Confidential

Agenda for 15th GST Council Meeting Volume – 2

3 June 2017

TABLE OF CONTENTS

Agenda No.	<u>Agenda Item</u>	Page No.
3	Approval of amendments to the draft GST Rules and related Forms	
	1. Transition Rules	04
	2. Transition Forms	07
4	Finalization of the rates of tax and cess to be levied on commodities remaining after the Fitment	
	exercise in the 14 th GST Council meeting	
	1. Brief note on Agenda No. 4	18
	2. Cereals, pulses and flour put up in unit container and bearing a registered brand name	19
	3. Puja samagri, including havan samagri	22
	4. Definition of Handmade matches	23
	5. Biscuits	24
	6. Power driven Agricultural, horticultural, forestry, poultry keeping or bee-keeping machinery, Harvesting or threshing machinery, machines for cleaning, sorting or grading, machinery used in milling industry and parts thereof [8432, 8433, 8436 and 8437]:	25
	7. Footwear – Ch. 64	26
	8. Textiles – Ch. 50 to 63	28
	9. Biri wrapper leaves and Biris	29
	10. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad	
	with precious metal, and articles thereof; imitation jewellery; coin – Ch. 71 11. GST tax treatment of Supplies to Canteen Stores Department [CSD], a Government of	30
	India undertaking under the Union Ministry of Defence and Supplies from CSD and Unit Run Canteens [URCs]:	35
	 Addendum to the GST rate Schedule for Goods [As per discussions in the GST Council Meeting held on 18th May, 2017] 	36
-	Additional Agenda Item – e-Way Bills	39

Agenda Item 3: Approval of amendments to the draft GST Rules and related Forms

TRANSITIONAL PROVISIONS

1. Tax or duty credit carried forward under any existing law or on goods held in stock on the appointed day

(1) Every registered person entitled to take credit of input tax under section 140 shall, within ninety days of the appointed day, submit a declaration electronically in **FORM GST TRAN-1**, duly signed, on the Common Portal specifying therein, separately, the amount of input tax credit to which he is entitled under the provisions of the said section:

Provided that the Commissioner may, on the recommendations of the Council, extend the period of ninety days by a further period not exceeding ninety days.

Provided further that where the inputs have been received from an Export Oriented Unit or a unit located in Electronic Hardware Technology Park, the credit shall be allowed to the extent as provided in sub-rule (7) of rule 3 of the CENVAT Credit Rules, 2004:

[this proviso only in CGST rules]

Provided that in the case of a claim under sub-section (1) of section 140, the application shall specify separately—

(i) the value of claims under section 3, sub-section (3) of section 5, sections 6 and 6A and sub-section (8) of section 8 of the Central Sales Tax Act, 1956 made by the applicant and

(ii) the serial number and value of declarations in Forms C and/or F and Certificates in Forms E and/or H or Form I specified in rule 12 of the Central Sales Tax (Registration and Turnover) Rules, 1957 submitted by the applicant in support of the claims referred to in sub-clause (i) above;

(this proviso only in SGST rules)

(2) Every declaration under sub-rule (1) shall: -

(a) in the case of a claim under sub-section (2) of section140, specify separately the following particulars in respect of every item of capital goods as on the appointed day-

(i) the amount of tax or duty availed or utilized by way of input tax credit under each of the existing laws till the appointed day, and

(ii) the amount of tax or duty yet to be availed or utilized by way of input tax credit under each of the existing laws till the appointed day;

(b) in the case of a claim under sub-section (3) or the proviso thereto or clause (b) of sub-section (4) or subsection (6) or sub-section (8) of section 140, specify separately the details of stock held on the appointed day;

(c) in the case of a claim under sub-section (5) of section 140, furnish the following details—

(i) the name of the supplier, serial number and date of issue of the invoice by the supplier or any document on the basis of which credit of input tax was admissible under the existing law,

- (ii) the description and value of the goods or services,
- (iii) the quantity in case of goods and the unit or unit quantity code thereof,
- (iv) the amount of eligible taxes and duties or, as the case may be, the value added tax [or entry tax] charged by the supplier in respect of the goods or services,

the date on which the receipt of goods or services is entered in the books of account of the recipient.

(3) The amount of credit specified in the application in **FORM GST TRAN-1** shall be credited to the electronic credit ledger of the applicant maintained in **FORM GST PMT-2** on the Common Portal.

(4) (a) (i) A registered person who was not registered under the existing law shall, in accordance with the proviso to sub-section (3) of section 140, be allowed to avail of input tax credit on goods (on which the duty of central excise or, as the case may be, additional duties of customs under sub-section (1) of section 3 of Customs Tariff Act, 1975, is leviable) held in stock on the appointed day in respect of which he is not in possession of any document evidencing payment of central excise duty.

(ii) Such credit shall be allowed at the rate of sixty per cent. on such goods which attract central tax at the rate of nine per cent. or more and forty per cent. for other goods of the central tax applicable on supply of such goods after the appointed date and shall be credited after the central tax payable on such supply has been paid:

Provided that where integrated tax is paid on such goods, the amount of credit shall be allowed at the rate of thirty per cent. and twenty per cent. respectively of the said tax

(iii) The scheme shall be available for six tax periods from the appointed date.

(b) Such credit of central tax shall be availed subject to satisfying the following conditions, namely, -

(i) such goods were not unconditionally exempt from the whole of the duty of excise specified in the First Schedule to the Central Excise Tariff Act, 1985 or were not nil rated in the said Schedule.

(ii) the document for procurement of such goods is available with the registered person.

(iii) the registered person availing of this scheme and having furnished the details of stock held by him in accordance with the provisions of clause (b) of sub-rule (2) of rule 1, submits a statement in **FORM GST TRAN 2** --- at the end of each of the six tax periods during which the scheme is in operation indicating therein the details of supplies of such goods effected during the tax period.

(iv) the amount of credit allowed shall be credited to the electronic credit ledger of the applicant maintained in **FORM GST PMT-2** on the Common Portal.

(v) the stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person.

(In CGST Rules)

(4) (a) (i) A registered person, holding stock of goods which have suffered tax at the first point of their sale in the State and the subsequent sales of which are not subject to tax in the State availing credit in accordance with the proviso to sub-section (3) of section 140 shall be allowed to avail input tax credit on goods held in stock on the appointed day in respect of which he is not in possession of any document evidencing payment of value added tax.

(*ii*) Such credit shall be allowed at the rate of sixty per cent. on such goods which attract central tax at the rate of nine per cent. or more and forty per cent. for other goods of the State tax applicable on supply of

such goods after the appointed date and shall be credited after the State tax payable on such supply has been paid:

Provided that where integrated tax is paid on such goods, the amount of credit shall be allowed at the rate of thirty per cent. and twenty per cent. respectively of the said tax.

