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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA
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Index Numbers of Wholesale Price in India (Base: 2011-12=100)
Review for the month of August, 2019

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for the month of August, 2019 rose by 0.2% to 121.4 (provisional) from 121.2 (provisional) for the previous month.

INFLATION

The annual rate of inflation, based on monthly WPI for August 2019, remained unchanged at 1.08 compared to July 2019 and 4.62% during the corresponding month of the previous year. Build up inflation rate in the financial year so far was 1.25% compared to a build up rate of 3.27% in the corresponding period of the previous year.

The movement of the index for the various commodity group is summarized below:-

PRIMARY ARTICLES (Weight 22.62%)

The index for this major group rose by 1.3 percent to 143.9 (provisional) from 142.1 (provisional) for the previous month. The groups and items which showed variations during the month are as follows:-

The index for 'Food Articles' group rose by 1.4% to 155.9 (provisional) from 153.7 (provisional) for the previous month due to higher price of betel leaves, condiments & spices and jowar (4% each), ragi, barley, fruits & vegetables and pork (3% each), fish-inland, wheat, arhar, maize and beef and buffalo meat (2% each) and fish-marine, milk, peas/chawali, rajma, paddy and mutton (1% each). However, the price of egg (7%), tea (2%) and poultry chicken and gram (1% each) declined.

The index for 'Non-Food Articles' group rose by 0.9% to 129.9 (provisional) from 128.8 (provisional) for the previous month due to higher price of floriculture (14%), linseed (4%), sunflower and safflower (kardi seed) (3% each), gingelly seed (sesamum), copra (coconut) and groundnut seed (2% each) and mesta, rape & mustard seed and soyabean (1% each). However, the price of hides (raw) and raw rubber (4% each), niger seed (3%), raw cotton (2%) and fodder (1%) declined.

The index for 'Crude Petroleum & Natural Gas' group rose by 1.4 percent to 88.1 (provisional) from 86.9 (provisional) for the previous month due to higher price of natural gas (3%) and crude petroleum (1%).

FUEL & POWER (Weight 13.15%)

The index for this major group rose by 0.1% to 100.7 (provisional) from 100.6 (provisional) for the previous month. The groups and items which showed variations during the month are as follows:-
The index for 'Mineral Oils' group rose by 0.1% to 91.5 (provisional) from 91.4 (provisional) for the previous month due to higher price of bitumen (9%), furnace oil (4%) and ATF and kerosene (3% each). However, the price of LPG (11%) and petroleum coke (2%) declined.

MANUFACTURED PRODUCTS (Weight 64.23%)

The index for this major group declined by 0.3% to 117.8 (provisional) from 118.1 (provisional) for the previous month. The groups and items which showed variations during the month are as follows:

The index for 'Manufacture of Food Products' group rose by 1.1% to 132.4 (provisional) from 130.9 (provisional) for the previous month due to higher price of molasses (6%), manufacture of health supplements (5%), rice bran oil and spices (including mixed spices) (4% each), maida and rapeseed oil (3% each), butter, sooji (rawa), sugar, sunflower oil, groundnut oil and salt (2% each) and cotton seed oil, ice cream, wheat flour (atta), powder milk, palm oil, instant coffee, manufacture of prepared animal feeds, processing and preserving of fish, crustaceans and molluscs and products thereof, rice, non-basmati, ghee, castor oil, manufacture of cocoa, chocolate and sugar confectionery, rice products and soyabean oil (1% each). However, the price of other meats, preserved/processed (4%), buffalo meat, fresh/frozen (3%), processed tea and chicken/duck, dressed - fresh/frozen (2% each) and basmati rice, manufacture of processed ready to eat food, gram powder (besan) and manufacture of macaroni, noodles, couscous and similar farinaceous products (1% each) declined.

The index for 'Manufacture of Beverages' group rose by 0.6% to 124.0 (provisional) from 123.2 (provisional) for the previous month due to higher price of spirits (2%) and country liquor, rectified spirit and aerated drinks/soft drinks (incl. soft drink concentrates) (1% each). However, the price of beer (1%) declined.

The index for 'Manufacture of Tobacco Products' group rose by 0.2% to 153.9 (provisional) from 153.6 (provisional) for the previous month due to higher price of cigarette (2%). However, the price of other tobacco products (2%) declined.

