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Exemptions

Extra provisions for detailed and comprehensive study

40.2 Power to grant exemption from tax [S. 11]

U/s 11, the Government can grant exemption on the recommendation of the GST Council. Exemption can either be general or case specific. This is explained below.

| Contours | General exemption [S. 11(1)] | Case specific exemption [S. 11(2)] |
|---|---|--|
| What can be exempted? | Goods and/or services of specified description, from the whole or any part of tax. | Goods and/or services from payment of tax. |
| When is exemption granted? | When it is necessary in the public interest. | When it is necessary in the public interest and under circumstances of an exceptional nature. |
| How is exemption granted? | By a notification . | By a special order in each case. |
| What type of exemption can be granted? | 1: Absolute exemption, i.e., unconditional. It is <i>mandatory</i> in nature. The registered person cannot opt to forego the exemption. 2: Conditional exemption, i.e., subject to specified conditions. It is <i>optional</i> . A registered person can avail the same upon satisfaction of the conditions. | As per the order. |
| Effective date of exemption? | Date specified in the notification | As per the order. |
| Explanations issued to clarify [S. 11(3)] | The Government can insert an Explanation in the notification/order in order to clarify its scope or applicability at any time within 1 year of issue of such notification/order. Such Explanation is effective retrospectively from the date of the parent notification/order (not from the date of insertion of Explanation). | |

Bar to collect tax - Where the exemption is granted absolutely, the registered person supplying such goods and/or services is not allowed to collect tax, in **excess** of the **effective rate** on such supply. Thus, if whole of tax is exempted, no tax can be collected. If part of tax is exempted, no tax can be collected in excess of the effective rate. For example, renting of residential dwelling to an unregistered person is exempt from tax. If Mr. A lets out a residential house to Mr. B who is unregistered, he cannot collect tax on rent from Mr. B.

ILLUS 40.1: The notification prescribing concessional rates on certain services was issued on 28.6.2017. Subsequently, a new entry was inserted in that notification vide another notification issued on 21.9.2017. After this, an Explanation was inserted in the said Entry vide notification issued on 26.7.2018. – The Explanation, having been inserted u/s 11(3), would be effective from the date of inception of the entry from 21.9.2017, not from 26.7.2018 [Circular 120/39/2019-GST].

44.2 Skill development

Following services relating to skill development are also exempt from tax:

| Entry No. | Description of services |
|---------------------------------|---|
| 69 – Skill development programs | Any services provided by, _ 1. The National Skill Development Corporation set up by the Government of India; 2. A Sector Skill Council approved by the National Skill Development Corporation; 3. An assessment agency approved by the Sector Skill Council or the National Skill Development Corporation; 4. A training partner approved by National Skill Development Corporation or Sector Skill Council, in relation to- 1. The National Skill Development Programme implemented by the National Skill Development Corporation; or 2. A vocational skill development course under the National Skill Certification and Monetary Reward Scheme; or 3. Any other Scheme implemented by the National Skill Development Corporation. |
| 70 – Skill assessment | Services of assessing bodies empanelled centrally by the Directorate General of Training, Ministry of Skill Development and Entrepreneurship, by way of assessments under the Skill Development Initiative Scheme. |
| 71 – DDUGK Yojana | Services provided by training providers (Project implementation agencies) under Deen Dayal Upadhyaya Grameen Kaushalya Yojana implemented by the Ministry of Rural Development, Government of India, by way of offering skill or vocational training courses certified by the National Council for Vocational Training. |

