

A decorative graphic consisting of three blue circles of varying sizes and two thin blue lines. One line starts from the top left and goes towards the top circle. Another line starts from the top left and goes towards the middle circle. A third line starts from the top right and goes towards the bottom circle. The circles are semi-transparent blue.

**GST Alert-
Recommendations by the
28th GST Council
Meeting**

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Recommendations made by the 28th GST Council Meeting held on 21st July 2018

The 28th GST Council Meeting was held on 21st July 2018 in New Delhi. In the said Meeting, the Council has recommended various measures to simplify the GST Law. The Council has proposed to slash GST rates on various goods and services and has also recommended issuance of certain clarifications on issues relating to GST rates and taxability of certain goods and services. In order to further improve ease of doing business, the Council has also proposed a simplified GST return filing mechanism.

Synopsis of recommendations of the Council is given below.

Proposed Changes in the Rates of Supply of Major Services

- GST on supply of e-books for which print version exist has been changed from 18% to 5%.
- GST rate slabs on accommodation service is to be based on transaction value instead of declared tariff value.
- Composite supply of food and drinks in restaurant, mess, canteen, eating joints and such supplies to institutions (educational, office, factory, hospital) on contractual basis is to be charged at GST rate of 5%. The scope of outdoor catering is restricted to supplies in case of outdoor/indoor functions that are event based and occasional in nature.
- Liability to pay GST on services provided by individual Direct Selling Agents to banks/NBFCs will be covered under reverse charge on the buying banks/NBFCs. However, services by non-individual Direct Selling Agents (corporate, partnership firms) to banks/NBFCs would continue to be under forward charge, as at present.
- Exempt, services supplied by an establishment of a person in India to any establishment of that person outside India, which are treated as establishments of distinct persons in accordance with Explanation I in section 8 of the IGST Act provided the place of supply is outside the taxable territory of India in accordance with Section 13 of IGST Act.
- Work of installation and commissioning undertaken by DISCOMS/ electricity distribution companies for extending electricity distribution network up to the tube well of the farmer/ agriculturalist for agricultural use are proposed to be exempted.
- Composite supply of multimodal transportation to be charged at GST rate of 12% with full input tax credit (**ITC**) under forward charge.

- To rationalize the notification entry prescribing reduced GST rate on composite supply of works contract received by the Government or a local authority in the course of their sovereign functions.
- To clarify that supply of services provided by State and Central educational boards to students for conduct of examination will be exempt.
- To clarify that certain services such as “deposit works (expenses for providing electric line/plant)” related to distribution of electricity provided by DISCOM, attract GST.
- To insert an explanation in Notification No. 13/2017-Central Tax(Rate) to define the term renting of immovable property.
- To extend the exemption granted on outward transportation of all goods by air and sea by another 1 year i.e. up to 30th September, 2019 as relief to the exporter of goods.

Proposed Changes in the Rates of Supply of Major Goods

Particulars	Old Rate	New Rate
Electronic Goods like Washing Machines, Refrigerators, freezers, TV up to the size of 68 cm, lithium-ion batteries	28%	18%
Paints and varnishes, putty, resin cements	28%	18%
<ul style="list-style-type: none"> ♦ Stone/Marble/Wood Deities ♦ Rakhi [other than that of precious or semi-precious material of Chapter 71] ♦ Sanitary Napkins, ♦ Coir pith compost 	18%/12%/5%	NIL
Footwear having RSP up to Rs. 1,000/-	18%	5%
<ul style="list-style-type: none"> ♦ Handbags including pouches and purses; jewellery box ♦ Wooden frames for painting, photographs, mirrors etc. ♦ Art ware of cork [including articles of sholapith] ♦ Stone art ware, stone inlay work ♦ Ornamental framed mirrors ♦ Glass statues [other than those of crystal] ♦ Glass art ware [incl. pots, jars, votive, cask, cake cover, tulip bottle, vase] ♦ Art ware of iron 	18%	12%

Note

- ♦ GST Council has recommended for allowing refund for fabrics on account of inverted duty structure. The refund of accumulated ITC shall be allowed only with the prospective effect on the purchases made after the notification is issued.
- ♦ It is **proposed to issue notifications** giving effect to above mentioned recommendations of the Council with **effect from 27th July 2018**.