The index for 'Manufacture of Textiles' group declined by 0.8% to 118.3 (provisional) from 119.3 (provisional) for the previous month due to lower price of texturised and twisted yarn, weaving & finishing of textiles, cotton yarn, manufacture of other textiles and synthetic yarn (1% each).

The index for 'Manufacture of Wearing Apparel' group declined by 0.6% to 136.3 (provisional) from 137.1 (provisional) for the previous month due to lower price of manufacture of wearing apparel (woven) and except fur apparel (1% each).

The index for 'Manufacture of Leather and Related Products' group rose by 0.8% to 119.3 (provisional) from 118.3 (provisional) for the previous month due to higher price of chrome tanned leather (3%), waterproof footwear (2%), belt & other articles of leather (1%). However, the price of plastic/pvc chappals (1%), vegetable tanned leather (1%) declined.
The index for 'Manufacture of Wood and of Products of Wood and Cork' group declined by 0.1% to 134.1 (provisional) from 134.2 (provisional) for the previous month due to lower price of wooden splint (8%), timber/wooden plank, sawn/resawn (5%), wooden board (non-electrical), wood cutting, processed/sized (2% each) and wooden box/crate (1%). However, the price of lamination wooden sheets/veneer sheets (3%) and wooden block - compressed or not (1%) moved up.

The index for 'Manufacture of Paper and Paper Products' group declined by 0.7% to 121.5 (provisional) from 122.3 (provisional) for the previous month due to lower price of paper bag including craft paper bag (7%), map litho paper and paper for printing & writing (2% each) and newsprint, laminated plastic sheet, corrugated sheet box, card board and bristle paper board (1% each). However, the price of press board (4%), corrugated paper board (3%), hard board (2%) and base paper and pulp board (1% each) moved up.

The index for ‘Printing and Reproduction of Recorded Media’ group rose by 0.6% to 151.0 (provisional) from 150.1 (provisional) for the previous month due to higher price of sticker plastic (6%) and journal/periodical (2%). However, the price of printed form & schedule (5%) declined.

The index for 'Manufacture of Chemicals and Chemical Products' group declined by 0.4% to 118.3 (provisional) from 118.8 (provisional) for the previous month due to lower price of sulphuric acid (8%), caustic soda (sodium hydroxide) (7%), hydrogen peroxide (5%), phthalic anhydride and menthol (4% each), gelatine and mono ethyl glycol (3% each), di ammonium phosphate, toilet soap, tooth paste/tooth powder, organic surface active agent, mosquito coil, agro chemical formulation, ammonium sulphate, ammonium phosphate, adhesive excluding gum, ammonia gas, ammonia liquid, ethylene oxide and plasticizer (2% each) and creams & lotions for external application, foundry chemical, printing ink, organic chemicals, polyester chips or polyethylene terephthalate (pet) chips, adhesive tape (non-medicinal), varnish (all types), acrylic fibre, polyester fibre fabric, carbon black, insecticide and pesticide, fatty acid, camphor, explosive, paint, polyester film(metalized), alcohols and soda ash/washing soda (1% each). However, the price of oleoresin (6%), aromatic chemicals and face/body powder (5% each), acetic acid and its derivatives (4%), nitrogenous fertilizer, others, sodium silicate, other petrochemical intermediates and phosphoric acid (2% each) and poly propylene (PP), catalysts, ammonium nitrate, shampoo, additive, hair oil/body oil, XLPE compound, powder coating material, mixed fertilizer, agarbatti, dye stuff/dyes incl. dye intermediates and pigments/colours and ethyl acetate (1% each) moved up.

The index for 'Manufacture of Pharmaceuticals, Medicinal Chemical and Botanical Products' group declined by 0.6% to 125.4 (provisional) from 126.2 (provisional) for the previous month due to lower price of anti cancer drugs (16%), anti inflammatory preparation (14%), plastic capsules (4%), simvastatin (3%) and antipyretic, analgesic, anti-inflammatory formulations (2%). However, the price of anti-retroviral drugs for HIV treatment, anti-malarial drugs (2% each) and cotton wool (medicinal), anti allergic drugs, vials/ampoule, glass, empty or filled and antibiotics & preparations thereof (1% each) moved up.

The index for 'Manufacture of Pharmaceuticals, Medicinal Chemical and Botanical Products' group declined by 0.6% to 125.4 (provisional) from 126.2 (provisional) for the previous month due to lower price of anti cancer drugs (16%), anti inflammatory preparation (14%), plastic capsules (4%), simvastatin (3%) and antipyretic, analgesic, anti-inflammatory formulations (2%). However, the price of anti-retroviral drugs for HIV treatment, anti-malarial drugs (2% each) and cotton wool (medicinal), anti allergic drugs, vials/ampoule, glass, empty or filled and antibiotics & preparations thereof (1% each) moved up.