(iii) The scheme shall be available for six tax periods from the appointed date.

(b) Such credit of State tax shall be availed subject to satisfying the following conditions, namely, -

(i) such goods were not wholly exempt from tax under the <Name of the State> Value Added Tax Act,.....

(ii) the document for procurement of such goods is available with the registered person.

(iii) the registered person availing this scheme and having furnished the details of stock held by him in accordance with the provisions of clause (b) of sub-rule (2) of rule 1, submits a statement in FORM GST TRAN 2--- at the end of each of the six tax periods during which the scheme is in operation indicating therein the details of supplies of such goods effected during the tax period.

(iv) the amount of credit allowed shall be credited to the electronic credit ledger of the applicant maintained in FORM GST PMT-2 on the Common Portal.

(v) the stock of goods on which the credit is availed is so stored that it can be easily identified by the registered person.

(4) The amount of credit specified in the application in FORM GST TRAN-1 shall be credited to the electronic credit ledger of the applicant maintained in FORM GST PMT-2 on the Common Portal.

(In SGST Rules of States offering tax on MRP scheme)

2 Declaration to be made under clause (c) of sub-section (11) of section 142

Every person to whom the provision of clause (c) of sub-section (11) of section 142 applies, shall within a period of sixty days of the appointed day, submit a declaration electronically in FORM GST TRAN-1 furnishing the proportion of supply on which VAT or service tax has been paid before the appointed day but the supply is made after the appointed day, and the ITC admissible thereon.

[Individual States may insert a proviso giving the details of methodology of calculation of the VAT paid which would be available as ITC of State Tax]

3. Declaration of stock held by a principal

Every person to whom the provisions of section 141 apply shall, within sixty days of the appointed day, submit a declaration electronically in **FORM GST TRAN-1**, specifying therein, the stock of the inputs, semi-finished goods or finished goods held by him on the appointed day.

4. Details of goods sent on approval basis

Every person having sent goods on approval under the existing law and to whom sub-section (12) of section 142 applies shall, within sixty days of the appointed day, submit details of such goods sent on approval in **FORM GST TRAN-1**.

5. Recovery of credit wrongly availed

The amount credited under sub-rule (3) of rule 1 may be verified and proceedings under section 73 or, as the case may be, section 74 shall be initiated in respect of any credit wrongly availed, whether wholly or partly.

* * * * * * *

DRAFT

GOODS AND SERVICES TAX RULES, 2017 TRANSITIONAL PROVISIONS FORMS

Form GST TRAN - 1

(See Rule -----)

Transitional ITC / Stock Statement

- 1. GSTIN -
- 2. Legal name of the registered person -
- 3. Trade Name, if any -

4. Whether all the returns required under existing law for the period of six months immediately preceding the appointed date have been furnished: - Yes/No

5. Amount of tax credit carried forward in the return filed under existing laws:

(a) Amount of Cenvat credit carried forward to electronic credit ledger as central tax (Section 140(1) and Section 140(4)(a))

Sl. no.	Registration no. under existing law (Central Excise and Service Tax)	Tax period to which the last return filed under the existing law pertains	Date of filing of the return specified in Column no. 3	Balance cenvat credit carried forward in the said last return	Cenvat Credit admissible as ITC of central tax in accordance with transitional provisions
1	2	3	4	5	6
	Total				

(b) Amount of tax credit carried forward to electronic credit ledger as State/UT Tax (For all registrations on the same PAN and in the same State)

Sr.	Registration	Tax period to which	Date of filing of	Balance	Credit related to	Input tax credit
no.	no.	the last return filed	the return	VAT [&	unsubstantiated claims on	admissible as ITC
	under the	under the existing	specified in	Entry Tax]	transactions under CST	of State/UT tax
	existing law	law pertains	column no. 3	credit carried	(pending	(Column 5 -
				forward in	forms C/F/H/E/I)	Column6)
				the return		
1	2	3	4	5	6	7
	Total					

6. Details of statutory forms (mentioned in column no. 6 of Table 5 above) received for which credit is being carried forward

Amount of carried forward ITC shown in	section 6, section	tted to section 3, sub-section 6A or sub-section (8) entral Sales Tax Act, 1		Credit not eligible to be credited to the electronic credit	Credit eligible to be credited to the electronic credit
the last Return in Rs.	Total claim against Form C, F, H & I during last 3 years (Total turnover involved in such inter-State transactions including BT in Rs.)	Claim duly substantiated in the manner prescribed in Rule 12 of CST Rules, 1957 *	Claim not substantiated in the manner prescribed in Rule 12 of CST Rules, 1957 as per Annexure 1	ledger on account of non-substantiation of claim as per Annexure 2	ledger
1	2	3	4 (Auto populated from Annexure 1)	5 (Auto populated from Annexure 2)	6 (1-5)

Annexure 1

Claim duly substantiated in the manner prescribed in Rule 12 of CST Rules, 1957

(i.e. details of statutory forms already received)

		Claim agains	at C Form			Claim aga	Claim against H Form	Claim against I Form		
	Name of Purchaser	TIN of Purchaser	Sr. No. of Form C	Amount	Name of Person issuing F Form	TIN of Person	Sr. No. of Form F	Amount		
Total										

Annexure 2

Calculation of credit not eligible to be credited to the electronic credit ledger due to non-submission of Form

(Amount in Rs.)

Sr. No.	Particulars	C FORM	F FORM	H FORM	I FORM
1.	Amount of pending claims (i.e. turnover) on account of non-submission of Form				
2.	Amount of tax levied, if any, on such turnover				
3.	Amount of ITC denied, if any (Varies from State to State)				
4.	Total tax burden on such pending claim				
5.	Details ITC claimed on intra-State purchases of taxable goods that is involved in suc	ch claim		<u> </u>	
5A	(i) Amount of taxable purchase having 5% rate of tax				
	(ii) Amount of ITC claimed on such purchase				
5B	(i) Amount of taxable purchase having 15% rate of tax				
	(ii) Amount of ITC claimed on such purchase				
5C	(i) Amount of taxable purchase having% rate of tax				
	(ii) Amount of ITC claimed on such purchase				
6.	Total ITC Claimed (= $5A(ii) + 5B(ii) + 5C(ii) + \dots$)				
7.	Total ITC utilized (6-4)				
8.	Total ITC remained un-utilized (6-7)				

7. Details of capitals goods for which unavailed credit has not been carried forward under existing law (section140(2)).

Sr.	Invoice	Invoice	Supplier's	Recipients'		s of capital goo		Total	Total	Total cenvat						
no	/ Docum ent	/ docume nt	registratio n no. under	no.	no.	no.		e		Value Duties and taxes paid			Value Duties and taxes pa	eligible cenvat credit	cenvat credit availed	credit unavailed under existing law (admissible
	no.	Date	existing law	existing law		ED/ CVD	SAD	under	under existing law	as ITC of central tax) (9- 10)						
1	2	3	4	5	6	7	8	9	10	11						
		Total					1									