Proposed Simplified GST Return

- All taxpayers excluding small taxpayers and a few exceptions like input service distributor (ISD) etc. will file 1 monthly return. The return is simple with 2 main tables- (1) for reporting outward supplies and (2) for availing ITC based on invoices uploaded by the supplier.
- Invoices can be uploaded continuously by the seller and can be continuously viewed and locked by the buyer for availing ITC. This process would ensure that very large part of the return is automatically filled based on the invoices uploaded by the buyer and the seller. Simply put, the process would be “UPLOAD – LOCK – PAY” for most tax payers.
- Taxpayers will have the facility to create his profile based on nature of supplies made and received. The fields of information which a taxpayer will be shown and will be required to fill in the return will depend on his profile.
- NIL return filers (no purchase and no sale) will be given facility to file return by sending SMS.
- **The Council approved quarterly filing of return for the small taxpayers having turnover below Rs.5 crores as an optional facility. Quarterly return will be similar to main return with monthly payment facility but for 2 kinds of registered persons – small traders making only B2C supply or making B2B + B2C supply. For such taxpayers, simplified returns have been designed called ‘Sahaj’ and ‘Sugam’. In these returns, details of information required to be filled is lesser than that in the regular return.**
- The new return design provides facility for amendment of invoice and also other details filed in the return. Amendment will be carried out by filing of a return called Amendment Return (AR). Payment would be allowed to be made through the AR as it will help save interest liability for the taxpayers.

Major recommendations

- Upper limit of turnover for opting for composition scheme to be raised from Rs. 1 crore to Rs. 1.5 crore. Present limit of turnover can now be raised on the recommendations of the Council.

- Composition dealers to be allowed to supply services (other than restaurant services), for up to a value not exceeding 10% of turnover in the preceding Financial Year (**FY**), or Rs. 5 lakhs, whichever is higher.
- Levy of GST on reverse charge mechanism on receipt of supplies from unregistered suppliers, to be applicable to only specified goods in case of certain notified classes of registered persons, on the recommendations of the GST Council.
- The threshold exemption limit for registration in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Meghalaya, Sikkim and Uttarakhand to be increased to Rs. 20 lakhs from Rs. 10 lakhs.
- Taxpayers may opt for multiple registrations within a State/Union territory in respect of multiple places of business located within the same State/Union territory.
- Mandatory registration is required for only those e-commerce operators who are required to collect tax at source.
- Registration to remain temporarily suspended while cancellation of registration is under process, so that the taxpayer is relieved of continued compliance under the law.
- The following transactions to be treated as no supply (no tax payable) under Schedule III:
 - ♦ Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into India;
 - ♦ Supply of warehoused goods to any person before clearance for home consumption; and
 - ♦ Supply of goods in case of high sea sales.
- Scope of input tax credit is being widened, and it would now be made available in respect of the following:
 - ♦ Most of the activities or transactions specified in Schedule III;
 - ♦ Motor vehicles for transportation of persons having seating capacity of more than 13 (including driver), vessels and aircraft;
 - ♦ Motor vehicles for transportation of money for or by a banking company or financial institution;
 - ♦ Services of general insurance, repair and maintenance in respect of motor vehicles, vessels and aircraft on which credit is available; and
 - ♦ Goods or services which are obligatory for an employer to provide to its employees, under any law for the time being in force.
- In case the recipient fails to pay the due amount to the supplier within 180 days from the date of issue of invoice, the input tax credit availed by the recipient will be reversed, but liability to pay interest is being done away with.

- Registered persons may issue consolidated credit/debit notes in respect of multiple invoices issued in a FY.
- Amount of pre-deposit payable for filing of appeal before the Appellate Authority and the Appellate Tribunal to be capped at Rs. 25 Crores and Rs. 50 Crores, respectively.
- Commissioner to be empowered to extend the time limit for return of inputs and capital sent on job work, up to a period of 1 year and 2 years, respectively.
- Supply of services to qualify as exports, even if payment is received in Indian Rupees, where permitted by the RBI.
- Place of supply in case of job work of any treatment or process done on goods temporarily imported into India and then exported without putting them to any other use in India, to be outside India.
- Recovery can be made from distinct persons, even if present in different State/Union territories.
- The order of cross-utilisation of input tax credit is being rationalised.

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