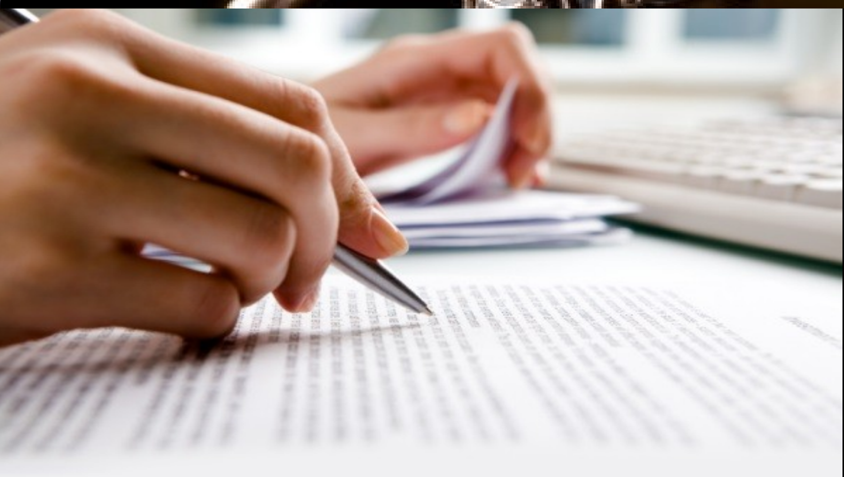

NITYA
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NITYA's Insight | Issue78 | Updates on 38th GST Council Meeting

December 20, 2019

Key decisions of 38th GST Council Meeting held on December 18, 2019. The relevant changes proposed by the Council, are as under:

1. Legal Changes

- **Restriction on claim of Input Tax Credit:** The restriction to claim Input Tax Credit ('ITC') in respect of invoices or debit notes not reflected in Form GSTR-2A shall be reduced from 20 percent to 10 percent of eligible credit.

  NITYA Comments: *The existing provision allowing unmatched ITC to the extent of 20% of matched ITC, was already creating lot of operational as well as working capital issues for most of the taxpayers. The revised limit of 10% will further increase the working capital requirement of taxpayers whose unmatched credit exceeds 10%. This change will further necessitate need of monthly reconciliation of ITC availed with Form GSTR-2A and thus, will substantially increase the compliance burden of the taxpayers.*

- **Blockage of e-way bill:** E-way bill generation for taxpayers who do not file Form GSTR-1 for two tax periods, shall be blocked.

  NITYA Comments: *With effect from November 21, 2019, E-way bill generation is already blocked for taxpayers who do not file Form GSTR-3B for two tax periods. The proposed amendment will further entangle taxpayers who are delinquent in filing their Form GSTR-1 returns.*

- **Other changes:** Various law amendments shall be introduced in Union Budget 2020.

  NITYA Comments: *The government has been continuously making significant legal amendments in GST law including retrospective ones. The taxpayers need to watch out these amendments and their impact on tax positions adopted by them.*

2. Procedural Changes

- **Extension of due date for annual compliances for Financial Year 2017-18**: The due date for undertaking these compliances has been extended to January 31, 2020.

- **Waiver of late fee**: The late fee shall be waived for all taxpayers who file their pending Form GSTR-1 for the period July 2017 to November 2019 by January 10, 2020.

3. Rate Changes

- **Upfront amount for long-term lease:** The upfront amount payable for long term lease of industrial / financial infrastructure plots by an entity having 20 percent or more ownership of Central / State Government, shall be exempted from January 1, 2020.

- **Lottery:** GST on lotteries run and authorized by the State, shall be subject to a uniform rate of 28 percent from March 1, 2020.

4. Grievance Redressal and check on tax evasion

- **Grievance Redressal Committee:** A committee comprising of CGST and SGST officers including representatives of trade and industry and other GST stakeholders (such as GST practitioners and GSTN etc.) shall be setup at Zonal / State level for redressal of specific / generic grievances of taxpayers.

- **Blockage of ITC:** Appropriate action shall be taken for blocking fraudulently availed ITC in certain situations to check the menace of fake invoices.

  NITYA Comments: *It is hoped that the power to block ITC will be restricted to cases of fake invoices and not against genuine taxpayers.*

- **SOP for tax officers:** A Standard Operating Procedure shall be issued for tax officers for action to be taken against taxpayers not filing GSTR 3B.

The above changes shall be effective once the requisite Notifications are issued by the Government in due course of time.

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