(a) Amount of unavailed cenvat credit in respect of capital goods carried forward to electronic credit ledger as central tax

(b) Amount of unavailed input tax credit carried forward to electronic credit ledger as State/UT tax (For all registrations on the same PAN and in the same State)

Sr. no	Invoice /	Invoice /	Supplier's registratio	Recipients' registration	Details regardi which credit is	ng capital goods on not availed		Total VAT [and	Total VAT [and ET] credit
	Docum ent no.	docume nt Date	n no. under existing law	no. under existing law	Value Taxes paid VAT [and ET]		VAT [and ET] credit under existing	ET] credit	unavailed under existing law (admissible as ITC of State/UT tax) (8-9)
1	2	3	4	5	6	7	8	9	10
		Total							

8. Details of the inputs held in stock in terms of sections 140(3), 140(4)(b) and 140(6).

(a) Amount of duties and taxes on inputs claimed as credit excluding the credit claimed under Table 5(a) and 7(a)

Sr. no.	Details of in	nputs held i		inputs contained i ls held in stock	n semi-finished or finished								
	HSN (at 6- digit level)	Eligible Duties paid on such inputs											
1	2	3	4	5	6								
8A Wh	ere duty paid i	invoices ar	e available	2									
Inputs													
Inputs c	ontained in ser	ni-finished	and finishe	ed goods									
	nere duty paid invoices are not available (Applicable only for person other than acturer or service provider) – Credit in terms of Rule 3(a)(i)												
	Inputs												

(b) Amount of vat and entry Tax paid on inputs supported by invoices/documents evidencing payment of tax carried forward to electronic credit ledger as SGST/UTGST

Sr.	Invoice/	Invoice/	Supplier	Name of	Recipient			Deta	ils of inputs i	n stock			Total input tax	Total input tax	Total Input
no.	docume	docume	reg. no.	supplier	s reg.	Descript	Unit	Qty	Type of	Value	Taxes	paid	credit claimed	credit related	tax credit
	nt no.	nt date	under		no.	ion		-	stock(input		VAT	Entry	under earlier	to exempt	admissible as
			earlier		under				s/semi-			tax	law	sales not	SGST/UTGS
			laws		earlier				finished/Fi					claimed under	Т
					laws				nished)					earlier law	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
		Total													

(c) Details of inputs held on appointed day not supported by invoices/documents evidencing payment of tax (SGST Act)

Sr. no.		Invoice/docume	** 0	Name of	Recipients reg.	De	tails of l	Inputs in sto	ck
	ocument no.	nt Date	no. under earlier laws	supplier	no. under earlier laws	Description	Unit	Quantity	Value
1	2	3	4	5	6	7	8	9	10
		Total							

9. Details of inputs or input services received on or after appointed day but duty and taxes has been paid under existing law under Section 140(5)

Sr.	Invoice/do	Invoice/do	Supplier's	Recipient's	Details of Inputs / input s	ervices	
no.	cument	cument	reg. no.	reg. no.	Value	Amount of eligible	
	no.	date	under	under		Duties and Taxes	
			existing	existing			
			laws	laws			
1	2	3	4	5	6	7	
	Inp	uts					
	Inp	ut Services					
		Total					

Details of description and quantity of inputs / input services as well as date of receipt of goods or services (as entered in books of accounts) is also required.

Sl. no.	Registration no.	Tax period to	Date of	Balance eligible	GSTIN of receivers	Distributi	on documer	ITC of CENTRAL
	under existing	which the last	filing of the	cenvat credit	(same PAN)	/in	voice	TAX transferred
	law	return filed under	return	carried forward	of ITC of	No.	Date	
	(Centralized)	the existing law	specified in	in the said last	CENTRAL TAX			
		pertains	Column no.	return				
			3					
1	2	3	4	5	6	7	8	9
	Total							

10. Details of transfer of cenvat credit for registered person having centralized registration under existing law (Section 140(8))

11. Details of goods sent as principal to the job worker under section 141

Sr. No.	Challan No.	Challan date	Type of goods (inputs/ semi-finished/	Details of goods with job- worker							
110.	110.	Guie	finished)	HSN	Description	Unit	Quantity	Value			
1	2	3	4	7 8 9 10				11			
GSTIN	of Job Worke	er, if available									
	Total										

12. Details of goods held in stock as job worker on behalf of the principal under section 141

Sr. No.	Challan No.	Challan Date	Type of goods (inputs/ semi-finished/		Details of goods with job- worker							
110.	110.	Date	finished)	HSN	Description	Unit	Quantity	Value				
1	2	3	4	7	8	9	10	11				
GSTIN	of Manufactu	irer										
	Total											

13. Details of credit availed in terms of Section 142 (11 (c))

S	br.	Registrati	Service	Invoice/doc	Invoice/	Tax Paid	VAT paid
n	ю.	on No of	Tax	ument no.	docume		Taken as
		VAT	Registratio		nt		SGST Credit
			n No.		date		or Service
							Tax paid as
							CENTRAL
							TAX Credit
	1	2	3	4	5	6	7
				Total			

14. Details of goods sent on approval basis six months prior to the appointed day (section 142(12))

Sr	Document	Document	GSTIN no. of	Name &		Details of	goods sent o	n approval ba	sis
No.	no.	date	recipient, (if applicable)	address of recipient	HSN	Description	Unit	Quantity	Value
1	2	3	4	5	6	7	8	9	10
	Total								

Verification (by authorized signatory)

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom

Place

Signature Name of Authorized Signatory

Date

Designation /Status.....

Form GST TRAN - 2

(See Rule -----)

1. GSTIN -

- 2. Name of Taxable person -
- 3. Tax Period : month..... year.....
- 4. Details of inputs held on stock on appointment date in respect of which he is not in possession of any invoice/document evidencing payment of tax carried forward to Electronic Credit ledger.

Opening stock f	or the tax pe	eriod		Outw	Closing balance			
HSN (at 6 digit level)	Unit	Qty.	Qty	Value	Qty			
1	2	3	4	5	9			

Verification (by authorized signatory)

I hereby solemnly affirm and declare that the information given herein above is true and correct to the best of my knowledge and belief and nothing has been concealed therefrom

Signature	
Name of Authorized Signatory	

Place

Date

Designation /Status.....

