

The GST Council in its meeting on 6 October 2017 has recommended the following:

A. Full exemption from 5% IGST on import of rigs for oil / gas exploration and production projects under lease. The said exemption from IGST would be subject to satisfaction of the following conditions:

- ❖ IGST is leviable under IGST Act, 2017 on supply/ import of following services covered under Schedule II of the Central Goods and Services Tax Act, 2017:
 - a) any transfer of right in goods or of undivided share in goods without the transfer of title thereof **[item 1(b) of Schedule II of the CGST legislation]**;
 - b) Transfer of the right to use any goods for any purpose (whether or not for a specified period) for cash, deferred payment or other valuable consideration **[5(f) of Schedule II of the CGST legislation]**
- ❖ The rig is not sold without the prior permission of the Commissioner of Customs of the port of importation;
- ❖ Rigs are **re-exported within 3 months** from the expiry of the period for which they were supplied under a transaction covered by item 1(b) or 5(f) of Schedule II of the CGST Legislation;
- ❖ In the event of violation of any of the above conditions, IGST (that would have been payable had the benefit of this exemption would not have been available) would have to be paid, along with interest, on demand.

B. Key changes in rates of services

- ❖ GST to be levied @ 12% on works contract services in respect of offshore works contract relating to oil and gas exploration and production (E&P) in the offshore area beyond 12 nautical miles.
- ❖ GST to be levied @ 12% with Input tax credit or 5% without Input tax credit for transportation of natural gas through pipeline.

Notifications by the Central Government, to give effect to the above stated recommendations of the GST Council, are awaited. We shall keep you updated in this regard.



Oil and Gas
- Key
recommendations
emerging from the
22nd meeting of
GST Council held on
6 October 2017

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