

Week of 12<sup>th</sup> March, 2018

## A. CHANGES IN THE GST REGIME

### Recommendations of the 26<sup>th</sup> meeting of the GST Council

The 26<sup>th</sup> meeting of the GST Council was held on 10<sup>th</sup> March, 2018 wherein several policy changes in the existing regime were recommended. The key recommendations of the GST Council at this meeting are as follows:

#### Reverse charge mechanism

Earlier, the provision on liability to pay GST on reverse charge basis in case of supplies received by a registered person from unregistered suppliers was deferred till 31<sup>st</sup> March, 2018. In its 26<sup>th</sup> meeting, the GST Council has decided to further defer this provision till 30<sup>th</sup> June, 2018. In the meantime, a Group of Ministers has been directed to look into the modalities to ensure smooth implementation of the reverse charge mechanism.

#### Return filing system

The GST Council has recommended the extension of the present system of filing of returns in form GSTR-3B (provisional monthly return) and form GSTR-1 (outward supply return) for another three months i.e. from April, 2018 to June, 2018 till the new return system is finalized. At this meeting, a new model of return filing was discussed extensively and a Group of Ministers has been directed to finalize the same.

#### Deferment of the TDS and TCS provisions

The GST Council has decided further suspension of the provisions for deduction of tax at source (TDS) and collection of tax at source (TCS) under the CGST Act, 2017 till 30<sup>th</sup> June, 2018. These provisions were earlier suspended till 31<sup>st</sup> March, 2018. In the meantime, the modalities of linking state and central governments accounting system with GSTN will be worked out so that seamless credit is available to the registered traders whose tax is deducted or collected at source

#### Grievance Redressal Mechanism

The GST Council has directed the GST implementation Committee (GIC) to redress the grievances caused to the taxpayers arising out of IT glitches. It may be noted that the 14<sup>th</sup> GST Council meeting held on 18-19 May 2017 constituted a three-tier structure in order to ensure smooth roll-out of GST and to facilitate quick administrative decisions required before and after the roll-out consisting of, inter alia, the GST Implementation Committee.

### Policy changes for the exports sector

- In its meeting held on 6<sup>th</sup> October, 2017 the GST Council had noted that exporters were facing difficulties of cash blockage on account of having to upfront pay GST / IGST on the inputs, raw materials, finished goods imported or procured, etc for purposes of exports. An interim solution was found by re-introducing the pre-GST tax exemptions on such imports. Additionally, for merchant exporters a special scheme of payment of GST @ 0.1% on their procured goods was introduced. Also, domestic procurement made under Advance Authorization Scheme, Export Promotion Capital Goods Scheme and Export Oriented Undertaking Scheme were recognized as 'deemed exports' with flexibility for either the suppliers or the exporters being able to claim a refund of GST / IGST paid thereon. All these avenues were earlier made available upto 31<sup>st</sup> March, 2018 (Please refer to our GST Update Volume 15A for details).
- In the 26<sup>th</sup> meeting, the GST Council decided to extend the available tax exemptions on imported goods for a further 6 months beyond 31<sup>st</sup> March, 2018. Thus, exporters presently availing various export promotion schemes can now continue to avail such exemptions on their imports upto 1<sup>st</sup> October, 2018.
- The implementation of the e-Wallet<sup>1</sup> scheme has also been deferred by six month upto 1<sup>st</sup> October, 2018.

### E-way bill system

In its 26<sup>th</sup> meeting, the GST Council has recommended the introduction of e-way bill for inter-State movement of goods across the country from 1<sup>st</sup> April, 2018. For intra-State movement of goods, e-way bill system will be introduced with effect from a date to be announced in a phased manner but not later than 1<sup>st</sup> June, 2018.

### **Refund in case of exports**

A circular has been issued by CBEC to clarify refund issued related to exports. The circular, inter alia, clarifies the procedure to be observed in case of exports made without obtaining letter of undertaking, refunds in case of exports of goods made after specified period of three months from date of invoice, the requirement of self-declaration for non-prosecution, refund of transitional credit, reconciliation of discrepancy between values of GST indicated in the invoice and the shipping bill, refund of taxes paid under erstwhile laws and requirement of invoices for processing of refund claims.

## **B. PROPOSED CHANGES AND INDUSTRY ISSUES**

### **GST on real estate**

At present, GST is levied on the under construction flats and buildings at the effective rate of 12% after allowing one-third abatement for land value. However, for flats and buildings covered under the affordable housing scheme of the government, the effective rate of GST is 8%. The industry association CREDAI has now made a representation to the government to uniform the GST rate for all under construction flats and buildings and fix the same at 8%. The association has also sought a flexible land abatement percentage as prices of land differ for city to city. It has suggested that the government can give land abatement on the basis of circle rate for each city.

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<sup>1</sup> The e-Wallet scheme is basically the creation of electronic e-Wallets, which would be credited with notional or virtual currency by the DGFT. This notional / virtual currency would be used by the exporters to make the payment of GST / IGST on the goods imported / procured by them so their funds are not blocked.

## **No further extension for sale of pre-GST goods**

With the advent of GST, the maximum retail prices (MRP) of most of the commodities were revised due to changes in rate of the applicable taxes. In order to indicate these new prices, the consumer affairs ministry had permitted to paste additional stickers under the Legal Metrology (Packaged Commodities) Rules, 2011. The companies were asked to use stickers on unsold packaged commodities to display the revised MRPs till 30<sup>th</sup> September, which was later extended to 31<sup>st</sup> December, 2017 and finally to 31<sup>st</sup> March, 2018 (Please refer to our GST Update Volume 24 for details). As per media reports, companies have requested the government to further extend this deadline beyond 31<sup>st</sup> March, 2018 as it will become easier for them to liquidate the pre-GST stocks. However, the government may not extend the deadline for sale of pre-GST packaged products with stickers of revised rates after 31<sup>st</sup> March, 2018 unless the GST Council specifically recommends in this regard.

## **Glossary**

**CBEC- Central Board of Excise and Customs**  
**CGST- Central 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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