The index for 'Manufacture of Rubber and Plastics Products' group declined by 0.9% to 108.2 (provisional) from 109.2 (provisional) for the previous month due to lower price of plastic box/container (4%), plastic components (3%), plastic bag, processed rubber, polyester film (non-metalized), cycle/cycle rickshaw tyre, polythene film and plastic film (2% each) and rubber crumb,
plastic tape, acrylic/plastic sheet, rubber tread and PVC fittings & other accessories (1% each). However, the price of conveyer belt (fibre based) and rubber cloth/sheet (4% each), rubber moulded goods (3%), plastic furniture, condoms and polypropylene film (2% each) and elastic webbing, plastic tube (flexible/non-flexible), plastic tank, tooth brush, plastic button and motor car tyre (1% each) moved up.

The index for 'Manufacture of Basic Metals' group declined by 2.3% to 104.8 (provisional) from 107.3 (provisional) for the previous month due to lower price of pig iron (7%), sponge iron/direct reduced iron (DRI) (6%), angles, channels, sections, steel (coated/not) and alloy steel wire rods (5% each), stainless steel pencil ingots/billets/slabs, GP/GC sheet (4% each), MS pencil ingots, hot rolled (HR) coils & sheets, including narrow strip, stainless steel coils, strips & sheets and mild steel (MS) blooms (3% each), cold rolled (CR) coils & sheets, including narrow strip, MS castings, MS bright bars, stainless steel bars & rods, including flats, stainless steel tubes and MS wire rods (2% each) and zinc metal/zinc blocks, other ferro alloys, brass metal/sheet/coils, aluminium ingot, aluminium foil, aluminium castings, copper metal/copper rings, cast iron, castings, aluminium metal and aluminium alloys (1% each). However, the price of ferrochrome, steel forgings-rough, ferromanganese, copper shapes - bars/rods/plates/straps, alloy steel castings and rails (1% each) moved up.

The index for 'Manufacture of Fabricated Metal Products, Except Machinery and Equipment' group declined by 0.6% to 114.1 (provisional) from 114.8 (provisional) for the previous month due to lower price of hand tools and iron/steel hinges (4% each), bolts, screws, nuts & nails of iron & steel (2%) and hose pipes in set or otherwise, electrical stamping- laminated or otherwise, bracket, steel pipes, tubes & poles and steel structures (1% each). However, the price of lock/padlock (4%), copper bolts, screws, nuts (2%) and pressure cooker, cylinders and forged steel rings (1% each) moved up.

The index for 'Manufacture of Computer, Electronic and Optical Products' group declined by 0.2% to 111.2 (provisional) from 111.4 (provisional) for the previous month due to lower price of electro-diagnostic apparatus, used in medical, surgical, dental or veterinary sciences (4%), meter (non-electrical) (2%) and colour TV and capacitors (1% each). However, the price of electronic printed circuit board (PCB)/micro circuit (3%), watch (2%) and air conditioner (1%) moved up.

The index for 'Manufacture of Electrical Equipment' group declined by 0.2% to 111.1 (provisional) from 111.3 (provisional) for the previous month due to lower price of fibre optic cables (8%), solenoid valve (3%), light fitting accessories, incandescent lamps and transformer (2% each) and dry cells such as torch light batteries, fluorescent tube, jelly filled cables, AC motor, rotor/magneto rotor assembly, fan, electric filament type lamps, generators & alternators and electrical relay/conductor (1% each). However, the price of electric switch (7%), connector/plug/socket/holder-electric (4%), aluminium/alloy conductor (3%), electrical resistors (except heating resistors) and air coolers (2% each) and PVC insulated cable, copper wire, electric switch gear control/starter, insulating & flexible wire and washing machines/laundry machines (1% each) moved up.
The index for 'Manufacture of Machinery and Equipment' group declined by 0.4% to 113.1 (provisional) from 113.5 (provisional) for the previous month due to lower price of dumper (12%), rice mill machinery (8%), conveyors - non-roller type and gasket kit (5% each), pressure vessel and tank for fermentation & other food processing (4%), open end spinning machinery (3%), pharmaceutical machinery (2%) and pump sets without motor, air or vacuum pump, hydraulic pump, precision machinery equipment/form tools, threshers and mining, quarrying & metallurgical machinery/parts (1% each). However, the price of packing machine (5%), chillers (4%), roller and ball bearings, separator and manufacture of bearings, gears, gearing and driving elements (2% each) and air gas compressor including compressor for refrigerator, harvesters, injection pump, soil preparation & cultivation machinery (other than tractors), deep freezers, agricultural tractors, motor starter and furnaces & ovens (1% each) moved up.

