GST GST
Tax Talk
77
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Editorial...

India celebrated 1st July, 2018 as 'GST Day', to mark the first anniversary of the new indirect tax regime, the Goods and Services Tax. There is no denial about the fact that any new change is accompanied by difficulties and challenges. The challenges are not only for the government but also for business community, tax administrators and even common citizens of the country. The GST Council from time to time has conducted Council as well as various Group meetings for resolving the issues, which is notable. The GST Council in its 28th meeting held on 21st July, 2018 has made various decisions/recommendations on exemptions, simplified return, ITC eligibility criteria, rationalisation of rates, etc.

The GST Council discussed the return filing system and confirmed that there will be a new single GST return to be filed every month. It is expected that the existing return system will continue upto 31st December, 2018 and new return form will be made available from January, 2019. The GST Council also approved the proposal to re-open the migration window for taxpayers, who received provisional IDs but could not complete the migration process. After introduction of e-way bill, revenue generation has gone up and it is expected to grow further. The various recommendations made by the council have been compiled on Page-3 & 4 of this issue.

The government on 9th July released a list of 46 proposed amendments to the GST Act and invited the public to give their valuable suggestions till 15th July. But on the contrary, we find that the suggestions of the public do not find any place in the recommendations made by the GST Council. We hope that the recommendation would be placed before the Parliament and State Legislature after considering the suggestions of public. The next GST Council meeting is scheduled to be held on 4th August, 2018. The meeting will primarily focus on the issues being faced by the Micro, Small & Medium Enterprise (MSME) sector.

The government has organised two special drives cum refund fortnights in the month of March, 2018 (15th to 31st March, 2018) and June, 2018 (31st May to 16th June, 2018) respectively. After huge success of the previous two refund fortnights, a third refund fortnight from 16th to 30th July, 2018 was organised for clearance of pending IGST refunds of exporters and export organisations. The facility to view reasons for pending IGST refunds have been provided on ICEGATE.

The e-way bill system has completed its journey of 4 months since its inception. The number of e-way bills generated since its implementation has crossed 13.5 crore mark last month which includes 6.5 crore for intra-state movement of goods. It has been noticed that intra-state e-way bills generated on a daily basis is much higher than inter-state e-way bills. In order to process the complaints/ information uploaded by taxpayer/transporter regarding detention of vehicle carrying goods, the government has appointed Grievance Redressal Officers under e-way bill rules to mitigate the hardship of the taxpayers/ transporters.

The CBIC has a self service website (https://cbec-gst.gov.in/cbec-portal-ui/?webticketing) for taxpayers and officers where they can raise queries on GST, GST Portal, Central Excise, Service Tax or ACES by selecting the relevant option. FAQs have been provided for queries and where FAQ is not available taxpayer can proceed with ticket logging. The board has issued various notifications which have been compiled on Page- 2 of this issue.

We hope this newsletter will add some value and prove to be beneficial to the readers. We highly solicit suggestion/ opinions of the readers. Please feel free to convey your views at gst@goyalstax.com. You may refer all earlier issues of Tax Talk at www.gstpeople.com.

CA Sushil Kr Goyal

DUE DATES

Particulars	Return	Period	Due date
Regular Taxpayers (annual turnover > Rs 1.5 crore)	GSTR-1	July, 2018	10th August, 2018
Regular Taxpayers	GSTR-3B	July, 2018	20th August, 2018

GST UPDATES

Exemption Provided on Services

Social Security/Pension Security/Senior Citizens

- The services by an old age home to its residents against consideration upto twenty-five thousand rupees per month per member has been exempted from GST. The only condition attached to it is that the consideration charged should include boarding, lodging and maintenance charges.
- Exemption has been given for services provided by an unincorporated body or non-profit entity engaged in welfare of labour or farmers or promotion of trade, art, commerce etc. to its own members against consideration (membership fees) upto Rs. 1000 per member per year.
- The services provided by Coal Mines Provident Fund Organisations to persons governed by the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 are exempt from tax.
- The services by National Pension System Trust to its members against consideration in the form of administrative fees is exempted.

