 6 & 7 – Amendments to notifications issued under Integrated Tax not required to be carried out by States

6

CHAIRMAN'S INITIALS

Agenda No. 6 (ii) (2/4)

Details of Consequential amendments in notifications

Sl. No.	Notification No.	Amendments
1	02/2017-CT dated 19.06.2017	Joint Commissioner (Appeals) to be included as proper officer
2	08/2017-CT dated 27.06.2017 (amended vide notification No. 46/2017)	Notification needs to be re-aligned with the Rule 7 of the CGST Rules
3	57/2017-CT dated 15.11.2017	To be finalized after new return system design is brought into force
4	65/2017-CT dated 15.11.2017	Needs to be amended for the special category States. It needs to read as – 'State or Union territory in accordance with sub-section (1) of section 22 of the said Act, read with clause (iii) of the Explanation to that section'

7

Agenda No. 6 (ii) (3/4)

Details of Consequential amendments in notifications

Sl. No.	Notification No.	Amendments
5	07/2017-IT, dated 14.09.2017	Proviso (b) to be amended "against serial number 5 in the Annexure to rule 138"
6	10/2017-IT, dated 13.10.2017	Needs to be amended for the special category States. It needs to read as – 'State or Union territory in accordance with sub-section (1) of section 22 of the said Act, read with clause (iii) of the Explanation to that section'
7	09/2017-IT (R) as amended by 42/2017-IT (R)	S. No. 10D of Table of this notification is to be rescinded

CHAIRMAN'S INITIALS

8

Agenda No. 6 (ii) (4/4)

Details of Consequential amendments in notifications

Sl. No.	Notification No.	Amendments
8	08/2017- CT (R), dated 27.06.2017 as amended vide notification No. 38/2017-CT (R), 10/2018-CT (R), 12/2018- CT (R) & 22/2018-CT (R)	To be rescinded

9

Agenda No. 6 (iii) (1/6)

Consequential amendments in Circulars and Orders issued earlier in light of bringing into force the provisions of the GST Amendment Acts

- 9 Circulars require amendments, out of which
  - ✓ S. No. 1, 3 & 4 - Circulars to be revisited / rescinded after new return system is implemented
  - ✓S. No. 9 – Amendment to Circular issued under Integrated Tax not required to be carried out by States
- Amended Circulars to be issued on 01.02.2019. Similar circulars to be issued by States

10

CHAIRMAN'S INITIALS

Agenda No. 6 (iii) (2/6)

Details of Consequential amendments in Circulars

Sl. No.	Circular No.	Amendments
1	7/7/2017 dated 01.09.2017	To be revisited / rescinded after the new return system is brought into force as **FORM GSTR-2** has been kept in abeyance
2	8/8/2017 dated 04.10.2017	Para 2(k) to be amended in order to allow acceptance of LUT for supply of services to any country for which payment is received as per RBI guidelines (by inserting the words 'or in Indian rupees wherever permitted by the Reserve Bank of India')
3	15/15/2017 dated 06.11.2017	To be revisited / rescinded after the new return system is brought into force

11

Agenda No. 6 (iii) (3/6)

Details of Consequential amendments in Circulars

Sl. No.	Circular No.	Amendments
4	26/26/2017 dated 29.12.2017	To be revisited / rescinded after the new return system is brought into force.
5	38/12/2018 dated 26.03.2018	1. Amendment required in para 2 to replace the time of one year/3 years to read as "within the time period specified insection 143" 2. Similar amendment required in para 3 to replace the time of one year/3years to read as "within the time period specified in section 143" 3. Amendment required in para 6.1 to provide for mentioning threshold limit of States who are special category but have opted for a threshold limit of Rs. 20 lakhs (presently only J & K is mentioned therein) 4. Para 9.4(i) and 9.6containing reference to section 9(4) of the CGST Act needs to be removed

12

CHAIRMAN'S INITIALS

Agenda No. 6 (iii) (4/6)

Details of Consequential amendments in Circulars

Sl. No.	Circular No.	Amendments
6	41/15/2018 dated 13.04.2018	7 days to be changed to 14 days at - 7 days to be changed to 14 days at – (i) para 2(k) (ii) MOV08 – 4th para (iii) MOV 09-10th para
7	58/32/2018 dated 04.09.2018	i. Recovery vide **FORM DRC-03** & **FORM DRC-07** also needs to be mentioned in the circular ii. Provision of reversal of transitional credit through **FORM GSTR-3B** needs to be revised
8	69/43/2018 dated 26.10.2018	Suspension as mentioned in Section 21A of CGST Act needs to be mentioned (by amending para 11 to mention that registration may be suspended and notices may not be issued while processing applications for suspension of registration)

13

Agenda No. 6 (iii) (5/6)

Details of Consequential amendments in Circulars

Sl. No.	Circular No.	Amendments
9	03/01/2018-IGST	This needs to be rescinded in view of the amendment (section 32 of the CGST (Amendment) Act, 2018) proposed in Schedule III of the CGST Act, 2017 which declares supply of warehoused goods to any person before clearance for home consumption as neither supply of goods nor supply of services.

Sl. No.	RoD Order No.	Amendments
1	01/2017-Central Tax dated 13.10.2017	This needs to be rescinded in view of the amendment (section 5 of the CGST (Amendment) Act, 2018) proposed in section 10 of the CGST Act, 2017 making changes to the Composition scheme, difficulties regarding which were removed by the said removal of difficulty order.

14

CHAIRMAN'S INITIALS

Agenda No. 6 (iii) (6/6)

Consequential amendments in Circulars and Orders issued earlier in light of bringing into force the provisions of the GST Amendment Acts

- Removal of difficulty Order No. 01/2017-Central Tax dated 13.10.2017 to be rescinded and fresh Removal of difficulty Order to be issued for extension of the beneficial condition detailed below for all composition taxpayers:
  - ✓ *that for computing the aggregate turnover in order to determine eligibility for composition scheme, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount shall not be taken into account.*

15

Agenda No. 6 (iv) (1/1)

Amendment in CGST Rules, 2017

- **Second provisio to Rule 83(3)**:
  - ✓ period of clearing the examination by GSTP may be extended to 31.12.2019
- **Sub-clause (f) of Clause (2) of Rule 89**:
  - ✓ take declaration that no tax has been collected on such transaction from the supplier providing goods or services to the SEZ Unit or Developer only, so as to reduce the overall delay in the process of refunds
- **Declaration under Rule 89(2)(f) in FORM RFD-01A**:
  - ✓ Consequential to above change in Rule 89. Similar changes to be carried out in **FORM RFD-01** as well
- **Sub-Rule (2) & (3) of Rule 91 and sub-rule (4) of Rule 92**:
  - ✓ To allow for revalidation and to align provisions of CGST Rules with Rule 145 of Receipt & Payments Rules, 1983

16

CHAIRMAN'S INITIALS

Agenda No. 8 (1/2)

Expansion of scope of IT- GRC

- Presently scope is limited to deal with issues arising out of technical glitches
- Hon'ble High Court of Madras has ordered 3 specific cases of non-technical nature of Tamil Nadu to be considered on merit by the IT-GRC, as detailed below:
  - ✓Aa
  - ✓Bb
  - ✓Cc
- List of similar cases would be sent by all the States / Central authorities to GST Council Secretariat by 31/01/2019

17

Agenda No. 8 (2/2)

