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Week of 24th December, 2018

PROPOSED CHANGES AND INDUSTRY ISSUES

NAA penalised HUL for not passing GST benefits

NAA vide an order[1] dated 24th December, 2018 in Ankit Kumar Bajoria & Ors. vs. M/s. Hindustan Unilever Ltd., penalised HUL, the largest fast-moving consumer goods company in India, for not passing GST benefits of INR 534.89 crores to final consumers after the government slashed rate of several goods and commodities from 28% to 18% on several occasions. This is the largest anti-profiteering amount determined by the NAA. NAA ordered HUL to deposit INR 534.89 crores in the central consumer welfare fund, as the amount relates to central taxes and duties. The three-member bench said a fresh show cause notice should be issued to HUL asking why such a huge penalty should not be levied on HUL. NAA has also directed the Directorate General of Anti-Profiteering (DGAP) to investigate whether HUL has passed on benefits of lower GST for all products and, if not, to determine the amount it has benefited by.

GST rate cut on sports goods

According to latest media reports, the sports industry body Khel Udyog Sangharsh Samiti (KUSS) has demanded that the GST levied on all sports equipments should be bought down to 5%. The existing rate of GST levied on sports equipment ranges from 12% to 18%. It is to be noted that GST on physical fitness, gymnastic and athletic goods is 28% and there is a 12% GST on other sports goods. The government is considering reducing the rate of GST levied on sports goods and equipments to provide a boost to sports sector.

Unbundling of services

The GST council in its meeting held on 22nd December, 2018 has decided that every service provider providing exempt services should provide separate bills for taxable and non-taxable services provided. Earlier this was applicable only to the healthcare sector. This move will also help in bringing more transparency in billing for consumers and will also protect the government’s revenue.

[1] http://www.naa.gov.in/docs/hul.pdf

GST ITC boost for IT and ITES companies

The GST Council in its meeting held on 22nd December, 2018, decided that IT and ITES companies will now get to claim refunds on taxes paid on inputs used in servicing international contracts jointly with their foreign outfits. The GST council has agreed to allow ITC to service providers even if the contract is part delivered by a group entity outside India. This move is seen as a boost to the IT and ITES industry. According to NASSCOM, The IT and ITES industry of India generated revenues to the tune of USD 160 billion in 2017 alone.

Glossary

GST – Goods and Services Tax
HUL – Hindustan Unilever
IT – Information Technology
ITES – Information Technology Enabled Services
ITC – Input Tax Credit
KUSS – Khel Udyog Sangharsh Samiti
NAA – National Anti-profiteering Authority
NASSCOM – The National Association of Software and Services Companies

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.