



Concessional rate of tax for certain category of services

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Backdrop

In context to the earlier Notification¹ issued, the government has come up with concessional rates of taxes for **certain category of services** through the new series of Notification² dated 22.08.2017. Through these new notifications specific public infrastructural services provided to Government, services relating to original works pertaining to railways, services provided by motor cab operators and goods transport agencies (GTA) has been amended to attract lower rate of taxes.

The following amendments have been made in the rate of specified services:

- ✓ Certain **specified works contract** services shall be charged at a concessional rate of 12% of GST from earlier rate of 18%. The specified works contract services are as follows:

SI no.	Description of Service supplied	Recipient of services	Rate	Comments if any
1	Works contract by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of: i) Historical Monuments, archaeological site or remains of archaeological importance, archaeological excavation or antiquity ; ii) Canal, dam or other irrigation works; iii) Pipeline, conduit or plant for <ul style="list-style-type: none">• water supply,• water treatment,• sewage treatment or disposal	Government, a local authority or a Governmental authority <i>(please refer to the definition of such authorities in the notes to alert)[#]</i>	12%	<ul style="list-style-type: none">• Above concessional would only apply to a works contract defined under Section 2(119) of CGST Act, 2017;• The definition of works contract covers within its ambit only “immovable property”.• All such changes are applicable from 22.08.2017 hence the services provided earlier 22.08.2017 shall be covered under the earlier rate of taxes.

¹ Notification No. 11/2017- CGST Rate

² Notification No. 20/2017 and 22/ 2017-CGST Rate

2	<p>Works contract service supplied by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of:</p> <p>i) Road, bridge, tunnel or terminal for road transportation for use by general public;</p> <p>ii) a civil structure or any other original works pertaining to:</p> <ul style="list-style-type: none"> • a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana; • the “In-situ rehabilitation of existing slum dwellers using land as a resource through private participation” under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana, only for existing slum dwellers; • the “Beneficiary led individual house construction/enhancement” under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana; <p>iii) pollution control or effluent treatment plant except located as a part of a factory or</p> <p>iv) A structure meant for funeral, burial or cremation of deceased.</p>	Any	12%	<ul style="list-style-type: none"> • Above concessional would only apply to a works contract defined under Section 2(119) of CGST Act, 2017; • The definition of works contract covers within its ambit only “immovable property”. • All such changes are applicable from 22.08.2017 hence the services provided earlier 22.08.2017 shall be covered under the earlier rate of taxes.
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3	<p>Composite supply of works contract supplied by way of construction, erection, commissioning or installation of original works pertaining to:</p> <p>i) Railways excluding monorail and metro;</p> <p>ii) a single residential unit otherwise than as a part of a residential complex;</p> <p>iii) low cost houses up to a carpet area of 60 square meters per house in a housing project approved by competent authority empowered under the:</p> <ul style="list-style-type: none"> • Scheme of Affordable Housing in Partnership' framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India • Affordable Housing in Partnership” component of the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana • any housing scheme of a State Government <p>iv) post-harvest storage infrastructure for agricultural produce including a cold storage for such purposes;</p> <p>v) Mechanised food grain handling system, machinery or equipment for units processing agriculture produce as food stuff excluding alcoholic beverages.</p>	Any	12%	<ul style="list-style-type: none"> • Above concessional would only apply to a works contract defined under Section 2(119) of CGST Act, 2017; • The definition of works contract covers within its ambit only “immovable property”; • All such changes are applicable from 22.08.2017 hence the services provided earlier 22.08.2017 shall be covered under the earlier rate of taxes. • The term “original works” has not been defined under CGST or SGST Act, 2017. However, by deriving its meaning from the earlier law, it refers to new construction or erection, commissioning, installation of plant & machinery or equipment or structure. Hence, all such civil related works in relation to railways, residential unit, etc. shall be charged at concessional rate of 12%.
4	In any other construction service	Any	18%	----

- ✓ In case of **passenger transport service or rental services of transport vehicles** an option is made available to the **motor car operators** which are as follows:

Sl no.	Description of Service supplied	Recipient of services	Rate	Conditions if any
1	Transport of passengers by motor cab where the cost of fuel is included in the consideration charged from the service recipient	Any	5%	The ITC of goods and services used in the supply of the service has not been taken.
			12%	Full ITC can be availed

- ✓ In case of **services provided by Goods transport agency** an option is made available to the Goods Transport Agency as follows:

Sl no.	Description of Service supplied	Rate	Conditions if any
1	Services of goods transport agency (GTA) in relation to transportation of goods (including used household goods for personal use)	5%	The service receiver shall be liable to pay tax under RCM and the ITC of goods and services used in the supply of the service by the GTA has not been taken.
		12%	Full ITC can be availed ³

- ✓ In case of **service provided by way of job work** the rate on following services has been reduced:
 - In relation to **textile and textile products** the rate has been reduced from 18% to 5%.
 - In relation to **printing of newspaper, books, journals and periodicals** the rate has been reduced from 18% to 5%.
- ✓ In case of **service provided by way of printing of newspaper, books, journals and periodicals** where only content is supplied by the publisher and the physical inputs paper used for printing belong to the service provider the rate of tax has been reduced from 18% to 5%.

³ Notification no. 22/2017-CGST Rate

#Notes:

- ✓ As per section 2(53) of CGST Act, “**Government**” means the Central Government.

- ✓ As per section 2(69) of CGST Act, “**Local authority**” means:
 - a) “Panchayat” as defined in clause (d) of article 243 of the Constitution;
 - b) “Municipality” as defined in clause (e) of article 243P of the Constitution;
 - c) Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
 - d) Cantonment Board as defined in section 3 of the Cantonments Act, 2006;
 - e) Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;
 - f) Development Board constituted under article 371 of the Constitution; or
 - g) Regional Council constituted under article 371A of the Constitution

- ✓ The term “**Governmental Authority**” have being defined in explanation to Section 2(16) of the IGST Act, 2017 which relates to non taxable online recipient. As per the said explanation, **Governmental Authority means :**

An authority or a board or any other body:
 - Set up by an Act of parliament or a State legislature or,
 - Established by any government, with 90% or more participation by way of equity or control , to carry out any function entrusted to a municipality under article 243W of the Constitution.



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