Expansion of scope of IT- GRC

- In the cases so received from States / Centre, IT-GRC may follow the following method: -
  - ✓TRAN-1, including revision thereof, has been filed on or before 27th December, 2017 and there is an error apparent on the face of the record (such cases of error apparent on the face of the record will not cover instances where the there is a mistake like wrong entry of an amount e.g. Rs.10,000/- entered for Rs.1,00,000/-); and
  - ✓The case should be recommended to the IT-GRC through GSTN by the concerned jurisdictional Commissioner or an officer authorised by him in this behalf (in case of credit of central taxes/duties, by the Central authorities and in the case of credit of State taxes, the State authorities, notwithstanding the fact that the taxpayer is allotted to the Central or the State authority)

18

CHAIRMAN'S INITIALS

Annexure 4

Agenda Item 4: Interim Report of GoM (Group of Minister) for MSMEs

32ND GST COUNCIL MEETING DATED THE 10TH OF JANUARY 2019

Agenda in brief :

I. **Increase of limit of turnover for composition scheme to Rs. 1.5 crore w.e.f. 01.04.2019;**

II. **Simplification under composition scheme by way of quarterly payment with annual return;**

III. **Increasing threshold exemption for suppliers of goods;**

IV. **Composition scheme for small service providers;**

V. **Provision of free Accounting and Billing Software to small taxpayers by GSTN.**

CHAIRMAN'S INITIALS

I. Increase of limit of turnover for composition scheme to Rs. 1.5 crore w.e.f. 01.04.2019

- Background: GST Council in its 23rd meeting held on 10th November, 2017, had decided that eligibility for **composition** shall be increased to **Rs.1.5 crore per annum**.
- Amended CGST Act, 2017 shall become effective from 1st Feb, 2019.
- The decision to raise eligibility for the composition scheme for goods may be given effect from **1st of April, 2019**.
- The decision would be a relief to the manufacturers who were exempt from payment of Central Excise duty upto Rs 1.5 Cr.
- The revenue implication of this decision for all taxes put together is likely to be much less than Rs 1000 cr per year approximated at Rs 65 Cr per month.

Sl No	Range of Turnover of eligible dealers	No of tax payers in Lakhs (Excl NIL filers)	Turnover in Crore	Tax paid in cash in Rs Crore
(1)	(2)	(3)	(4)	(5)
1	0 to 20 Lakhs Regular	25	1,07,300	3168
2	0 to 1 Crore Regular	48	7,57,500	17185
3	0 to 1 Crore Composition	13.5 (22% of 2 and 3 together)	2,40,000 (24% of 2 and 3)	2400
4	1 to 1.5 Cr Regular	4.5	3,76,800	6800 (5154+1646)
5	1 to 1.5 Cr Composition	Likely to Join – 1	90,432	1646 changes to 904
6	Likely Revenue Loss which would help the manufacturers/traders			**742**

CHAIRMAN'S INITIALS

I. Recommendation of GoM for MSME

The GoM recommended to increase the limit of annual turnover for composition scheme to Rs 1.5 crore with effect from 01st April 2019.

II. Simplification of compliance for taxpayers under composition scheme

Recommendation by joint meeting of Law Committee and Fitment Committee held on 04.01.19

- The proposal to pay tax on quarterly basis and filing of annual returns with quarterly payment along with declaration /statements was agreed.
- Payment declaration to be designed with details necessary for compliance verification.
- Annual GSTR-4 to be suitably amended to this effect.

CHAIRMAN'S INITIALS

II. Recommendation of GoM for MSME

The GoM recommended to simplify composition scheme by providing for quarterly payment of tax (along with suitable declaration statement) and filing of annual return.

III. Increasing threshold exemption for goods suppliers

- The Council desired that GOM on MSME examine the proposal to increase the threshold for exemption from registration for supply of goods upto Rs 75 lakhs.
- The joint meeting of Law and Fitment Committee examined the issue in detail on 4th Jan, 2019 and has suggested following further alternatives:–

I. To raise the threshold exemption uniformly for goods and services to Rs 40 lakhs,

II. To raise threshold exemption for goods to Rs 40 lakhs, and for Special Category States the preliminary view was to raise the limit to Rs 20 lakhs, however separate decision needed to be taken for Special Category States after discussion with them.

CHAIRMAN'S INITIALS

Threshold limit increased for dealer of goods to	Revenue foregone from compositi on taxpayers (Rs cr)	No of existing composition taxpayers getting relief	Revenue foregone from regular taxpayers (Rs cr) [taken as 50% of revenue]	No of regular taxpayers getting relief (excluding nil filers) [taken as 50% of number in the slab]	Total revenue (Rs Cr)	Total Number
(1)	(2)	(3)	(4)	(5)	(6)	(7)
20 lakh	870	10,93,000	1,600	5,33,000	2,470	16,26,000
40 lakh	1,725	13,35,000	3,500	7,29,000	5,225	20,64,000
50 lakh	2,050	13,95,000	4,400	7,96,000	6,450	21,91,000
75 lakh	2,600	14,63.000	6.600	9,18,000	9,200	23,81,000

9

Merits advanced in favour of the proposal:

- **Economic cost and Multiplier effect:** The revenue earned from small taxpayers is not commensurate with compliance cost in GST(For a turnover of Rs.60 lakhs the average tax payment per month is about Rs.5000/- while the compliance cost would be significantly higher). The money freed by lowering the compliance burden would add to the economy by way of multiplier effect;
- **Buoyancy of reporting in the economy:** The taxpayers who are showing lower turnover at present may be induced to show an increase in turnover as there is crowding of reporting around the threshold;
- **Limited to intra-State B2C:** Availed by dealers doing B2C transactions within the State and therefore the revenue implication would not be much.
- **Better administration:** Threshold should be high so that tax administration does not waste energy on non-productive taxpayers.

Demerits of raising threshold:

- **Loss of revenue** : Higher threshold would lead to loss of revenue and also loss of data relating to economic activity.
- **Splitting** : Higher threshold offers higher opportunity to suppress the threshold by splitting.
- **B2C reporting reduction** : There would be a tendency to under-report B2C supplies as considerable economic activity can take place below the threshold.

10

CHAIRMAN'S INITIALS

III. Discussion in GoM for MSME

- Three different streams of opinions were expressed.

- **1** A view was expressed that increasing the exemption limit was against the principle of GST of having wide tax base.
  - Reducing rate and base simultaneously is not advisable.
  - Exemption limit during the VAT regime in most of the States was even lower at Rs 10 lakh.
  - GST should be given time to stabilize.
  - The tendency of businesses to split before hitting the threshold limit was also pointed out.
  - The compliance burden on the composition taxpayers would be drastically reduced as the limit for composition scheme would be increased.

11

III. Discussion in GoM for MSME

- **2** Another view emerged that although the proposal would be highly beneficial to **economically developed centres of the country**, it would be rather skewed for those States where majority of the taxpayers are below the raised threshold limits.
  - It was suggested that State-wise data of taxpayers who would become eligible should be available.
  - The information loss about economic activity that would be coupled with the proposal also got discussed as an area of concern.
  - After taking into consideration the revenue losses at various thresholds, at present threshold should be raised to Rs 40 to 50 lakh.

12

CHAIRMAN'S INITIALS

III. Discussion in GoM for MSME

3 An alternative view was expressed in light of the background of the proposal, that most of the MSMEs having turnover below Rs 1.5 crore under the Central Excise regime were exempt from taking registration and they needed to be facilitated.

