



JUNE 20, 2017

GST – A knock at the door.... Loud and clear....!

The GST journey in India which started with the Kelkar Committee report in 2002 will now see light of day after 16 long years from 1 July 2017. The GST Council in its 17th meeting held on 18th June 2017 has reaffirmed its commitment to a 1st July 2017 rollout amidst rumours and representations from the trade and industry to postpone the introduction of the landmark indirect tax reform to September 2017.

The last few months have seen a whirlwind of activity on the GST front with the GST Acts (Central GST Act (CGST), Integrated GST Act (IGST) Union Territory GST Act (UTGST) and the Bill to Compensate States Act) receiving the Presidential assent on 13 April 2017. Most of the states have passed the State GST (SGST) law in the respective State assemblies. Union territories with legislature, i.e., Delhi & Puducherry, will adopt SGST Act and the balance 5 Union territories without legislatures will adopt UTGST Act. The Rules have undergone various stages and are now more or less final.

The links to all the Acts and Rules are available at the end of this update.

The major decisions of the GST Council in its 17th GST meeting held on 18th June 2017, are as follows:

1. Implementation: “Freedom at midnight or ...?”

The GST Council categorically decided to implement the indirect tax regime from July 1. There would be a special GST launch at Delhi’s Vigyan Bhawan on the intervening night of June 30 and July 1.

2. Relaxation in filing of returns and invoices: “(In)auspicious start of GST Journey...!”

Tax Payers will need to file a single-page summary return in GSTR-3B form on a self-declaration basis for the first two months – July and August – by the 20th day of the following month. This implies, for the month of July, a summary return will need to be filed by August 20, after paying appropriate taxes; for August it will need to be filed by September 20.

GSTR-1 with invoice level details for the month of July will need to be filed by September 5. For the month of August, the deadline will be September 20. GSTR-2 and GSTR-3 for these two months will be filed thereafter. This implies tallying for GSTR-2 and GSTR-3 for the first two months – July and August – will take place only after September 5 and 20, respectively.

3. Relaxation in tax rate for hotels: “Enjoy your stay...!”

For hotels with tariff between Rs 5,000 and Rs 7,500, a reduced GST rate of 18 per cent will apply. The restaurants at these hotels would also be taxed at 18 per cent. The GST rate for this category of hotels has been reduced to 18 per cent from the 28 per cent proposed earlier.

4. Tax rate on lotteries: “Give me my pie...!”

State-run lotteries are going to be taxed under the GST regime at 12 per cent, while state-authorized private lotteries would fall in the 18 per cent tax slab.

5. Negative list of Composition Scheme: “Indulge, enjoy but be out...!”

Only three products – ice cream, paan masala and tobacco – have been added in the negative list of the Composition scheme.

6. No clear call on GST E-way bill: “Finding a way...!”

The GST electronic waybill would be deferred. It would be implemented later, after rules for it are finalised. Till such a time, an alternative e-way bill would be introduced to allow continuance of the current system.

7. Input tax credit on ships: “A smooth sailing...!”

An integrated GST rate of 5 per cent, with full input tax credit, would apply on ships.

8. Anti-profiteering rules: “Thy shalt not earn...!”

The GST Council on Sunday also approved the anti-profiteering rules for GST.

9. New registration: “All are welcome...!”

For the upcoming GST regime, new registrations would begin from June 25.

10. Textiles: “A torn fabric...!”

The GST Council has made it clear that there would be no further relief to the country's textiles sector before the rollout of GST.

11. Next meeting: “Ready or not, here it comes...!”

The GST Council will meet again on June 30 to take stock and decide before the implementation of GST.

GREEN LIGHT FROM CUSTOMS

Further, in preparation for the GST launch, the Central Board of Excise & Customs (CBEC) has started restructuring

the Customs framework to bring it in line with GST. A new procedural framework is expected to soon be notified with the field formations already been restructured in line with GST.

CBEC has released draft notification amending Bill of Entry Regulations, 1976 and Bill of Export Regulations, 1991 for non- EDI locations or for manual clearance.

Three new Forms of Bill of Entry, i.e, for Ex-Bond Clearance, for warehousing and For Home Consumption along with the draft notification wherein certain necessary amendments has been incorporated in order to use the same under the new indirect tax regime. It also released draft Courier Imports and Exports (Clearance) Regulations, 2017 and Draft Courier Imports and Exports (Electronic Declaration and Processing) Regulations, 2017 along with proposed Forms.

Stakeholder comments and consultations have been invited for all the above-mentioned draft notifications and forms.

Links to the abovementioned draft rules and forms are available at the end of this update

PREPAREDNESS OF THE TRADE AND INDUSTRY IN QUESTION

Most of the Businesses including the SME sector and even the large businesses are still in the process of getting their systems ready for GST. Several trade bodies have written to the Government seeking postponement of the introduction of GST. Further, the Goods and Services Tax Network (GSTN) which is the IT backbone for GST itself is in question. The CEO of GSTN has already issued a statement that the network will not be operational on July 1. It has been clearly stated by the CEO that the return module (which will facilitate filing of different returns before different prescribed dates) will be ready only by end-July, which will be before August, the month of filing returns.

This means that there will be no time left for dry run with the revised IT software on the return module, a necessary requirement from the point of view of taxpayers. Second, even the excel sheet , based on which taxpayers will have to upload invoices in the GSTN on a daily basis right from July 1, will be ready only on June 25 (going by GSTN Chairman's reported statement in media). Thus here also the taxpayers will not have the time of opportunity to have dry run on uploading of invoices as a part of the payment process. This being the status of preparedness of the GSTN, the taxpayers would find it very difficult to comply with GST requirements from 1 July.

USEFUL LINKS

1. CBEC WEBSITE - <http://www.cbec.gov.in/htdocs-cbec/gst/index>
2. 101ST CONSTITUTION AMENDMENT ACT, 2016 - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/consti-amend-act.pdf>
3. GST ACTS -
 - a. CGST Act, 2017 - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/cgst-act.pdf>
 - b. IGST Act, 2017 - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/igst-act.pdf>
 - c. UTGST Act, 2017 - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/ut-gst-act.pdf>

d. GST (Compensation to states) Act, 2017 - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/gst-compensation-to-states-act.pdf>

4. GST RULES -

- a. Composition Scheme - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/gst-compensation-to-states-act.pdf>
- b. Valuation - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/valuation-gst-rules-17052017.pdf>
- c. Input Tax Credit (ITC) - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/valuation-gst-rules-17052017.pdf>
- d. Tax Invoice, Credit and Debit Notes - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/invoice-gst-rules17052017.pdf>
- e. Payment of Tax - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/payment-gst-rules-17052017.pdf>
- f. Refund - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/refund-gst-rules-17052017.pdf>
- g. Registration - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/11062017-Rgstration-rules.pdf>
- h. Returns - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/03062017-return-rules.pdf>
- i. Transition - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/transition-rules-04062017.pdf>
- j. Accounts and Records - <http://www.cbec.gov.in/resources//htdocs-cbec/gst/11062017-accnt-record-rules.pdf>

5. DRAFT CUSTOMS NOTIFICATIONS AND FORMS INVITING PUBLIC COMMENTS - http://www.cbec.gov.in/htdocs-cbec/home_links/public_info