



Week of 29th October, 2018

A. CHANGES IN THE GST REGIME

MSME sector

The CBIC in its letter F.No. 349/ 94/ 2017 – GST (Pt) dated 29th October, 2018 mentions that the government of India is launching a program from 2nd November, 2018 to support MSMEs and to reach out to them. The said program will be launched in 80 districts and will run for 100 days. Various activities will be carried out by CBIC field formations in coordination with district officers like setting up of GST help desk for MSME sector, distribution of updated copies of Act, Rules, FAQs, flyers, etc. , awareness campaign, etc.

Clarification on issues relating to casual taxable person and input service distributor

The CBIC has vide Circular No. 71/45/2018 – GST clarified that the amount of advance tax which a casual taxable person is required to deposit while obtaining registration should be calculated after considering the due eligible ITC which might be available to such taxable person. Further, representations have been received by CBIC for further extension of the period beyond the period of 180 days for casual taxable persons. As per section 27 of the Central Goods and Services Tax Act, 2017 (CGST Act), period of operation by casual taxable person is ninety days with provision for extension of same by the proper officer for a further period not exceeding ninety days. It is clarified that in case of long running exhibitions (for a period more than 180 days), the taxable person cannot be treated as a casual taxable person and thus such person would be required to obtain registration as a normal taxable person. This circular also provides for manner of recovery of excess credit distributed by an Input Service Distributor (ISD).

Clarification on cancellation of registration

The CBIC has vide Circular No. 69/43/ 2018 – GST clarified on the process of application for cancellation of registration in Form GST REG-16. Rule 20 of the CGST Rules provides that the taxpayer applying for cancellation of registration shall submit the application in FORM GST REG-16 on the common portal within a period of 30 days of the 'occurrence of the event warranting the cancellation'. However, it might be difficult in some cases to exactly identify the day on which such an event occurs. In such cases, it is clarified that the 30 day deadline may be liberally interpreted and the taxpayers application for cancellation of registration may not be rejected because of the possible violation of the deadline. This clarification has also captured the various information which has to be mandatorily filled by applicant for initiating the application for cancellation of registration.

Taxpayers whose registration is cancelled on or before 30th September, 2018

The CBIC has vide notification no. 58/2018 – Central Tax notified that the taxpayers whose registration has been cancelled by the proper officer on or before 30th September, 2018 will be required to furnish the final return in Form GSTR-10 till 31st December, 2018.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

Caution for tax evaders

As per media reports, fearing shortfall in revenue from GST, the government is taking various steps to boost tax collection as well as a crackdown on evaders. Tax intelligence teams of the finance ministry have started analysing and comparing the amount of GST currently being reported by the assesseees as compared with what was paid prior to GST's implementation. Further, a government official has confirmed that the government is also watchful of the amount of input tax credit being claimed by companies mainly with an annual turnover of over INR 5 crore (INR 50 million).

Petrol and diesel under GST ambit

With the rising prices of petrol and diesel, the Modi government is contemplating bringing petrol and diesel under the ambit of GST which government officials believe will help bring down prices by INR 20 – INR 30. Presently, a consumer pays excise duty (say approximately 20%), value added tax (say approximately 25% depending upon state to state) and dealers commission (say approximately 1%) on the fuel prices. If petrol and diesel are brought under the ambit of GST, with the maximum rate of GST being 28% presently, fuel prices will reduce substantially. However, there is no consensus between the central and the state governments as the state governments fear loss of revenue.

GST collections for October 2018 crosses INR 1 lakh crore

The Finance Minister, in his tweet, has declared that the GST collections for October 2018 has crossed INR 1 lakh crore. He attributes the success of GST to lower rates, lesser evasion, higher compliance, only one tax and negligible interference by taxation authorities.

DGGI detects GST fraud

As per media reports, the Directorate General of GST Intelligence (DGGI) Pune unit has detected a INR 80 crore (INR 800 million) GST fraud whereby it was found that 10 dummy companies had issued fraudulent invoices worth INR 415 crores (INR 4.15 billion). This GST was paid through set-off of fraudulently availed input tax credit on the basis of invoices procured through market without receipt of goods. The DGGI suspected that certain persons had taken GST registration and were issuing bogus invoices for passing fraudulent input tax credit. After analysing a large amount of data, some key players have been identified and raids have been conducted in Mumbai and Pune. The DGGI suspects that this type of fraud may have spread all over India.

Nudge Team in GST

The CBIC has set up a 'Nudge Team' to formulate a strategy on studying behavioural patterns of taxpayers and use a segmented approach to encourage them to pay taxes. As per media reports, the department will segregate taxpayers into different categories on the basis of their behavioural pattern, like 'disengaged', 'resisters', 'triers' and 'supporters'. Those who do not comply with tax laws and deliberately evade their responsibility would be categorised as 'disengaged', while those who view the system as oppressive but can be persuaded if their

concerns are addressed will fall under the category of 'resisters'. Those who are willing to comply but face difficulties in paying taxes due to various factors will fall under the category of 'triers' and those who willingly comply with tax laws and support the system will be 'supporters'. As per the plan, in cases of non-wilful defaulters, the GST department would adopt a soft approach to persuade them to comply with GST laws by sending them personalised emails reminding them about the default in a tax payment cycle. This type of plan is adopted by countries like the UK, Australia and Mexico to frame policies and increase tax collections.

Hi-tech system to check GST evasion on UP border

As per the media reports, tax evaders were exploiting the existing system by declaring that goods would transit outside the state of Uttar Pradesh (UP) but instead delivered the same within the state resulting in a loss of revenue to the government. A new radio frequency identification (RFID) system will be operational at all the prominent border points in UP from 1 November 2018 that aims to prevent traders from evading tax (GST, VAT) on goods ferried by trucks. Under this system, every truck entering the state will have to apply for transit permit as per the existing system to receive an RFID tag assigned to its number. Tags will be pasted on the trucks' windscreens one tag costing INR 100 only. All the 41 entry/exit points within UP have been equipped with RFID readers to identify vehicles and transmit the data of entry/exit in real-time to a centralised RFID server at the command centre headquarters. With this, UP becomes India's first state to introduce a fully automated recording and reporting mechanism to check this type of tax evasion.

Glossary

CGST – Central Goods and Services Tax

ITC – Input Tax Credit

CBIC – Central Board of Indirect Taxes and Customs

VAT – Value Added Tax

GST – Goods and Services Tax

MSME – Micro, Small and Medium Enterprises

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