

Week of 14^h May, 2018

A. CHANGES IN THE GST REGIME

Intra-state e-way bill

The e-way bill system for inter-State movement of goods has been implemented from 1st April, 2018. Various states have also notified the implementation of intra-state e-way bill within their respective territories. It has now notified that e-way bill for intra-State movement of goods will be effective in Assam from 16th May, 2018 and in Rajasthan from 20th May, 2018.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

GST on aviation industry

Currently, the air turbine fuel (ATF) is not under the GST ambit and is subject to excise and value added taxes, credit of which is not available under the GST regime. Thus, the taxes paid on ATF form a part of the air ticket price charged to the customers. As ATF accounts for a significant portion of an airline's operational costs, non-availability of credit of taxes paid on ATF leads to escalated prices of air tickets. To resolve this, the Ministry of Civil Aviation (MCA) is likely to approach the GST Council soon for bringing ATF under the GST regime. Apart from inclusion of ATF in the GST regime, the MCA may also demand for a reduction in the existing 18% GST rate applicable to aviation maintenance, repair and overhaul (MRO) industry (Please refer to our GST Update Volumes 42 and 17 for details).

Cess on sugar

Pursuant to the 27th meeting of the GST Council, a Group of Ministers (GoM) was constituted to look into the feasibility of levying cess on sugar to benefit sugar cane farmers (Please refer to our GST Update Volume 44 for details). As per media reports, the GoM is likely to seek an opinion from the law ministry as to the legality of such a levy and whether it is within the power of the GST Council to impose such a cess on sugar. Under the GST framework, a cess is levied on luxury, sin and demerit goods over and above the highest tax rate of 28%. The collection from cess is utilised to compensate the states for revenue loss under GST. The GoM may also seek a report from the Ministry of Consumer Affairs, Food and Distribution on the final utilisation of the proceeds from levy of sugar cess.

GST on free-of-cost services provided by the banks

Earlier, show cause notices were issued to banks to recover the service tax payable on certain services provided by the banks to its customers without any charges such as issuance of cheque books and facility of ATM withdrawals. As per the SCN, these services were available for such customers who kept a minimum account balance and therefore there was a deemed consideration for such services i.e. maintenance of minimum account balance. Pursuant to these notices, the Department of Financial Services (DoFS) has approached the Department of Revenue to seek clarity on the levy of GST on the free services offered by banks to their customers. The DoFS holds a view that services such as the issuance of cheque books, account statements and ATM withdrawals are free up to a certain limit and not commercial activities which cannot be brought under the ambit of GST. The Indian Banks Association (IBA) has also made a similar representation to the tax authorities.

Glossary

AAR- Authority for Advanced Rulings
CBIC- Central Board of Indirect Taxes and Customs
CGST- Central goods and Services Tax
GSTN- Goods and Services Tax Network
IGST- Integrated 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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