47. SERVICES PROVIDED BY GOVERNMENT – SPECIFIC CASES

Following services provided by Government are also exempt:

| Entry No. | Description of services | | | | | | | | | | | | | | | | | | | | |
|---|---|--|--|-----------|-------------------------|----|-------------------|--------------------------|--|---|--|--|--|-----|----------|--|---|----|----------|---|--|
| 9C, 34A, 65, 65B – Special cases | <p>Following services are exempt:</p> <table border="1"> <thead> <tr> <th>Entry</th> <th>Supplier</th> <th>Recipient</th> <th>Service which is exempt</th> </tr> </thead> <tbody> <tr> <td>9C</td> <td>Government entity</td> <td>CG/SG/UT/LA¹</td> <td>Supply of service against consideration received from CG/SG/UT/LA in the form of grants.</td> </tr> <tr> <td colspan="4"><i>Government Entity</i> - It means an authority or a board or any other body including a society, trust, corporation, (a) set up by an Act of Parliament or State Legislature; or (b) established by any Government, with 90% or more participation by way of equity or control, to carry out a function entrusted by the CG/SG/UT/LA.</td> </tr> <tr> <td>34A</td> <td>CG/SG/UT</td> <td>Undertaking of CG/SG/UT or Public Sector Undertaking (PSU)</td> <td>Guaranteeing the loans taken by recipient from banking companies and financial institutions.</td> </tr> <tr> <td>65</td> <td>CG/SG/UT</td> <td>-</td> <td>Deputing officers <i>after</i> office hours or on <i>holidays</i> for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges.</td> </tr> </tbody> </table> | Entry | Supplier | Recipient | Service which is exempt | 9C | Government entity | CG/SG/UT/LA ¹ | Supply of service against consideration received from CG/SG/UT/LA in the form of grants . | <i>Government Entity</i> - It means an authority or a board or any other body including a society, trust, corporation, (a) set up by an Act of Parliament or State Legislature; or (b) established by any Government, with 90% or more participation by way of equity or control, to carry out a function entrusted by the CG/SG/UT/LA. | | | | 34A | CG/SG/UT | Undertaking of CG/SG/UT or Public Sector Undertaking (PSU) | Guaranteeing the loans taken by recipient from banking companies and financial institutions. | 65 | CG/SG/UT | - | Deputing officers <i>after</i> office hours or on <i>holidays</i> for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges . |
| Entry | Supplier | Recipient | Service which is exempt | | | | | | | | | | | | | | | | | | |
| 9C | Government entity | CG/SG/UT/LA ¹ | Supply of service against consideration received from CG/SG/UT/LA in the form of grants . | | | | | | | | | | | | | | | | | | |
| <i>Government Entity</i> - It means an authority or a board or any other body including a society, trust, corporation, (a) set up by an Act of Parliament or State Legislature; or (b) established by any Government, with 90% or more participation by way of equity or control, to carry out a function entrusted by the CG/SG/UT/LA. | | | | | | | | | | | | | | | | | | | | | |
| 34A | CG/SG/UT | Undertaking of CG/SG/UT or Public Sector Undertaking (PSU) | Guaranteeing the loans taken by recipient from banking companies and financial institutions. | | | | | | | | | | | | | | | | | | |
| 65 | CG/SG/UT | - | Deputing officers <i>after</i> office hours or on <i>holidays</i> for inspection or container stuffing or such other duties in relation to import export cargo on payment of Merchant Overtime charges . | | | | | | | | | | | | | | | | | | |

¹ Or any person specified by CG/SG/UT/LA.

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|--|----|--------------------------------|-----------------------|--|
| 65B | SG | Excess Collection (ERCC) | Royalty Contractor | Assigning the right to collect royalty on behalf of SG on the mineral dispatched by the mining lease holders. |
| <p><i>Mining lease holder</i> - It means a person who has been granted mining lease, quarry lease or license or other mineral concession under Mines and Minerals (Development and Regulation) Act, 1957.</p> <p><i>Net GST loss</i> - GST deposited by mining lease holders on royalty should not be less than GST exempted for ERCC under this Entry. If it is so, excess exemption is withdrawn and ERCC is required to pay the difference.</p> | | | | |

49. TRANSPORTATION – PASSENGERS

Following services are also exempt:

| Entry No. | Description of services |
|------------------|--|
| 16 – RCS airport | <p>Services provided to CG, by way of transport of passengers (with or without accompanied belongings), by air, embarking from OR terminating at a regional connectivity scheme (RCS) airport, against consideration in the form of viability gap funding.</p> <p>Exemption ceases to apply on or after the expiry of 3 years from the date of commencement of operations of such airport as notified by the Ministry of Civil Aviation.</p> |

RCS Scheme aims to connect small underserved regional airports to key airports by providing subsidy to airlines so as to facilitate or stimulate regional connectivity by making it affordable. In absence of Government support, flight operations connecting such airports would not be commercially viable. Such financial support is called viability gap funding.

