GST UPDATES AND NEWS

Govt scrambles to pass GST-linked bills but chances bleak

Source – Hindustan Times
Date –12th December, 2016
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The government is racing against time to pass bills linked to the goods and services tax (GST), with just three working days before this protest-marred winter session of Parliament concludes. The three bills — the central goods and service tax (CGST), integrated goods and service tax (IGST), and a compensation legislation — has to be passed this session for the government to meet its target of implementing the country's largest indirect tax overhaul for a uniform market from next April.

The government could sidestep a number of other legislation lined up for this session to focus solely on those related to the GST in the remaining days. The two-day meeting of the all-powerful GST Council was cut short halfway with states asking for a deferment. **The next meeting is now scheduled for December 22 and 23.**

Demonetisation, GST to create larger, cleaner economy: Jaitley

Source – Money Control
Date –2nd December, 2016
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FM, Arun Jaitley today said demonetization may impact growth "for a quarter or so" but this disruption will not last too long and the move along with GST will help create a larger and cleaner economy. You will have more of digitised expenditures, you will have a taxation system far more efficient, which is extremely difficult to evade, where each limb of the transaction is being captured

He further added "Of course, you will have some disruption created because of the switchover, in the long run, advantages are going to be huge as far as the relative cost of disruption is concerned"

Both the economy and social system will see a major transformation after the implementation of the Goods and Services Tax (GST) post demonetization.

Anti- profiteering clause proposed in revised GST law draft

Source – The Times of India
Date – 27th November, 2016
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Govt has proposed an "anti-profiteering" clause in the revised draft model goods and services law to ensure that businesses pass on any benefit of reduction in tax rates to consumers. For implementation of the said clause, center may set up an authority or entrust an existing authority to "examine whether input tax credits availed by any registered taxable person or the reduction in the price on account of any reduction in the tax rate have actually resulted in a commensurate reduction in the price of the said goods or services supplied by him"

Centre to compensate states for GST revenue loss every quarter

Source – The Economic Times

Date – 26th November, 2016

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States will receive provisional compensation from Centre for loss of revenue from implementation of GST every quarter but the final annual number would be decided after an audit carried out by CAG. The compensation would be met through levy of a cess called 'GST Compensation Cess' on luxury items and sin goods like tobacco, for the first five years. Any excess amount after the end of five year tenure in the 'GST Compensation Fund' so created would be divided between Centre and states, as per the draft GST compensation law.

The loss of revenue to a state will be the difference between the actual realization to a state under Goods and Services Tax (GST) regime and the tax revenue it would have got under the old indirect tax regime after considering a 14 per cent increase over the base year of 2015-16.

GST to spur double-digit growth in hiring across sectors: Report

Source – The Economics Times

Date – 28th November, 2016

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According to **Team Lease,** a HR service provider, around 10 to 13 per cent additional jobs are expected to be created every year by consumer durables, pharmaceuticals and telecommunications sectors with GST implementation.

Automobiles, logistics, home decor, e-commerce, media and entertainment, and cement sectors are projected to create 11-18 per cent additional jobs annually while for IT/ITES and BFSI segments, the growth rate has been pegged between 10and 12.5 per cent.

The aforementioned also quoted that revenue collection from general sales tax would grow from the current level of 6.3 per cent to 11.49 per cent.

Assocham, Tally sign MOU to demystify GST for retail

Source – The Times of India

Date – 28th November, 2016

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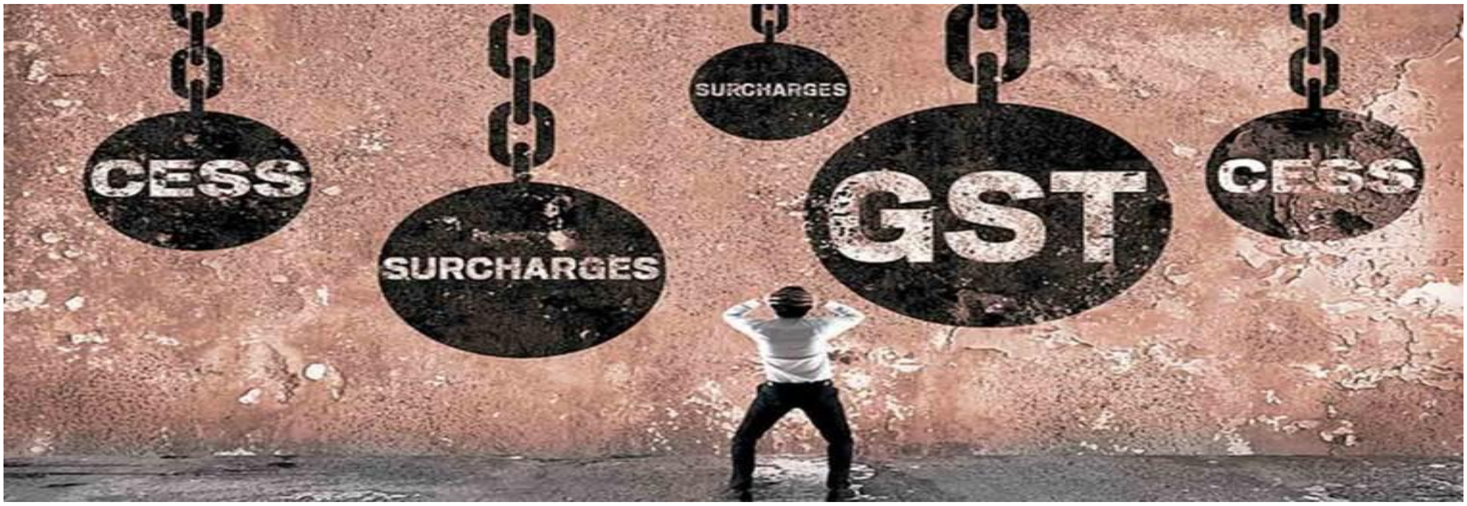
The Associated Chambers of Commerce and Industry of India (ASSOCHAM) and Tally Solutions Pvt. Ltd. signed a Memorandum of Understanding to demystify, educate and train retail community for the Goods and Services Tax (GST) law rollout in India.