Farmers/Agriculture/Food Processing

The following services have been exempted:

- The works of installation and commissioning undertaken by electricity distribution utilities for extending electricity distribution network upto the tube well of the farmer/ agriculturalist for agricultural use.
- The services provided by way of warehousing of minor forest produce.
- The services provided by way of artificial insemination of livestock (other than horses).
- The services provided to Food Business Operators by way of licensing, registration and analysis or testing of food samples supplied by Food Safety and Standards Authority of India (FSSAI).

Government Services

- The services supplied by Central Government/ State Government to their undertakings or PSUs by guaranteeing the loans taken from financial institutions.
- The services by a State Government to Excess Royalty Collection Contractor (ERCC) by way of assigning the right to collect royalty on the behalf of State Government on the mineral dispatched by the mining lease holders.

(Notification No. 14/2018- CTR dated 26.07.2018)

GST Rate on Services

Accommodation Service

Hotel industry has been given big relief by providing that the GST rate on accommodation service will now be determined on the basis of transaction value rather than on declared tariff. The change will certainly lessen the GST burden on the customer.

Multimodal Transportation service

In case of multimodal transportation of goods, the rate of GST will be 12% under forward charge with full input Tax Credit.

Supply of e-book

As a green initiative, the government has reduced the rate on supply of e-book from 18% to 5%. The reduction is applicable only to e-books that have a print version also.

(Notification No. 13/2018- CTR dated 26.07.2018)

Refund on Account of Inverted Duty Structure

The supply of fabric is taxable at the rate of 5% with the condition that refund of accumulated input tax credit on account of inverted duty structure will not be allowed. However, considering the difficulty faced by the taxpayers, the board has allowed for refund of accumulated input tax credit on purchases made on or after 1st August, 2018.

The accumulated input tax credit lying unutilised in the credit ledger after payment of tax upto the month of July shall lapse.

(Notification No. 20/2018- CTR dated 26.07.2018)

E-Way Bill for Job Work

The government of West Bengal has exempted job work from requirement of e-way bill for intra-state movement of goods where such goods are being sent from Principal to job-worker, one job-worker to another job-worker, job-worker to the principal after such job work. The exemption is not applicable for final delivery of finished goods by job-worker to customer, but the threshold limit of Rs. 1,00,000 for generating e-way bill will apply.

(Notification No. 14/2018- C.T./GST dated 12.07.2018)

Reopening of GST Migration Window

GST Council in its 28th meeting has recommended the proposal to open the migration window for taxpayers, who could not complete the migration process. The taxpayers who received provisional Ids and filed Part- A of FORM GST REG-26 but not Part B of the said form can complete the migration process on or before 31st August, 2018 as under:

- The taxpayers are requested to approach the jurisdictional Central Tax/State Tax nodal officers with the necessary details.
- The details would then be forwarded to the GSTN for enabling migration of such taxpayers.
- On completion of the process the taxpayers are requested to file the returns by paying the late fees. The government has decided to waive the late fees paid by way of reversal of the amount in the electronic cash ledger under the tax head.

GST COUNCIL RECOMMENDATIONS

Composition Scheme

- The council has recommended to increase the turnover limit for opting for composition scheme to Rs. 1.5 crore.
- At present, the taxpayers providing any service except restaurant services cannot opt for the composition scheme. It has now been recommended that composite dealers may be allowed to supply services of the higher of Rs. 5 lakh or 10% of the turnover in the preceding financial year.

Reverse Charge Mechanism

Any registered dealer can purchase goods or services from unregistered dealers without paying tax under reverse charge till September 2018. But now, it has been recommended that levy of tax under reverse charge on supplies from unregistered persons will be applicable only to specified goods in case of certain notified classes of registered persons.

Registration

- The exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand to be increased to Rs. 20 Lakh from Rs. 10 Lakh.
- An e-commerce operator, who is not required to collect TCS, is exempted from taking compulsory registration.
- Registration to remain temporarily suspended while cancellation of registration is under process, so that the assessee can be relieved of continued compliance till cancellation of registration.
- The provision of registration in case of multiple business verticals has now been relaxed after the recommendation. Now, taxpayers may opt for multiple registration within a State in respect of multiple places of business located in the same state.

