

Week of 1st January, 2018

A. CHANGES IN THE GST REGIME

Electronic way bill system to be effective from 1st February 2018

A notification has been issued to notify the rules governing electronic way bill (e-way bill) under the CGST Rules, 2017 will come into force with effect from 1st February, 2018. Broadly speaking, an e-way bill is a document which is required in cases when goods are moved between states in certain specified cases. The e-way bill is a replacement of the way bill system which existed in the earlier indirect tax regime. It may be noted that after implementation of the GST regime from 1st July, 2017, the requirement of carrying e-way bill was postponed due to lack of adequate information technology network.

Amendment in the composition scheme for manufacturers and traders

Under the earlier GST regime, a manufacturer opting for a composition scheme had to pay, in lieu of GST, an amount at the rate of 2% of the turnover. A notification has now been issued to reduce this rate for manufacturers under composition scheme to 1% of the turnover. By the same notification, it has also been notified that traders opting for a composition scheme have to pay, in lieu of GST, an amount at the rate of 1% of the turnover of taxable supplies of goods. Earlier, the traders were liable to pay an amount at the rate of 1% of their total turnover, which taxable supplies, exempt supplies and non-taxable supplies.

Extension of dates of furnishing returns

A notification has been issued to notify the due dates for furnishing the details of outward supply of goods or services or both in form GSTR-1 ("Return") by registered persons having aggregate turnover of upto INR 15,000,000 in the preceding financial year (in case of existing taxpayers) or the current financial (in case of new taxpayers) year as follows:

S.No	Period for which return is to be filed	Due date for furnishing the return
1.	July-September 2017	10 th January, 2018
2.	October-December 2017	15 th February 2018
3.	January-March 2018	30 th April, 2018

The due dates for furnishing the details of inward supply of goods or services or both in form GSTR-2 for the above periods will be notified subsequently.

Amendment in the CGST Rules

The CGST rules have been amended for the fourteenth time to incorporate, inter alia, the following changes in the CGST Rules, 2017:

- The revised formula for granting refund of input tax credit in case of zero-rated supply of goods or services or both without payment of GST under bond or letter of undertaking has been notified.
- The application form for registration of a person supplying OIDAR services from a place outside India to a person in India, other than a registered person has been amended.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

Taxability of bitcoin under GST

As per certain media reports, several of India's Bitcoin exchanges including Zebpay, Unocoin, CoinSecure and BtcxIndia, are in the process of approaching the AAR under GST to seek clarifications regarding taxability of bitcoin, a cryptocurrency. The clarification is sought on the point that whether these bitcoin exchanges will be considered as being engaged in actual selling of bitcoin and if so whether bitcoin will qualify as goods or services, or will these be considered as mere trading platforms that earn margins/commissions during exchange of bitcoin. A clarification is also sought on whether GST will be applicable on the total revenue or on the margins/commission earned.

Invoice matching system to be expedited

When the GST regime was introduced, a concept of 'matching' was envisaged whereby in order to assess the amount of available input tax credit, the outward return furnished by the suppliers in form GSTR-1 was sought to be matched with the inward supplies returns furnished by registered purchasers in form GSTR-2. However, due to lack of infrastructural readiness, this was deferred and presently, taxpayers claim input credits on the basis of self-assessment without any matching being done by filing summary input-output returns in form GSTR-3B. However, as per media reports, the slowing GST revenues have now prompted the government to design an alternate system to expedite the invoice matching system so as to check revenue leakages and to avoid instances of over-claim of input tax credit by certain taxpayers.

GST rate tariffs for hotels

As per the present GST rate structure, four GST rates are applicable to accommodation services provided by hotels based on the 'declared tariff' charged by such hotels¹. However, as per industry practice, room rates in a given hotel are not permanently fixed and changes with seasons, category of customer (corporate or non corporate) and the package offered. Thus, for instance, where the declared tariff of a room in a given hotel is INR 9,000 but the room is actually offered for INR 6,500, GST at the rate of 28% (and not 18%) will be charged. Therefore, deciding rates based on declared tariff is creating problems particularly when the definition of the term 'declared tariff' as provided under GST legislations is vague. Hotel associations such as the Federation of Hotel and Restaurant Associations of India (FHRAI) are now approaching the finance ministry, requesting that either a uniform tax rate for hotel accommodation services be adopted or the hotels be allowed to charge GST at the rate which is decided on the invoice value.

¹ Hotels with a declared tariff below INR 1,000 per day are exempt from GST, while those with a declared tariff of INR 1,000 to INR 2,500 are taxed at the rate of 12%, those with a declared tariff of INR 2,500-7,500 attract GST at the rate of 18% tax and those above INR 7,500 are taxed at 28%.

Glossary

AAR- Authority of Advance Rulings

**OIDAR- Online Information and Database
Access or retrieval**

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