50. TRANSPORTATION – GOODS

The following services are also exempt:

| Entry No. | Description of services |
|-----------------------------|---|
| Entry 9B – Transit cargo | <p>Supply of services associated with transit cargo to Nepal and Bhutan (landlocked countries).</p> <p>Services associated with transit cargo both to and from Nepal and Bhutan are exempt. Further, movement of empty containers returning to India from Nepal and Bhutan, after delivery of goods there, is a service associated with the transit cargo to Nepal and Bhutan and is, therefore, covered by the exemption.² [Circular 177/09/2022-TRU]</p> |
| Entry 61A – National Permit | <p>Services by way of granting National Permit to a goods carriage to operate throughout India / contiguous States.</p> |

51. BANKING & FINANCE

The following services are also exempt:

| Entry No. | Description of services |
|-----------------------|--|
| 27 – Foreign currency | <p>Inter se sale or purchase of foreign currency amongst banks or authorised dealers of foreign exchange or amongst banks and such dealers.</p> |

This Entry only covers services between banks and dealers. Such service provided to general public is not exempt.

² The applicable regulations governing transit / transshipment should be followed in addition to ensuring that an electronic track and trace facility is in place. This facility uses container numbers to locate the cargo. Thus, it is verifiable that the empty container returning from Nepal or Bhutan is the same container which was used to deliver goods to Nepal or Bhutan.

| | |
|--|--|
| 27A – BSBD A/c under PMJDY | Services provided by a banking company to Basic Saving Bank Deposit (BSBD) account holders under Pradhan Mantri Jan Dhan Yojana (PMJDY). |
| 34 – Settlement of card transaction | Services by an acquiring bank , to any person in relation to settlement of an amount up to ₹ 2,000 in a single transaction transacted through credit card, debit card, charge card or other payment card service. |
| <i>Acquiring bank</i> - It means any banking company, financial institution including NBFC or any other person, who makes the payment to any person who accepts such card. | |
| 39A – IFSC | Services by an intermediary of financial services located in a multi services SEZ with International Financial Services Centre (IFSC) status to a customer located outside India for international financial services in currencies other than Indian rupees (INR). |
| Intermediary of financial services in IFSC is a person who is – | |
| <ol style="list-style-type: none"> 1. Permitted or recognised as such by the Government of India or any Regulator appointed for regulation of IFSC; or 2. Treated as a person resident outside India under the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015; or 3. Registered under the Insurance Regulatory and Development Authority of India (International Financial Service Centre) Guidelines, 2015 as IFSC Insurance Office; or 4. Permitted as such by SEBI under SEBI (International Financial Services Centres) Guidelines, 2015. | |

52. INSURANCE & PENSION

The following services are also exempt:

