



Week of 6th August, 2018

A. CHANGES IN THE GST REGIME

Deferred reverse charge mechanism (RCM) on supply of goods or services by unregistered person

The provision on liability to pay GST in case of supplies received by a registered person from unregistered suppliers is based on RCM. This provision was deferred till 30th June, 2018. The CBIC had vide notification no. 12/2018 – central tax rate deferred the provision of RCM in case of supplies received by a registered person from unregistered suppliers by three months i.e. from 30th June, 2018 to 30th September, 2018. The CBIC has now vide notification no. 22/2018 – central tax (rate) dated 6th August, 2018 on recommendation of the GST Council deferred the provision up to 30th September, 2019.

Registration of taxpayers who did not complete migration process

The CBIC vide notification no. 31/2018 – central tax dated 6th August, 2018 specifies special registration procedure to apply for GSTIN for the persons who did not file the complete FORM GST REG-26 of the CGST Rules, 2017 but received only a Provisional Identification Number (PID) till the 31st December, 2017. In the first step, the details as provided in the notification must be furnished by such taxpayers to the jurisdictional nodal officer of the central government or state government on or before the 31st August, 2018. The taxpayers should then follow the procedure prescribed in the notification. On completing the registration procedure, such taxpayers will be deemed to be registered from 1st July, 2017.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

International Monetary Fund (IMF) suggestions on the GST rate structure of India

As per the media reports, IMF in its country report has recommended that India should consider a dual rate GST structure with a low standard rate and an additional higher rate on select items. This structure can be progressive and preserve revenue neutrality and streamlining exemptions could contribute to progressivity and reduce compliance and administrative costs. It added that the present multiple rate structure and other features gives rise to high compliance and administrative costs.

GST refunds for foreign tourists

Some western nations provide refunds of certain taxes on goods purchased by foreigners. However, foreigners coming to India may not get GST refunds on goods purchased and carried back by them as the government has not yet invoked (brought into force) section 15 of the IGST Act. According to this section, refund will be granted to tourists leaving India in such manner and subject to such conditions and safeguards as may be prescribed. The media reports state that the goods purchased in India and taken by the tourist outside India should be seen as export and necessary refund should be available. It is contemplated that the government may also require shopkeepers to issue some form/certificate verifying the details of the purchases along with passport number and other relevant details. Like other developed countries, it is likely that the foreign tourist would need to show such form/certificate along with invoices at refund counters that need to be set up at exiting points like international airports, so that tourists can get refunds of the GST paid on the goods brought by them.

Recommendations of the 29th GST Council meeting

The GST Council has recommended incentivising digital payment by providing a cash back of 20% of GST paid on B2C transactions subject to the maximum amount of INR 100 per transaction. The payment of GST shall be made through BHIM Application and RuPay cards. This will boost digital transactions and cashless economy.

Further, the GST Council has decided to constitute a sub-committee to review the concerns of MSMEs on various tax and compliance related issues. The group of ministers will look into all proposals to give relief to MSMEs with turnover of upto INR 1.5 crores (15 million) from CGST. This would restore the excise duty exemption available to small businesses in the pre-GST regime.

Next GST Council meeting

The next GST Council meeting will be held on 28th September, 2018 and 29th September, 2018 in Goa.

Introduction of GST bills in Lok Sabha

The government has introduced 4 GST Amendment Bills in Lok Sabha on 8th August, 2018. The Central GST (Amendment) Bill, the Integrated GST (Amendment) Bill, the GST (Compensation to States) Amendment Bill, and the Union Territory GST (Amendment) Bill are likely to be passed in the current session of the Parliament. These bills propose the amendments in the provision related to supply, reverse charge, composition scheme, input tax credit, returns, etc.

GST rates to be cut if revenue increases

As per the media reports, the Finance minister when speaking in the Lok Sabha has said the capacity to slash the GST rates on more items would go up as and when the GST revenues and the compliance rate increases and the economy formalises.

Seeking audit of e-commerce industry

As per the media reports, the GST National Anti-Profiteering Authority (NAA) has written to the CBIC to call for a pan-India audit of e-commerce industry on the basis of Flipkart case whereby a profiteering complaint against the e-commerce company was filed alleging that two invoices were issued by the supplier which showed different amounts. The NAA had dismissed this complaint as Flipkart had issued refund in this particular case, however; it discovered that Flipkart had about 7,500 similar cases.

Glossary

CBIC – Central Board of Indirect taxes and Customs
CGST – Central Goods and Services Tax
GSTIN - Goods and Services Tax Identification Number
IGST – Integrated Goods and Services Tax
MSME - Micro, Small & Medium Enterprises

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.

DISCLAIMER

This update has been written for the general interest of our clients and professional colleagues by the **GSTUpdateTeam@ALMT** and is subject to change. This update is not to be construed as any form of solicitation. It is not intended to be exhaustive or a substitute for legal advice. We cannot assume legal liability for any errors or omissions. Specific advice must be sought before taking any action pursuant to this update. For further clarification and details on the above, you may write to the GSTUpdateTeam@almlegal.com. If you would like to unsubscribe from this weekly update please send an e-mail to us at the above address with the subject unsubscribe.