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INDIA GST UPDATES

July 2018

RECOMMENDATIONS MADE DURING THE 28TH MEETING OF THE GST COUNCIL HELD IN NEW DELHI ON JULY 21, 2018.

SIMPLIFIED GST RETURN:

- ▶ The GST Council approved the new return formats and associated changes in law. The return would be with two main tables - one for reporting outward supplies and one for availing input tax credit based on invoices uploaded by the supplier.
- ▶ Invoices could be uploaded continuously by the seller and could be continuously viewed and locked by the buyer for availing input tax credit. The process would be "UPLOAD - LOCK - PAY" for most tax payers.
- ▶ All taxpayers excluding small taxpayers and a few exceptions like Input Service Distributor etc. to file one monthly return. Small tax payers having turnover below INR 5 Crores to have an option of filing quarterly return with monthly payment of tax in simplified return formats called Sahaj and Sugam. Details of information required to be filled in these returns to be lesser than that in the regular return.
- ▶ The new return design to provide facility for amendment of invoice and other details filed in the return. Amendment to be carried out by filing of a return called amendment return. Payment to be allowed to be made through the amendment return, to save interest liability.
- ▶ NIL return filers (no purchase and no sale) shall be given facility to file return by sending SMS.

REFUND OF ACCUMULATED CREDIT ON ACCOUNT OF INVERTED DUTY STRUCTURE TO FABRIC MANUFACTURERS:

- ▶ Fabrics attract GST at the rate of 5% subject to the condition that refund of accumulated ITC on account of inversion will not be allowed. GST Council has recommended for allowing refund to fabrics on account of inverted duty structure.
- ▶ The refund of accumulated ITC to be allowed only with the prospective effect on the purchases made after the notification is issued.

CHANGE RELATING TO VALUATION OF A SUPPLY:

- ▶ IGST @5% on Pool Issue Price (PIP) of Urea imported on Government account for direct agriculture use, instead of assessable value plus custom duty
- ▶ Exemption from Compensation cess to coal rejects from washery [arising out of cess paid coal on which ITC has not been taken]

EXPORT / OTHER TRADE FACILITATION MEASURES:

- ▶ Extend the exemption granted on outward transportation of all goods by air and sea by another one year i.e. upto September 30, 2019 as relief to the exporter of goods



- ▶ Place liability to pay GST on services provided by individual DSAs to banks/NBFCs under reverse charge on the buying banks/NBFCs. However, services by non-individual NBFCs (corporate, partnership firms) to banks/NBFCs would continue under forward charge, as at present.

CHANGE IN GST RATES - SERVICES: [NOTIFICATION GIVING EFFECT TO THE CHANGES TO BE FROM JULY 27, 2018]



AGRICULTURE, FARMING AND FOOD PROCESSING INDUSTRY:

- Exempt services by way of artificial insemination of livestock (other than horses).
- Exempt warehousing of minor forest produce in line with exemptions provided to the agricultural produce.
- Exempt the works of installation and commissioning undertaken by DISCOMS/ electricity distribution companies for extending electricity distribution network upto the tube well of the farmer/ agriculturalist for agricultural use.
- Exempt services provided by FSSAI to food business operators.



EDUCATION/ TRAINING/ SKILL DEVELOPMENT:

- Reduce rate of GST from 18% to 5% on supply only of e-books for which print version exist.



PENSION, SOCIAL SECURITY AND OLD AGE SUPPORT:

- Exempt services provided by Coal Mines Provident Fund Organisation to the PF subscribers from the applicability of GST on the lines of EPFO
- Exempt supply of services by an old age home run by State / Central Government or by a body registered under 12AA of Income Tax Act, to its residents (aged 60 years or more) against consideration upto Rupees Twenty Five Thousand per month per member provided consideration is inclusive of charges for boarding, lodging and maintenance
- Exempt GST on the administrative fee collected by National Pension System Trust
- Exempt services provided by an unincorporated body or a non-profit entity registered under any law for the time being in force, engaged in activities relating to the welfare of industrial or agricultural labour or farmer; or for the promotion of trade, commerce, industry, agriculture, art, science, literature, culture, sports, education, social welfare, charitable activities and protection of environment, to own members against consideration in the form of membership fee up to an amount of one thousand rupees per member per year.



