



Week of 17th December, 2018

A. CHANGES IN THE GST REGIME

New return filing system by GSTN

The Ministry of Finance in the press information bureau dated 18th December, 2018 has stated that even though the new return filing system is yet to be notified, GSTN has started development of the components in which major changes are not expected. Few important initiatives/improvements made for better user experience *inter alia* are introduction of one click Nil return filing, questionnaire for filing GSTR-3B to avoid errors by taxpayers, etc. Further, GSTN has started sharing data with tax authorities *inter alia* on the following i.e. mis-match between figures reported in GSTR-1 & GSTR-3B and mis-match between figures reported in GSTR-3B and that computed by the system in GSTR-2A.

B. PROPOSED CHANGES AND INDUSTRY ISSUES

99% of goods and services within 18% GST slab rate

The next GST Council meeting is to be held on 22nd December, 2018 (Saturday). The main focus of the next GST Council meeting will be to lower the GST burden on the common man. It is to be noted that at the time of implementation of GST i.e. 1st July, 2017, 226 items were taxed in the 28% tax bracket whereas currently only 35 items are taxed in the 28% tax bracket. As per media reports, the government is approaching a stage where 99% items will be brought under 18% tax bracket. The items which are expected to get cheaper are paints, tractors, perfumes, water heaters, cement, putty, vacuum cleaners, shavers etc.

GST on back office services

As the AAR Maharashtra has recently ruled that the back office services provided by an Indian company to a foreign company will be treated as an intermediary service taxable at the rate of 18% and will not be treated as export of service (For details, please refer to our GST weekly highlight volume 73, November 2018 and volume 76, December 2018), the media reports during the week state that a directive is expected in near future which will draw a clear cut distinction between back office support service providers and intermediaries and exempt BPOs from the hold of GST. The Indian information technology services and BPO sector which is valued roughly at USD 167 billion should hopefully will get relief in this regard.

GST rate cut in housing sector

The next GST Council meeting will discuss and finalise the GST rates in the housing sector. The government intends and aims to enable the buyers to purchase homes at a cheaper price and also to revive the housing sector in India. Therefore, the government has issued two proposals (1) to cut GST rate of 12% to 8% and (2) to cut GST rate of 12% to 5% without ITC benefit.

GST on household products

As the implementation of GST has helped to curb the cascading effect of tax, there has been a fall in household expenditure from the pre-GST to the post-GST regime, as a result of the decrease in the total tax payable in respect of many commonly used household products like soap, washing powder, hair oil, toothpaste and footwear. As per the analysis by media reports, in the pre-GST regime, the monthly expenditure on 10 basic household products being (1) cereals, (2) edible oil, (3) sugar, (4) chocolates, (5) namkeen and sweets, (6) cosmetic and toiletries, (7) washing powder, (8) tiles, (9) furniture, and (10) coir and other products was Rs. 8,400 which attracted a tax of Rs. 830. Whereas in the post GST regime, these products would attract a tax of only Rs. 510 saving Rs. 320 in tax every month.

Glossary

AAR – Authority for Advance Ruling
BPO – Business Process Outsourcing
GST – Goods and Services Tax
GSTN – Goods and Services Tax Network
GSTR – Goods and Services Tax Return
ITC – Input Tax Credit

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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