The index for 'Manufacture of Motor Vehicles, Trailers and Semi-Trailers' group declined by 0.4% to 113.5 (provisional) from 114.0 (provisional) for the previous month due to lower price of shafts of all kinds (3%), seat for motor vehicles and passenger vehicles (2% each) and minibus/bus, axles of motor vehicles, brake pad/brake liner/brake block/brake rubber, others, piston ring/piston and compressor and chassis of different vehicle types (1% each). However, the price of cylinder liners (3%) and engine and crankshaft (1% each) moved up.

The index for 'Manufacture of Other Transport Equipment' group rose by 1.0% to 117.6 (provisional) from 116.4 (provisional) for the previous month due to higher price of scooters (2%), motor cycles (1%). However, the price of tanker (1%) declined.

The index for 'Manufacture of Furniture' group rose by 2.1% to 131.4 (provisional) from 128.7 (provisional) for the previous month due to higher price of foam and rubber mattress (12%), hospital furniture (2%).

The index for 'Other Manufacturing' group rose by 1.8% to 110.3 (provisional) from 108.3 (provisional) for the previous month due to higher price of silver (6%), non mechanical toys (4%), gold & gold ornaments (2%) and cricket ball, cricket bat, sports goods of rubber (incl. balls) and plastic moulded-others toys (1% each). However, the price of stringed musical instruments (incl. santoor, guitars, etc.), football and playing cards (1% each) declined.

**WPI FOOD INDEX (Weight 24.38%)**

The rate of inflation based on WPI Food Index consisting of ‘Food Articles’ from Primary Articles group and ‘Food Product’ from Manufactured Products group increased from 4.54% in July, 2019 to 5.75% in August, 2019.

**FINAL INDEX FOR THE MONTH OF JUNE, 2019 (BASE YEAR:2011-12=100)**

For the month of June, 2019, the final Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) remained unchanged at 121.5 as compared to 121.5 (provisional) and annual rate of inflation based on final index remained unchanged at 2.02% as compared to 2.02% (provisional) respectively as reported on 15.07.2019.
The Government of India has reviewed the extant FDI policy on various sectors and has made following amendments in the Consolidated FDI Policy Circular of 2017 (FDIPolicy), effective from August 28, 2017, and as amended from time to time.

**Coal Mining**

Para 5.2.3.2 of FDI Policy is amended to be read as under:

<table>
<thead>
<tr>
<th>Sector/Activity</th>
<th>% of Equity/FDI Cap</th>
<th>Entry Route</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.2.3.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coal &amp; Lignite</td>
<td></td>
<td></td>
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<tr>
<td>(1) Coal &amp; Lignite mining for captive consumption by power projects, iron &amp; steel and cement units and other eligible activities permitted under and subject to the provisions of Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development and Regulation) Act, 1957.</td>
<td>100%</td>
<td>Automatic</td>
</tr>
<tr>
<td>(2) Setting up coal processing plants like washeries subject to the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.</td>
<td>100%</td>
<td>Automatic</td>
</tr>
<tr>
<td>(3) For sale of coal, coal mining activities including associated processing infrastructure subject to the provisions of Coal Mines (Special Provisions) Act, 2015 and the Mines and Minerals (Development</td>
<td>100%</td>
<td>Automatic</td>
</tr>
</tbody>
</table>
and Regulation) Act, 1957 as amended from time to time and other relevant Acts on the subject.

Following new Clause 5.2.3.3.2 (iii) is added under other conditions of Para 5.2.3.3.2 of FDI Policy:

"Associated Processing Infrastructure" as contained at Para 5.2.3.2 above includes coal washery, crushing, coal handling, and separation (magnetic and non-magnetic)."

**Contract Manufacturing:**
Para 5.2.5.1 of FDI Policy is amended to be read as under:

"Subject to the provisions of the FDI policy, foreign investment in 'manufacturing' sector is under automatic route. Manufacturing activities may be either self-manufacturing by the investee entity or contract manufacturing in India through a legally tenable contract, whether on Principal to Principal or Principal to Agent basis. Further, a manufacturer is permitted to sell its products manufactured in India through wholesale and/or retail, including through e-commerce, without Government approval."