INSURANCE

- Exempt Reinsurance Services provided to specified Insurance Schemes such as Pradhan Mantri Rashtriya Swasthya Suraksha Mission (Ayushman Bharat), funded by Government.



MISCELLANEOUS:

- Exempt services provided by Government to ERCC by way of assigning the right to collect royalty, DMFT etc. from the mining lease holders.
- Exempt the guarantees given by Central / State Government / UT administration to their undertakings / PSUs.
- Exempt GST on import of services by Foreign Diplomatic Missions/ UN & other International Organizations based on reciprocity.
- Exempt services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in accordance with Explanation I in section 8 of the IGST Act provided the place of supply is outside the taxable territory of India in accordance with section 13 of IGST Act
- Prescribe GST rate slabs on accommodation service based on transaction value instead of declared tariff which is likely to provide major relief to the hotel industry.
- Prescribe GST rate of 12% with full ITC under forward charge for composite supply of multimodal transportation.
- Rationalize the notification entry prescribing reduced GST rate on composite supply of works contract received by the Government or a local authority in the course of their sovereign functions.
- Rationalize entry relating to composite supply of food and drinks in restaurant, mess, canteen, eating joints and such supplies to institutions (educational, office, factory, hospital) on contractual basis at GST rate of 5%; and making it clear that the scope of outdoor catering under 7(v) is restricted to supplies in case of outdoor / indoor functions that are event based and occasional in nature.

CLARIFICATION /AMENDMENT AS REGARDS APPLICABILITY OF GST RATE IN RESPECT OF SERVICES:

- ▶ Supply of services provided by State and Central educational boards to students for conduct of examination will be clarified to be exempt

- ▶ To clarify that the courses run by private ITIs for designated trades are exempt under GST whereas non-designated courses are taxable
- ▶ To clarify that GST on premium paid by the Governments for implementing PradhanMantri Rashtriya Swasthya Suraksha Mission (Ayushman Bharat) is exempt from GST
- ▶ To provide clarification on applicability of GST on services rendered by an Indian Architect Consultant in relation to immovable property located outside India to Indian Diplomatic Missions/Posts abroad
- ▶ To clarify to Auroville foundation that 'maintenance' paid by it to Auroviliansis not liable to GST
- ▶ To insert an explanation in Notification No. 13/2017-Central Tax (Rate) to define the term renting of immovable property
- ▶ To clarify that certain services such as "deposit works (expenses for providing electric line/plant)" related to distribution of electricity provided by DISCOM, attract GST

CHANGE IN GST RATES - GOODS:

▶ Reduction from 28% to 18%:

- Paints and varnishes (including enamels and lacquers)
- Glaziers' putty, grafting putty, resin cements
- Refrigerators, freezers and other refrigerating or freezing equipment including water cooler, milk coolers, refrigerating equipment for leather industry, ice cream freezer etc.
- Washing machines
- Lithium-ion batteries
- Vacuum cleaners



- Domestic electrical appliances such as food grinders and mixers & food or vegetable juice extractor, shaver, hair clippers etc
- Storage water heaters and immersion heaters, hair dryers, hand dryers, electric smoothing irons etc.

- Televisions upto the size of 68 cm
- Special purpose motor vehicles. e.g., crane lorries, fire fighting vehicle, concrete mixer lorries, spraying lorries
- Works trucks [self-propelled, not fitted with lifting or handling equipment] of the type used in factories, warehouses, dock areas or airports for short transport of goods.
- Trailers and semi-trailers
- Miscellaneous articles such as scent sprays and similar toilet sprays, powder-puffs and pads for the application of cosmetics or toilet preparations



► **Reduction from 28% to 18%:**

- Fuel cell vehicle. Further, Compensation cess shall also be exempted on fuel cell vehicle.

