



Key decisions by the GST Council to address concerns of trade and industry

Background

The GST Council, met for the twenty-first time on 9 September 2017 (second meeting post implementation of GST) to *inter alia* resolve the transient issues faced by the trade and industry in complying with the return filing requirement, rejig of specific tax rates/compensation cess rates and discuss other key issues.

We have summarised below the key decisions made by the GST Council in the said meeting.

Relaxations in the timelines for furnishing returns in the GST regime

- In view of the difficulties being faced by the taxpayers in filing returns, the due dates for filing returns for the specified period have been extended. The new schedule is tabulated hereunder:

Form of return	Key information/details to be provided	Period	Revised due date
GSTR-1	Outward supplies of goods or services or both	July 2017	3 October 2017* 10 October 2017

*For Registered person with turnover of more than INR100 crore, due date shall be 3 October 2017

Form of return	Key information/details to be provided	Period	Revised due date
GSTR-2	Inward supplies of goods or services or both	July 2017	31 October 2017
GSTR-3	Inward and outward supplies of goods or services or both, input tax credit availed, tax payable, etc.	July 2017	10 November 2017
GSTR-4	Quarterly return to be furnished by the supplier opting for composition levy	July 2017 to September 2017	18 October 2017 (no change)
GSTR-6	Return to be furnished by Input Service Distributor	July 2017	13 October 2017

- In respect of the above, Notification No. 30/2017 – Central Tax and Notification No. 31/2017 – Central Tax dated 11 September 2017 are issued.
- Due dates for filing of the above mentioned returns for subsequent periods (i.e. post July 2017) to be specified in due course of time.
- Form GSTR-3B i.e. monthly summary return for outward and inward supplies of goods or services or both would continue for the months of August 2017 to December 2017.

- Requirement for filing of Form GSTR-4A i.e. auto-drafted details for registered person opting for composition levy for the quarter July 2017 to September 2017 is dispensed with.

Relaxations in timelines for furnishing transitional input tax credit/stock statement in Form GST TRAN – 1

- Due date for submission of Form GST TRAN – 1 would be 31 October 2017.
- Form GST TRAN – 1 would be allowed to be revised once.

Registrations

- A registered person (whether migrated or new registrant), who could not opt for composition scheme, would be given an option to avail composition till 30 September 2017. Such registered person would be permitted to avail the benefit of composition scheme with effect from 1 October 2017.
- Registration for persons liable to deduct TDS (Tax Deducted at Source)/TCS (Tax Collected at Source) would commence from 18 September 2017. However, the date from which TDS and TCS would be deducted and collected, respectively, would be notified later.

Dispensation from obtaining registration to persons effecting specified interstate supplies

- Exemption from obtaining registration would be extended to a person making interstate taxable supplies of handicraft goods up to aggregate turnover of INR20 lakh subject to the following conditions:
 - The person has a Permanent Account Number (PAN); and
 - Movement of goods is under the cover of an e-way bill, irrespective of the value of consignment.
- Exemption from obtaining registration would be extended to job workers making interstate taxable supply of job work service subject to the following conditions:
 - Interstate taxable supply of job work service is made to a registered person; and

- Movement of goods is under the cover of an e-way bill, irrespective of the value of consignment.

This exemption from obtaining registration will not be available to job work in relation to jewellery, goldsmiths' and silversmiths' wares as covered under Chapter 71, wherein e-way bill is not required.

Changes in tax rates/compensation cess rates for specified goods

- The GST Council has recommended changes in the tax rates on specified goods *inter alia* following goods:

HSN	Description	Present Rate	Recommended Rate
4907	Duty Credit Scrips	12 per cent	5 per cent
6501	Textile caps	18 per cent	12 per cent
8528	Computer monitors up to 20"	28 per cent	18 per cent

- Currently, the rate of GST on pulses, cereals and flours, put up in unit container and bearing a registered brand name is 5 per cent. In this regard, the following has been recommended by the GST Council:
 - A brand registered as on 15 May 2017 shall be deemed to be a registered brand, irrespective of whether or not such brand is subsequently deregistered;
 - A brand registered as on 15 May 2017 under the Copyright Act, 1957 shall also be treated as registered brand;
 - A brand registered as on 15 May 2017 under any law for the time being in force in any other country shall also be deemed to be a registered brand.
- The GST Council has recommended a list of indigenous handmade musical instruments which would attract 'Nil' rate of tax in GST regime.

- While the Government has issued Notification No. 5/2017 – Compensation Cess (Rate) dated 11 September 2017 to give effect to the increase in rates of compensation cess on the specified motor vehicles, we have tabulated hereunder the decisions taken by the GST Council in respect of rates of compensation cess:

Segment (Passenger vehicles of heading 8703)	Present rate	Proposed rate	Likely effective rate (GST + Cess)
Small cars (length<4 m; Petrol, LPG/CNG<1200 cc)	1%	No change	29%
Small cars (length<4 m; Diesel<1500 cc)	3%	No change	31%
Mid segment cars (engine <1500 cc)	15%	17%	45%
Large cars (engine >1500 cc)	15%	20%	48%
Sports Utility Vehicles(length>4 m; engine>1500 cc; ground clearance> 170 mm)	15%	22%	50%
Motor vehicles for transport of not more than 13 persons, including the driver [falling under sub-headings 8702 10, 8702 20, 8702 30 or 8702 90]	15%	No change	43%
Hybrid mid segment cars (engine<1500 cc)	15%	No change	43%
Hybrid large cars (engine>1500 cc)	15%	No change	43%
Hybrid Sports Utility Vehicles(length>4 m; engine>1500 cc; ground clearance> 170 mm)	15%	No change	43%

Recommended changes in tax rates for specified services

- Rate of tax on services reduced to 12 per cent from 18 per cent in respect of services provided to the government, a local authority or a governmental authority for construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of specified structure(s).
- Services by way of admission to FIFA U-17 Football World Cup – 2017 events would be exempt from GST.

Miscellaneous

- The GST Council has decided to set up a committee consisting of officers from both the centre and the states under chairmanship of the Revenue Secretary to examine the issues related to exports.
- The GST Council has also decided to constitute a Group of Ministers to monitor and resolve the IT challenges faced during GST implementation.

Our comments

The GST Council on one hand decided to increase the rate of compensation cess for specified motor vehicles and on the other hand, accepted the representations made by the trade and industry for reduction in GST rates on certain goods to soften the impact of GST on certain sectors.

The GST Council decided to relax the process of filing the transitional input tax credit/stock statement in Form GST TRAN – 1 however, no decisions/recommendations were made in respect of other transitional forms (viz. Form GST TRAN – 2, TRANS 3, etc.), having an impact on key sectors *inter alia* retail.

The decisions made by the GST Council to provide relaxation in timelines for filing of electronic returns is a breather for the trade and industry. While resolving the current 'transient issues' faced by the taxpayers in filing of electronic returns, the government should ensure a more robust IT environment so that compliance in the coming months can be smoothly carried out in the GST regime.

Note

The decisions/recommendations of the GST Council would be subject to further vetting during which the same could undergo some changes. Further, the decisions/recommendations of the GST Council are being communicated for general information and will be given effect to through official gazette notifications which alone shall have force of law.

Where official gazette notifications are already issued, they are mentioned above.



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