



Week of 16th July, 2018

A. CHANGES IN THE GST REGIME

Special drive refund fortnight

After the first special drive refund fortnight held in March 2018, the government had started a second special drive refund fortnight from 31st May, 2018 to 16th June, 2018. This facilitated all types of refund claims in which customs, central and state GST officers strived to clear GST refund applications. This included refunds of IGST paid on exports, refunds of unutilized ITC and all other GST refunds submitted in GST refund form. The CBIC has now observed third special drive refund fortnight from 16th July, 2018 to 30th July, 2018 to clear pending refunds.

Help desk for IGST refunds on exports

As a part of the ongoing special drive refund fortnight, the CBIC vide Circular no. 21/2018 - Customs dated 18th July, 2018 have decided to set up help desks for expeditious resolution of IGST refund related issues. The help desks would be located at various locations mentioned in the Circular, and would function for a period of 2 weeks up to 1st August, 2018. They will be manned by officers of customs who shall be nominated by the jurisdictional customs zone.

Rectification facility for IGST refunds on exports

The IGST refund claims by exporters are not being processed as the exporters in several cases have mentioned PAN instead of GSTIN in the shipping bills, even though GSTIN has been correctly mentioned while filing the GST returns. To resolve this issue, an alternative mechanism with an officer interface was provided for the shipping bills filed till 30th April, 2018. Despite making exporters aware about the need to have identical details in invoices given in shipping bills and GST returns, it has been observed that a few exporters continue to commit such errors. Therefore, in view of the ongoing special drive refund fortnight, giving high priority to the interests of exporters, it has been decided by the CBIC to extend the rectification facility to shipping bills filed up to 30th June, 2018.

GST on reimbursements by HO to LO: Rajasthan AAR ruling

The applicant is an Indian liaison office (LO) of a company incorporated in Netherlands. The salaries of the employees working in the LO are remitted by head office (HO) to LO. The LO then pays the same to the employees working there. The HO also reimburses the other expenses incurred by LO for their operation. Except for the proposed liaison work, based on the terms and conditions, the LO will not undertake any activity of a trading, commercial or industrial nature nor will it enter into any business contracts in its own name without Reserve Bank of India's prior permission. Further, the LO will not charge commission / fees or any other remuneration for its activities and LO will not render any consultancy or any other services directly/indirectly with or without any consideration. The applicant sought advance ruling to determine whether reimbursement of expenses and salary paid by HO to LO would be liable to GST. The AAR held that when the LO is working as per the above-mentioned terms and conditions, the reimbursement of expenses and salary paid by HO to LO, is not liable to GST, as no consideration for any service is being charged by LO i.e. the reimbursement claimed by LO from its HO is falling out of the purview of supply of service. As there are no such taxable supplies made by the LO, they are not required to get themselves registered under GST.

GST on cold storage services: Rajasthan AAR ruling

The applicant is the owner of the cold storage house and provides storage and warehousing facilities to variety of agriculture produce. The applicant sought advance ruling to determine whether the goods as mentioned in its submission which comes for storage will come under the definition of 'agricultural produce' or not and whether the supply of cold storage services by the applicant to such goods as mentioned in its submission attracts a 'Nil' rate of duty or not. The term "agricultural produce" means *any produce out of cultivation of plants and rearing of all life forms of animals, except the rearing of horses, for food, fibre, fuel, raw material or other similar products, on which either no further processing is done or such processing is done as is usually done by a cultivator or producer which does not alter its essential characteristics but makes it marketable for primary market.* The AAR considered all the goods provided in the submission by the applicant to determine whether they fall under the definition of agricultural produce. The AAR inter alia held that fennel, coriander, cumin seeds, mustard seeds, etc fall under the definition of agricultural produce and are exempt from GST. The AAR further held that cold storage services in respect of agricultural produce are exempt from GST. Therefore, supply of cold storage services in relation to goods which fall under the definition of agricultural produce is exempt from GST.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

GST Council meeting

The next GST Council meeting is to be held on 21st July, 2018. As per the media reports, the GST Council may discuss rationalisation of GST rates, which could mean drawing a strategy towards fewer tax slabs under GST. The reports also anticipate that the inclusion of natural gas and aviation turbine fuel under the ambit of GST may not be taken up for the time being.

Glossary

AAR – Authority for Advance Ruling

CBIC – Central Board of Indirect taxes and Customs

GSTIN – Goods and Services Tax Identification Number

IGST – Integrated Goods and Services Tax

ITC – Input Tax Credit

PAN – Permanent Account Number

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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