► **Reduction from 18% to 12%:**

- Bamboo flooring
- Brass Kerosene Pressure Stove
- Hand Operated Rubber Roller
- Zip and Slide Fasteners
- Specified handicraft items [as per the definition of handicraft, as approved by the GST council]:
 01. Handbags including pouches and purses; jewellery box
 02. Wooden frames for painting, photographs, mirrors etc
 03. Art ware of cork [including articles of sholapith]
 04. Stone art ware, stone inlay work

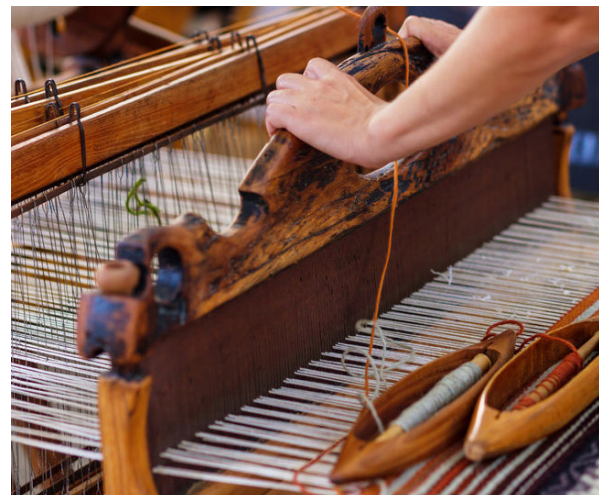
05. Ornamental framed mirrors
06. Glass statues [other than those of crystal]
07. Glass art ware [incl. pots, jars, votive, cask, cake cover, tulip bottle, vase]
08. Art ware of iron
09. Art ware of brass, copper/ copper alloys, electro plated with nickel/silver
10. Aluminium art ware
11. Handcrafted lamps (including panchloga lamp)
12. Worked vegetable or mineral carving, articles thereof, articles of wax, of stearin, of natural gums or natural resins or of modelling pastes etc. (including articles of lac, shellac)
13. Ganjifa card

► **Reduction from 18% to 5%:**

- Ethanol for sale to Oil Marketing Companies for blending with fuel
- Solid bio fuel pellets

► **Reduction from 12% to 5%:**

- Chenille fabrics and other fabrics under heading 5801
- Handloom dari
- Phosphoric acid (fertilizer grade only).
- Knitted cap/topi having retail sale value not exceeding Rs 1000



- Specified handicraft items [as per the definition of handicraft, as approved by the GST council]:
 01. Handmade carpets and other handmade textile floor coverings (including namda/gabba)
 02. Handmade lace
 03. Hand-woven tapestries
 04. Hand-made braids and ornamental trimming in the piece
 05. Toran

► **Reduction from 18% or 12% or 5% to NIL:**

- Stone/Marble/Wood Deities
- Rakhi [other than that of precious or semi-precious material of chapter 71]
- Sanitary Napkins



- Coir pith compost
- Sal Leaves siali leaves and their products and Sabai Rope
- Phool Bhari Jhadoo [Raw material for Jhadoo]
- Khali dona.
- Circulation and commemorative coins, sold by Security Printing and Minting Corporation of India Ltd. to Ministry of Finance.