Export of Service

The supply of services will qualify as exports, even if payment is received in Indian rupees, where permitted by Reserve Bank of India. Presently, there are certain condition to qualify export of services which includes one of the condition that payment should be received in convertible foreign exchange. Now, such condition relaxed subject to permission by Reserve Bank of India. Thus, it will benefit various exporters who receive payment against export of service in Indian Rupees.

Input Tax Credit

The scope of input tax credit has been widened. It is recommended that input tax credit shall be allowed in respect of the following:

- Most of the activities/transactions specified in schedule III. Its means that input Tax Credit shall be available on transaction which is neither treated as supply of goods or services. (i.e, transactions which shall not be treated as supply).
- Supply of goods and services provided to employees by the employer if it is obligatory on the point of employer under any law for the time being inforce.
- Purchase of motor vehicle if it used for transportation of money for or by a banking company or a financial institution.
- Purchase of motor vehicles for transportation of persons having seating capacity of more than 13 persons (including driver), vessels and aircraft.
- Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available.

No Interest on ITC Reversal

Presently, recipient of supply, who fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, have to reverse Input Tax Credit availed with interest @ 18% p.a. Now, it is recommended that, no interest will be payable on reversal of Input Tax credit.

Debit / Credit Note

A credit or debit note can be issued only against its underlying invoice, which is quite cumbersome to correlate. Thus, a registered person may issue consolidated credit or debit notes in respect of multiple invoices issued in a financial year to reduce the compliance burden.

Changes under Schedule III

The following transaction not to be treated as supply of goods :

- Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India. Accordingly, where an Indian person buys goods from outside India and directly sells the same to a customer located outside India without the goods entering into India shall be out of the tax net.
- Supply of warehoused goods to any person before clearance for home consumption.
- Supply of goods in case of high sea sales.

GST COUNCIL RECOMMENDATIONS

Pre-Deposit for Appeal

As present, there is no maximum cap on pre-deposit for filing an appeal. Therefore, the GST Council has recommended the amount of pre-deposit to be capped at Rs. 25 Crore and Rs. 50 Crore for filing of an appeal before the Appellate Authority and the Appellate Tribunal respectively.

Job Work

- Commissioner may extend the time limit for return of inputs/capital goods sent for job work, up to a period of one year/two years respectively. Presently, Commissioner is not entitled to extend the time limit.
- Place of supply in case of job work of any treatment or process done on goods temporarily imported into India and then exported without putting them to any other use in India, will be outside India.

Recovery from Distinct Person

Recovery of arrears can be made by the Government from a distinct person i.e. arrears of one registration of a legal entity can be recovered from another registration of the same legal entity, even if present indifferent states.

Simplified GST Return

The GST Council in its 28th meeting held on 21st July, 2018 approved the basic principles of GST return formats. The simplified GST return filing forms will decrease the number of returns to be filed in a year. The broad changes are as below:

- **Monthly GST Return:** Taxpayers excluding small tax payers and exceptions like Input Service Distributor etc. will be required to file a single return for one month. The return format will be made simpler and will consist of two main tables-one for reporting outward supplies and another for availing input tax credit based on invoices uploaded by the supplier. Most of the part of the new return will be automatically filled on the basis of invoices uploaded which would further ease the process for the taxpayers. One can say that the process would be "UPLOAD-LOCK-PAY" for most of the taxpayers.
- **Small Taxpayers:** The council in order to improve the ease of doing business has approved the option to file quarterly return with monthly payment of tax for small taxpayers having turnover below Rs. 5 crore. The quarterly returns will be of 2 types- **'Sahaj'** for traders making only B2C supplies and **'Sugam'** for traders making B2B and B2C supplies. This facility will benefit 93% of the taxpayers whose turnover is less than 5 crore.
- **NIL Return:** The council has given the facility to file NIL return by sending SMS to taxpayers having no purchase and no sale during the month/quarter.

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