- It was also noted that high compliance burden on the small tax payers yielded negative economic returns.
- The revenue earned from small taxpayers is not commensurate with compliance cost in GST (for a turnover of Rs. 60 lakh the average tax payment per month is about Rs.5000/- while the compliance cost would be significantly higher).
- The money freed by lowering the compliance burden would add to the economy by way of multiplier effect.
- Accordingly, a view was expressed that the annual turnover threshold should be raised to Rs 75 lakh as the benefits of raising the limits are considerable for the economy.

13

III. Recommendation of GoM for MSME

Following recommendations were made by GoM after due deliberation:

i. The annual turnover threshold limit for payment of tax for supplier of goods needs to be raised; however, the final decision on new threshold, raising it from Rs 20 lakh to a level upto Rs 75 lakh, may be taken by the GST Council.

ii. The threshold limit for goods should be raised and not for services as considerable base of service providers is at lower level of turnover. The concerns of compliance for small service providers is proposed to be addressed through a composition scheme separately being recommended.

iii. Operational details for differential threshold limits for goods and services to be worked out by the Law Committee.

iv. Till amendment in law is made to give effect to this change, the scheme may be made operational by notifying exemptions from tax as well as exemption from registration.

v. The scheme may be made operational from the 1st of April, 2019.

vi. For Special Category States, view may be taken in the Council after due consultation with these States.

14

CHAIRMAN'S INITIALS

III. Threshold exemption limit and Composition limit to be decided in consultation with Special Category States

- Present position:

Threshold Limit for registration	States
Rs 10 lakhs	Manipur, Meghalaya, Mizoram, Nagaland (suggested Rs 20 lakhs for goods supplier)
Rs 20 lakhs	Arunachal Pradesh, Assam, Sikkim, Tripura, Himachal Pradesh, Uttarakhand (after law amendment) and Jammu & Kashmir

Composition Limit	States
Rs 75 lakhs	Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh
Rs 1 Crore	Uttarakhand and Jammu & Kashmir

15

IV. Composition scheme for small service providers

- The joint meeting of Law and Fitment Committee examined the issue in detail on 4th Jan, 2019 had suggested the following as one of the alternatives :-
  - to introduce a composition scheme for services upto an annual turnover of Rs 50 lakh;
  - with tax rate of 8% (4% CGST+4% SGST), keeping the registration threshold for services unchanged.

16

CHAIRMAN'S INITIALS

Turnover upto	No of taxpayers	Total turnover	Total tax payable	Tax paid in cash	Effective tax rate (%)	Cash tax/ turnover (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
20 lakh	25,88,534	2,04,797	33,861	15,433	16.5	7.5
30 lakh	29,13,872	3,18,696	49,998	23,107	15.7	7.3
40 lakh	31,47,078	4,35,136	66,153	30,352	15.2	7.0
50 lakh	33,23,766	5,56,840	81,949	37,046	14.7	6.7

AT 5% COMPOSITION TAX RATE FOR SERVICES, REVENUE LOSS WOULD BE AROUND RS 5000 CR.

17

IV. Discussion in GoM for MSME

- The GoM noted that the tax rate of 8% was high as in restaurant a rate of 5% has been prescribed.
- As far as revenue loss due to a rate of 5% is concerned, many service providers are likely to remain in the input tax credit chain.
- Therefore, the revenue loss would be less than **Rs 5000 crore annually**, if 50% of taxpayers stay in the input tax credit chain.
- Composition scheme for services needs amendment in law and till such time it may be made operational through a rate notification.
- Also, to address the issue of mixed suppliers of goods and services, composition scheme for services should be available as a residual scheme.

18

AIRMAN'S
NITIALS

IV. Recommendation of GoM for MSME

- **Following recommendations were made by GoM after due deliberation:**

i. There should be a composition scheme made available for services with a **tax rate of 5%** (2.5% CGST +2.5% SGST), to be applicable to service providers **upto** an annual **turnover of Rs 50 lakhs**.

ii. The scheme shall be available to **both service providers as well suppliers of goods and services**, who are not eligible for the presently available composition scheme for goods.

iii. Till amendment in law is made, the scheme has to be **made operational by notifying a rate of 5% without input tax credit** as has been done in the case of restaurants.

iv. The scheme may be made operational from the 1st of April, 2019.

19

V. Provision of free Accounting and Billing Software to small taxpayers by GSTN

The features of the software under development are as below:

i. Product with all features is offered free of cost to small tax payers.
ii. No liability of GSTN.
iii. Allow portability of data from one product to another.
iv. Allow purging of data, if tax payer demands.
v. Product may have Silver/Gold/Platinum packages which can be costed, but basic version remains free.
vi. Provision not to misuse tax payers' data
vii. Auto preparation of the relevant return would be done by the software viz GSTR 1 or 3B, 4, 9 etc.
viii. Business will also get inventory management, Profit & Loss accounting, balance sheet preparation, income tax calculation, etc as basic features (free)
ix. Easy to use software – both cloud and on-premise options available.

20

CHAIRMAN'S INITIALS

V. Recommendation of GoM for MSME

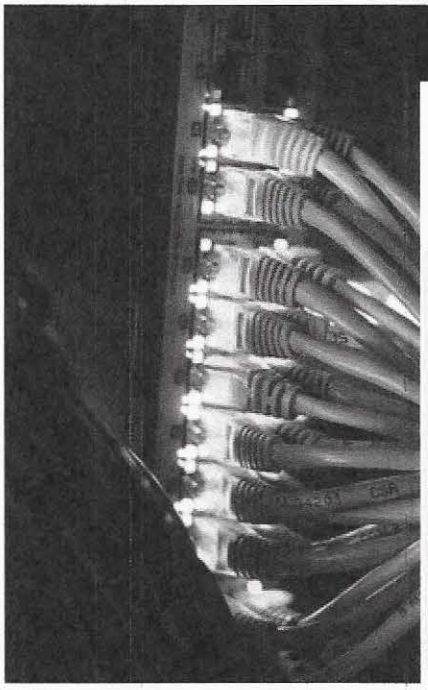
- **Following recommendations were made by GoM after due deliberation:**

i. The software may be rolled out in a staggered manner, State-wise, similar to e-Way Bill.

ii. Planned rollout may be made from the first week of February, 2019.

CHAIRMAN'S INITIALS

Annexure 5



Free Accounting & Billing Software to Small Taxpayers (Annual T.O. <1.5 Cr)

Presentation to GoM on MSME

GSTN

Need and Purpose for Free Accounting & Billing Software

- Demand from small taxpayers
- The dependence on technology made them apprehensive
- The then Revenue Secretary asked GSTN to explore the possibility of providing a free accounting and billing software to small tax payers
- ***Small tax payers were defined to be those with annual turnover of < INR 1.5 crores***

CHAIRMAN'S INITIALS

Expression of Interest Floated by GSTN

- Objectives of EoI
  - A free utility that would provide an electronic platform that would digitalize their day-to-day business needs e.g. inventory management, accounting, billing, etc.
  - The taxpayers would be offered ready to use and mature products from established and professional product companies.
  - The utility would seamlessly offer the option of return filing, to enable compliance to GST.
  - Alleviate the compliance burden of the business and taxpayers through a software.
  - The utility would be chosen so as to be business friendly so that semi-literate businesses could also use it to remain compliant.