**Single Brand Retail Trading**
Para 5.2.15.3 of FDI Policy is amended to read as under:

<table>
<thead>
<tr>
<th>Sector/Activity</th>
<th>% of Equity/ FDI Cap</th>
<th>Entry Route</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Brand Product retail trading</td>
<td>100%</td>
<td>Automatic</td>
</tr>
</tbody>
</table>

(1) Foreign Investment in Single Brand Product retail trading is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices.

(2) FDI in Single Brand Product retail trading would be subject to the following conditions:
a. Products to be sold should be of a 'Single Brand' only.

(b) Products should be sold under the same brand internationally i.e. products should be sold under the same brand in one or more countries other than India.

(c) 'Single Brand' product-retail trading would cover only products which are branded during manufacturing.

(d) A non-resident entity or entities, whether owner of the brand or otherwise, shall be permitted to undertake 'single brand' product retail trading in the country for the specific brand, either directly by the brand owner or through a legally tenable agreement executed between the Indian entity undertaking single brand retail trading and the brand owner.

(e) In respect of proposals involving foreign investment beyond 51%, sourcing of 30% of the value of goods procured, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company will be required to maintain. This procurement requirement would have to be met, in the first instance, as an average of five years’ total value of the goods procured, beginning 1st April of the year of commencement of SBRT business (i.e. opening of first store or start of online retail, whichever is earlier). Thereafter, SBRT entity shall be required to meet the 30% local sourcing norms on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of foreign investment for the purpose of carrying out single-brand product retail trading.

(f) For the purpose of meeting local sourcing requirement laid down at para (e) above, all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. SBRT entity is also permitted to set off sourcing of goods from India for global operations against the mandatory sourcing requirement of 30%. For this purpose, 'sourcing of goods from India for global operations' shall mean value of goods sourced from India for global operations for that single brand (in INR terms) in a particular financial year directly by the entity undertaking SBRT or its group companies (resident or non-resident), or indirectly by them through a third party under a legally tenable agreement.

(g) An SBRT entity operating through brick and mortar stores can also undertake retail trading through e-commerce. However, retail trading through e-commerce can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within 2 years from date of start of online retail.
Note:

(i) Conditions mentioned at Para 5.2.15.3 (2) (b) & 5.2.15.3 (2) (d) will not be applicable for undertaking SBRT of Indian brands.

(ii) Indian brands should be owned and controlled by resident Indian citizens and/or companies which are owned and controlled by resident Indian citizens.

(iii) Sourcing norms will not be applicable up to three years from commencement of the business i.e. opening of first store or start of online retail, whichever is earlier for entities undertaking single brand retail trading of products having ‘state-of-art’ and ‘cutting-edge’ technology and where local sourcing is not possible. Thereafter, provisions of Para 5.2.15.3 (2) (e) will be applicable. A Committee under the Chairmanship of Secretary, DPIIT, with representatives from NITI Aayog, concerned Administrative Ministry and independent technical expert(s) on the subject will examine the claim of applicants on the issue of the products being in the nature of ‘state-of-art’ and ‘cutting-edge’ technology where local sourcing is not possible and give recommendations for such relaxation.

Digital Media

Following new clause 5.2.7.2.3 is added under para 5.2.7.2 of the FDI policy:

| 5.2.7.2.3 | Uploading/ Streaming of News & Current Affairs through Digital Media | 26% | Government |

Existing Para 5.2.7.2.3 shall be renumbered as 5.2.7.2.4

6. The above decision will take effect from the date of FEMA notification.
MINISTRY OF FINANCE

Recommendations of GST Council Related to Law & Procedure GST Rate on Goods as Recommended by The GST Council in Its 37th Meeting

The 37th GST Council met in Goa under the Chairmanship of Union Finance & Corporate Affairs Minister Smt Nirmala Sitharaman. The meeting was also attended by Union Minister of State for Finance & Corporate Affairs Shri Anurag Thakur besides Chief Minister of Goa Shri Pramod Sawant, Finance Ministers of States & UTs and seniors officers of the Ministry of Finance.

