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## TODAY'S IMPORTANT CURRENT AFFAIRS

### UPSC

**Date: 11.09.2024**

### **Recommendations during 54th meeting of the GST Council**

**Source** – The post is based on the article published in “**The Hindu**” on **11<sup>th</sup>, June 2024**.

**Syllabus: Mains** – GS III (Economic – Taxation)

**In News** – GST Council recommends Group of Ministers (GoM) on life and health insurance related GST with existing GoM on Rate Rationalisation; to submit report by end of October 2024.

#### **Introduction:**

- Goods and Services Tax, is a indirect tax imposed on goods and services. It is a multi-stage, destination-oriented tax imposed on every value addition, replacing multiple indirect taxes, including VAT, excise duty, service taxes, etc.
- The Council has also recommended to exempt the supply of research and development services from GST. This includes research and development services by a government entity, research association, university, college or other institution, notified under Section 35 of the Income Tax Act, 1961, which deals with expenditure on scientific research.

#### **Salient features of GST:**

##### **Single Indirect Tax:**

The GST system applies a single tax rate to goods and services based on their classification under the Harmonized System of Nomenclature (HSN). The GST rates vary depending on the nature of the goods or services and can range from 0% to 28%.

## Registration exemptions for small businesses:

Every business with a total turnover exceeding Rs.40 lakhs in a financial year is mandated to **register under GST**. For special category states and the state of Telangana, the limit is Rs 20 lakhs.

## Four-Tier Tax Structure:

The tax structure under GST is divided into four rates:

- 5% — Essential goods, such as food items and life-saving drugs.
- 12% — Goods such as certain apparel items, packaged food, nuts, medicines, etc.
- 18% — Goods such as electronic items, consumer durables, and most services.
- 28% — Luxury and sin goods such as cars, tobacco, and aerated drinks.

## Input Tax Credit System:

Input Tax Credit (ITC) is the credit a registered GST taxpayer can claim for the GST paid on inputs (i.e., raw materials, capital goods, and services) that are used in producing or supplying goods and services.

## GST Council:

- Article 279A - **GST Council** to be formed by the President to administer & govern GST. It's Chairman is Union Finance Minister of India with ministers nominated by the state governments as its members.
- The council is devised in such a way that the centre will have 1/3rd voting power and the states have 2/3rd.
- The decisions are taken by 3/4th majority.

## Changes in GST Tax Rates:

### GOODS:

### Namkeens and Extruded/Expanded Savoury food products:

The GST rate of extruded or expanded products, savoury or salted (other than un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion), falling under HS 1905 90 30 to be **reduced from 18% to 12%** at par with namkeens, bhujia, mixture, chabena (pre-packaged and labelled) and similar edible preparations in ready for consumption form which are classifiable under HS 2106 90. The GST rate of 5% will continue

on un-fried or un-cooked snack pellets, by whatever name called, manufactured through process of extrusion.

### **Cancer Drugs:**

The GST rate on cancer drugs namely, Trastuzumab Deruxtecan, Osimertinib and Durvalumab **to be reduced** from 12% to 5%.

### **Metal Scrap:**

**Reverse Charge Mechanism (RCM) to be introduced** on supply of metal scrap by unregistered person to registered person provided that the supplier shall take registration as and when it crosses threshold limit and the recipient who is liable to pay under RCM shall pay tax even if supplier is under threshold.

A **TDS of 2%** will be applicable on supply of metal scrap by registered person in B to B supply.

### **Roof Mounted Package Unit (RMPU) Air Conditioning Machines for Railways:**

To **clarify** that Roof Mounted Package Unit (RMPU) Air Conditioning Machines for Railways would be classified under HSN 8415 attracting a GST rate of 28%.

### **Car and Motor cycle seats:**

To **clarify** that car seats are classifiable under 9401 and attract a GST rate of 18%.

GST rate on car seats classifiable under 9401 **to be increased** from 18% to 28%. This uniform rate of 28% will be applicable **prospectively** for car seats of motor cars in order to bring parity with seats of motorcycles which already attract a GST rate of 28%.

## **SERVICES:**

### **Life and Health insurance:**

GST Council recommended to constitute a Group of Ministers (GoM) to holistically look into the issues pertaining to GST on the life insurance and health insurance. The GoM members are Bihar, UP, West Bengal, Karnataka, Kerala, Rajasthan, Andhra Pradesh, Meghalaya, Goa, Telangana, Tamil Nadu, Punjab, and Gujarat. The GoM is to submit the report by end of October 2024.

### **Transport of passengers by helicopters:**

To **notify** GST @ 5% on the transport of passengers by helicopters on seat share basis and to regularise the GST for past period on 'as is where is' basis. To also **clarify** that charter of helicopter will continue to attract 18% GST.

### **Flying training courses:**

To **clarify** by way of a circular that the approved flying training courses conducted by DGCA approved Flying Training Organizations (FTOs) are exempt from the levy of GST.

### **Supply of research and development services:**

The GST Council recommended to **exempt** supply of research and development services by a Government Entity; or a research association, university, college or other institution, notified under clauses (ii) or (iii) of sub-section (1) of section 35 of the Income Tax Act, 1961 using Government or private grants.

### **Import of service by branch Office:**

To **exempt** import of services by an establishment of a foreign airlines company from a related person or any of its establishment outside India, when made without consideration. The council also recommended to **regularise** the past period on 'as is where is' basis.

### **Conclusion:**

Thus GST is a positive step towards shifting Indian economy from the informal to formal economy. It is important to utilise experiences from global economies that have implemented GST before us, to overcome the impending challenges.