► **Rate change made in respect of footwear:**

- 5% GST to be extended to footwear having a retail sale price up to Rs. 1000 per pair
- Footwear having a retail sale price exceeding Rs. 1000 per pair to continue to attract 18%

CLARIFICATION /AMENDMENT AS REGARDS APPLICABILITY OF GST RATE IN RESPECT OF CERTAIN GOODS RECOMMENDED BY GST COUNCIL:

- Milk enriched with vitamins or minerals salt (fortified milk) is classifiable under HS code 0401 as milk and exempt from GST
- 5% GST on both treated (modified) tamarind kernel powder and plain (unmodified) tamarind kernel powder
- Beet and cane sugar, including refined beet and cane sugar, (falling under heading 1701) attracts 5% GST rate
- Water supplied for public purposes (other than in sealed containers) does not attract GST
- Marine engine (falling under sub-heading 8408 10 93) attracts 5% GST rate
- Kota stone and similar stones [other than marble and granite] other than polished will attracts 5% GST, while ready to use polished Kota stone and similar stones will attracts 18%.

MIGRATION WINDOW FOR TAXPAYERS, WHO COULD NOT COMPLETE THE MIGRATION PROCESS:

- Taxpayers who filed Part A of FORM GST REG-26, but not Part B of the said FORM would be requested to approach the jurisdictional Central Tax/State Tax nodal officers with the necessary details on or before August 31, 2018. The nodal officer would then forward the details to GSTN for enabling migration of such taxpayers.
- It has also been decided to waive the late fee payable for delayed filing of return in such cases. Such taxpayers are required to first file the returns on payment of late fees, and the waiver will be effected by way of reversal of the amount paid as late fees in the cash ledger under the tax head.

AMENDMENTS TO THE CGST ACT, IGST ACT, UTGST ACT AND GST (COMPENSATION TO STATES) ACT:



01. Upper limit of turnover for opting for composition scheme to be raised from Rs. 1 crore to Rs. 1.5 crore. Present limit of turnover can now be raised on the recommendations of the Council.
02. Composition dealers to be allowed to supply services (other than restaurant services), for upto a value not exceeding 10% of turnover in the preceding financial year, or Rs. 5 lakhs, whichever is higher.
03. Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons, on the recommendations of the GST Council. {Note: the amendment circulated earlier for stakeholders comments covered taxable goods or services or both, whereas the GST Council seems to have recommended the levy to be applicable to only specified goods}
04. The threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand to be increased to Rs. 20 Lakhs from Rs. 10 Lakhs.

05. Taxpayers may opt for multiple registrations within a State/Union territory in respect of multiple places of business located within the same State/Union territory.
06. Mandatory registration is required for only those e-commerce operators who are required to collect tax at source.
07. Registration to remain temporarily suspended while cancellation of registration is under process, so that the taxpayer is relieved of continued compliance under the law.
08. The following transactions to be treated as no supply (no tax payable) under Schedule III:
 - a. 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;
 - b. Supply of warehoused goods to any person before clearance for home consumption; and
 - c. Supply of goods in case of high sea sales.
09. Scope of input tax credit is being widened, and it would now be made available in respect of the following:
 - a. Most of the activities or transactions specified in Schedule III;
 - b. Motor vehicles for transportation of persons having seating capacity of more than thirteen (including driver), vessels and aircraft;
 - c. Motor vehicles for transportation of money for or by a banking company or financial institution;
 - d. Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available; and
 - e. Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force.
10. In case the recipient fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, the input tax credit availed by the recipient will be reversed, but liability to pay interest is being done away with.
11. Registered persons may issue consolidated credit/debit notes in respect of multiple invoices issued in a Financial Year.
12. Amount of pre-deposit payable for filing of appeal before the Appellate Authority and the Appellate Tribunal to be capped at Rs. 25 Crores and Rs. 50 Crores, respectively.
13. Commissioner to be empowered to extend the time limit for return of inputs and capital sent on job work, upto a period of one year and two years, respectively.
14. Supply of services to qualify as exports, even if payment is received in Indian Rupees, where permitted by the RBI.
15. 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, to be outside India.
16. Recovery can be made from distinct persons, even if present in different State/Union territories.
17. The order of cross-utilisation of input tax credit is being rationalised.

These amendments will now be placed before the Parliament and the legislature of State and Union territories with legislatures for carrying out the amendments in the respective GST Acts.

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