<u>Agenda Item 4: Finalization of the rates of tax and cess to be levied on commodities</u> remaining after the Fitment exercise in the 14th GST Council meeting

1. <u>**GST**</u> rates for supply of certain goods</u>: The Hon'ble GST Council in its 14th Meeting on 18th and 19th May, 2017, while discussing the GST rates for supply of goods, had decided to discuss GST rates in respect of the following commodities/commodity groups in its next meeting:

- (i) Biri wrapper leaves (tendu patta) Ch. 14
- (ii) Biscuits Ch.19
- (iii) Biris Ch. 24
- (iv) Textiles Ch. 50 to 63
- (v) Footwear Ch. 64
- (vi) Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin Ch. 71
- (vii) Power driven Agricultural, horticultural, forestry, poultry keeping or beekeeping machinery, Harvesting or threshing machinery, machines for cleaning, sorting or grading, machinery used in milling industry and parts thereof [8432, 8433, 8436 and 8437]
- (viii) Cereals and flour put up in unit container and bearing a registered brand name.
- (ix) Puja samagri including havan samagri will be under Nil category. However, the exact specifications for the same will be finalised.

2. This Agenda note gives certain factual details on the aforesaid commodities/commodity groups so as to facilitate the discussions regarding GST rates for them.

3. Subsequent to the putting on website the GST rates approved by the GST Council, certain discrepancies have been noticed in the rate schedule. To rectify such discrepancies an addendum is being circulated.

3. In addition, this Agenda also proposes definition of handmade matches and a note on GST concession for supplies to Canteen Stores Department of Armed Forces.

2. <u>Cereals, pulses and flour put up in unit container and bearing a registered brand</u> <u>name</u>:

2.1 Table below gives an illustrative list of some such items sold packed in unit container and bearing a registered brand name. The table also compares the prices of branded goods either with the retail prices as per Department of Consumer Affairs [DoCA], or with the lowest price of branded goods.

S. No.	Wheat Flour	Price	Qty (kg.)	Retail Price (MRP) per Kg.	Variation from DoCA price (Rs. per Kg)	% variation w.r.t DOCA retail price	Brand/ Registered TradeMark Owned by	Brand /Registered Trademark/ Label/ Device registered with CGPDT
1	Average Retail Price as per DoCA	24.51	1	24.51				
2	Ashirvaad shudh Chakki Whole wheat	330	10	33	8.49	35%	ITC Ltd.	AASHIRVAAD
3	Patanjali Whole wheat Atta	300	10	30	5.49	22%	Patanjali Ayurved Ltd.	पतंजलि
4	Nature Fresh Chakki Atta	340	10	34	9.49	39%	Cargill India Pvt. Ltd.	Nature Fresh
5	Pillsbury Multigrain Atta	245	5	49	24.49	100%	The Pillsbury Company LLC	Pillsbury
6	Rajdhani whole Wheat Chakki fresh	350	10	35	10.49	43%	Victoria Foods Pvt Ltd.	Rajdhani,
7	Aashirvaad select superior sharbati Wheat atta	480	10	48	23.49	96%	ITC Ltd.	AASHIRVAAD
8	Organic Tattva Wheat Atta	280	5	56	31.49	128%	Mehrotra Consumer Products Pvt. Ltd.	ORGAW/CO.
9	24 Mantra organic whole Wheat	260	5	52	27.49	112%	Sresta Natural Bioproducts Pvt.Ltd	229 gordanic
10	Pro nature whole Wheat	290	5	58	33.49	137%	Pro Nature Organic Foods Pvt Ltd	PRO NATURE 200% Organic

S. No.	Maida	Price	Qty kg.	Retail Price (MRP) Rs. per Kg.	Variation from cheapest branded maida (Rs. per Kg)	% variation with reference to cheapest branded maida	Brand/ Registered TradeMark Owned by	Brand /Registered Trademark/ Label/ Device registered with CGPDT
1	Rajdhani Maida	30	0.5	60			Victoria Foods Pvt Ltd.	Rajdhani,
2	Ecolife Organic Maida	55	0.5	110	50	367%	Nature Bio Foods Ltd.	Word Mark
3	Organic tattva Maida	55	0.5	110	50	367%	Mehrotra Consumer Products Pvt. Ltd.	ATTWE
	Daliya	Price	Qty (kg.)	Maximum Retail Price (MRP) per Kg.	Variation from cheapest branded maida (Rs. per kg.)	% variation with reference to cheapest branded maida	Brand/ Registered TradeMark Owned by	Brand /Registered Trademark/ Label/ Device registered with CGPDT
1	Rajdhani Daliya	30	0.5	60			Victoria Foods Pvt Ltd.	Rajdhani,
2	Ecolife Organic Daliya	48	0.5	96	36	60%	Nature Bio Foods Ltd.	Word Mark
3	Best Value wheat daliya	35	0.5	70	10	17%	Grofers India Pvt. Ltd.	G CROFERS best value
4	Organic tattva wheat daliya	55	0.5	110	50	83%	Mehrotra Consumer Products Pvt. Ltd.	
	Rice	Price	Qty (kg.)	Price per Kg.	Variation from cheapest branded basmati rice per kg.	% variation w.r.t cheapest branded basmati rice	Brand/ Registered TradeMark Owned by	Brand /Registered Trademark/ Label/ Device registered with CGPDT
1	Kohinoor charminar rozana basmati	79	1	79			Kohinoor Flour Mills Ltd.	KOHINGOR BRAND
2	Patanjali samriddhi Basmati Rice	790	5	158	79	100%	Patanjali Ayurved Ltd.	पतंजलि

Page **20** of **40**



3	24 Mantra organic rice	89	1	89	10	13%	Sresta Natural Bioproducts Pvt.Ltd	227
4	Kohinoor everyday basmati	439	5	88	9	11%	Kohinoor Flour Mills Ltd.	
5	Patanjali Basmati XXL Rice	540	5	108	29	37%	Patanjali Ayurved Ltd.	पतंजलि
6	Patanjali Dhanashree Basmati	440	5	88	9	11%	Patanjali Ayurved Ltd.	पतंजलि

3. <u>Puja samagri, including havan samagri</u>:

- 3.1 Puja samagri, including havan samagri, is proposed to kept under Nil GST rate.
- 3.2 As per the list provided by Uttar Pradesh, puja samagri includes items as under:
 - (i) Incense sticks commonly known as agarbatti, dhupkathi or dhupbatti [proposed GST rate 12%];
 - (ii) Sambhrani or lobhana [proposed GST rate 12%];
 - (iii) Rudraksha, rudraksha mala, tulsi kanthi mala, panchgavya (mixture of cowdung, desi ghee, milk and curd);
 - (iv) Sacred thread (commonly known as yagnopavit);
 - (v) Wooden khadau;
 - (vi) Panchamrit,
 - (vii) Vibhuti sold by religious institutions,
 - (viii) Unbranded honey [proposed GST Nil]
 - (ix) Wick for diya.
 - (x) Misri, batasha, bura [proposed GST rate 18%];

3.3 Goods like incense sticks commonly known as agarbattis, dhupkathi or dhupbatti, sambhrani or lobhana are manufactured items and exempting them from GST will put domestic manufacturers of such goods at a disadvantage vis-a-vis imports. [proposed GST rate 12%].

