

## **A Study on Goods and Services Exempted from GST in India**

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### **ABSTRACT**

In this study the introduction and history regarding GST is provided in detailed manner and literature review is briefed and the exemptions are listed, they are goods and services and then the challenges and criticism is provided and then the conclusion is given. This study tries to provide a primary information about the exemptions which are in place and also what are will be the challenges occur in deciding the goods which needs to be exempted.

### **INTRODUCTION**

GST is a tax system which has been introduced in India which was implemented by many countries all over the world before. It was first proposed ten years back and was delayed due to various reasons such as political. At last, the honorable president of India announced GST at midnight on July 1, 2017 by constitutional change. It is considered as one of the most important tax reforms in the history of Indian economy. According to the IMF, India has the world's fifth largest economy. India is among the rapidly rising economies in the world

The GST will cause the GDP to gradually increase. Due to GST there will increase in visibility of India in both the domestic and also international market.

### **LITERATURE REVIEW**

Previously tax payers required to pay several indirect taxes. Next, the GST went into effect. This was done with the intention of creating a straightforward tax system where taxes were based on economic activity.

GST must be collected by the state where the usage is done. This implies that the tax is dependent on a place. The dual GST approach, which is in place in India, means that taxes are collected by both the state and federal governments. The state's term for the GST it collects is SGST. The central GST collected by the center is referred to as CGST. The central government is responsible for collecting the IGST, which is a tax that is applicable to both import and interstate transactions. The UTGST is the

name given to the tax that is gathered in union territories including Chandigarh, Daman & Diu, and the Lakshadweep islands.

The Goods and Services Tax (GST) facilitates several benefits such as less double taxation, cascading effect, tax categorization issue, and tax variety. Previously, each state set its own VAT rate. With the GST, tax evasion will be less and also the corruption.

### **EXEMPTIONS.**

As per section 2(47), 'Exempt supply' means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax. It includes non-taxable supply and as per section 2(78), 'Non-taxable supply' means a supply of goods or services or both which is not leviable to tax under GST laws.

#### **Goods exempt from tax**

There are many notified goods on whose supply (whether intra-State supply or inter-State supply), tax is not levied. Some of those goods are

1. Curd; lassi; butter milk
2. Meat of bovine animals, fresh and chilled
3. Live fish
4. Fresh milk and pasteurized milk (including separated milk or milk and cream which is neither concentrated nor containing added sugar/ other sweetening matter; but excluding Ultra High Temperature (UHT) milk)
5. Live bovine animals
6. Human hair, unworked (whether or not washed/ scoured); waste of human hair
7. Semen including frozen semen
8. Potatoes, fresh or chilled
9. Tomatoes, fresh or chilled
10. Other vegetables, fresh or chilled
11. Prasadam supplied by religious places like temples, mosques, churches, gurudwaras, dargahs, etc.
12. Water (other than aerated, mineral, purified, distilled, medicinal, ionic, battery, demineralized and water sold in sealed container)
13. Human blood and its components
14. All types of contraceptives
15. Kajal (other than kajal pencil sticks), Kumkum, Bindi, Sindur, Alta

16. Condoms and contraceptives
17. Deities made of stone, marble or wood
18. Judicial/ Non-judicial stamp papers, Court fee stamps when sold by the Government  
Treasuries/ Vendors authorized by the Government
19. Postal items (like envelope, Post card etc.) sold by Government
20. Rupee notes or coins when sold to RBI or the Government of India
21. Cheques (lose or in book form)
22. Printed books (including Braille books)
23. Newspapers/ journals/ periodicals, whether or not illustrated or containing advertising Material
24. Children's picture, drawing or colouring books
25. Gandhi Topi
26. Indian National Flag
27. Spacecraft (including satellites) and suborbital and spacecraft launch vehicles
28. Hearing aids
29. Sanitary towels (pads) or sanitary napkins; tampons
30. Passenger baggage
31. Puja samagri
32. Rakhi
33. Supply of gift items received by the President, Prime Minister, Governor or Chief Minister of any State/ Union territory, or any public servant, by way of public auction by the Government, where auction proceeds are to be used for public or charitable cause
34. Supply of lottery by any person other than State Government/ Union Territory/ Local authority provided the supply of such lottery has suffered appropriate Central tax/ State tax/ Union territory tax/ Integrated tax, as the case may be, when supplied by State Government/ Union Territory/ Local authority, as the case may be, to the lottery distributor (or selling agent) appointed by the State Government/ Union Territory/ Local authority, as the case may be.
35. Supply of goods by a government entity to Central Government/ State Government/ Union territory/ Local authority/ any person specified by them, against consideration received from Central Government/ State Government/ Union territory/ Local authority in the form of grants

**Services exempt from tax**

There are many notified services on whose supply (whether intra-State supply or inter-State supply), tax is not levied. These services are divided into different categories for the purpose of simplicity.

### 1. Agricultural Services

All agriculturally related services are included in this, with the exception of horse raising. Cultivation, harvesting, farm labor supply, fumigation, packing, leasing or renting agricultural machinery, warehousing operations, and services rendered by an Agricultural Produce Marketing Committee or Board that are rendered by an agent for the sale or purchase of agricultural produce are examples of exempt services.

