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11th GST Council

- ***GST Council approved CGST and IGST Law.***
- ***UGST and SGST laws to be approved in next meeting***
- ***Maximum ceiling (cap rate) will be mentioned in law in order to leave some scope for increase in rates.Cess will be only transient***
- ***Restaurants under Composition Scheme whose turnover is upto Rs. 50 Lakhs and rate would be 2.5% by the Centre & 2.5% by the State***
- ***Composition Scheme for manufacturing sector***

Previous 10th GST Council : - February 18 2017

11th GST Council : - March 4-5 2017

Upcoming 12th GST Council : - March 16 2017

GST Council on its 11th Meeting held on 4th March, 2017, at Delhi approved the Draft Central Goods and Services Tax (CGST) Bill and the Draft Integrated GST (IGST) Bill. The remaining two Bills namely, State Goods and Services Tax (SGST) Bill and the Union territory Goods and Services Tax (UTGST) Bill, which would be almost replica of the CGST Act, would be taken-up for approval in the next meeting of GST Council scheduled on 16 March 2017.

Key features of approved CGST and IGST Laws

1	State wise Single Registration	A State-wise single registration for a taxpayer for filing returns, paying taxes, and to fulfill other compliance requirements
2	Low Physical Interface	Most of the compliance requirements would be fulfilled online, thus leaving very little room for physical interface between the taxpayer and the tax official.
3	Single Return for all Supplies	A taxpayer has to file one single return state-wise to report all his supplies, whether made within or outside the State or exported out of the country and pay the applicable taxes on them.

4	Types of Taxes	Taxes which need to be paid by the assesse under GST regime can be:- 1 CGST 2 SGST 3 Union Territory Goods and Services Tax (UTGST) and 4 IGST
5	No Registration required if	A business entity with an annual turnover of up to Rs. 20 lakhs would not be required to take registration in the GST regime, unless he voluntarily chooses to do so to be a part of the input tax credit (ITC) chain. The annual turnover threshold in the Special Category States (Arunachal Pradesh, Sikkim, Uttarakhand, Himachal Pradesh, Assam and the other States of the North-East) for not taking registration is Rs. 10 lakhs.
6	Composition Scheme	A business entity with turnover up to Rs. 50 lakhs can avail the benefit of a composition scheme under which it has to pay a much lower rate of tax and has to fulfill very minimal compliance requirements. The Composition Scheme is available for all traders, selected manufacturing sectors and for **restaurants in the services sector**.
7	Availability of ITC	In order to prevent cascading of taxes, ITC would be admissible on all goods and services used in the course or furtherance of business, except on a few items listed in the Law.
8	Manner of utilisation of ITC	In order to ensure that ITC can be used seamlessly for payment of taxes, it has been provided that the ITC entitlement arising out of taxes paid under the Central Law can be cross-utilised for payment of taxes under the laws of the States or Union Territories. For example, a taxpayer can use the ITC accruing to him due to payment of IGST to discharge his tax liability of CGST / SGST / UTGST. Conversely, a taxpayer can use the ITC accruing to him on account of payment of CGST / SGST / UTGST, for payment of IGST. Such payments are to be made in a pre-defined order.
9	Input service distributor	In the Services sector, the existing mechanism of Input Service Distributor (ISD) under the Service Tax law has been retained to allow the flow of ITC in respect of input services within a legal entity.
10	Refund –	To prevent lock-in of capital of exporters, a provision has been made to refund, within 7 days of filing the application for

	Exporter	refund by an exporter, 90% of the claimed amount on a provisional basis.
11	Single Administration	In order to ensure a single administrative interface for taxpayers, a provision has been made to authorise officers of the tax administrations of the Centre and the States to exercise the powers conferred under all Acts
12	Agriculturist definition	An agriculturist, **to the extent of supply of produce out of cultivation of land**, would not be liable to take registration in the GST regime. Schedule V of Revised Draft CGST Law provides an exception from registration in case of an agriculturist, for the purpose of agriculture. Definition of Agriculturist as contained in Revised Draft GST Law was "A person who cultivates land personally, for the purpose of agriculture". With this definition, major issues were created in the Agriculture Sector as it may have a larger impact on Agriculture Sector. Now as per the law approved by council, an agriculturist, to the extent of supply of produce out of cultivation of land, would not be liable to take registration in the GST regime. **Thus requirement of Cultivation of Land personally has been removed**.
13	ARA	To provide certainty in tax matters, a provision has been made for an Advance Ruling Authority.
14	Appeal	Exhaustive provisions for Appellate mechanism have been made.
15	Transitional Provisions	Detailed transitional provisions have been provided to ensure migration of existing taxpayers and seamless transfer of unutilised ITC in the GST regime.
16	Low tax benefit to final customer	An anti-profiteering provision has been incorporated to ensure that the reduction of tax incidence is passed on to the consumers.
17	Payment of demand in insatallement	In order to mitigate any financial hardship being suffered by a taxpayer, Commissioner has been empowered to allow payment of taxes in instalments. Commissioner has been empowered to allow payment of taxes in Instalments to mitigate any financial hardships being suffered by a tax payer.

UGST and SGST laws to be approved in next meeting

- UTGST (Union Territory Goods and Services Tax) has been introduced in line with SGST,
- ITC of IGST is allowed to be set-off against UTGST and vice versa
- Union territory Goods and Services Tax (UTGST) Bill, which would be almost a replica of the CGST Act, would be taken-up for approval in the next meeting of GST Council scheduled on 16 March 2017.

GST Tax Rate

- **Rate Slab Unchanged:** Slab of GST rates was already decided which will remain 5%, 12%, 18%, 28% & Zero rate,
- However, since this law is being implemented for long time, a maximum ceiling (cap rate) will be mentioned in law in order to leave some scope for increase in rates in future.

Restaurant under Composition Scheme

- In the 2nd Model GST Law, Composition Scheme was specially denied for Service Sector. No exception has been made in that edition.
- However considering discussion of 10th GST Council meeting, the difficulties which Small Restaurants may face, now the composition scheme is allowed to them as an exception to general rule.

Manufacturing sector under Composition Scheme

- Earlier there was no exception of composition scheme to any Manufacturing Sector except that the Rate of Composition was 2.5% as compare to 1% for Trader.
- But now it seems that only few selected Sectors in Manufacturing will be allowed the Composition Scheme for allowing ITC at further level

[Views & Opinions Expressed are strictly personal]