Methodology of Selection

- Financial Pre qualification criteria for bidders:
  - Paid up capital of at least INR 2 crores
  - Average turnover of at least 5 Crores during last 3 financial years (2014-15, 2015-16, 2016-17)
- Technical qualification criteria
  - Demonstrate all the basic feature set of the accounting and billing software
  - Infrastructure of free bidder should support the tax payers base.
  - Bidder should be able to provide support to the user through voice / mail / chat.
  - The product should be a mature offering by an established financial technology company.

CHAIRMAN'S INITIALS

Required Feature Set in Free Version

	Functionalities
a	System should have access for Single User
b	System should be in English and have all item Units , Financial Years Facility
c	Supplier, Customers Master Directory with all the required field
d	Sale / Purchase, Cash Bank Ledger
e	Should be able to Print invoices and ledger
f	Should have easy migration of data from one accounting & billing software to other accounting & billing software
a	Item (SKU) Search - Search Item by Bar Code, Short Code or by Description.
b	Item master with HSN code, description, Unit of measure (UoM), price, tax rate etc.
c	Taxation – Automatic calculation of Taxes (GST) payable. Rate of tax must be editable in the item master
d	Charges - Includes other charges in the bill.
e	Cancelling/Voiding - Sales Bill can be cancelled any time before submission
f	Search Bill from history- By customer, date or bill number. Min 3 month period for search. For archival, period will be 5 years. Goods return facility
g	System should be able to issue/display Credit note Debit note including pending & Replacement Notes

Required Feature Set in Free Version

	Functionalities
a	Supplier Selection - Enter purchase bill either by Supplier or Cash Purchase. Manage supplier master.
b	Generation of purchase order and maintenance of purchase register
c	Linking of suppliers invoice with Purchase Order
d	Automated inventory update basis purchase
e	Taxation – Automated calculation of GST payable per Purchase Order.
f	Search purchase - By supplier, date and bill number, it also should show supplier Wise .Min 3 month period for search. For archival, period will be 5 years.
a	Generate Profit and Loss and Balance sheet
b	Sales/ Purchase Register Report - Detailed, Day wise, Item wise Month wise, Quarter for the period selected.
c	Sales / Purchase receivable and payable Report
d	Stock Report ,Return History Report
e	Cash and bank book
f	System should be able to export reports and all data to Excel/PDF or any other format as required for returns.
a	Generate outward supply return like GSTR3B, GSTR-1 ,GSTR-4 , GSTR 9 or any other returns as the case may be
b	Generating mismatch report between downloaded GSTR2A and Local purchase register to help prepare GSTR2.
c	Create mismatch report based on GSTR-2A downloaded from GST portal and Purchase register maintained by the system and then create GSTR-2
d	Create draft Annual Return based on monthly/quarterly returns filed.

CHAIRMAN'S INITIALS

Steps of Evaluation of Bids to EoI

1. Summary of Bids

Total Number of bids received as response to EoI	**43**
Bids that met the financial pre-qualification as spelt out in EoI and that were evaluated	38
Bidders that did not respond	7
Bids and solutions that were found to be suitable for empanelment	18

2. The *18 selected* bidders asked if they were ready to offer their products free of cost, without any liability of GSTN. Consent provided only by 14.

3. Only *13 companies* appeared for evaluation with their products (out of 14 who provided consent).

- *Span Across IT Ltd did not come for evaluation*

4. Chartered Accountants team from ICAI invited to independently evaluate the 13 offered products for features, Ease of use, compliance to GST, billing, invoicing, return filing features, inventory management, etc.

5. Finally recommended: 7

Free offering of Product

Bidders who Agreed to provide basic version free of cost

	Name of Company (Selected)	Product name
1	Adaequare Info Private Limited	UBooks (Cloud)
2	Zoho Corporation Private Limited	Zohobooks (Cloud)
3	Focus Softnet Private Limited	FocusLyte (Cloud)
4	Intuit India Software Solutions Pvt Limited	QuikBooks (Cloud)
5	Marg ERP Limited	Marg (On-prem)
6	Relyon Softech Limited	Saral Accounts (On-prem)
7	Seshaasai Business Forms Private Limited	GenieBooks (Cloud)
	Not selected	
8	Karvy Data Management Services Limited	
9	Reliance Corporate IT Park Limited	
10	IRIS Business Services itd	
11	Span Across IT Solutions Private Limited	
12	Trust Systems & Software (I) Private Limited	
13	Cygnet Infotech Private Limited	
14	Excellon Software Private Limited	

Bidders who did not Agree

1	Bodhtree Consulting Limited
2	Shalibhadra Finance Limited
3	Pricewaterhouse Coopers Private Ltd
4	Tally (India) Private Limited

CHAIRMAN'S INITIALS

Salient Features

- Product with all features is offered free of cost to small tax payers.
- No liability of GSTN.
- Allow portability of data from one product to another.
- Allow purging of data, if tax payer demands.
- Product may have Silver/Gold/Platinum packages which can be costed, but basic version remains free.
- Do not misuse tax payers' data
- Auto preparation of the relevant return would be done by the software viz GSTR 1 or 3B, 4, 9 etc
- Business will also get inventory management, Profit & Loss accounting, balance sheet preparation, income tax calculation, etc as basic features (free)
- Easy to use software – both cloud and on-premise options available

Planned Rollout Dates

- **Staggered Rollout, State-wise, similar to e-Way Bill**
- **Planned rollout is first week of Feb 2019**

CHAIRMAN'S INITIALS

Annexure 6

Proposals to boost real estate sector
32nd GST Council Meeting
10th January, 2019

Proposal 1:
To levy 5% rate of GST without ITC on residential property where no completion certificate is issued

- Suggestions received from CREDAI, MahaRERA and MoHUA to levy GST of 5% without ITC.
- Perception among property buyer is that the transition from service tax to GST regime has resulted tax rise.
- It is a serious issue of perception! Builders are also not passing the benefit of ITC
- The sector is not in good health and there are cash flow problems.
- There is a problem of input tax credit overhang which becomes cost.

CHAIRMAN'S INITIALS

Recap of 31st GST Council meeting

- The proposal was discussed at 31st GST Council meeting, held on 22nd December, 2018.
- GST Council had referred the matter to Joint Law and Fitment Committee for re-examination.
- During examination, tax payment details of top builders across India was analyzed.
- RBI's Priority Sector Lending guidelines was also examined for aligning the concessional rate of GST on various affordable housing schemes.

Existing tax structure

- In pre- GST regime 4.5% Service Tax was levied and 1 – 5% VAT was levied in many States.
  - 1% (Delhi, Gurgaon, Mumbai, Chennai)
  - 5% (Bangalore)
- Both industry and tax administration have experience of similar composition scheme under VAT and ST

SL No	12% GST	8% GST
1	Construction of residential flats/ buildings	• Pradhan Mantri Awas Yojana (PMAY): i. In-situ redevelopment of existing slums using ii. Beneficiary led individual house iii. Affordable Housing in Partnership iv. Credit Linked Subsidy Scheme • low-cost houses up to a carpet area of 60 square meters having infrastructure status • Single residential units • Erstwhile schemes of JNNURM/ RAY

- All the above affordable housing schemes have different carpet area having ranges from 30 sqm to 200 sqm

CHAIRMAN'S INITIALS

Proposal

1. GST rate of 5% without ITC may be prescribed for construction of all houses including the affordable housing under various schemes.

