

Tax & Regulatory Alert

Indirect Taxation

March 17, 2020

39TH GST COUNCIL MEETING'S ANNOUNCEMENTS



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Introduction

The 39th GST Council meeting chaired by the Finance Minister Nirmala Sitharaman made a slew of significant announcements including the decision to increase tax-rate on mobiles, requiring Infosys to come up with solution for continued technical glitches, etc. On law and compliance front, various reliefs to the taxpayers have been provided. The highlights of the key recommendations of the meeting are enumerated below:

Deferment of E-invoice and QR Code and related relief

- a) Implementation of e-invoicing and QR Code to be **extended to October 01, 2020**.
- b) Following class of registered persons to be **exempted from issuing e-invoices** or from capturing dynamic QR code:
 - Insurance company;
 - Banking company;
 - Financial institution;
 - Non-banking financial institution;
 - Good Transport Agency;
 - Passenger transportation service; etc.

GST Return Filing System

The existing Monthly system of furnishing FORM GSTR-1 & FORM GSTR-3B to be continued till September 2020.

Annual return and Reconciliation Statement for financial year 2018-19

- a) **Due date** for filing the Annual return and the Reconciliation Statement **extended to June 30, 2020**.
- b) Relaxation from filing Reconciliation Statement in FORM GSTR-9C to MSMEs having aggregate turnover below INR 5 crores.
- c) No late fees on delayed filing of the Annual return and the Reconciliation Statement for FY 2017-18 and 2018-19 for taxpayers with aggregate turnover less than Rs. 2 crores.

Interest on delayed payment of GST

Law to be amended retrospectively to provide that Interest on delayed payment of GST to be charged on net cash tax liability w.e.f.

01.07.2017. No interest to be charged on ITC component.

Refunds

- a) Bunching of refund claims allowed across financial years to facilitate exporters.
- b) The ceiling on the value of the supply for exports for the purpose of calculation of refund on zero-rated supplies will be prescribed.
- c) Provisions will be introduced for allowing refund on export of goods where export proceeds are not realised within the time prescribed under the Foreign Exchange Management Act, 1999.

Input Tax Credit

- a) To curb fake invoicing and fraudulent passing of ITC, restrictions to be imposed on passing of the ITC in case of new GST registrations, before physical verification of premises and Financial KYC of the registered person.
- b) A procedure for reversal of input tax credit (ITC) on capital goods, which are partly used for taxable supplies and partly used for exempt supplies, will be introduced.
- c) Clarifications will be issued to address the apportionment of ITC in cases of business reorganization under section 18(3) of CGST Act, 2017.

Trade facilitation Measures

- a) Where registrations have been cancelled till March 14, 2020, application for revocation of cancellation of registration can be filled up to June 30, 2020.

- b) A new facility called 'Know Your Supplier' to be introduced so as to enable every registered person to have some basic information about the suppliers with whom they conduct or propose to conduct business.
- c) A special procedure is being prescribed for registered persons who are corporate debtors under the provisions of the Insolvency and Bankruptcy Code, 2016 and are undergoing the corporate insolvency resolution process, so as to enable them to comply with the provisions of GST Laws during the Corporate Insolvency Resolution Process ('CIRP') period.

GST Rate related changes

The following GST rate related revisions were suggested by the GST Council:

- a) Increasing the GST rate on Mobile Phones and specified parts to 18% from 12%.
- b) GST rate on all types of matches to be rationalised to uniform rate of 12%.
- c) GST rate on Maintenance, Repair and Overhaul (MRO) services in respect of aircraft to be reduced from 18% to 5% with full ITC. Further, place of supply for B2B MRO services to be changed to the location of recipient. This change will assist in setting-up of MRO services in India.

Other Recommendations

- a) Seeking information return from Banks.
- b) Exemptions from IGST and Cess on the imports made under the AA/EPCG/EOU schemes to be extended up to 31-3-2021.

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For more info, contact us at:

Phone:

+91 11 42630283

Website:

www.probusadvisory.com

Email:

info@probusadvisory.com

New Delhi Office:

602, Kanchenjunga Building,
18 Barakhamba Road,
New Delhi - 110001

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