

Highlights - 55th GST Council Meeting

Important decisions announced in the 55th GST Council Meeting on December 21, 2024, are as follows:

1. Extensions and Reports

The Group of Ministers (**GoM**), formed to address issues related to compensation cess, rationalisation of rates, health insurance, extension to submit reports etc. A relief on the rate of GST on health insurance is expected.

2. GST Exemptions

(a) Payment aggregators handling payments below ₹2,000 have been exempted from GST, although this exemption does not apply to payment gateways or fintech services not involved in fund settlements.

(b) Penal charges collected by banks and non-banking financial companies (NBFCs) from borrowers for non-compliance with loan terms will now be exempt from GST.

(c) Supplies of dried black pepper and raisins made by agriculturists will not attract GST under the updated framework.

(d) Imports of equipment and consumable samples by the Inspection Team of International Atomic Energy Agency (IAEA) will be exempt from Integrated GST (IGST) subject to specified conditions.

(e) It has also been recommended to fully exempt GST on Gene Therapy

3. Rate Clarifications and Adjustments

(a) Caramelised popcorn has been clarified to fall under the same GST rate as sugar-added products, rather than the 5% GST rate applicable to salted popcorn.

(b) The Compensation Cess rate on supplies to merchant exporters has been reduced to 0.1%, aligning it with the GST rate for such transactions.

4. Sale of Vehicles

(a) To increase the GST rate from 12% to 18 % on sale of all old and used vehicles, including Electric Vehicles (**EVs**) other than those specified at 18% -Sale of old and used petrol vehicles of engine capacity of 1200 cc or more & of length of 4000 mm or more; diesel vehicles of engine capacity of 1500 cc or more & of length of 4000 mm and SUVs.

[Note: GST is applicable only on the Value that represents Margin of the Supplier, that is, the difference between the Purchase price and Selling price (depreciated value if depreciation is claimed) and not on the value of the vehicle. Also, it is not applicable in case of unregistered persons.]

(b) Used EVs sold between individuals will not attract GST under the new provisions.

(c) Refurbished EVs sold by businesses will attract an 18% GST on the margin value, calculated as the difference between the purchase price and the sale price, in line with the taxation policy for other used vehicles.

5.Reverse charge mechanism

Inter- state Reverse charge mechanism (RCM) transactions to be included under Input Service Distributor (ISD) framework starting April 1, 2025.

6. Forward Charge Mechanism

To bring supply of the sponsorship services provided by the body corporates under Forward Charge Mechanism.

7. Invoice Management System (IMS)

Introduction of IMS framework with amendments to the CGST Act and Rules, including adjustments to Input Tax Credit(ITC) reversal mechanisms and FORM GSTR-2B filing procedures.

7. Deferred Decisions

The Council deferred its decision regarding the applicability of GST on food delivery charges by quick commerce platforms and food delivery apps.

These decisions reflect the Council's efforts to address compliance challenges, provide relief to key sectors, and streamline the GST framework. Businesses are encouraged to stay updated with these changes to ensure timely compliance

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