

# CGST Act set to see key amendments in Budget session

FinMin says some changes may take effect from April

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The Goods and Services Tax (GST) Council has paved the way for several amendments to the CGST Act, including a retrospective change to reverse the Supreme Court's judgment in the Safari Retreats case, during the Budget session. Other proposed amendments include provisions empowering the government to enforce a track-and-trace mechanism for specified evasion-prone commodities.

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In a statement, the Ministry of Finance said the proposals would come into force after the amendments to the law. Many of these amendments

are proposed to take effect from April 1, 2025.

At its 55th meeting in Jaisalmer on Saturday, the GST Council recommended an amendment to Section 17(5)(d) of the CGST Act, 2017 to clarify the language by replacing the phrase "plant or machinery" with "plant and machinery". This amendment will apply retroactively from July 1, 2017, ensuring a consistent interpretation of these terms as explained in the law. The implementation of this amendment in GST law will overturn the Supreme Court ruling, which allowed realtors to claim input tax credit (ITC) on construction costs if the building was used for rental purposes.

## KEY DECISIONS AT GST COUNCIL MEET



- GST rate on fortified rice kernel reduced to 5%
- GST on gene therapy fully exempt
- Old and used vehicles, including EVs, to face 18% tax
- No GST on transactions of vouchers
- RBI-regulated payment aggregators now exempt from GST
- States reject proposal to bring ATF under GST

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## 18% GST on caramelised popcorn draws criticism

**Economists have criticised the decision of the GST Council to have an 18 per cent GST for caramelised popcorn, saying it will further complicate the indirect tax system. Former CEA Arvind Subramanian posted on X: "This is a national tragedy, violating the spirit of the Good & Simple Tax the GST was meant to be."** 4 ▶

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# GST Council paves way for CGST Act amendments

“The proposed retrospective amendment with respect to GST input tax credits may have to pass the test of constitutional validity as this amendment is merely to defeat the Supreme Court's judgment,” said Abhishek Rastogi, founder of Rastogi Chambers, who had argued for a dozen petitioners before the Supreme Court on this issue.

The Council also decided to enhance compliance within the GST framework by introducing a new provision under the CGST Act, 2017. The proposed Section 148A will empower the government to implement a track-and-trace mechanism for commodities which are prone to evasion. This system will use a Unique Identification Marking applied to the goods or their packaging. By establishing a legal framework for this mechanism, the government aims to facilitate the tracing of specified commodities throughout the entire supply chain, thereby improving transparency and reducing tax evasion.

The Council further proposed amendments to Sections 107 and 112 of the CGST Act 2017, regarding the payment of pre-deposits when appealing orders that involve

only penalties. For appeals to the Appellate Authority, the required pre-deposit will be reduced from 25 per cent to 10 per cent of the penalty amount. A similar reduction to 10 per cent will also be introduced for appeals to the Appellate Tribunal.

As measures of trade facilitation, the GST Council also cleared the amendment in Schedule III of CGST Act to explicitly provide that supply of goods warehoused in a Special Economic Zone (SEZ) or Free Trade Warehousing Zone (FTWZ) to any person before clearance of such goods for exports or to the Domestic Tariff Area, will be treated neither as supply of goods nor as supply of services. “This brings transactions relating to supply of goods warehoused in SEZ/FTWZ on par with the existing GST provisions for transactions in Customs-bonded warehouses,” the ministry statement said.

To allow multi-state businesses to distribute input tax credit for inter-state reverse charge mechanism transactions, the GST Council approved a proposal to amend Section 2(61) and Section 20(1) of the CGST Act, as well as the CGST Rules.

