

F. No. 349/59/2017-GST
Government of India
Ministry of Finance
Department of Revenue

TABLE AGENDA NOTE No. 1

Subject: Exemption from obtaining registration for persons making inter-State supply of services whose aggregate turnover is below the threshold limit

Representations have been received from the services sector with respect to the provisions of clause (i) of section 24 of the CGST Act, 2017 vide which persons making inter-State taxable supply of goods or services or both are required to be compulsorily registered irrespective of the fact that their aggregate turnover in a financial year is less than Rs 20 lakhs (Rs. ten lakhs for special category States other than the State of Jammu and Kashmir). This means that even an instance of an inter-State supply of service by a person would make him liable to get registered under GST.

2. A case in point is the supply of services by mutual fund agents, spread all over the country, to an Asset Management Company (AMC) located in a particular State, would invariably be an inter-State supply and the agent would be liable to get registered irrespective of his turnover. Further, persons/experts going to different States for delivering lectures/seminars for a consideration would be liable to get registered irrespective of their turnover. Thus, it appears that the provision of compulsory registration in case of inter-State supply is increasing the compliance burden on small service providers and restricting them to make only intra-State supplies. It is pertinent to mention that in the erstwhile service tax regime, there was no distinction between intra-State and inter-State supplies and small taxpayers were eligible for the benefit of threshold exemption irrespective of the nature of supply.

3. It is further submitted that the GST Council in its 21st meeting held on 09.09.2017 at Hyderabad, had recommended granting exemption from registration to the job workers whose aggregate turnover is less than Rs. twenty lakhs (Rs. ten lakhs for special category States other

than the State of Jammu and Kashmir) in a financial year engaged in making inter-State supply of services to a registered person. Similar exemption was recommended for a taxable person making inter-State supplies of specified handicraft goods. Accordingly, Notification No. 7/2017-Integrated Tax and Notification No. 8/2017-Integrated Tax both dated 14.09.2017 were issued.

4. Hence, approval of the Council is sought for recommending grant of exemption from compulsory registration to persons making inter-State supply of services to any person (whether registered or not). This exemption shall not apply to suppliers whose aggregate turnover is more than Rs. twenty lakhs (Rs. ten lakhs for special category States other than the State of Jammu and Kashmir) in a financial year or who has opted to take voluntary registration under sub-section (3) of section 25 of the CGST Act. This exemption notification shall be issued only under the IGST Act, 2017.