- 3.4 Thus, except
 - (i) Incense sticks commonly known as agarbattis, dhupkathi or dhupbatti [proposed GST rate 12%],
 - (ii) Sambhrani or lobhan [proposed GST rate 12%],
 - (iii) Mishri, batasha, bura [proposed GST rate 18%]

all other goods, namely, -

- (i) Rudraksha, rudraksha mala, tulsi kanthi mala, panchgavya (mixture of cowdung, desi ghee, milk and curd);
- (ii) Sacred thread (commonly known as yagnopavit);
- (iii) Wooden khadau;
- (iv) Panchamrit,
- (v) Vibhuti sold by religious institutions,
- (vi) Unbranded honey [proposed GST Nil]
- (vii) Wick for diya.

may be kept at Nil GST, as part of Puja samagri.

3.5 In addition, lobhan, mishri, batasha may be kept at 5% [the GST rate for natural resin/sugar].

4. **Definition of Handmade matches**:

4.1 Handmade matches are proposed to be kept at 5%. The following definition as it exists for the purposes of exemption from central excise duty is proposed to be adopted:

"Matches, in or in relation to the manufacture of which, none of the following processes is ordinarily carried on with the aid of power, namely: -

- (i) frame filling;
- (ii) dipping of splints in the composition for match heads;
- (iii) filling of boxes with matches;
- (iv) pasting of labels on match boxes, veneers or cardboards;
- (v) packaging."

5. **<u>Biscuits – Chapter 19</u>**:

Type of biscuits	Excise Duty Rate / embedded excise duty	Post- clearance Service Tax embedding	Headline / Weighted Average VAT Rate	CST, Entry Tax, Octroi, etc.	Present Incidence	Proposed GST Rate by the Fitment Committee
Low priced Biscuits [RSP equivalent not exceeding Rs.100 per kg.]	3.07%	-	14.5%	2.50%	20.6% with Octroi, etc. 18.1% without Octroi, etc.	18%
Other biscuits	6%	0.14%	14.5%	2.50%	23.11% with Octroi, etc. 20.61% without Octroi, etc.	18%

6. <u>Power driven Agricultural, horticultural, forestry, poultry keeping or bee-keeping</u> <u>machinery, Harvesting or threshing machinery, machines for cleaning, sorting or</u> <u>grading, machinery used in milling industry and parts thereof [8432, 8433, 8436</u> <u>and 8437]</u>:

Chapter	Excise Duty	Post-	Headline /	CST,	Present	Proposed
heading	Rate / embedded	clearance	Weighted	Entry	Incidence	GST Rate
	excise duty	Service	Average	Tax,		by the
		Tax	VAT Rate	Octroi,		Fitment
		embedding		etc.		Committee
8432, 8433, 8436 Agricultural, horticultural, etc. machinery	5%	0.09%	6.2%	2.50%	13.79% with Octroi, etc. 11.29% without Octroi, etc.	12%
8437 Cleaning, sorting, grading machinery, Milling machinery	0% [Actual embedding will be more or less same as other agricultural machinery. The excise duty drawback not worked out as there was no request from industry]	0.09%	6.2%	2.50%	8.79% with Octroi, etc. 6.29% without Octroi, etc.	12%

7. <u>Footwear – Ch. 64</u>:

7.1 Excise duty Structure

Description	Retail Sale Price (RSP)	Rate excise of duty	Total tax incidence	Proposed GST rate
All footwear	Less than Rs.500 per pair	NIL [Embedded Taxes 5.04%]	9.5% [5.04% Excise embedded+ 2% VAT embedded + 2.5% CST, Octroi etc.]	12%
All footwear	More than Rs.500 and less than Rs.1000 per pair	6%	23.1% [6.14% Excise + 14.5% VAT + 2.5% CST, Octroi etc.]	18%
Leather footwear	More than Rs.1000 per pair	6%	23.1% [6.14% Excise + 14.5% VAT + 2.5% CST, Octroi etc.]	18%
All footwear [other than leather footwear]	More than Rs.1000 per pair	12.5%	29.58% [12.64% Excise + 14.5% VAT + 2.5% CST, Octroi etc.]	18%

7.2 VAT Structure

State	Exempt/lower rate	Higher Rate
	With description	0
	5%	15%
Bihar	Plastic footwear/parts	
Jharkhand	0%	
	Rubber Chappal	
	5%	15%
	Plastic footwear/parts	
Karnataka	0%	14.5%
	Upto Rs 500 [plastic footwear, rubber]	
	5.5%	-
	Single moulded plastic above Rs 500	
WB	5%	
	Hawai Chappal, plastic, EVA footwear	
	5%	14.50%
	Other than above footwear Up to Rs 750	
	5%	14.50%
Gujarat	Plastic footwear	
Kerala	5%	14.50%
	Up to Rs 500	
UP	0%	
	Up to Rs 300	
Γ	5%	14.50%
	Plastic moulded and Hawai above Rs 300	
JK	5%	14.50%
	Plastic moulded and Hawai Chappal	

State	Exempt/lower rate	Higher Rate
	With description	
	0%	13.13%
Haryana	Upto Rs 500	
	5%	14.50%
Punjab	Upto Rs 250	
	0%	14.50%
Tamil Nadu	Upto Rs 201	
	0%	14.50%
Rajasthan	Upto to Rs 500	
	0%	14.50%
Chhattisgarh	Upto to Rs 250	
	0%	14.50%
MP	Upto Rs. 250	
	5%	14.5%
Uttarakhand	Hawai moulded	

7.3 **Imports**

			<u>Rs. C</u>	rore
Financial Year	CTH (2-Digit)	CVD Rate	Assessable Value	CVD Paid
20152016	64	0.00	975	0.00
20152016	64	6.00	258	40
20152016	64	12.50	1233	470
Grand Total			2466	511

7.4 **Domestic factory gate value**

7.4 Domestic factor	gute value				Rs.	<u>Crore</u>
Financial Year	Chapter	Duty rate	Assessable Value	Duty collected		
				Cash	Credit	Total
20152016	64	Nil	2802			
20152016	64	6.00	3266	121	57	178
20152016	64	12.50	1727	79	50	129
Grand Total			7790	200	107	307

7.5 Value of imports at 12.5% of CVD is less than the domestic production. However, CV duty is more because of higher MRP of imported footwear.

