



Week of 31st July 2017

### **Amendment bills passed by Lok Sabha**

The Lok Sabha, the lower house of the parliament, has passed the CGST (Extension to Jammu and Kashmir) Bill, 2017 and the IGST (Extension to Jammu and Kashmir) Bill, 2017 which seek to extend the CGST Act and IGST Act respectively to the state of Jammu and Kashmir and remove the exemption that was earlier carved out for Jammu and Kashmir under the said Acts.

### **IGST on high sea sales of imported goods**

A circular has been issued to clarify the levy of IGST on high sea sales<sup>[1]</sup> of imported goods as follows:

- High sea sales of imported goods are akin to inter-state transactions on which IGST is payable. Further, IGST on such sale, whether one or multiple, will be levied and collected only at the time of importation i.e. when the import declarations are filed before the Customs authorities for the customs clearance for the first time. Thus, IGST would not be levied at the time of sale of goods on high seas but would be charged when they are brought for customs clearance.
- Value addition accruing in each such high sea sale shall form part of the transaction value on which IGST is collected at the time of clearance.
- The last buyer in the chain of such sales would be required to furnish the entire chain of documents such as the original invoice, high seas sales contract and details of service charges / commission paid, to establish the link between first contracted price of goods and the value of the last transaction.
- In case of doubt regarding the truth or accuracy of the declared value, the department can determine the price of imported goods in accordance with customs valuation rules.

### **Duty drawback on self-declaration by the exporter**

A circular has been issued to clarify that for all exports made with effect from 1st July, 2017 for which higher all industry rates (AIRs) under the duty drawback scheme is claimed<sup>[2]</sup>, the exporter is required to submit a self-declaration in the prescribed format instead of a certificate from GST officer as it was earlier required. The said requirement of the certificate from GST officer has been dispensed with in view of factors such as absence of clarity about jurisdictional GST officer, time lag between exports and the requisite returns to be filed under GST laws.

### **Guidance notes on textiles**

The textile sectoral group, one of the 18 sector-specific groups constituted by the government to resolve problems faced by the respective sectors, has prepared a 44 paged guidance note comprising of FAQs and response to various legal issues raised by the textile sector. The guidance note *inter alia* clarifies the following:

- Registration is not required in case of suppliers of raw jute / silk (including procurements from unregistered suppliers) as these goods are exempted from GST, Also, no registration is required by the agriculturists or the supplies made by them provided such supplies are made out of land cultivation.
- GST is to be calculated on the transaction value and not on maximum retail price.
- Woven fabrics can be classified into various HSN codes and subject to different rates depending upon their composition.
- Sarees will be taxed at the same rate as is applicable to the fabric employed in them.
- Buyers of raw jute, raw silk, cocoon laying and silk waste will not be required to pay GST on reverse charge basis as these articles themselves are exempted from GST.
- GST at the rate of 5% will apply on purchase of raw cotton from farmer.
- GST is payable on total value of supply of apparels irrespective of redemption of loyalty points while making purchase.
- In view of varying GST rates applicable to services by way of job-work and supply of wearing apparels, it is clarified that job-work services will be treated in relation to yarn & fabric till the stage of making i.e. till the stage when stitching takes place, and thereafter, it will be treated as a supply of wearing apparels.

### Sector-wise FAQs

In continuation of the series of sector-wise FAQs, CBEC has published further FAQs for handicrafts, drugs and pharmaceuticals, mining, food processing and e-commerce sectors on its home page [www.cbec.gov.in](http://www.cbec.gov.in). These FAQs *inter alia* clarify the availability of input tax credit, registration requirements, filing of returns, threshold for composition scheme and taxability of supply to special economic zone as applicable to these sectors.

### Other FAQs

The CBEC has published FAQs on its homepage [www.cbec.gov.in](http://www.cbec.gov.in) to *inter alia* clarify the following:

- The HSN codes and the rates applicable to certain categories of goods whose classification and / or rates were ambiguous in the rate schedule.
- When goods are sold at retail sale price declared on the package, such retail sale price is inclusive of GST as per the Legal Metrology (Packaged Commodities) Rules, 2011.
- For supply of readymade garments, the term 'sale value' (used in the rate notification)[3] refers to the transaction value and not to the retail sale price of readymade garments. Accordingly, if a wholesaler supplies readymade garments for a transaction value of Rs. 950 per piece to the retailer, GST will be levied at the rate of 5%. If the retailer sells such garments for Rs. 1,100 per piece to the customer, the rate of GST will be 12%.

### Impact of GST on airfares

A press release has been issued to spell out the impact of GST on airfares. This press release *inter alia* states that under the GST regime the applicable tax rate on passenger tickets for economy class has been reduced to 5% (non-creditable for goods) as against 6% under the service tax regime. For business and first class, the GST rate has been increased to 12% (with input tax creditable for both goods and services procured by airlines) as against the service tax rate of 9%.

[1]High sea sale is a trade practice whereby the original importer sells the goods to a third person before the goods enter into a country for customs clearance. After the high sea sale of the goods, the customs declarations are filed by the person who buys the goods from the original importer during the said sale.

[2]It may be noted that the claim of higher AIR under duty drawback scheme has been notified to continue in GST regime for a transition period of three months till 30th September, 2017 with IGST and compensation cess integrated in such scheme.

[3]The rate notifications prescribe GST rate of 12% for supply of readymade garments of sale value exceeding Rs. 1,000 per piece and 5% for supply of readymade garments of sale value not exceeding Rs. 1,000 per piece.

## Glossary

<b>CGST- Central goods and service tax</b>	<b>CBEC- Central Board of Excise and Customs</b>
<b>IGST- Integrated goods and service tax</b>	<b>HSN- Harmonised system of nomenclature</b>
<b>FAQs- Frequently asked questions</b>	

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