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A. CHANGES IN THE GST REGIME

Notification for extension of trial period of e-way bill

A notification has been issued by CBEC to rescind the earlier notification which made the inter-state e-way bill system mandatory with effect from 1st February, 2018. The e-way bill system was called off following severe technical glitches in its web portal (Please refer to our GST Update Volume 31 for details). As a result of this notification, the mandatory implementation of the e-way bill system has been postponed for the time being until further notification is issued in this regard.

Amendment in the GST Settlement of Fund Rules, 2017

The "Goods and Services Tax (Settlement of Funds) Rules, 2017", which seek to regulate the apportionment of taxes between Centre, States and Union Territories (Please refer to our GST Update Volume 5 for more details), have been amended by the Ministry of Finance. The amended rules now empowers the Central Government to provisionally settle the IGST collected in that particular financial year which has not settled so far, at any time in the financial year, on the recommendations of GST Council.

RBI relief for MSMEs registered under GST

Presently, banks and NBFCs in India generally classify a loan account as a non-performing asset (NPA) based on 90 day and 120 day delinquency norms, respectively. However, as a result of formalisation of business through registration under GST, the cash flow of the smaller entities has been seriously impacted during the transition phase with consequent difficulties in meeting their repayment obligations to banks and NBFCs. As a measure of support to these entities in their transition to a formalised business environment, the Reserve Bank of India (RBI) has issued a circular to prescribe that in case of micro, small and medium enterprises (MSMEs), loans of upto INR 250 million will be considered as a NPA after 180 days of delinquency. Till the expiry of 180 days, the loan account will be treated as a standard asset.

GST on affordable housing

As per the recommendations of the 25th meeting of the GST Council, the government had earlier notified that the GST rate on construction of houses under the Credit Linked Subsidy Scheme (CLSS) for economically weaker sections and lower and middle income groups under the Housing for All (Urban) Mission will be 12% (effective rate will be 8% after deducting the 1/3rd value of land) with effect from 25th January 2018. In this regard, a press release has now been issued to state that all inputs used in and capital goods deployed for construction of flats attract GST at the rate of either 18% or 28% while the output construction services in affordable housing now attract GST at the effective rate of 8%. As a result, the builder or developer will not be required to pay GST on the construction service of flats etc. in cash but would have enough input tax credits (ITC) to pay the output GST. Thus, the builder/developer should not recover any GST payable on the flats from the buyers. He can recover GST from the buyers of flats only if he recalculates the cost of the flat after factoring in the full ITC available in the GST regime.

Budgetary support notified by Jammu and Kashmir

The state government has notified the scheme for providing budgetary support (Scheme) to manufacturing units in the state of Jammu and Kashmir to be effective retrospectively from 8th July, 2017 till the expiry of Industrial Policy 2016. The Scheme is limited to reimbursement of the SGST component (out of the total GST paid by eligible manufacturing units) which remains after adjustment of input tax credit of SGST and IGST on supply of finished goods, other than specified goods. The Scheme does not apply to such industrial units who are procuring inputs exclusively from composition dealers or from any unregistered persons, and to those who make supply of services or interstate supplies of finished goods either directly or indirectly. The Scheme also lays down the manner of budgetary support, provides for inspection of eligible units, repayment and recovery procedures and dispute resolution system.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

GST on secondary metals

Presently, GST is applicable at the rate of 18% on metal recycling, a process of producing metal from industrial waste and scrap (secondary metals). Despite having several advantages for recycling of scrap in terms of mineral and energy conservation, the GST levy has made secondary metal producers uncompetitive. Therefore, the secondary metal producers under the aegis of the Metal Recycling Association of India (MRAI) have now represented to reduce the GST rate on metal recycling from 18% to 12%. The secondary metal producers have also requested the government to start releasing input credit refund held up under GST, which is raising the cost of production.

Glossary

CBEC- Central Board of Excise and Customs
CGST- Central Goods and Services Tax
IGST- Integrated Goods and Service Tax
NBFC- Non-banking Financial Company
SGST- State Goods and Services Tax

GST Council- Goods and Services Tax Council, a constitutional body comprising of members of the Central and the State Governments to recommend changes under the existing GST regime.

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