GST CLARIFICATION REGARDING SERVICES PROVIDED BY ITES INDUSTRY

1643. SHRI TIRUCHI SIVA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government will issue the revised circular that was approved by the GST Council during its 37th meeting held on 20.09.2019, to clarify doubts relating to the supply of Information Technology Enabled Services (ITES), as in the absence of such a clarification, interpretations by GST authorities treating ITES services to be intermediary services under GST continue to adversely affect the USD 38 billion industry’s exports competitiveness; and

(b) if so, the details thereof and, if not, the reasons therefor?

ANSWER

MINISTER OF STATE FOR FINANCE (SHRI PANKAJ CHAUDHARY)

(a) and (b) The GST Council in its 37th meeting held on 20.09.2019 had approved the issuance of a circular to clarify further doubts relating to supply of IT-Enabled Services subsequent to issuance of Circular No. 107/26/2019-GST dated 18.07.2019. However, the GST Implementation Committee (GIC) of the GST Council, in its 34th meeting held on 02.12.2019, deliberated the issue further and recommended, inter-alia, that:-

(i) policy issues relating to the scope of the expression “intermediary” may be decided first;
(ii) appropriate changes in law may be proposed to explicitly state the legal intent, with approval of the GST Council;
(iii) Circular No. 107/26/2019-GST dt. 18.07.2019 may be rescinded; and
(iv) no new circular may be issued without further deliberation on the policy issues involved.

The decision of the GIC was noted by the GST Council in its 38th meeting held on 18.12.2019. In order to implement the said decision, Circular No. 127/46/2019-GST dated 04.12.2019 was issued to rescind Circular No. 107/26/2019-GST dated 18.07.2019.

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