| Entry | Description of services | | | | | | |
|--|--|--------------------------|--|---------------------------------------|----------------------------------|--|-----------------------------------|
| LIFE INSURANCE | | | | | | | |
| 28 | Services of life insurance business provided by way of annuity under the National Pension System (NPS) regulated by the Pension Fund Regulatory and Development Authority of India (PFRDAI). | | | | | | |
| 29 | Services of life insurance business provided or agreed to be provided by the Army, Naval and Air Force Group Insurance Funds to members of the Army, Navy and Air Force , respectively, under the Group Insurance Schemes of the CG. | | | | | | |
| 29A | Services of life insurance provided or agreed to be provided by the Naval Group Insurance Fund to the personnel of Coast Guard under the Group Insurance Schemes of the CG. | | | | | | |
| 29B | Services of life insurance provided or agreed to be provided by the Central Armed Police Forces (under Ministry of Home Affairs) Group Insurance Funds to their members under the Group Insurance Schemes of the concerned Central Armed Police Force . | | | | | | |
| 36 | Services of life insurance business provided under following schemes - | | | | | | |
| | <table border="1"> <tr> <td>1. Janashree Bima Yojana</td> <td>2. Aam Aadmi Bima Yojana</td> </tr> <tr> <td>3. Pradhan Mantri Vaya Vandana Yojana</td> <td>4. Varishtha Pension Bima Yojana</td> </tr> <tr> <td>5. Pradhan Mantri Jeevan Jyoti Bima Yojana</td> <td>6. Pradhan Mantri Jan Dhan Yojana</td> </tr> </table> | 1. Janashree Bima Yojana | 2. Aam Aadmi Bima Yojana | 3. Pradhan Mantri Vaya Vandana Yojana | 4. Varishtha Pension Bima Yojana | 5. Pradhan Mantri Jeevan Jyoti Bima Yojana | 6. Pradhan Mantri Jan Dhan Yojana |
| 1. Janashree Bima Yojana | 2. Aam Aadmi Bima Yojana | | | | | | |
| 3. Pradhan Mantri Vaya Vandana Yojana | 4. Varishtha Pension Bima Yojana | | | | | | |
| 5. Pradhan Mantri Jeevan Jyoti Bima Yojana | 6. Pradhan Mantri Jan Dhan Yojana | | | | | | |
| GENERAL INSURANCE | | | | | | | |
| 35 | Services of general insurance business provided under following schemes - | | | | | | |
| | <table border="1"> <tr> <td>1. Hut Insurance Scheme</td> <td>2. Cattle Insurance under Swarna-jayanti Gram Swarozgar Yojana</td> </tr> </table> | 1. Hut Insurance Scheme | 2. Cattle Insurance under Swarna-jayanti Gram Swarozgar Yojana | | | | |
| 1. Hut Insurance Scheme | 2. Cattle Insurance under Swarna-jayanti Gram Swarozgar Yojana | | | | | | |

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|---------------------------------------|--|--|
| | 3. Scheme for Insurance of Tribals | 4. Janata Personal Accident Policy and Gramin Accident Policy |
| | 5. Group Personal Accident Policy for Self-Employed Women | 6. Agricultural Pumpset and Failed Well Insurance |
| | 7. Premia collected on export credit insurance | 8. Restructured Weather Based Crop Insurance Scheme (RWCIS) |
| | 9. Jan Arogya Bima Policy | 10. Pradhan Mantri Fasal Bima Yojana (PMFBY) |
| | 11. Pilot Scheme on Seed Crop Insurance | 12. Central Sector Scheme on Cattle Insurance |
| | 13. Universal Health Insurance Scheme | 14. Rashtriya Swasthya Bima Yojana |
| | 15. Coconut Palm Insurance Scheme | 16. Pradhan Mantri Suraksha Bima Yojana |
| | 17. Niramaya Health Insurance Scheme | 18. Bangla Shasya Bima |
| 36A | Services by way of reinsurance of the insurance schemes under Entry 35, 36 [see above] or 40 [para 48]. | |
| PENSION | | |
| 37 | Services by way of collection of contribution under the Atal Pension Yojana . | |
| 38 | Services by way of collection of contribution under any pension scheme of the SG . | |
| SERVICES BY SPECIFIED ENTITIES | | |
| Entry | Services provided by | Services provided to or by way of |
| 30 | Employees' State Insurance Corporation (ESIC) | To persons governed under Employees' State Insurance Act, 1948 (ESI Act) |
| 31 | Employees Provident Fund Organisation (EPFO) | To persons governed under the Employees Provident Funds and the Miscellaneous Provisions Act, 1952 (EPF Act) |
| 31A | Coal Mines Provident Fund Organisation | To persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 |
| 31B | National Pension System (NPS) Trust | To its members (against consideration in the form of administrative fee) |

