



53rd GST Council Meeting – A mini-GST budget

The 53rd GST Council meeting, held on 22nd June, was as significant as a mini budget. In its inaugural session, the new government took proactive measures to address key ongoing issues and potentially reduce litigation. This alert briefly summarizes the main amendments. A more comprehensive update will follow once official clarifications/notifications/circulars are issued.

Litigation Reduction and Dispute Resolution Measures

1. **Insertion of S. 128A**- Amnesty scheme for waiver of interest and penalty for S.73 notices for the years 2017-18, 2018-19 and 2019-20, provided the full demand of tax is paid before 31st March 2025
2. **Minimum threshold prescribed for departmental appeal** if the demand is up to Rs. 20 lakhs under GSTAT, up to Rs. 1 crore High Court & up to 2Crores in Supreme Court
3. **Pre deposit Relaxation**-

Appeal Forum	Existing	Proposed
Appeal before Appellate Authority	10% (Max 25Cr)	10% (Max 20Cr)
Appeal before GSTAT	20% (Max 50Cr)	10% (Max 20Cr)

4. **Rule 88B relaxation**- Amount available in Elec. Cash ledger on the due date of filing of return and debited at the time of filing of return shall be excluded for the purpose of calculating interest u/s 50.
5. **Pre deposit paid through DRC 03**- Amendment in R. 142 and issuance of circular to prescribe a mechanism for adjustment of an amount paid in respect of a demand through FORM GST DRC- 03 against the amount to be paid as pre-deposit for filing appeal

6. **S. 74A common time limit**- Insertion of a new Section 74A in CGST Act, to provide for common time limit for issuance of demand notices and orders irrespective of whether case involves fraud, suppression, wilful misstatement etc
7. The time limit for the taxpayers to avail the benefit of **reduced penalty**, by paying the tax demanded along with interest, has been recommended to be increased from **30 days to 60 days**
8. **Time Limit for filing Appeal in GSTAT**- Act to provide for the three-month period for filing appeals before the GSTAT to start from a date to be notified by the Government.
9. **Insertion of S. 11A**- To allow the regularization of non-levy or short-levy of GST where the tax was not paid or was short paid due to common trade practices, provided this is done on the recommendation of the GST Council.

ITC related amendments

1. **Section 16(4) relaxation**- Retrospective amendment in Section 16(4) to prescribe the time limit to avail ITC for FY 17-18,18-19,19-20,20-21 as 30.11.2021
2. **ITC on RCM relaxation**- For supplies from unregistered vendors under reverse charge mechanism where the recipient is required to issue self-invoice, the time limit for input tax credit availment shall be based on the financial year in which the recipient issues the self-invoice.
3. **ITC Reversal by the recipient [S. 15(3)(b)(ii)]**- Clarification to be provided on mechanism for providing evidence by the suppliers for compliance ITC reversal by the recipient

Procedural Amendments

1. Reduction in **rate of TCS** collected by ECO from 1% to 0.5%
2. Extension of **due date of GSTR 4** for FY 2024-25 from 30th April to 30th June
3. New **optional facility by way of FORM GSTR-1A** to facilitate the taxpayers to amend the details in FORM GSTR-1 for a tax period and/ or to declare additional details, if any, before filing of return in FORM GSTR-3B for the said tax period
4. **GSTR 7 to be filed every month** irrespective of the fact that TDS has been deducted or not. No late fee for delayed filing of NIL GSTR 7 returns
5. The **threshold for reporting of B2C inter-State** supplies invoice-wise in Table 5 of FORM GSTR-1 to be reduced from Rs 2.5 Lakh to Rs 1 Lakh
6. Amend **section 140(7) of CGST Act** retrospectively to allow transitional credit for invoices received by ISD before the appointed date.

Steps to reduce fake invoicing

1. Biometric-based Aadhaar authentication of registration applicants on pan-India basis in a phased manner.

Export and import related changes

1. Additional **IGST paid on upward revision of goods** subsequent to exports shall be allowed.
2. **No refund for IGST for cases where export duty** applicable irrespective of whether the goods are exported without payment of taxes or with payment of taxes, and such restrictions will be applicable, even if such goods are supplied to a SEZ developer or SEZ unit for authorised operations
3. For **services provided by foreign affiliates to related domestic entities**, where full ITC is available, the invoice value can be considered the OMV. In cases where no invoice is issued but full ITC is available, the service value may be deemed as nil for GST purposes.
4. To exempt Compensation Cess on the imports in SEZ-by-SEZ Unit/developers for authorised operations w.e.f. 01.07.2017

Trade-Friendly Tax Regularization

1. **Exemption to accommodation** services having value of supply of accommodation up to Rs. 20,000/- per month per person subject to the condition that the accommodation service is supplied for a minimum continuous period of 90 days.
2. Clarification relating to PoS of goods supplied to unregistered persons, where delivery address is different from the billing address
3. **Valuation of Corporate Guarantee** under rule 28(2) of CGST Rules would not be applicable in case of export of such services and also where the recipient is eligible for full ITC

Banking, Financial Services and Insurance

1. Co-insurance premium apportionment between lead insurer and co-insurer to be declared as no supply under Schedule III of CGST Act.
2. Ceding commission/re-insurance commission transactions between insurer and re-insurer to be declared as no supply under Schedule III.
3. GST liability on reinsurance services for specific insurance schemes to be regularized
4. Clarification to be issued for following
 - a. Statutory collections by Real Estate Regulatory Authority (RERA) to be exempt
 - b. Further sharing of incentives for promotion of RuPay Debit Cards and low-value BHIM-UPI transactions shall not be taxable
 - c. Retrocession is 're-insurance of re-insurance' and eligible for exemption under notification No. 12/2017-CTR.
 - d. PoS of Custodial services supplied by Indian Banks to Foreign Portfolio Investors is determinable as per Section 13(2) of the IGST Act, 2017
 - e. Taxability of ESOP/ESPP/RSU share reimbursements to employees
 - f. ITC reversal for non-taxable premium portions in life insurance services
 - g. GST implications for manufacturer-provided warranty/extended warranty to end customers
 - h. ITC availability for insurance companies' repair expenses in motor vehicle claim settlements
 - i. Taxability of loans between related persons or group companies

- j. ToS for annuity payments in HAM (Hybrid Annuity Model) projects.
- k. ToS for spectrum allotment to telecom companies with instalment-based payments

GST rate changes for goods

1. 5% IGST (subject to conditions) on imports of aircraft parts, components, and tools, regardless of HS classification, to boost MRO activities.
2. 12% GST on all milk cans (steel, iron, aluminium), irrespective of use.
3. GST rate reduction from 18% to 12% on cartons, boxes, and cases made of corrugated and non-corrugated paper or paperboard.
4. 12% GST on all solar cookers, including single and dual energy source models.
5. Amendment to include "parts of Poultry keeping Machinery" in the 12% GST category, with past practice regularization.
6. Clarification that all types of sprinklers, including fire water sprinklers, attract 12% GST, with past practice regularization.