**Gist of circulars issued on 11th October 2019**

**Circular 113/2019: CBIC clarifies applicability of GSt Rates on supply of goods**

a) 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 code0713.

b) All “mechanical sprayers” falling under HS Code 8424 would attract 12% GST.

c) 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.

d) 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%.

e) Almond milk is classifiable under HS code 22029990 and attracts GST rate of 18%.

f) Imported stores for Navy would be entitled to exemption from IGST.

**Circular 114/2019: CBIC clarifies the scope of the entry services of exploration, mining or drilling of petroleum crude or natural gas or both**

**Circular 115/2019: CBIC clarifies that Passenger Service Fee and User Development Fee charged by airport operators, liable to GST**

CBIC clarifies that Passenger Service Fee (PSF) and User Development Fee (UDF) charged by airport operators qualifies consideration for providing the services to passengers, liable to GST. The airport operators shall pay GST on the PSF and UDF collected by them from the passengers through the airlines and the airline shall not be liable to pay GST same provided the airline satisfies the conditions prescribed for a pure agent under Rule 33 of CGST Rules. The collection charges paid by airport operator to airlines are a consideration for the services provided by the airlines to the airport operator (AAI, DAIL, MAIL etc.) and airlines shall be liable to pay GST on the same under forward charge while ITC of the same will be available with the airport operator.

**Circular 116/2019: CBIC clarifies that display of donor’s name in charitable organization’s premises not liable to GST**

Individual donors provide financial help or any other support in the form of donation or gift to institutions such as religious institutions, charitable organizations, schools, hospitals, orphanages, old age homes etc. The recipient institutions place a name plate or similar such acknowledgement in their premises to express the gratitude. CBIC clarifies that same is an act of expressing gratitude towards the donor’s act of philanthropy and is not aimed at giving publicity to the donor in such manner that it would be an advertising or promotion of his business. There is no obligation (quid pro quo) on part of recipient of the donation or gift to do anything (supply a service), therefore, there is no GST liability on such consideration. CBIC Clarifies that GST is not leviable upon satisfaction of 3 conditions namely,

i) gift or donation is made to a charitable organization,

ii) payment has the character of gift or donation, and

iii) purpose is philanthropic (i.e. it leads to no commercial gain) and not advertisement.

**Circular 117/2019: CBIC Clarifies that “Maritime Institutions” qualify as “educational institutions” and Maritime Courses exempt from GST**

The CBIC has clarified that the courses conducted by the Maritime Training Institutes and their training courses as approved by the Director General of Shipping which are duly recognized under the provisions of the Merchant Shipping Act, 1958 read with the Merchant Shipping (standards of training, certification and watch-keeping for Seafarers) Rules, 2014 are exempt from levy of GST. The exemption is subject to meeting the conditions specified at Sl. No. 66 of the notification No. 12/ 2017- Central Tax(Rate) dated 28.06.2017.

**Circular 118/2019: CBIC’s clarifies on scope of place of supply in case of software/design services related to Electronics Semi-conductor & Design Manufacturing industry**

The trade has requested clarification on whether provision of hardware proto types and samples and testing thereon lends these services the character of performance-based services in respect of “goods required to be made physically available by the recipient to the provider”.

The CBIC has clarified that the place of supply of software development design and testing services wherein the sample prototype hardware and sample test kit are supplied by the service recipient located in foreign territory is location of the recipient. The CBIC has clarified that the entire transaction is a composite supply wherein testing of software on sample prototype hardware is often an ancillary supply and software development and design for integrated circuits electronically is the principal supply of the service provider.

Therefore, in case if the consideration is received in foreign currency for the said supply, it would qualify for export of services and would not attract GST.

**Circular 119/2019: CBIC clarifies regarding taxability of lending of securities under Securities Lending Scheme, 1997**

The supply of lending of securities under the scheme is classifiable under heading 997119 and is leviable to GST@18% under Sl. No. 15(vii) of Notification No. 11/2017- Central Tax (Rate) dated June 28, 2017.For the period July 01, 2017 to September 30, 2019, IGST is payable under forward charge by the lender. In case, the service provider has already paid CGST / SGST treating the supply as an intra-state supply, he shall not be required to pay IGST again in lieu of such GST payments already made. With effect from October 01, 2019, the borrower of securities shall be liable to discharge IGST as per Sl. No 16 of Notification No. 22/2019-Central Tax (Rate) dated September 30, 2019 under reverse charge mechanism (RCM).

**Circular 120/2019: CBIC specifies operative date for Explanation to Sr. No. 3(vi) inserted in Services Notification**

CBIC clarifies that Explanation inserted u/s 11(3) of the CGST Act is effective from inception of the entry at Sl. No. 3(vi) of Notification No. 11/2017- CTR dated June 28, 2017, i.e. September 21, 2017. The said entry deals with concessional rate of 6% GST on composite supply of works contract to the Central Government, State Government, Union Territory, a local authority, a Governmental Authority or a Government Entity by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration. Explanation provided that, for the purpose of the said entry, the activities or transactions under taken by Government and Local Authority are excluded from the term ‘business.

**Circular 121/2019: CBIC clarifies on scope of GST on supply of grant of alcoholic liquor licence**

Services proved by the Government to business entities including by way of grant of privileges, licence, mining rights, natural resources such as spectrum etc. against payment of consideration in the form of fee, royalty etc. are taxable under GST. However in terms of NN 25/2019- CT dated 30.09.2019, the grant of liquor license against consideration in the form of licence fee is neither supply of goods nor supply of services. Consequently, the grant of liquor license by the Government to business entities against license fee would not attract GST.