



## Rate Notifications and Circulars issued by the Central Board of Indirect Taxes and Customs ('CBIC')

Pursuant to the 53<sup>rd</sup> Goods and Service Tax Council meeting held on June 22, 2024, ELP has earlier summarized Notifications and Circulars issued on July 10 & 11, 2024. In continuation of this, another series of rate Notifications and Circulars have been issued on July 12 & 15, 2024 which are summarized below:

### Notification No 2/ 2024 - Central Tax (Rate) dated July 12, 2024

- The Notification amends rate of GST on various products, effective from July 15, 2024, as follows:

No	Description of Goods	GST Rate (up to July 14, 2024)	New GST Rate (from July 15, 2024)	Comments
1	Cartons, boxes and cases of: (a) corrugated paper or paper board; or (b) non-corrugated paper or paper board	18%	12%	New entry 121A inserted in the Rate Notification
2	Milk cans made of iron, steel, or aluminium	18%	12%	New entry 180A inserted in the Rate Notification
3	Solar Cookers	18%	12%	New entry 183A inserted in the Rate Notification

[Above GST rate change is effectuated by amending the Notification No. 1/ 2017 - Central Tax (Rate) dated June 28, 2017 ('Rate Notification')].

### Notification No 3/ 2024 - Central Tax (Rate) dated July 12, 2024

- A new proviso is inserted in the Notification No. 2/2017 – Central Tax (Rate), dated June 28, 2017 ('Exemption Notification'). Effective from July 15, 2024, packages containing more than 25 kgs or 25 liters of farm produce will not be considered 'pre-packaged and labelled' and will, therefore, be exempt from levy of GST at 5%. A similar proviso is also inserted in the Rate Notification.

#### ELP Comments

*This amendment is significant for agricultural producers and traders, as it directly impacts their tax liabilities. By excluding larger packages from the 'pre-packaged and labelled' category, these stakeholders can now benefit from a reduced tax burden, potentially lowering operational costs and improving profit margins.*

*Further, as per Rule 3 of Legal Metrology (Packaged Commodities) Rules, 2011, the agricultural farm produce sold in bags above 50 kgs is not required to mention declarations. Thus, hitherto, exemption was available for packages of agricultural farm produce sold in bags above 50 kgs.*

**Notification No. 04/2024 – Central Tax (Rate) dated July 12, 2024**

- The Notification amends the rate of GST on various services, effective from July 15, 2024.

**Hostel accommodation services**

- The reference to Chapter Heading 9963 (on hostel accommodation) has been removed from Sr. No. 12. This exempts services related to renting residential dwellings for use as residence. Henceforth, this entry will be classified exclusively under chapter heading 9972, which pertains to the service of renting or leasing property.
- A new explanation has been inserted to Sr. No. 12, which excludes the following from scope of exemption:
  - Accommodation services for students in student residences.
  - Accommodation services provided by hostels, camps, paying guest accommodations and similar establishments.
- A new Sr. No. 12A has been inserted, stipulating that no GST will be levied on the supply of accommodation services valued at less than or equal to INR 20,000 per person per month, provided the accommodation is supplied for a minimum continuous period of 90 days. This service falls under Heading 9963. This clarification is also provided in *Circular No. 228/22/2024-GST dated July 15, 2024*.

*[Above GST rate change is effectuated by amending the Notification No. 12/ 2017 - Central Tax (Rate) dated June 28, 2017 ('Exemption Notification 1').]*

**ELP Comments**

*Recently, the Karnataka High Court<sup>1</sup> and Madras High Court<sup>2</sup> observed that hostel rooms qualify as residential dwelling units and are entitled for exemption under Sr No. 13 of the Notification No. 09/2017 – Integrated Tax (Rate) dated June 28, 2017 (i.e., Entry 12 of the Exemption Notification 1).*

*[PS: Note that a Special Leave Petition (SLP) is filed against the High Court ruling. Outcome of the said SLP will have a bearing on the eligibility to claim exemption.]*

*The above rulings contradict the recent amendment, which imply that hostel services for the past period were not eligible for exemption under Entry 12 of the Exemption Notification 1.*

**Services provided by Ministry of Railways**

- Services rendered by the Ministry of Railways to individuals and other zones/divisions within the Ministry of Railways will be exempt from GST payment.

**Circular No. 228/22/2024-GST dated July 15, 2024**

- Vide the said Circular, CBIC has clarified the GST applicability on certain issues. Key clarifications are as follows:
  - Real Estate Regulatory Authority ('RERA') is a 'governmental authority' as per the definition in the Exemption Notification 1 and statutory collections made by RERA will be exempt from GST as per Sr. No. 4 of the Exemption Notification 1.
  - Sharing of the incentive amount by the acquiring bank with other stakeholders, upto the point where the incentive is distributed in the proportion and manner (as decided by the National Payment Corporation of India in consultation with the participating banks under the notified Incentive Scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions) is in the nature of subsidy and thus, will be exempt from GST.
  - GST on reinsurance of the general insurance and life insurance schemes specified under Sr. No. 35 and Sr. No. 36 of the Exemption Notification 1 is regularized for the period July 01, 2017 to January 24, 2018 on 'as is where is' basis.

<sup>1</sup> Taghar Vasudeva Ambrish vs Appellate Authority for Advance Ruling [2022 (63) G.S.T.L. 445 (Kar.)]

<sup>2</sup> Thai Mookambikaa Ladies Hostel vs UOI [2024-TIOL-588-HC-MAD-GST]

- GST on reinsurance of government sponsored insurance schemes specified under Sr. No. 40 of the Exemption Notification 1 is regularized for the period July 01, 2017 to July 26, 2018 on 'as is where is' basis.
- The term 'reinsurance' as specified under Sr. No. 36A of the Exemption Notification 1 includes 'retrocession' services.
- GST exemption is also provided in respect of certain services provided by Ministry of Railways.

#### Circular No. 229/23/2024-GST dated July 15, 2024

- Vide the said Circular, the CBIC has provided clarifications regarding the GST applicability on various issues. Key clarifications include:
  - Solar cookers that work on dual energy of solar energy and grid electricity will be classified under chapter heading 8516 and attract 12% GST rate in terms of Sr. No. 201A of Rate Notification.

#### ELP Comments

*Concerns have been raised regarding the appropriate classification and applicable GST rate for the supply of solar cookers that operate on dual energy sources. The CBIC has addressed this issue through the issuance of this Circular, providing necessary clarification.*

- All types of sprinklers, including fire water sprinklers will attract GST at the rate of 12% in terms of Sr. No. 195B of the Rate Notification. Further, it has been clarified that issues for the past period are regularized on 'as is where is basis'.

#### ELP Comments

*There have been uncertainties regarding whether the current entry covering sprinklers at a 12% GST rate also applies to fire water sprinklers. The CBIC has provided clarification on this matter through the issuance of a Circular.*

- Parts of poultry-keeping machinery will be classified under chapter heading 84369100 and attract 12% GST rate in terms of Sr. No. 199 of the Rate Notification. Further, the said entry is amended to include 'parts' of poultry-keeping machinery. Further, it has been clarified that issues for the past period are regularized on 'as is where is basis'.

#### ELP Comments

*There have been questions raised about the correct classification and applicable GST rate for the supply of 'parts' used in poultry-keeping machinery. The CBIC has addressed these concerns through the issuance of a Circular, providing clarification on this matter.*

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at [insights@elp-in.com](mailto:insights@elp-in.com) or write to our authors:

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