

# TAX FLASH NEWS

15 March 2020

## GST Council meeting update held on 14 March 2020

The GST Council in its 39th meeting has primarily focused on addressing the issues concerning the IT related grievances faced by taxpayers and accordingly have announced certain key decisions, such as the deferment of the simplified return schemes and the resultant continuation of the existing compliance mechanism, postponing the introduction of the electronic invoice mechanism, and the extension of the filing of the annual return for FY 18-19.

In addition, the council has also announced measures to address the fraudulent ITC claim and have also announced certain amendments to the CGST rules specifically with respect to input tax credit.

### Summary of the key decision announced are as under

#### 1. Electronic Invoice and Quick response (QR) code

- a. Date of implementation has been postponed till 1 October 2020
- b. Following class of registered persons are being exempted from generating E-invoice and also from capturing the dynamic QR code
  - i. Insurance Company;
  - ii. Banking Company;
  - iii. Financial Institution;
  - iv. Non-banking financial institution;
  - v. Goods transport agency;
  - vi. Passenger transportation services; etc.

#### 2. Filing of Annual return and reconciliation statement for FY 2018-19

- a. Due date has been extended till 30 June 2020

- b. MSME's having a turnover less than INR 5 crore, have been exempted from filing reconciliation statement in GSTR-9C

#### 3. Interest on delayed payment of GST liability

Proviso inserted in Section 50(1) of the CGST Act requiring payment of interest on net cash liability shall be made effective retrospectively i.e. from 1 July 2017

#### 4. Monthly Returns in GSTR-1 and GSTR-3B

The existing system of filing returns shall continue till September 2020.

#### 5. Refunds

- a. Bunching of refund claims allowed across financial years.
- b. CGST Rules to be amended
  - For the purpose of computing a refund on zero rated supplies, ceiling to be fixed towards the value of export supply.
  - Allow for the refund to be sanctioned in both cash and credit in case of excess payment of tax.
  - To provide for the recovery of refunds, in cases where export proceeds are not realised within the time period prescribed under FEMA.

- c. Central Board of Indirect Taxes and Customs (CBIC) to issue clarification circular to address certain refunds related issues.

## 6. Exemption from payment of IGST and Cess

Exemption from payment of IGST and cess on imports made under following schemes shall continue till 31 March 2021

- a. Advance Authorisation
- b. Export Promotion Capital Goods
- c. Export Oriented Units

## 7. Input Tax Credits

- a. Newly registered taxpayers shall not be allowed to pass on the ITC, till the time physical verification and financial KYC of the such person has been carried out.
- b. CBIC to issue clarificatory circular for apportionment of ITC in case of business reorganisation viz. merger, demerger, amalgamation, lease or transfer of business, etc.
- c. CGST Rules to be amended for ITC reversal on Capital Goods used partly for affecting taxable supplies and partly for affecting exempt supplies

## 8. GST rate rationalisation

Sl. No.	Particulars	New rates	Old rates	Other amendment
1	Mobile phone and specified parts	18%	12%	--
2	Handmade Matches	12%	5%	--
3	Other Matches	12%	18%	--
4	Maintenance, Repairs and Overhaul (MRO) services in respect of aircraft	5% with full ITC	18% with full ITC	The place of supply in case of B2B MRO supply shall be the location of the recipient

\* Amendment to the rates shall be effective from 1 April 2020



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