

India|Tax & Regulatory | Private circulation | July 23, 2018

Goods and Services Tax Alert

India Indirect Tax Reform

Issue: GST proposed amendments in law and rates for goods and services along with additions in Schedule III of the Act.



Changes in rate of goods

The GST Council has proposed the amendments in its meeting on July 21 2018:

- The goods on which rates are to be revised are as follows:

S. No.	Particulars	Present Rate(%)	Recommended Rate (%)
1.	Paints/Resin cements/Refrigerators/Freezers/Washing machines/Batteries/Vacuum cleaners/Domestic electrical appliances/Televisions/SPVs/Work trucks etc	28	18
2.	Fuel cell vehicle	28	12
3.	Marble/Stones/Rakhi/Sanitary napkins/Khali dona/pith compost, etc.	18/12/5	NIL
4.	Ethanol for sale to Oil Marketing Companies for blending with fuel/Solid bio fuel pellets	18	5
5.	Bamboo flooring/Brass Keroscene pressure stove/Hand operated rubber roller/Zip and slide fasteners/Handbags/Aluminium Art works, etc.	18	12

- Rate on hotel accommodation services to be based on transaction value in place of declared tariff.
- Exemption on outward transportation of all goods by air and sea up to September 30, 2019.

Relief to the Medium and Small Enterprises

Proposed amendments in GST law:

❖ Composition Scheme:

- The threshold limit for composition scheme to be increased from INR 1 crore to INR 1.5 crores.
- Composition dealers allowed to supply services up to a value not exceeding 10% of turnover or INR 5 lakh per annum in the preceding financial year, whichever is higher (except restaurant services).

❖ Registration and compliances:

- 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.
- No compliances would be required while cancellation of registration is under process

Legislative Changes

❖ Input Tax credit:

- **Schedule III** – Activities referred under Schedule III are treated as neither as supply of goods nor services. ITC permitted for most activities/transactions under the Schedule.
- **Motor Vehicles**
 - Clarification on permissibility of Input Tax Credit in relation general insurance, repair and maintenance of motor vehicles, vessels and aircrafts;
 - ITC to include certain vehicles (used for transportation of more than 13 persons), vessels and aircrafts;
 - ITC permissible of motor vehicles used for transportation of money for/by banking and financial institutions.
- **Obligations for the employer**– ITC for goods or services provided by employer to employee under any obligation as per the law.

Legislative Changes

- **Reversal of ITC:** Interest to be waived-off in case of reversals of ITC for non-payment of consideration within 180 days from date of issue of invoice.
- **Cross Utilisation:** Order of cross-utilization of ITC is to be rationalized.
- **Inverted Duty:** Refund of accumulated credit, on account of inverted duty structure, to be allowed to fabric manufacturers .

- ❖ Additions to Schedule III:
 - Supply of goods from a place in the non - taxable territory to another place in the non – taxable territory without goods entering India.
 - Supply of warehoused goods to any person before clearance for home consumption.
 - Supply of goods in case of high sea sales

Legislative Changes

❖ Reverse Charge Mechanism and TCS:

- The recipient liability in case of procurements of specific goods from unregistered person by notified class of registered persons.
- Mandate registration for e-com operators required to collect tax at source under Section 52 of the Act.

❖ Returns:

- Filing quarterly returns with monthly payment of tax in a simplified return format for tax payers with turnover below INR 5 crore
- Subsequent amend in returns to be provided
- One monthly return to be filed by all taxpayers (excluding small taxpayers and ISD units).
- Nil returns taxpayers to be provided facility to file return by SMS

Legislative Changes

❖ Appeals:

- Pre-deposits for filing of appeals to Appellate Authorities and Appellate Tribunal capped at INR 25 Cr and INR 50 Cr respectively.

❖ Administrative:

- At present, as per Section 140 of the CGST Act'2017, any goods and capital goods as sent to job-worker are required to be returned within 1 year and 3 year respectively.

The Commissioner empowered to extend the time-limit up to a period of 1 year and 2 year respectively.

- Authorities to recover the amount of taxes and other dues from distinct persons even if located in different State/UT.

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