Another suggestion is ,

2. GST @ 3% without ITC may be prescribed for houses having cost upto Rs. 45 lakh (in metros having population 10lakhs and above) and upto Rs. 30 lakhs in other area. And , GST @ 5% for houses having cost more than Rs. 45 lakhs in metros (and Rs. 30 lakhs for other areas.

Sl. No.	Description of service	Tax rate
1	Construction of houses/ flats in a residential complex where gross amount charged from a buyer for the house, excluding stamp duty, in metropolitan centres (with population of ten lakh and above) is up to Rs. 45 lakhs and at other centres upto Rs. 30 lakh;	3% without ITC. (Effective rate after 1/3rd deduction towards value of land)
2	**Treatment of existing projects:** Existing projects under various schemes of Government at present attracting GST @ 8%, where the agreement to sale has been signed before 1st February, 2019;	3% without ITC. (Effective rate after 1/3rd deduction towards value of land), prospectively
3	Construction of houses/ flats in a residential complex other than (1) and (2) above.	5% without ITC (Effective rate after 1/3rd deduction towards value of land)

Key safeguards and transition

- Inputs, Capital goods and Input services upto 80% other than TDR (or similar rights) shall be purchased from a GST registered supplier only

- Purchases procured from unregistered persons below 80%, GST at the applicable rate (or rate of 12%) on RCM basis shall be paid in cash without any input tax credit.

Detailing Issues:-

- Definition of residential property
- ITC treatment of mixed projects (residential and commercial)
- TDR calculation for reversal of credit.

Transition issues:-

- Credits in ledger relatable to goods or services in store or work in progress or consumed in construction of residential flats shall be required to be reversed/ lapsed.

CHAIRMAN'S INITIALS

Supplementary proposal:

To exempt transfer of development of rights (TDR), development rights in a Joint Development Agreement or similar rights

- It is a service by the land owner to the developer/ builder of the property.
- At present 18% GST is leviable on Transfer of development right development rights in a JDA. GST paid on them is available as ITC. Thus, at present it is a wash transaction.
- It is proposed to exempt GST on TDR/ development rights in a JDA on construction of residential property that are booked for sale before issue of completion certificate to address the problem of cash flow.
- Credit overhang and associated cost gets removed which leads to economic efficiency in the sector.

Recommendation of the Joint Law and Fitment Committee meeting on 04.01.19

The issue was discussed in detail along with data analysis presented by various States

The Committee noted following advantages of the proposal:

- ❑ It simplifies the tax structure for residential houses, particularly from the consumers' perspective;
- ❑ It addresses the concern of buyers that builders are not passing the benefit of ITC to the customers;
- ❑ It provides better perception (optics) of the rate of taxation on real estate;
- ❑ It will be a fillip to purchase of flats as the buyers at present are dissuaded by the headline rate of GST.
- ❑ Problems of intermediate tax like TDR gets addressed

Following concerns were expressed in the Committee:

- ❑ It will lead to price rise of residential sector, particularly in the lower cost segment, in view of the fact that the present tax payment in cash is less than 5% of the gross value while in the very high end segment there may be a reduction in prices;
- ❑ The control on input side by introducing the clause of minimum of 80% purchase from registered taxpayers is not as strong as maintaining the integrity of credit flow;
- ❑ To bring real estate into GST will require a journey in exactly the opposite direction;
- ❑ Compliance of composite projects (residential plus commercial) would become difficult.

In view of the above, the Joint Committee recommended that the matter be decided in the Council.

CHAIRMAN'S INITIALS

Decision before GST Council are:-

1. To levy 5% rate of GST without ITC on residential property where no completion certificate has been issued for construction of all houses.

Another suggestion is ,

- GST @ 3% without ITC may be prescribed for houses having cost upto Rs. 45 lakh (in metros having population 10lakhs and above) and upto Rs. 30 lakhs in other area. And, GST @ 5% for houses having cost more than Rs. 45 lakhs in metros (and Rs. 30 lakhs for other areas).

2. Key safeguard of 80% purchase from registered supplier and tax on RCM basis on purchases less than threshold limit may be approved.

3. To exempt transfer of development rights (TDR), development rights in JDA or any other similar right for residential properties.

Decision before GST Council are:-

4. The scheme would be compulsory for residential construction for which completion certificate is not issued.

5. This proposal shall be implemented from 1st February, 2019 as per the detailing done by the Fitment Committee.

CHAIRMAN'S INITIALS

Annexure 7

Use of RFID Data for Strengthening enforcement of e-WB System under GST

A report by GSTN

PPT Prepared by GSTN and GST Council Sectt.

Background: Committees and Task Force on the issue

Task Force on seamless road transport connectivity: 12th Meeting of GSTC

- Officers from different ministries and State Govt: Chairman Sh. Arun Goyal, Special Secretary, GSTC

Relevant Terms of Reference

- To examine the possibility of integrating the e-Way Bill system with the VAAHAN of MoRTH
- To recommend data sharing protocols with agencies and a uniform risk-assessment strategy

Recommendations of the Task Force (Tabled in 28th Meeting of GSTC on 21.07.2018)

- Real-time updating of data by all RTOs in VAHAN database
- VAHAN DB could be integrated with eWay bill DB
- e-Way bill to be generated only if vehicle fit to play as per VAHAN database
- State permits, National permits fees - integrated with Annual Fitness Certificate
- Recommendations for future:
  - MoRTH to mandate fitment of GPS based Vehicle Tracking System (VTS) devices
  - In GST Acts - a provision to call-for-information from NIC and the GPS service providers
  - GSTN to establish a control centre to track the movement and give information on real-time basis

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Background: Committees and Task Force on the issue 2/2

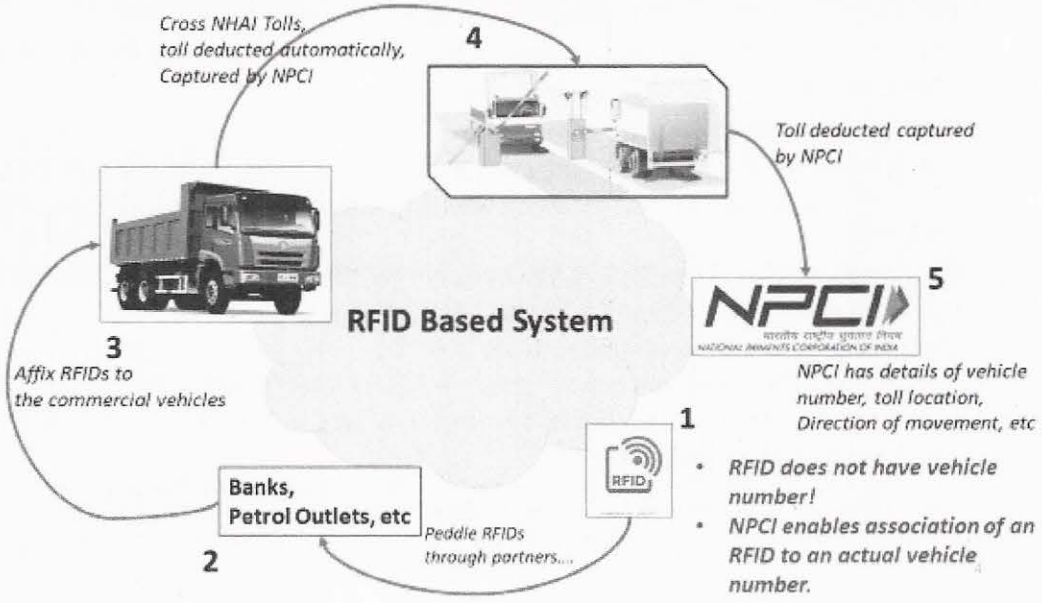
Committee Headed by Dr John Joseph, Member CBIC on Integration of:

- FAST-ag program (NHAI) with e-Way Bill
- LDB program (DMIDC) with E-seal of CBIC & FAST-ag program
- Committee co-opted officers from NHAI, IHMCL, NPCI, GSTN, NIC and DMIDC

Relevant Recommendations

- Use of FASTag and sharing of data by NPCI with E-Way Bill system as FASTag:
  - More than 25% penetration of toll collection (in value) in just 18 months
  - Infrastructure - already present at the major NH toll plazas and in progress on other Highways
  - Uniformity and interoperability
- Advantage to State tax/ Central tax Authorities
  - Savings on creating a parallel RFID infrastructure.
  - FASTag data merged with e-WB data – could generate alerts for probable violations of GST
  - Removal of operational inefficiencies
- Inter-Ministerial Committee (IMC) duly aided by technical experts required to come up with a comprehensive implementable road map.

