



Week of 2nd October 2017
(Second Update)

The 22nd GST Council meeting was held on 6th October, 2017 at New Delhi. The meeting was focussed on the difficulties faced by the exporters and small and medium businesses under the GST regime. Keeping in mind the representations made by various industry representatives, export promotion councils and other stakeholders, several recommendations were made in this meeting. These recommendations including package of relief and incentives for exporters, package for small units, changes in GST rates for goods and services and IGST exemptions on import of certain goods, are aimed at providing relief and incentives to these sectors and reducing their compliance burden. It has also been decided to notify these recommendations with immediate effect. This special volume of our GST Weekly Highlights brings to you the gist of all these changes. Read on to find out.....

Exports

The GST Council has chosen a multi-pronged approach to provide immediate relief to the export sector and improve the export competitiveness in India. The significant measures recommended by the GST Council are as follows:

- No registration requirements for small scale service exporters

Exports are considered as inter-state supply under GST and therefore require compulsory registration irrespective of their turnover. It has now been decided to exempt those service providers whose annual aggregate turnover is less than Rs. 2,000,000 (Rs. 1,000,000 in special category states) from obtaining registration even if they are making inter-State taxable supplies of services. Thus, small scale exporters of services are exempt from obtaining registration. This measure is expected to significantly reduce the compliance cost of small service exporters. It is important to note that only service providers have been provided this exception. Any person supplying goods will still be required to obtain GST registration mandatorily, if they undertake inter-state sales.

- Quick release of refunds

It has been decided to expedite the process of refund of IGST paid by the exporters at the time of exports so as to mitigate the problem of working capital blockage faced by the exporters. In this regard, the proposed timelines are as follows:

- By 10th October, 2017 and 18th October, 2017, the refund of IGST paid on goods exported outside India for the months of July and August respectively will begin to be paid.
- Refunds of IGST paid on supplies to SEZs and refund of unutilised inputs tax credit accumulated in case of exports made under a bond or a letter of undertaking will be processed from 18th October, 2017. It has also been proposed to suitably empower Central and State GST officers so that exporters get refunds from one authority only.

- Continuation of export promotion schemes under GST regime

To prevent cash blockage of exporters due to upfront payment of GST on inputs and capital goods to be used in goods and services meant for export, it has been decided that export promotion schemes such as the Advance Authorization Scheme, Export Promotion Capital Goods scheme and 100% Export Oriented Undertaking schemes will continue indefinitely under the GST regime. These schemes allow sourcing of inputs and capital goods to be used for the purpose of exports from abroad as well as domestic suppliers without payment of applicable taxes subject to specified conditions. Further, domestic supplies to licensees of these schemes would be treated as deemed exports and tax paid by supplier on such supplies will be refunded. This will encourage competitive pricing of the exports.

- E-wallets

As a permanent solution to prevent cash blockage of exporters due to upfront payment of GST on inputs, it has been proposed to design a e-Wallet facility which would be credited with a notional amount as if it is an advance refund. This credit would be used to pay the applicable GST. The details of this facility are yet to be decided and the facility is expected to be made operational from 1st April, 2018.

- Merchant Exporters

It has been decided to allow merchant exporters^[1] to pay nominal GST at the rate of 0.1% for procuring goods from domestic suppliers for export. Merchant exporters, who contribute a major share to the Indian export demographic, work on razor thin margin of 2-4%. Payment of upfront GST at the rate of 12 or 18% led to negative returns for this class of exporters under GST regime. Reduction of GST rates for merchant exporters is likely to improve their performance.

- Duty credit scrips

To restore the lost incentive on sale of duty credit scrips, the GST on supply of these scrips is being reduced from 5% to 0%. However, these duty credit scrips are still not linked in the GST regime meaning thereby that they cannot be used for payment of IGST, cess or any other levy under the GST regime. They are useful for the limited purpose of payment of applicable basic customs duty.

Composition Scheme

- It has been decided to increase the threshold limit of aggregate turnover for availing the composition scheme to Rs. 10,000,000 as compared to the current turnover threshold of Rs. 7,500,000. This threshold of turnover for special category States is decided to be enhanced to Rs. 7,500,000 from the present Rs 5,000,000. The facility of availing composition scheme under the increased threshold will be available to both migrated as well as new taxpayers up to 31st March, 2018. The option once exercised will become operational from the first day of the next month in which the option to avail the composition scheme is exercised.
- Any person who is otherwise eligible for availing the composition scheme and is providing any exempt service will also be eligible for the composition scheme. Earlier, persons providing any exempt service were being considered ineligible for the said scheme.

Furnishing of returns

- It has been decided that taxpayers with annual aggregate turnover up to Rs. 15,000,000 will be allowed to file quarterly returns instead of the monthly returns and pay GST on a quarterly basis, starting from the third quarter of this financial year i.e. October-December, 2017. Such taxpayers will still have to file monthly returns for the months of July, August and September. The registered buyers from such small taxpayers, however, would be eligible to avail input tax credit on a monthly basis.
- The last date for filing the return in form GSTR-4 by a taxpayer under composition scheme for the quarter July-September, 2017 is extended to 15th November, 2017.
- The last date for filing the return in form GSTR-6 by an input service distributor for the months of

July, August and September, 2017 is extended to 15th November, 2017.

No reverse charge on supplies taken from unregistered suppliers

Presently, where any goods or services are received by a registered person from an unregistered supplier, GST on such supply is payable on a reverse charge basis by the registered recipient. This was leading to discouragement of goods and services being taken from small businesses that were not liable to register under GST. Keeping this in mind, it has been proposed that no reverse charge should apply on supplies taken from an unregistered supplier by a registered person till 31st March, 2018. This will benefit small businesses and substantially reduce compliance costs.

GST on advance payments

It has been decided that taxpayers having annual aggregate turnover up to Rs. 15,000,000 will not be required to pay GST at the time of receipt of advances on account of supply of goods. The GST on such supplies shall be payable only when the supply of goods is made.

Deferment of TDS/TCS provisions

The provisions under GST related to tax deducted at source (TDS) and tax collected at source (TCS), including registration and operationalization, have been postponed till 31st March, 2018. It may be noted that the registration for the deductor of tax at source was already notified to be active earlier. However, the liability to deduct tax at source was to commence from a later date.

Revision in rates of goods and services

The GST rates on 27 goods, job work services, works contract services and certain other services have been proposed to be revised. The new rates will be effective from the date they will be notified in the official gazette. It has also been proposed that the services provided by a goods transport agency (GTA) to an unregistered person be exempt from GST.

[1] Merchant exporter (defined in the Central Excise regime) means any exporter who procures and exports excisable goods manufactured by any other person.

Glossary

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| IGST- Integrated goods and services tax | CGST-Central goods and service tax |
| SEZ- Special economic zone | |

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