ASSOCHAM and Tally Solutions plan to conduct a series of conferences for the retail community across the nation over the next few months. Tax experts from govt bodies will be participating in these conferences to help clear the air about GST by discussing the law and its implementation.

Last date for GST enrollment for Odisha, Jharkhand, Bihar, West Bengal, Madhya Pradesh, Assam, Tripura, Meghalaya, Nagaland, Arunachal Pradesh, Manipur & Mizoram is **15.12.2016**

Whereas **enrollment** will **commence** for Uttar Pradesh, Jammu and Kashmir, Delhi, Chandigarh, Haryana, Punjab, Uttarakhand, Himachal Pradesh & Rajasthan from **16.12.2016**

GST Compensation Cess: An Apple of Discord



Centre proposes to impose a cess called **"GST Compensation Cess"** on ultra-luxury items such as high-end cars and demerit goods like tobacco, cigarettes, aerated drinks, luxury car and polluting items that would attract an additional cess on top of the 28 percent GST rate for first five years. After five years, the unutilized cess would be transferred to the Consolidated Fund of India and then devolved to States based on the formula of the Fourteenth Finance Commission.

Government's Stand

Source – The Hindustan Times
Date – 26th November, 2016
Click here to read more

Union Finance Minister Arun Jaitley said "Luxury cars, tobacco, aerated drinks will be levied with a cess, which along with clean energy cess on usage of coal, will be used to compensate states for loss of revenue,"

He further added, that the **cess is not an additional levy**, but an existing one and hence there will be no additional burden.

The quantum of cess on each of these will depend on the current incidence of tax. Rs 50,000 crore pool would be created out of cess which would be used to compensate the states for revenue loss.

Dr Thomas Isaac contemplates

Source –Firstpost

Date – 19th October, 2016

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Dr. Thomas Isaac, (Finance Minister of Kerala) told PTI Central govt. wants to impose a cess to compensate the states. This is in contradiction with the concept of GST itself. He further added his state wanted the highest rate to be fixed at 30 percent so that common man's use of daily items can either be exempt or levied with lower rates.

Expert opinion

Source – Firstpost

Date – 19th October, 2016

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Not just politicians, experts also that cess imposition is likely to add to the tax burden. **Bipin Sapra, tax partner, EY, says**, "The maximum rate of 26% for demerit or luxury goods may harbour more goods than initially envisaged which will make them costlier. Also since cess would be outside the GST, the present cascading may continue raising the tax burden."

With GST council meeting still inconclusive on 11-12 December, GST compensation cess is still open for debate as both politicians and experts seem divided on the issue. However, Government is still keen on bringing consensus on key issues during council meet on 22-23 December.

What Revised GST Law Brings for us?

The Centre on 26th November, 2016 released 3 drafts namely **Model GST law, IGST law and Compensation law** -- which have to be approved by the Centre and state legislatures for roll out of GST. The states will now internally deliberate the revised drafts, which were finalized in a meeting of the council's Law Sub-Committee comprising central and state officials. Several concerns of the industry have been addressed in the revised draft. The key changes include:

- **Upper limit of GST rate i.e. Central & State GST rates at 14% each & 28% for IGST.**

- **Non- taxable turnover excluded from ambit of aggregate turnover.** The earlier definition covered taxable as well as non-taxable supplies, which is amended to include only taxable supplies. The new definition is as follows:
  - **"Aggregate turnover"** means the aggregate value of all taxable supplies, exempt supplies, exports of goods and/or services and inter-State supplies of a person having the same PAN, to be computed on all India basis and excludes taxes, if any, charged under the CGST Act, SGST Act and the IGST Act, as the case may be.
  - **"Non-taxable supply''** means a supply of goods or services which is not chargeable to tax under this Act.