RFID: in Electronic Toll Collection System



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RFID based e-Toll Systems

RFID Tag

- Unique number
- Does not have vehicle number
- mounted on windscreen

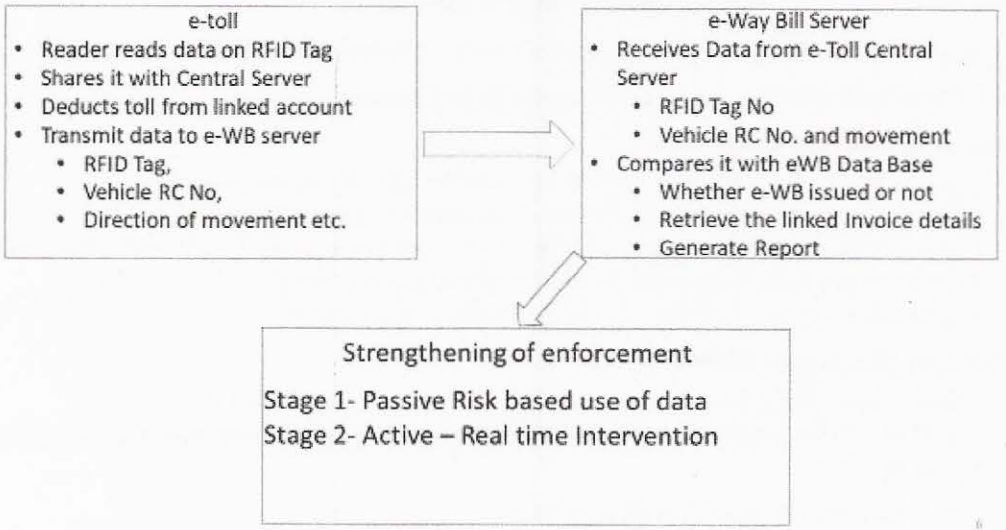
NPCI DB - table of Tag Number and Vehicle number is kept for e-toll

On a toll Plaza, RFID readers read unique id number of tag

Unique RFID tag number - shared with server (like NPCI of e-toll)

Server deducts appropriate amount from linked wallet/ account

How RFID data could be used by E-Way Bill System



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Stage 1- Passive Risk based use of data for enforcement

Generation of Risk Based Reports

Suggested Risk Parameters:

- Commercial Vehicles crossing the Toll Plaza/border without EWB;
- EWB generated but
  - No inter state movement of vehicle
  - e-way bill cancelled while crossing the border
  - e-way bill rejected by consignees while crossing the border
  - Crossing border more than once
  - Generated against vehicle but no inter-state movement during the life of the EWB;
- EWB Rule 138(9) - e-way bill not to be cancelled if it has been verified
- ODC EWBs verification through weight in the weigh-in-motion systems
- Use these reports for Survey and Anti evasion cases

Stage 2- Active use of data for enforcement

Generation of Real Time Alerts

Separate intervention team located downstream (distance of 200 - 300 meters)

Risk based vehicles details to be forwarded to intervention team

Infrastructure Requirements:

- Computer system of GST department for receiving RFID data from RFID Server
- Readers with Internet connectivity b/w e-Toll system and e-WB system
- GST Computer to make a call to eWB Server and seek details of invoices linked to the EWB
- Infrastructure for identification, detention, checking and parking
- System requirements for NIC – no. of calls made to e-WB Server

Scenario of usage of information:

- EWB is invalid/expired/cancelled and other scenarios as suggested at previous slide
- EWB is valid but tagged to sensitive commodity for which decision has been taken by department
- Random check

(No one has this type of system so far)

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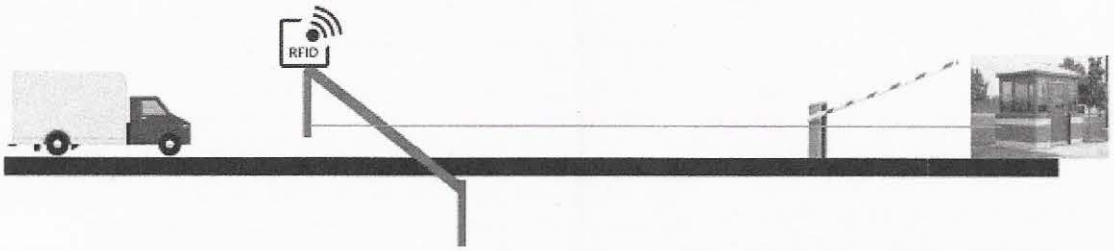
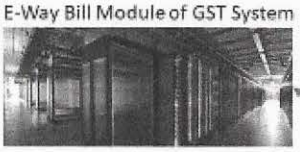
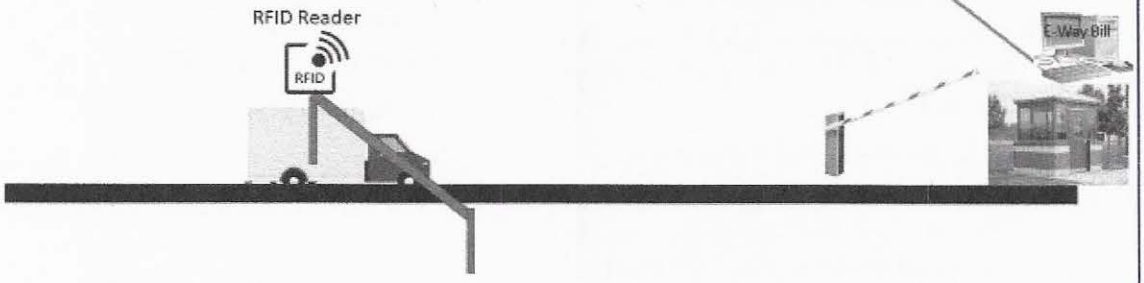


E-Way Bill Module of GST System





RFID Reader is connected to Facilitation Centre which
Pulls records of e-Way Bill connected with the RC of Truck

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Current Status: Existing Systems in States