8. <u>Textiles – Ch. 50 to 63</u>:

8.1 <u>Present tax incidence and proposed GST rates [have already been circulated]</u>

8.2 The CVD collection on imports during 2016-17:

		Rs. Crore		
Chapter	Description	CVD	Assessable	CVD
_		Rate	Value	Payable
50	Silk yarn and fabrics	12.5%	307	28
51	Wool fibres and fabrics	12.5%	227	11
52	100% Cotton yarn and fabrics	6%	276	9
52	Blended cotton yarn and fabrics	12.5%	678	10
53	Other vegetable fibres and fabrics	12.5%	464	28
	TOTAL		1418	47
54	Man-made filaments/fibres and man-made textile materials	12.5%	4593	419
55	Manmade staple fibres	12.5%	3475	293
	TOTAL		8068	712
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	12.5%	1540	187
57	Carpets and other textile floor coverings	12.5%	427	44
58	Special woven fabrics ; tufted textile fabrics; lace; tapestries; trimmings; embroidery	12.5%	519	41
59	Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	12.5%	4382	440
60	Knitted or crocheted fabrics	12.5%	2739	303
	TOTAL		9607	1016
61	Articles of apparel and clothing accessories, knitted or crocheted	12.5%	1597	398
62	Articles of apparel and clothing accessories, not knitted or crocheted	12.5%	1943	495
63	Other made up textile articles, sets, worn clothing and worn textile articles; rags	12.5%	1477	197
	TOTAL OF GARMENTS AND MADE UPS		5017	1091
	Total CVD collected			

8.3 Excise collection during 2016-17:

Rs.

	Crore					
Central Ex	xcise Duty 2016-17					
Chapter	Commodity	Cash	Credit			
54	Synthetic filament yarn [Excise duty @ 12.5%]	312	3781			
55	M/M fibres & yarn [Excise duty @ 12.5%]	276	1662			
54, 55	Manmade fabrics	10	61			
52	Cotton Yarn & fabrics	5	100			
	TOTAL	603	5604			

9. **<u>Biri wrapper leaves and Biris</u>**

	-				-	-
Embedded	Post-	Headline	CST,	Present	GST Rate	Rate
excise duty	clearance	/Weighted	Entry Tax,	Incidence	recommended	suggested
	Service	Average	Octroi,		by the	by
	Tax	VAT Rate	etc.		Fitment	Madhya
	embedding				Committee	Pradesh
				8.41%		
				with Octroi,		
0.85%	0.14%	5%	2.50%	etc.	5%	28%
0.8370	0.1470	J 70	2.30%	5.91%	J 70	2070
				without		
				Octroi, etc.		

Biri wrapper leaves (tendu patta) – Ch. 14: 9.1

9.2 **<u>Biris – Ch. 24</u>**:

- Excise duty = 3.72% a)
- Weighted average VAT rate = 19.46% CST, Octroi, etc. = 2.5% b)
- c)
- Total tax incidence = 25.68%d)
- Proposed GST rate -28%e)

10. <u>Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin – Ch. 71</u>:

Heading	Description	Excise duty rate
7101	Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; Pearls, natural or cultured, temporarily strung for convenience of transport	Nil
7102	Diamonds, whether or not worked, but not mounted or set	Nil
7103	Precious stones (other than diamonds) and semi- precious stones, whether or not worked or graded but not strung, mounted or set; ungraded precious stones (other than diamonds) and semi-precious stones, temporarily strung for convenience transport	Nil
7104	Synthetic or reconstructed precious or semi- precious stones, whether or not worked or graded but not strung, mounted or set; Ungraded synthetic or reconstructed precious stones, temporarily strung for convenience of transport	Nil
7105	Dust and powder of natural or synthetic precious or semi - precious stones	6%
7106	Silver (including silver plated with gold or platinum), unwrought or in semi - manufactured forms, or in powder form	Silver manufactured from Silver ore or concentrate; Silver dore bar; gold dore bar; or during the process of copper smelting, zinc or lead smelting, attracts duty of 8.5% . However, CVD on Silver is Nil.
7107	Base metals clad with silver, not further worked than semi - manufactured	12.5%
7108	Gold (including gold plated with platinum) unwrought or in semi - manufactured forms, or in powder form	Gold bars manufactured from gold ore or concentrate; Gold dore bar; Silver dore bar; or during the process of copper smelting, zinc or lead smelting, attracts duty of 9.35%.
7109	Base metals or silver, clad with gold, not further worked than semi - manufactured	12.5%
7110	Platinum, unwrought or in semi - manufactured form, or in powder form	12.5%
7111	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	12.5%
7113	Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	1% (without input tax credit) or

		12.5% with input tax credit
7113	Articles of silver jewellery, other than those studded with diamond, ruby, emerald or sapphire are exempted.	Nil
7114	Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or of metal clad with precious metal	1% (without input tax credit) or 12.5% with input tax credit
7115	Other articles of precious metal or of metal clad with precious metal	12.5%
7116	Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or re- constructed)	12.5%
7117	Imitation jewellery	6%
7118	Numismatic Coins	Nil

10.2 **VAT Rates for Jewellery in different States:**

S. No.	State	Rate
1.	Andhra Pradesh	1%
2.	Arunachal Pradesh	1%
3.	Assam	1%
4.	Bihar	1%
5.	Chhattisgarh	1%
6.	Chandigarh	1%
7.	Dadra & Nagar Haveli	1%
8.	Daman & Diu	1%
9.	Delhi	1%
10.	Goa	1%
11.	Gujarat	1%
12.	Haryana	1%
13.	Himachal Pradesh	1%
14.	Jammu & Kashmir	1%
15.	Jharkhand	1%
16.	Karnataka	1%
17.	Kerala	5%
18.	Madhya Pradesh	1%
19.	Maharashtra	1.2%
20.	Manipur	1%
21.	Meghalaya	1%
22.	Mizoram	1%
23.	Nagaland	1%
24.	Odisha	1%

S. No.	State	Rate
25.	Puducherry	1%
26.	Punjab	1%
27.	Rajasthan	1%
28.	Sikkim	1%
29.	Tamil Nadu	1%
30.	Telangana	1%
31.	Tripura	2%
32.	Uttar Pradesh	1%
33.	Uttarakhand	1%
34.	West Bengal	1%

10.3 **VAT Rates for diamond and other precious and semi-precious stones in different States:** VAT rates applicable to diamonds and precious and semiprecious stones in different States are same as that for invellery execution

precious stones in different States are same as that for jewellery, except in case of Gujarat, which has Nil VAT on rough diamonds.

10.4 Market size:

10.4.1 Articles of jewellery and other articles of precious metals:

- (i) Total jewellery market size in India is about Rs. 4.5 lakh crore.
- Gold consumption in Jewellery sector was 527 MT during 2016-17 as against 606 MT during 2015-16
- (iii) As per report of the GST Revenue Neutral Rate Committee, consumption of gold by top 2 income deciles account for about 80% of the total consumption, while consumption by bottom 4 deciles is only 0.2%.
- (iv) Simultaneously, it is by nature an evasion prone commodity and, thus, linked to black money generation.

