

## **CBIC clarifies taxability and applicable rates on various goods and services under GST**

17 January 2023



## Key recommendations

Particulars	Clarifications
<b>GST applicability on incentives paid by MeitY to banks</b>	<ul style="list-style-type: none"> <li>• It is clarified that the incentives paid by the Ministry of Electronics and Information Technology (MeitY) to the acquiring banks under the incentive scheme for the promotion of RuPay debit cards and low-value BHIM UPI transactions are in the form of a subsidy directly linked to the price of the service.</li> <li>• It would not be included in the taxable value of the transaction, and thus, would not be taxable under GST.</li> <li>• For a transaction using the above mentioned mode of payments, the consideration is being paid by MeitY to the acquiring banks, instead of being paid by the merchant or the user of the card.</li> <li>• However, it is not a consideration for services provided by the acquiring bank to the central government (CG).</li> </ul>
<b>Taxability of accommodation services provided by the Air Force mess</b>	<ul style="list-style-type: none"> <li>• It is clarified that accommodation services supplied by the Air Force Mess and other similar messes to its personnel or any person other than a business entity are exempt under GST, provided such services qualify as services supplied by the CG, state government, union territory, or local authority.</li> </ul>
<b>'Carbonated Beverages of Fruit Drink' or 'Carbonated Beverages with Fruit Juice'</b>	<ul style="list-style-type: none"> <li>• Based on the 45th GST Council recommendations, a specific entry has been added in the rate notifications w.e.f. 1 October 2021 for items with the description 'Carbonated Beverages of Fruit Drink' or 'Carbonated Beverages with Fruit Juice'.</li> <li>• The corresponding six-digit HSN code for the aforementioned goods is HS 220299.</li> <li>• These goods shall attract GST @28% and a @12% compensation cess.</li> <li>• The aforesaid entries would apply to all carbonated beverages that contain carbon dioxide, irrespective of whether it is added as a preservative, additive, etc.</li> <li>• The above mentioned goods have been excluded from the entry provided for fruit pulp or fruit juice-based drinks, taxable at 18%.</li> </ul>
<b>Sports Utility Vehicle (SUV)</b>	<ul style="list-style-type: none"> <li>• It has been clarified that a compensation cess of 22% is applicable to motor vehicles falling under heading 8703 that meet all the following four requirements:             <ul style="list-style-type: none"> <li>• Popularly known as SUVs</li> <li>• Engine capacity &gt; 1500cc</li> <li>• Length &gt; 4000mm</li> <li>• Ground clearance is 170mm and above</li> </ul> </li> <li>• This clarification is confined to and applicable to SUVs only.</li> </ul>

## Our comments

Pursuant to the recommendations made by the Goods and Service Tax (GST) Council in its 48th meeting, the Central Board of Indirect Taxes and Customs (CBIC) has issued circulars to clarify the applicability of GST and the classification of various goods and services.

The government pays incentives to banks in order to encourage the use of the RuPay debit card and BHIM-UPI digital transactions and to create a digital payment ecosystem. As a result, all population groups would have improved access to the digital payment method. The GST Council underlined that such an incentive is in the form of a subsidy and would not be taxable under GST. Having the subsidy distinguished from the consideration of a supply is a welcome clarification.

Furthermore, as per the rate notification, motor vehicles with engine capacity exceeding 1500 cc, popularly known as SUVs, including utility vehicles, attract a compensation cess @22%. It should be noted that the parameters for SUV qualification are already specified in the relevant rate entry. However, what constitutes an SUV was ambiguous. This clarification would demonstrate that the 22% compensation cess would only be applicable if all four conditions are satisfied.

The recent clarifications issued by the CBIC are welcoming and would provide clarity as well as help reduce litigations.

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