Uttar Pradesh	Maharashtra	Karnataka
• 41 RFID readers installed and integrate the data in the Mobile Management System (MMS) of U.P. Government. • The MMS contains details of frequent defaulters • RFID and MMS data to throw up the instances where intervention required by the Mobile Squad. • 150 mobile vans • Time gap of 4-5 days in getting eWB data. Hence using it for risk profiling of entities based on RFID and eWB data comparison. **Limitation:** Inter-operability- RFID readers installed can read and retain FAST-ag data but not vice-versa **Advantage:** Real time enforcement intervention planned.	• SPV - Maharashtra Border Check Posts Network Limited (MBCPNL) formed to build and operate 24 modernized and integrated border check posts. • Participating Deptt - Depatt of Transport, Depatt of Sales Tax and Depatt of State Excise- • 18 out of 24 border check posts functional & RFIDs distributed free • MBCPNL shares data through API with NIC as part of pilot project. • NIC has developed reports –available on the dash board • No permanent flying squads and emphasizes on use of technology in optimal way for risk profiling of entities. **Limitation:** Real time enforcement intervention not planned. **Advantage:** Data can be used for passive risk profiling of entities based on EWB data	• Proof of Concept (PoC) initiated for capturing data on NH and storing it in central Server • aim to explore use of unmanned RFID reader to monitor movement of vehicles, • Focus on the movement of vehicle on roads where no toll booths/ check posts • find challenges in installing and managing unmanned RFID readers • PoC now extended to 4 strategic locations, and reports being generated for the use of the officers • API integration with the central server is underway Limitation: Real time intervention not planned as of yet. Advantage: Data for passive risk profiling of entities based on eWB data as well as RFID system. Can be upgraded for real time intervention

NPCI Integrated vs Standalone State System

NHAI / NIC

- At 440+ Toll locations
- More than 35 lakh tags issued
- Due diligence done by NHAI
- Can be integrated with E-Way Bill System & GST System (tech options worked out)
- GST System do not have to invest
- Enable near real time sharing of info of National Highway vehicle movement with e-way bill system

Standalone by States

- May lead to non-interoperable system
- States will have to invest in complete infra
- Reinventing the wheel
- Uniformity in GST Lost

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GSTN Recommendation

Fact: MoRTH has notified RFID as Mandatory on all Commercial Vehicles (CV) manufactured after 01.12.2017

Recommendations requiring approval:

- *To make it mandatory under GST Laws : CV mfd prior to 1/12/2017 to have RFID Tags*
- *Integration of FASTag-IHMCL-NPCI system with e-WB System*
- *Design and operate System in 2 stages:*
  - Initiate with Stage 1 (Passive Risk based operations based on analytical reports)
  - Graduate to Stage 2 (Active real time intervention based on live data analytics)
- *Making FAST-Tag of NHAI/NCPI as the RFID Tag under GST:*
  - *NPCI may be directed to re-examine the cost of Tags and revise it downwards.*

Considering the security aspect NPCI-NIC-GST System connectivity be established over MPLS leased lines

Issues arising out of GSTN Recommendation

Requires Inter ministry operations

Adoption of FASTag

- Timeline
- Legal requirements

Existing non-uniformity in e-WB exemptions

- 13 States e-WB exemptions beyond recommendations of GSTC
- Enforcement issues

Uniformity

Inter-operability of existing systems

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Data that will be shared by NPCI to EWBS/GST System

Data will be shared through APIs

FASTag id	Vehicle Registration Number

State Code	State Name	Toll Plaza Details				Vehicle movement towards/D	Geo- latitude	Geo- longitude
		ID	Name	Address	Pin Code			

Note: Weigh in Motion data will be shared subsequently, when the systems have been installed

NPCI – NIC Integration APIs

- EWBS to get the Toll crossing transactions in real time. (NPCI will send bulk transaction data as and when needed).
- The summary reports to be generated of the transactions grouped by toll plaza i.e. count of transactions at each and every toll plaza.
- NPCI will update the Toll plaza and TAG id data periodically
- Masters to be given ab-initio
- Connectivity to be provided by NPCI over NPCINet.

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- RFID tag is mounted on the vehicle's windscreen.
- As the vehicle reaches the toll plaza, a unique identification number that is embedded on the tag is read by roadside RFID reader.
- In one type of system, the amount pre-fed in the tag gets deducted and the boom barrier opens.
- In another case, the unique number of tag is sent to a central computer (RFID Server).
- Applicable toll amount is deducted from a prepaid account that is linked to that particular Tag.

- As the vehicle reaches the toll plaza, the unique identification number of the tag is read by RFID reader.
- The Unique number of RFID tag is shared with Central server
- If e-toll of NHAI is used then their server (run by NPCI) will share the RFID and connected Vehicle data with e-way bill Server
- E-way Bill Server will then retrieve e-way bill details (whether issued, live and commodity details etc.)
- The data retrieved by EWB System could be used in two ways:
  - ✓ Offline
  - ✓ Online

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Stage -1 (Passive Offline Operation)

- The e-way bill system will generate various reports for the officers of the tax departments:
  - EWB generated against vehicle but no inter-state movement takes place during life of the EWB;
  - EWB generated but while crossing the border, e-way bill validity expired or e - way bill was cancelled or e-way bill was rejected by Consignees;
  - Commercial Vehicles crossing the Toll Plaza (border) without EWB;
  - Vehicle having EWB but crossing border more than once before expiry of validity period on same EWB.

  (Maharashtra and Karnataka have run this on pilot basis)

The EWB rules 138(9) provides that an e-way bill cannot be cancelled if it has been verified in transit in accordance with the provisions of rule 138B. RFID data may also be considered as verification of the movement of goods and disallow the cancellation of EWBs whose movement is ascertained from RFID data received by EWB System.

Option-2 (Online)

- Like speed checking by traffic police
- The enforcement team located 200 mtrs downstream can get info about a commercial vehicle passing the RFID reader whether it is having valid e-way bill or not.
- Stop those vehicle which are not having eway bill
- In case eway bill is valid, they can seek invoice details.

(No one has this type of system so far)

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Pre-requisites for this Option

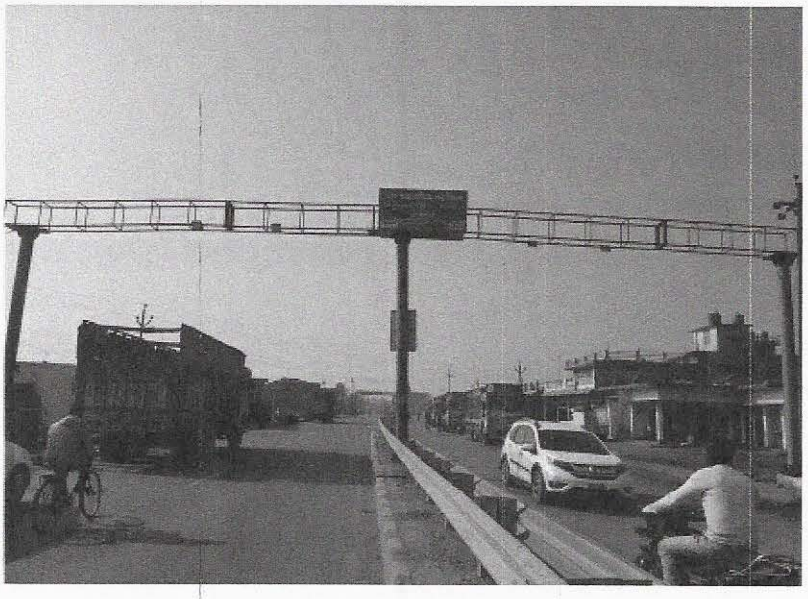
- Need readers to be installed and connectivity till the place where enforcement team will be located (This is like radar based speed checking system of traffic police).
- There should be enough space for trucks to park when they are stopped.
- Mechanism to stop one truck out of many.
- NIC needs to know how many queries will be made from all such RFID reader points at any time. This is required to design the system to handle online query coming from RFID System.
- UP's system is closest to this option

Readers installed by UP

The readers are installed over each lane.