- **No GST on securities:** The earlier definition of "Goods" specifically included 'Securities' but now the definition of "Goods" has been modified to exclude 'Securities' from its scope as follows:
  - **"Goods''** means every kind of movable property **other than money and securities** but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

- **Concepts of mixed supply and composite supply introduced.**
  - **"Mixed Supply"** means **two or more Individual supplies of goods or services**, or **any combination** thereof, made in conjunction with each other by a taxable person for a **single price** where such supply does not constitute a composite supply. Taxability: It would be treated as supply of that particular **supply which attracts highest rate of tax**. **Example:** Canned foods + sweets + chocolates sold as Diwali gift, as it has single price and each item capable of being sold separately, it is mixed supply.
  - **"Composite Supply"** means **two or more supplies of goods or services**, or **any combination** thereof, which are **naturally bundled** and supplied in conjunction with each other **in the ordinary course of business one of which is principal supply. Taxability:** Composite supply shall be treated as **supply of such principal supply.** Example: Single invoice for Goods + packing material + transportation + insurance. Here, principal supply is the goods.

- **Export as well as Supply to SEZ will be "Zero-rated".**
  - **Exports:** Two methods are prescribed for claiming refund:
    1. **Export under BOND**, without payment of IGST, Claim refund of un-utilized ITC
    2. **Export on payment of IGST,** Claim refund of IGST paid on goods/services
  - **Refund of ITC by SEZ developer/unit:** SEZ developer/unit may claim refund of IGST paid for zero-rated supplies made to it by the registered taxable person.

- **Provisions for change in rate of tax extended to supply of goods:** Earlier, such provisions were applicable only if there is change in rate of tax on supply of services. Now, under Section 14, similar provisions are applicable if there is change in rate of tax on supply of goods.

- **Subsides received from Central and State Govt have been excluded from transaction value.**

- **Separate principles of place of supply have been incorporated for import –export transactions.** General principles are incorporated for place of supply of goods where either the supplier or the recipient is at a place outside India. Principles for place of supply of services where either the supplier or the recipient are at a place outside India are introduced which are similar to "Place of provision of services" rules under current service tax laws.

- **Anti-profiteering mechanism proposed** under which CG has power to constitute a separate authority to check to examine whether input tax credits availed by any registered taxable person or the reduction in the price on account of any reduction in the tax rate have actually resulted in a commensurate reduction in the price of the said goods and/or services supplied by him.

- **Transitional provisions have been restored.**

- **Compensation Law has been introduced to compensate the loss of revenue to states on GST implementation.** The draft compensation law proposes to impose a cess on luxury and demerit goods for the first five years, to create a corpus to compensate states in case of revenue loss once goods and services tax (GST) is implemented.

FAQ's on Model GST Law, Nov'2016

- **Can full credit of capital goods be availed in one go?**
  As per **Section 16**, full ITC shall be available in respect of capital goods except in case of pipelines and telecommunication tower fixed to earth by foundation or structural support, the credit of which shall be available as - 1/3rd in 1st year, 1/3rd in 2nd year and balance in succeeding year.

- **Is there anything new about Debit & Credit note provisions?**
  Yes, as per **Section 31** of the revised model GST Law, any registered taxable person who issues a credit note shall declare the details of such credit note in the monthly return for such month but not later than September following the end of the year in which such supply was made, or the date of filing of the relevant annual return, whichever is earlier. This means that the **maximum limit for issue of credit note** shall be the date of monthly return which should not be later than the September following the year of supply or the date of annual return whichever is earlier.

- **Whether HSN code is mandatory at invoice level information?**
  No. There is no need to input HSN code in invoice level information for first two years while filing of monthly return under GST.

- **What's new in refund?**

  In case of exports, 90% (earlier it was 80%) refund to be granted instantly, balance after verification of documents.

- **Are there any provisions of zero rated supplies in revised GST Law?**

  Section 16 of Revised Model IGST Law has introduced definition of "Zero-rated supplies". Following shall be noted in this regard:

  1. Following taxable supplies are zero-rated supply:
     a. **Export** of goods and/or services; or
     b. Supply of goods and/or services to a **SEZ** developer or an SEZ unit.

  2. **ITC available for zero-rated supplies**
  3. **Refund** shall be made available as follows:
     a. **Exports:** Two methods are prescribed for claiming refund:
        i. **Export under BOND**, without payment of IGST, Claim refund of un-utilized ITC
        ii. **Export on payment of IGST,** Claim refund of IGST paid on goods/services
     b. **Refund of ITC by SEZ developer/unit:** SEZ developer/unit may claim refund of IGST paid for zero-rated supplies made to it by the registered taxable person.

- **Is there any concept of deeming some other person as a supplier of service for the payment of tax?**

  Section 5(3) of Revised Model IGST Law stipulates that CG may specify categories of services the tax on which shall be paid by the electronic commerce operator if such services are supplied through it.

  This would mean that companies like Uber, Ola (exact categories to be stipulated) shall be treated as suppliers and not the actual cab owners and would therefore be liable to pay GST.

Feedback/Queries can be sent to info@akgvg.com

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