10.4.2 Imports of Gold Jewellery:

		Rs Crore
Description	2015-	2016-17
	16	(Up to Feb)
JEWELLERY OF GOLD UNSET	2,526	292
JEWELLERY OF GOLD SET WITH PEARLS	3	13
JEWELLERY OF GOLD SET WITH DIAMOND	1,214	956
JEWELLERY OF GOLD SET WITH PRECIOUS AND	65	67
SEMI PRECIOUS STONES OTHER THAN DIAMONDS		
JEWELLERY OF PLATINUM GROUP METALS UNSET	21	18
Grand Total	3,829	1345

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10.4.3 **Exports of Gold Jewellery**:

	Rs Crore		
Description	2015-16	2016-17	
		(Upto Feb)	
JEWELLERY OF GOLD UNSET	23,998	23,355	
JEWELLERY OF GOLD SET WITH PEARLS	359	140	
JEWELLERY OF GOLD SET WITH DIAMOND	23,202	21,254	
JEWELLERY OF GOLD SET WITH PRECIOUS AND	3,792	3,706	
SEMI PRECIOUS STONES OTHER THAN DIAMONDS			
Total	51,352	48,455	

10.5 **Precious metals:**

Gold and Silver imports during 2015-16 and 2016-17

		Rs. Crore
Financial year	Quantity (in Kg)	Value
Gold		
2015-16	929167	197255
2016-17	716418	167316
Silver		
2015-16	6740444	21636
2016-17	2121620	7749

10.6 Diamonds: Imports and exports

			Rs Crore	
Description	Imports value		Exports value	
		2016-17		2016-17
	2015-16	(Upto Feb)	2015-16	(Upto Feb)
Rough Diamonds	92368	101418	9170	9579
Cut and polished				
diamonds	17758	14129	133379	139263

10.7 Precious and semi-precious stones: Imports and exports

				Rs Crore
Description	Imports value		Exports value	
	15-16	2016-17 (upto Feb)	15-16	2016-17 (upto Feb)
EMERALDS, UNCUT	664	1597	194	190
RUBY AND SAPPHIRE, UNCUT	1,058	1109	5	37
OTHR PRCS STONE (E.G. AQUAMARINE CHRISOBARYLE-TOPAZ ETC) UNCUT	36	219	11	2
OTHER SEMI PRECIOUS STONE UNCUT	738	641	94	42
OTHERWISE WRKD RUBIES SAPPHIRES AND EMERALS	8,062	8797	1594	1619
OTHER STONE CUT (TOPAZ AQUAMARINE ETC)	266	241	-	-

11. <u>GST tax treatment of Supplies to Canteen Stores Department [CSD], a</u> <u>Government of India undertaking under the Union Ministry of Defence</u> <u>and Supplies from CSD and Unit Run Canteens [URCs]</u>:

11.1 The Canteen Stores Department [of Armed Forced], CSD as it is commonly referred to, was created to provide 'easy access to quality products of daily use, at prices less than market rates' to the soldiers, ex-servicemen and their families. It is not driven by the profit motive.

11.2 The Department has 34 depots strategically located across India. This is the core strength of the CSD, which puts its operation in close proximity to the thousands of URCs it has mandated to serve. These Depots are the hub of the CSD chain.

11.3 Presently, **CSD enjoys partial or full exemption**, as the case may be, which varies from State to State, on procurements by CSD, supplies by CSD to the URCs and supplies by URCs to the customers.

- 11.4 During 2015-16
 - a) Sales = Rs. 15,828 crore
 - b) Sales net of liquor sales = Rs. 13,421 crore
 - c) Total VAT exemption benefit on non-liquor sales = Rs. 1376 crore
 - d) % VAT concession on items other than liquor = 10.3%.

11.5 Thus, Hon'ble GST Council may like to consider, **50% concession from GST** on supplies to CSD, which will result in concessional rate of 2.5%, 6%, 9% and 14% [with resultant concessions of 2.5%, 6%, 9% and 14%]. No concession may, however, be extended from Compensation Cess.

11.6 **At present, there is no excise duty concession on supplies to CSD**. However, in GST it would be advisable that the cost of concessions to CSD is equally borne by the Centre and States.

- 11.7 If the above proposal is accepted then we will have to issue:
 - a) A notification under section 55 of the CGST/SGST Acts, providing for refund of 50% of GST to CSD;
 - b) Exempt 50% of GST payable on supplies [sales] made by CSD to Unit Run Canteens
 - c) Exempt 50% of GST payable on supplies [sales] made by CSD or Unit Run Canteens to final consumer.

12. Addendum to the GST rate Schedule for Goods [As per discussions in the GST Council Meeting held on 18th May, 2017]

The following amendments / additions are required to be made to the aforesaid document:

- In Chapter 15, in the 18% rate column, the part entry from 1517 relating to edible mixtures of vegetable fats or oils, that is "edible mixtures or preparations of vegetable fats or vegetable oils or of fractions of different vegetable fats or vegetable oils of this Chapter, other than edible fats or oils or their fractions of heading 1516 [1517]" may be shifted to the 5% rate column [wherein all vegetable fats and vegetable oils at 5%]. [This will ensure that mixtures of two or more varieties of edible vegetable oils fall at 5%.]
- 2. In Chapter 29, in the 18% rate column, after the entry No 39 the following entries shall be inserted,
 - (i) "40 2939 Alkaloids, natural or reproduced by synthesis, and their salts, ethers, esters and other derivatives
 - (ii) 41 2940 Sugars, chemically pure, other than sucrose, lactose, maltose, glucose and fructose; sugar ethers, sugar acetals and sugar esters, and their salts, other than products of headings 2937, 2938 or 2939
 - (iii) 42 2941 Antibiotics
 - (iv) 43 2942 Other organic compounds"

All goods falling under chapter 29 [organic chemicals, being intermediates] are at 18% [These were omissions]

- 3. In Chapter 31, in the 5% rate column, the entries "3101 Organic manure put up in unit containers and bearing a brand name" may be added. [3101 Organic manure other than put up in unit containers and bearing a brand name is at Nil]. [This was an omission.]
- 4. In Chapter 34, in the 28% rate column, the entry "3404 Artificial waxes and prepared waxes" may be omitted. These goods [being in the nature of intermediates] are covered in the 18% rate column. [By mistake it was appearing in 28% also.]
- 5. In Chapter 38, in the 18% rate column, for the entry No 18 the entry "3823 Industrial monocarboxylic fatty acids; acid oils from refining; industrial fatty alcohols" shall be substituted. [There is typographical error in the description.]
- 6. In Chapter 40,
 - i. in the 12% rate column, the entry "4 Erasers [4016]." may be added.
 - ii. in the 18% rate column, the entry No. 12 "Erasers [4016]." may be omitted.
 [Mathematical boxes, geometry boxes and colour boxes, pencil sharpeners (7310 or 7326) and Pencils, crayons (9609) are at 12%].