53. IMMOVABLE PROPERTY & INFRASTRUCTURE

The following services are also exempt:

| Entry No. | Description of services |
|--|---|
| 41 – Lease of industrial plots or plots for financial business infrastructure | <p>Upfront amount (called as premium, salami, cost, price, development charges or by any other name) payable for granting of long-term lease (30 years or more) of industrial plots or plots for development of infrastructure for financial business is exempt subject to following conditions:</p> <ol style="list-style-type: none"> Lease is granted by (a) State Government Industrial Development Corporations or Undertakings or (b) any other entity having 20% or more ownership of CG/SG/UT³. Lease is granted to industrial units or developers in any industrial or financial business area. Leased plots shall be used for the purpose for which they are allotted, i.e., for industrial or financial activity in an industrial or financial business area. <p>In case of any violation or subsequent change of land use, the original lessor, original lessee as well as any subsequent lessee/buyer/owner shall be jointly and severally liable to pay the tax exempted on the upfront amount along with applicable interest and penalty.</p> <p>Location charges or preferential location charges (PLC) paid upfront in addition to the lease premium constitute part of</p> |

³ Directly or through an entity which is wholly owned by CG/SG/UT.

upfront amount charged for long term lease of land and are eligible for the **same** tax treatment, and are, thus, exempt u/e 41 [Circular 177/09/2022-TRU].

| | |
|--|---|
| 41A, 41B – Transfer of TDR, FSI or lease of land for apartments | Service by way of transfer of development rights (TDR) or Floor Space Index (FSI) (including additional FSI) for construction of residential apartments by a promoter in a project, intended for sale to a buyer, wholly or partly, <i>except</i> where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier . |
|--|---|

If residential apartments remain **un-booked** on the date of issuance of completion certificate or first occupation of the project, as the case may be, exemption is **withdrawn**. In such case:

1. **The promoter is liable to pay tax under RCM** [para 31.4] on the value of TDR/FSI or lease premium attributable to **un-booked** residential apartments.
2. However, tax payable is restricted to **1%** of the value in case of **affordable** residential apartments and **5%** of value in case of **other** residential apartments.

Liability to pay such tax arises on the earlier of date of completion or first occupation of project, as the case may be.

57. BUSINESS ACTIVITIES

The following services are also exempt:

| Entry No. | Description of services |
|--------------------------|--|
| 44, 48 Incubation | <p><i>Entry 44</i> - Services provided by an incubatee up to a total turnover of ₹ 50 lakh in a FY subject to the following conditions:</p> <ol style="list-style-type: none"> 1. The total turnover had not exceeded ₹ 50 lakh during the preceding FY; and 2. A period of 3 years has not elapsed from the date of entering into an agreement as an incubatee. <p><i>Entry 48</i> - Taxable services, provided or to be provided, by a TBI or STEP or bio-incubators.</p> <p>'<i>Incubatee</i>' means an entrepreneur located within the premises of a Technology Business Incubator (TBI) or Science and Technology Entrepreneurship Park (STEP) recognised by National Science and Technology Entrepreneurship Development Board (NSTEDB) of Department of Science and Technology, Government of India and who has entered into an agreement with the TBI or STEP to enable himself to develop and produce hi-tech and innovative products.</p> <p><i>Bio-incubators</i> should be recognised by the Biotechnology Industry Research Assistance Council, under the Department of Biotechnology, Government of India.</p> <p>Thus, by virtue of this Entry, an incubatee is exempted from tax up to a turnover of ₹ 50 lakh in a FY for a period of 3 years, in accordance with the above conditions.</p> |

58. MISCELLANEOUS

The following services are also exempt:

| Entry No. | Description of services |
|---|--|
| 19C – Satellite launch | Satellite launch services. |
| 59 – Diplomatic mission | Services by a foreign diplomatic mission located in India . |
| Services to a foreign diplomatic mission located in India is not exempt. | |