The GST Council, in its meeting recommended the following Law & Procedure related changes:

1. Relaxation in filing of annual returns for MSMEs for FY 2017-18 and FY 2018-19 as under:
   a. waiver of the requirement of filing FORM GSTR-9A for Composition Taxpayers for the said tax periods; and
   b. filing of FORM GSTR-9 for those taxpayers who (are required to file the said return but) have aggregate turnover up to Rs. 2 crores made optional for the said tax periods.

2. A Committee of Officers to be constituted to examine the simplification of Forms for Annual Return and reconciliation statement.

3. Extension of last date for filing of appeals against orders of Appellate Authority before the GST Appellate Tribunal as the Appellate Tribunals are yet not functional.

4. In order to nudge taxpayers to timely file their statement of outward supplies, imposition of restrictions on availment of input tax credit by the recipients in cases where details of outward supplies are not furnished by the suppliers in the statement under section 37 of the CGST Act, 2017.

5. New return system now to be introduced from April, 2020 (earlier proposed from October, 2019), in order to give ample opportunity to taxpayers as well as the system to adapt and accordingly specifying the due date for furnishing of return in FORM GSTR-3B and details of outward supplies in FORM GSTR-1 for the period October, 2019 - March, 2020.

6. Issuance of circulars for uniformity in application of law across all jurisdictions:
   a. procedure to claim refund in FORM GST RFD-01A subsequent to favourable order in appeal or any other forum;
   b. eligibility to file a refund application in FORM GST RFD-01A for a period and category under which a NIL refund application has already been filed; and
   c. clarification regarding supply of Information Technology enabled Services (ITeS services) (in supersession of Circular No. 107/26/2019-GST dated 18.07.2019) being made on own account or as intermediary.
7. Rescinding of Circular No.105/24/2019-GST dated 28.06.2019, *ab initio*, which was issued in respect of post-sales discount.


9. Integrated refund system with disbursal by single authority to be introduced from 24th September, 2019.

10. In principle decision to link Aadhar with registration of taxpayers under GST and examine the possibility of making Aadhar mandatory for claiming refunds.

11. In order to tackle the menace of fake invoices and fraudulent refunds, in principle decision to prescribe reasonable restrictions on passing of credit by risky taxpayers including risky new taxpayers.

Note: The recommendations of the GST Council have been presented in this release in simple language only for immediate information of all stakeholders. The same would be given effect through relevant Circulars/Notifications which alone shall have the force of law.
GST Rate on Services as Recommended by The GST Council in Its 37th Meeting

The 37th GST Council met in Goa under the Chairmanship of Union Finance & Corporate Affairs Minister Smt Nirmala Sitharaman. The meeting was also attended by Union Minister of State for Finance & Corporate Affairs Shri Anurag Thakur besides Chief Minister of Goa Shri Pramod Sawant, Finance Ministers of States & UTs and seniors officers of the Ministry of Finance.

GST Council took following decisions relating to changes in GST rates, ITC eligibility criteria, exemptions and clarifications on connected issues.

(A) EXEMPTIONS / CHANGES IN GST RATES / ITC ELIGIBILITY CRITERIA:

Rate reduction sector wise:

**Hospitality and tourism:**

1. To reduce the rate of GST on hotel accommodation service as below:

<table>
<thead>
<tr>
<th>Transaction Value per Unit (Rs) per day</th>
<th>GST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs 1000 and less</td>
<td>Nil</td>
</tr>
<tr>
<td>Rs 1001 to Rs 7500</td>
<td>12%</td>
</tr>
<tr>
<td>Rs 7501 and more</td>
<td>18%</td>
</tr>
</tbody>
</table>

2. To reduce rate of GST on outdoor catering services other than in premises having daily tariff of unit of accommodation of Rs 7501 from present 18% with ITC to 5% without ITC. The rate shall be mandatory for all kinds of catering. Catering in premises with daily tariff of unit of accommodation is Rs 7501 and above shall remain at 18% with ITC.

**Job work service:**

3. To reduce rate of GST from 5% to 1.5% on supply of job work services in relation to diamonds.
4. To reduce rate of GST from 18% to 12% on supply of machine job work such as in engineering industry, except supply of job work in relation to bus body building which would remain at 18%.

**Exemption sector wise:**

**Warehousing:**
5. To exempt prospectively services by way of storage or warehousing of cereals, pulses, fruits, nuts and vegetables, spices, copra, sugarcane, jaggery, raw vegetable fibres such as cotton, flax, jute etc., indigo, unmanufactured tobacco, betel leaves, tendu leaves, rice, coffee and tea.