They are able to detect the vehicle in a 45 degree cone

Multiple readers are installed with overlap.



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Parameters	Option -1	Option -2
Whether vehicle can be stopped and checked in real time near the toll plaza where RFID reader is located	No	Yes
Availability of checking team at Toll Plaza to stop the vehicle	Not Required. Analysis will be done at the backend	Required, 200 to 300 mts downstream
Retrieval of EWB data from EWB System based on Vehicle RC number tagged to RFID in real time	No	Yes
Internet connectivity at Toll Plaza	Yes	Yes
Computer system and software for retrieving the EWB data from EWB System	No	Yes
Availability of parking space downstream the toll plaza for stopping the vehicles for checking	No	Yes
Separate IT Infrastructure at EWB System to handle lakhs of queries coming to it with vehicle number from toll plaza to retrieve EWB data	No	Yes

NPCI Integrated EWB System

RFID TAG Standard

- As approved by MoRTH
- FAST-Tag of NHAI
- Make it mandatory under GST law
- Exchange of weight from NHAI system to check misuse of EWB for oversize cargo

What to avoid

- Disparate systems

NHAI has launched FASTags thru petrol pumps fm 7th Jan 2019 to extend the reach and make it widely available.
They have also discovered price of RFID Tags which is much lower than earlier price discovered by NPCI and Banks

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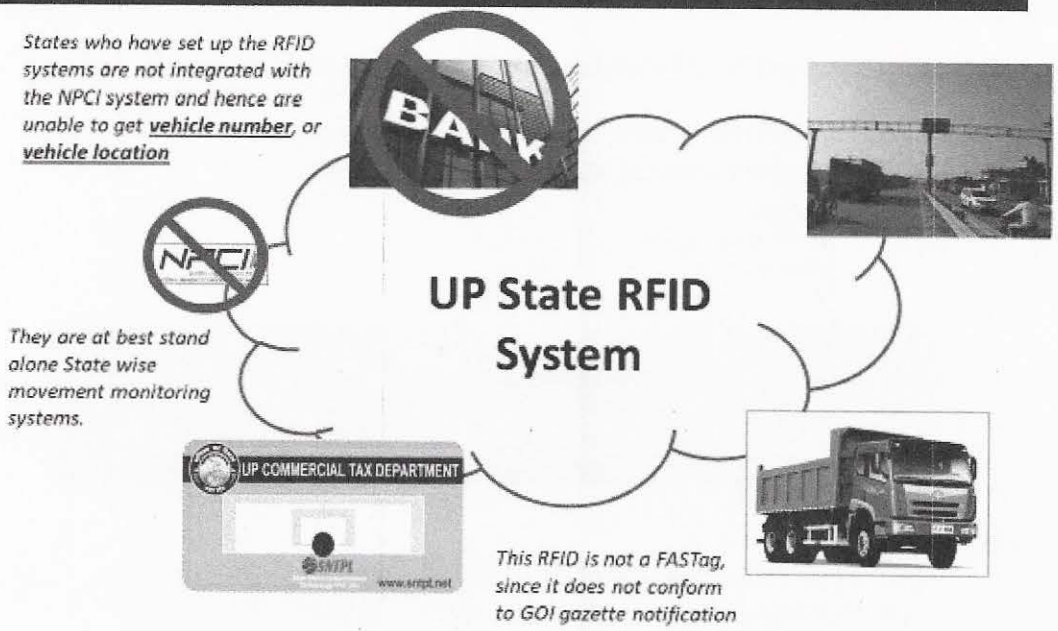
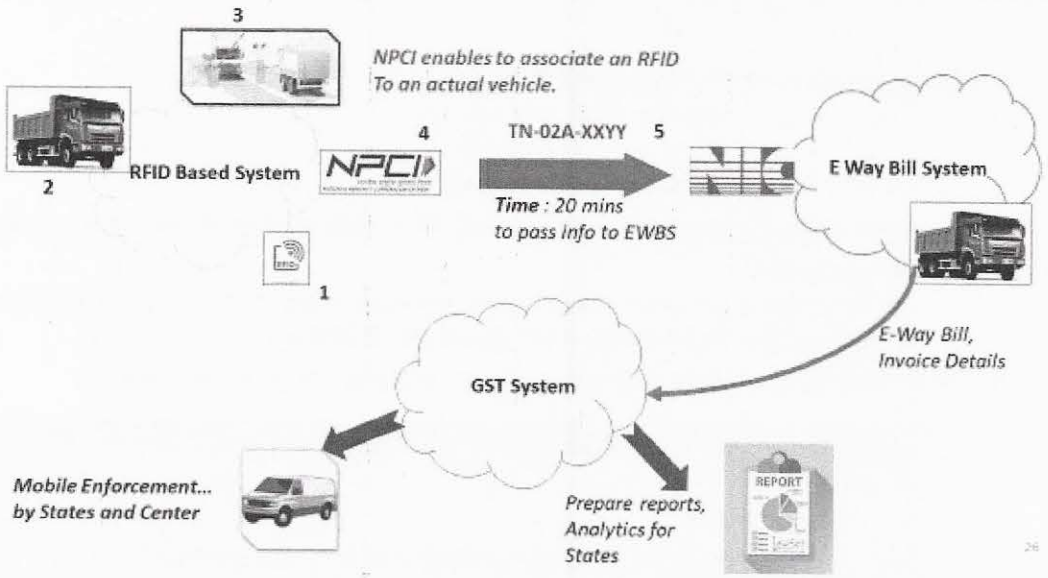
UP State RFID System – capture by NPCI is not possible



Proposed RFID based System – To integrate with EWBS & GST System



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Annexure 8

Quarterly Report of the NAA for the Q.E. December 2018

- Rule 127(iv) - requires NAA to furnish a performance report to the Council
- 30th Meeting of the GST Council (28.09.2018) - Chairman NAA gave 1st Report
- 2nd Report QE 31.12.2018,

OB and Fresh receipt	:70 cases
Disposal	:33 cases
CB	:37 cases

Details of disposal	Nos.	Amount (in Rs Cr)
Cases where profiteering established	6	542.59
Cases where profiteering not established	14	Nil
Cases referred back to DGAP	13	Nil

- Major cases-
  - M/s Hindustan Unilever Limited (Rs. 534.89 Cr)
  - M/s Hardcastle Restaurants Private Limited (Rs. 7.59 Cr).

Other Activities of NAA

- NAA organized 3 Zonal meetings on Anti-profiteering
  - Varanasi on 23rd November, at
  - Cochin on 21-22 December
  - Mumbai on 28th December, 2018.

  All headed by the Chairman NAA wherein the Central and State GST officers were present.
- Chairman attended:
  - Interactive sessions on GST Anti-profiteering was organized by CII at Mumbai on 4th October, 2018
  - 15th Annual India Tax Workshop 2018 organized by CII at Goa (24 – 25 Oct, 2018)
- 156 complaints received via different media and appropriate action taken thereon

1	**NAA Portal**	83
2	**Email**	44
3	**Physical (by post)**	13
4	**Local Circle (An online portal for complaints and other consumer issues)**	16

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