### 2. Educational Services

Transportation for teachers and students, lunch catering, testing services, admission, security, and housekeeping.

Organizations and institutions participating in the initiative "Scholarships for Students with Disabilities" provide coaching .

### 3. Healthcare Services

Services by veterinary clinics; medicine provided by clinics or paramedics.

Ambulance services, philanthropic institutions, and associations that support pilgrimages for religious purposes

### 4. Judicial Services

Services rendered by an arbitral tribunal in the preceding financial year to any individual who wasn't a business entity or to a business entity with a turnover of up to Rs. 20 lakhs (Rs. 10 lakhs for special category states) (i.e., services rendered by the court or a judge).

Advocates or partnership firms of advocates; individuals not associated with a business entity; and companies with income up to Rs. 20 lakhs (Rs. 10 lakhs for special category states) in the preceding financial year are among the clients served by a partnership firm of advocates.

Legal services provided by a senior advocate to individuals who are not businesses or to businesses with turnover of up to Rs. 20 lakhs (Rs. 10 lakhs for special category states) in the preceding fiscal year.

### 5. Transportation Services

For customers who pay a toll, transportation services (road or bridge); road freight transportation (unless offered by a courier or transportation agency). ).

Woodgrains, milk, salt, newspapers, and agricultural goods are transported by contract carriages or non-AC horses.

Delivery of goods whose total cost is less Rs. 1500.

Hiring services for any state transportation initiative, including those involving vehicles with a capacity of more than 12 passengers, as well as services for organizations that manage the movement of goods.

6. Service provided by Government Services rendered by any outside embassy with a presence in India. The Indian Reserve Bank provides services. Services provided to diplomats, especially by the UN. In addition to the National Pension System and other life insurance schemes, life insurance is offered by Army, Navy, and also Air Force Groups.

7. Miscellaneous Services Transmission or distribution of electricity by authorized personnel. Services provided by recognized sports bodies. Services provided by journalists, Press Trust of India, or United News of India. This includes the collection and provision of news. Services provided by slaughterhouses. Services provided by libraries. Renting out vehicles by State Transport Undertakings and Local Authorities. Overloading charges at a toll plaza. Services provided for conducting religious ceremonies, including renting the premises of any religious place.

#### 8. Newly Added Exemption

The federal government, state governments, and union territories are all served by the GSTN. There would be no GST in the back-office sector. The 18% GST would not apply to 'services outsourced to India' or services rendered in India 'on behalf' of international firms.

### Challenges and Criticism

#### 1. Complexity of Administration:

Challenge: The administrators of a complex GST exemption program may have challenges in monitoring, complying with, and enforcing the plan.

Criticisms: Critics contend that the administrative burden of managing a sizable number of exemptions might lead to inefficiencies, increased costs associated with compliance, and potential chances for tax evasion.

#### 2. Potential Revenue Drop

Challenge: The government's ability to fund public services and infrastructure may be hampered if some goods and services are exempt.

Criticisms: Some opponents claim that a lengthy list of exclusions might make the GST system less profitable. As a result, it's critical to carefully consider the trade-off between social objectives and financial feasibility.

#### 3. Definition of essential goods and services:

Challenge: Determining whether goods and services qualify as "essential" can be a difficult procedure that gives rise to disagreements about whether or not they should be included in the exemption list.

Criticisms: Some argue that the ambiguity created by subjective interpretations may facilitate interest groups' efforts to influence or advocate for modifications to the exemption rules.

#### 4. Need for Regular Evaluation

Challenge: It could be challenging to secure political backing and carry out the recommended regular assessments of the exemption list.

Criticisms: Those opposed to GST contend that the exempt items list is out of date and does not reflect the present situation.

### Conclusion

In conclusion, the country's economy is now headed in a different route thanks to the introduction of the GST. Since its introduction in 2017, it has streamlined the tax code, eliminated several indirect taxes, and created a single, federally and state-level system. GST has affected the economy on a national and international level.

A thorough examination of the GST exemptions was also conducted, with a focus on goods and services that are subject to zero percent or no tax. To balance social and economic objectives, certain exclusions are necessary. However, the analysis has shown shortcomings and criticisms of the Goods and Services Tax (GST) system, including complex administrative processes, potential revenue reductions due to extensive exclusions, and the inaccurate process of determining needs.

The research indicates that the exemption list has needs to be evaluated regularly to support evolving social and economic goals. The challenges that have been discussed, such as revenue problems and administrative complexity, emphasize how important it is to handle the GST system strategically and creatively.

In conclusion, even if the GST has brought about a lot of positive development, its effectiveness needs to be preserved by resolving problems and worries. As the nation continues on its path of economic growth, policymakers and other stakeholders may use these insights to enhance and adapt the GST system, resulting in a more robust and flexible framework that is in step with the shifting demands of the Indian economy.

### References:

1. <https://www.zoho.com/in/books/gst/exemptions-in-gst.html>
2. <https://cleartax.in/s/exemptions-gst-goods>