**Transportation:**

6. To increase the validity of conditional exemption of GST on export freight by air or sea by another year, i.e. till 30.09.2020.

**Insurance:**

7. To exempt “BANGLA SHASYA BIMA” (BSB) crop insurance scheme of West Bengal Government.

8. To exempt services of life insurance business provided or agreed to be provided by the Central Armed Paramilitary Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the respective Group Insurance Schemes of these Central Armed Paramilitary forces.

**Export promotion:**

9. To exempt services provided by an intermediary to a supplier of goods or recipient of goods when both the supplier and recipient are located outside the taxable territory.

10. To issue a notification under Section 13(13) of IGST Act notifying the place of supply of specified R&D services (such as Integrated discovery and development, Evaluation of the efficacy of new chemical/ biological entities in animal models of disease, Evaluation of biological activity of novel chemical/ biological entities in in-vitro assays, Drug metabolism and pharmacokinetics of new chemical entities, Safety Assessment/ Toxicology, Stability Studies, Bio Equivalence and Bio Availability Studies, Clinical trials, Bio analytical studies) provided by Indian pharma companies to foreign service recipients, as the place of effective use and enjoyment of a service i.e. location of the service recipient.

11. To clarify that the place of supply of chip design software R&D services provided by Indian companies to foreign clients by using sample test kits in India is the location of the service recipient and section 13(3)(a) of IGST Act, 2017 is not applicable for determining the place of supply in such cases.

**Miscellaneous**

12. To allow the registered authors an option to pay GST on royalty charged from publishers under forward charge and observe regular GST compliance.

13. To notify grant of liquor licence by State Governments against payment of license fee as a “no supply” to remove implementational ambiguity on the subject.
14. To exempt services related to FIFA Under-17 Women's World Cup 2020 similar to existing exemption given to FIFA U17 World Cup 2017.

(B) RATIONALIZATION/ TRADE FACILITATION MEASURES:

15. To allow payment of GST on securities lending service under reverse charge mechanism (RCM) at the merit rate of 18% and to clarify that GST on securities lending service for period prior to RCM period shall be paid on forward charge basis. IGST shall be payable on supply of these services and in cases where CGST/SGST/UTGST have been paid, such taxpayers will not be required to pay tax again.

16. To allow RCM to suppliers paying GST @ 5% on renting of vehicles, from registered person other than body corporate (LLP, proprietorship) when services provided to body corporate entities.

(C) CLARIFICATIONS:

17. To clarify the scope of the entry ‘services of exploration, mining or drilling of petroleum crude or natural gas or both”.

18. To clarify taxability of Passenger Service Fee (PSF) and User Development Fee (UDF) levied by airport operators.

Note: It is proposed to issue notifications giving effect to these recommendations of the Council on 1st October, 2019.

[This note presents the decision of the GST Council in simple language for easy understanding which would be given effect to through Gazette notifications/ circulars which shall have force of law.]
MINISTRY OF FINANCE

GST Rate on Goods as Recommended by The GST Council in Its 37th Meeting

The 37th GST Council met in Goa under the Chairmanship of Union Finance & Corporate Affairs Minister Smt Nirmala Sitharaman. The meeting was also attended by Union Minister of State for Finance & Corporate Affairs Shri Anurag Thakur besides Chief Minister of Goa Shri Pramod Sawant, Finance Ministers of States & UTs and seniors officers of the Ministry of Finance.

The council took the following decisions in respect to rates relating to goods.

I. GST rates reduction, -
   a. 18% to 12% on parts of Slide Fasteners
   b. 18% to 5% on Marine Fuel 0.5% (FO)
   c. 12% to 5% on Wet Grinders (consisting stone as a grinder)
   d. 5% to Nil on:-
      i. Dried tamarind
      ii. Plates and cups made up of leaves/ flowers/bark
   e. 3% to 0.25% on cut and polished semi-precious stones
   f. Applicable rate to 5% on specified goods for petroleum operations undertaken under Hydrocarbon Exploration Licensing Policy (HELP)
   g. Exemptions from GST/IGST on:-
      i. imports of specified defence goods not being manufactured indigenously (upto 2024)
      ii. supply of goods and services to FIFA and other specified persons for organizing the Under-17 Women’s Football World Cup in India.
      iii. supply of goods and services to Food and Agriculture Organisation (FAO) for specified projects in India.