- 7. In Chapter 48, in the 18% rate column, for the part entry in 4811 i.e. for the words "[Other aseptic packaging paper and", the words "[other than aseptic packaging paper]" shall be substituted. [Aseptic packaging paper 4811 is covered in the 12% rate column. There was a small mistake of missing word, 'than' after the word 'other'.]
- 8. In Chapter 69,
 - i. In the 28% rate column, the entry "6903 Other refractory ceramic goods (for example, retorts, crucibles, muffles, nozzles, plugs, supports, cupels, tubes, pipes, sheaths and rods), other than those of siliceous fossil meals or of similar siliceous earths" may be omitted [This entry is covered in the 18% rate column as all goods of 6903].
 - ii. In the 28% rate column, the entry "6908 Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, whether or not on a backing" may be omitted [This tariff heading has been omitted from the Central Excise Tariff with effect from 01.01.2017. This entry is now covered in the entry 6907, which is also in the 28% rate column].
- 9. In Chapter 70,
 - i. In the 18% rate column, in the entry against 7018, "Glass beads" may be omitted.
 - ii. In the 5% rate column, the entry "7018 Glass beads" may be inserted.[Glass beads are covered as part of "Embroidery or zari articles" in the 5% rate column under chapter 58.]
- 10. In Chapter 84,
 - i. In the Nil rate column, the entry "8445 Amber charkha" may be added.
 - ii. In the 5% rate column, the entry "Hand pumps and parts thereof [8413, 8414 90]" may be read as "Hand pumps and parts thereof [8413, 8413 91]".
 - iii. In the 12% rate column, the entry No 1 the words "Nuclear fuel elements" may be substituted by the words "fuel elements (cartridges), non-irradiated, for nuclear reactors"
 - iv. In the 18% rate column, in entry No 1 the words "fuel elements (cartridges), non-irradiated, for nuclear reactors" may be omitted.
- 11. In the 18% rate column, after entry No 13 the entry "13A machinery for cleaning or drying bottles or other containers; machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers; machinery for capsuling bottles, jars, tubes and similar containers; other packing or wrapping machinery (including heat-shrink wrapping machinery); machinery for aerating beverages [8422 20 00, 8422 30 00, 8422 40, 8522 90]" shall be inserted. [These are capital goods and are not listed in in the 18% rate column].

- 12. In Chapter 85,
 - i. In the 5% rate column, after entry (c), the entry "(d) photo voltaic cells, whether or not assembled in modules or made up into panels" may be added [these cells and modules are renewable energy devices].
 - ii. Correspondingly, in the 18% rate column, the part entry from 8541, that is "including photo voltaic cells, whether or not assembled in modules or made up into panels" may be omitted.
 - iii. In the 12% rate column, the entry "8539 LED lamps" may be added [LED lamps, falling under 9405, are already at 12% rate.]
- 13. In Chapter 90, in the 18% rate column, the entry "9032 Automatic regulating or controlling instruments and apparatus" may be inserted [this entry is not listed in the 18% rate column].
- 14. In Chapter 91,
 - i. In the 28% rate column, the entry "9110 Complete clock movements, unassembled or partly assembled (movement sets); incomplete clock movements, assembled; rough clock movements" may be omitted;
 - ii. In the 18% rate column, the entry "5 9110 Complete clock movements, unassembled or partly assembled (movement sets); incomplete clock movements, assembled; rough clock movements" may be added in the 28% rate column, the entry from 9112 relating to clock i.e. "9112 Clock cases, and parts thereof" may be omitted;
 - iii. In the 28% rate column, the entry from 9112 relating to clock i.e. "6 9112 Clock cases, and parts thereof" may be added;[Clocks and their parts are at 18%].
- 15. In Chapter 95, in the 28% rate column the entry "9506 Articles and equipment for general physical exercise, gymnastics, athletics, <u>other sports (including table-tennis) or outdoor games, not specified or included elsewhere in this chapter; swimming pools and paddling pools</u>" may be substituted by the entry "9506 Articles and equipment for general physical exercise, gymnastics, athletics". [Sports goods in general are at 12%].
- 16. In Chapter 96, in the 12% rate column, the entry "Pencils, crayons, pastels, drawing charcoals, writing or drawing chalks and tailor's chalk [9609]" may be read as "Pencils, crayons, pastels, drawing charcoals and tailor's chalk [9608, 9609]" [propelling or sliding pencils are covered under 9608. Chalk sticks are at Nil.].

Additional Agenda Item

<u> Agenda Note – e Way Bills</u>

Draft Rules on e-way bills, which were framed by the Law Committee, were put in public domain in April, 2017. Various representations on these rules have been received and collated, but the same have not been examined so far by the Law Committee for paucity of time.

2. Some of the key issues identified by the trade and industry in relation to e-way bills rules are as follows:

- a) The draft rules have laid down a very low threshold beyond which the e-way bill will apply. It has been provided that any consignment of value greater than Rs. 50,000/will be required to have an e-way bill for its movement. The limit is very low compared to the high compliance burden for transporters.
- b) The rules provide that it will be applicable to any kind of movement of goods both, intra-State or inter-State. The draft e-way bill has gone beyond the present system and is proposed to be applicable to any kind of movement, both intra-State and inter-State.
- c) The draft rules provide that it will be applicable to movement of all kinds of goods. There is no demarcation for the goods as to whether they are evasion prone or not. This universal application of the rule to all kinds of goods means that there is no adoption of risk management approach which is the essence of modern day tax administration.
- d) The draft rules provide for strict timelines for completion of transport operation, which appear to be impractical and aloof from reality. Further any violation of timelines has penal consequence.
- e) The coverage of the rules is ubiquitous and does not provide for relaxation for any kind of movement such as that for imports or exports. So any movement of the export goods from the ICD to the Gateway port or for the transhipment of the imported goods from gateway port to the ICD has not been given any relaxation from the application of rules
- f) The rules require that any transhipment of the goods during movement will entail the generation of a new-way bill. The compliance burden created by this requirement would be huge as transhipment is one of the essential attribute of cargo movement and is required for efficient movement of goods throughout the country. Besides, there might be certain eventualities such as accidents where the goods would require to be shifted from one conveyance to another.

- g) The draft rules provide that the transporter is required to carry both the invoice as well as the e-way bill during the movement of goods. Thus, there is no respite for the transporter.
- h) The onus and responsibility of movement of taxable goods is getting blurred. The smooth movement of goods may be hindered because of the faults of a transporter.
- i) Trade associations have suggested alternative model.

3. Since the feedback from the stakeholders is yet to be examined by the Law Committee, finalisation of Rules and related formats may take some time. The software development can start only after finalization of the rules and formats by the Council.

4. The above facts are placed for consideration of the Council for deciding the date and modalities of the implementation of e-way system in GST regime.