II. GST rates have been recommended to be increased from, -
   a. 5% to 12% on goods, falling under chapter 86 of tariff like railway wagons, coaches, rolling stock (without refund of accumulated ITC). This is to address the concern of ITC accumulation with suppliers of these goods.
   b. 18% to 28% +12% compensation cess on caffeinated Beverages
III. Measures for Export Promotion

a. Exemption from GST/IGST:-

i. at the time of import on Silver/Platinum by specified nominated agencies
ii. supply of Silver/Platinum by specified nominated agency to exporters for exports of Jewellery,

b. Inclusion of Diamond India Limited (DIL) in the list of nominated agencies eligible for IGST exemption on imports of Gold/ Silver/Platinum so as to supply at Nil GST to Jewellery exporters.

IV. A uniform GST rate of 12% on Polypropylene/Polyethylene Woven and Non- Woven Bags and sacks, whether or not laminated, of a kind used for packing of goods (from present rates of 5%/12%/18%)

V. GST concession in certain cases for specific period: -

a. Exemption to Fishmeal for the period 01.07.17 to 30.09.19. There were doubts as regards taxability of fishmeal in view of the interpretational issues. However, any tax collected for this period shall be required to be deposited.

b. 12% GST during the period 1.07.2017 to 31.12.2018, on pulley, wheels and other parts (falling under Heading 8483) and used as parts of agricultural machinery.

VI. Passenger vehicles of engine capacity 1500 cc in case of diesel, 1200 cc in case of petrol and length not exceeding 4000mm designed for carrying up to 9 persons attract compensation cess of 1% for petrol and 3% for diesel vehicle. Council recommended same compensation cess rate for vehicles having these specifications (length and engine capacity) but designed for carrying more than 10 persons but up to 13 persons. (Presently these vehicles attract compensation cess at the rate of 15%)

VII. Other miscellaneous Changes:

• Aerated drink manufacturers shall be excluded from compositionscheme.
• Option to pay GST at the rate of 18% on transaction value at the time of disposal of specified goods for petroleum operations (on which concessional GST rate of 5% was paid at the time of original supply) provided that the goods are certified by Director General Hydrocarbon(DGH) as non-serviceable.
• Restriction on refund of compensation cess on tobacco products (in case of inverted duty structure)
• Prescribing modalities for allowing concessions on spare parts imported temporarily by foreign airlines for repair of their aircraft, while in India in transit in terms of the Chicago Convention on Civil Aviation.
• Certain other changes of technical nature for the sake of clarity in application of notification.
VIII. **Clarifications as regards applicability of GST rate in respect of certain goods recommended by GST Council which *inter-alia* includes:**

- Mere heating of leguminous vegetables (gram/lentil) for removing moisture, or to soften and puff it or removing the skin, and not subjecting to any other processing or addition of any other ingredients (salt, oil etc.) would be classified under HS code 0713.
- All “mechanical sprayers” falling under HS Code 8424 would attract 12% GST.
- Parts like Solar Evacuation tubes for solar power based devices like solar water heater, solar steam, generation systems, would be eligible to 5% GST rate.
- Exclusive parts and accessories suitable for use solely or principally with a medical device (falling under headings 9018, 9019, 9021 or 9022) would fall in respective headings and attract GST at the concessional rate of 12%.
- Almond milk is classifiable under HS code 22029990 and attracts GST rate of 18%.
- Imported stores for Navy would be entitled to exemption from IGST.

**The rate changes shall be made effective with effect from 1st October, 2019.**

*This note presents the decision of the GST Council in simple language for ease of understanding, which would be given effect to through Gazette notifications/circulars, which shall have force of law.*
RESERVE BANK OF INDIA

Priority Sector Lending (PSL) – Classification of Exports under priority Sector

In order to boost credit to export sector, it has been decided to effect following changes in para 8 of the “Master Direction on Priority Sector Lending-targets and Classification” dated July 7, 2016 (updated as on December 4, 2018) pertaining to export credit.

i. Enhance the sanctioned limit, for classification of export credit under PSL, from ₹ 250 million per borrower to ₹ 400 million per borrower.

ii. Remove the existing criteria of ‘units having turnover of up to ₹ 1 billion’

2. The existing guidelines for domestic scheduled commercial banks to classify ‘Incremental export credit over corresponding date of the preceding year, upto 2 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher’ under PSL will continue to be applicable subject to the criteria mentioned at (i) above.

3. There is no change in the present instructions in respect of foreign banks.

Yours faithfully,

(Gautam Prasad Borah)
Chief General Manager-in-Charge