


Recommendations by GST Council in 26th

Meeting held on 10.03.2018


GSC UPDATE

 **Filing of GST returns/statements**

A new model for filing GST returns was discussed extensively at the 26th GST Council meeting but in absence of its finalization, **the current system of filing GSTR-1 and GSTR-3B is proposed to be extended for another 3 months i.e. from April, 2018 to June, 2018.** Due dates for filing GST returns/statements shall be notified in due course of time.

 **Liability to pay tax under reverse charge mechanism (RCM) in case of procurement from unregistered persons**


Various taxpayers are facing severe issues with respect to RCM in cases of procurement from unregistered persons. Such provisions were deferred till 31.03.2018. Now, **such provisions are proposed to be further deferred till 30.06.2018** and shall be introduced once modalities of implementation of such RCM are finalized after addressing concerns of trade and industry.


 **Tax Deducted at Source ('TDS') and Tax Collected at Source ('TCS')**

GST TDS is applicable in cases of payments made to specified Governmental authorities and notified suppliers if the total contract value exceeds Rs. 2.5

A gist of press releases issued post GST Council Meeting is provided herewith. However, to analyse the actual impact, one should wait for issuance of relevant notifications.

Various questions remain unanswered even after this GST Council meeting. Some of them are:

 Whether the taxpayers are required to follow matching concept from 01.07.2017

 Whether GST audit is required to be done for Financial year ending 31.03.2018

Lakhs¹. Further, TCS needs to be deducted at the rate not exceeding 2%² of net value of taxable supplies in cases of collection of amount by e-commerce operators (Who are not agents). Central and State Government's systems needs to be reconciled appropriately to provide appropriate credit of such TDS and TCS to respective taxpayers. Therefore, **TDS and TCS provisions are proposed to be further deferred till 30.06.2018.**

E-way Bill

- It is decided to introduce e-way bill for inter-state movement of goods across the Country from 01.04.2018. With respect to intra-state movement of goods, e-way bill system will be introduced in a phased manner but not later than 01.06.2018
- Following further improvements are made over last set of e-way bill rules:
 - E-way bill is required to be generated only where value of individual consignment exceeds Rs. 50,000/-. One of the rule requires generation of e-way bill by transporter if aggregate value of goods carried in a conveyance (other than rail, air and vessel) exceeds Rs. 50,000/- if the consignor or consignee have not generated e-way bill³. However, such provision would be notified from a later date.
 - Value of exempted goods shall not be included to calculate consignment value.
 - In cases of transportation by public conveyances, e-way bill shall be generated by consignor or consignee.

¹ Section 51 of CGST Act

² 1% CGST and 1% SGST

³ Rule 138 (7) of CGST Rules, 2017

- Railways are not required to generate and carry e-way bill and may transport goods under the cover of invoice or delivery challan etc. However, goods cannot be delivered by railways to recipient without production of e-way bill.
- Time period for acceptance or rejection of consignment by recipient now would be earlier of validity period of e-way bill or 72 hours.
- In cases of goods sent on job work, now, registered job worker can also generate e-way bill.
- Consignor can authorize transporter, courier agency and e-commerce operator to fill part A of the e-way bill on his behalf.
- Only Part A of e-way bill is required to be generated in cases of movement of goods between the place of consignor and the place of transporter where distance is not more than 50 KMs.
- Over dimensional Cargo are granted extra validity period.
- In case goods are not transported within the validity period of e-way bill due to transshipment and exceptional circumstances, the validity period of e-way bill can be extended by the transporter.
- Validity of one day will expire at midnight of the day immediately following the date of generation of e-way bill.
- One conveyance is verified by any tax officer, the same conveyance cannot be subjected to a second check in any State or Union Territory unless any specific information is received.
- For railways, airways or waterways, e-way bill can be generated even after commencement of movement of goods.
- Movement of goods on account of Bill-To-Ship-To supply will be handled through capturing of place of dispatch in Part A of E-way bill.

GSC Comments:

E-way bill would be helpful to Government in tracking nearly all movement of taxable goods and is expected to reduce tax leakages. However, since this system would be used widely across India, visualization of different types of situations is a must at its infant stage to reduce implementation issues. These amendments, carried out to reduce inconvenience caused to trade and industry, are welcomed before the introduction of e-way bill concept.

 **Grievance Redressal Mechanism**

GST Implementation Committee has been assigned with the task of addressing the issues faced by the taxpayers on account of IT glitches.

GSC Comments:

This step has been taken in light of various decisions including decision by Hon'ble Mumbai High Court recently in case of ***Abicor and Binzel Technoweld Pvt. Ltd. v. Union of India [WP (L) No. 2230 of 2018] 2018-TIOL-05-HC-MUM-GST***. It is hoped that issues faced by the taxpayers may be resolved through this mechanism.

 **Results of data analytics by CBEC and GSTN**

After preliminary data analysis, CBEC and GSTN have found that there are gaps in IGST and Compensation Cess paid on imports and Input tax Credit claimed thereof. Further, there are data gaps between GSTR-1 and GSTR-3B. After further analysis, adequate actions may be initiated.

GSC Comments:

With advent of GST, taxpayers are facing challenges every day till now. Initially, various errors have occurred for synchronising data of Customs Laws and GST Laws. Further, various technical issues are faced till date with GSTN. In view of severe technical issues, even today, various documents are required to be filed manually such as GST refund claims, advance ruling applications etc. Further, typical issues are faced by taxpayers for which there are no answers until the whole GST return system is in place including that of GSTR-2 and GSTR-3. Further, the taxpayers are allowed to make certain adjustments in GSTR-3B for which corresponding effect needs to be provided in GSTR-1. However, all adjustments of GSTR-3B cannot be reflected in GSTR-1. Therefore, there are numerous errors and issues, due to which there may be a mis-match of data. Government needs to carefully analyse the data in order to ensure that minimal difficulties are faced by tax payers. GST, being a new levy, the industry should be given time to understand the law and return filing processes. In any case, the taxpayers would be granted an opportunity of being heard before recovery of tax dues, if any.

Extension of tax exemptions to exporters and deferment of implementation of e-Wallet Scheme till 01.10.2018

- In order to reduce cashflow issues in post GST era due to upfront payment of GST on goods imported and used for exports, concept of e-Wallet scheme was to be introduced from 01.04.2018. Under this scheme, notional or virtual currency would be credited by DGFT which may be used for making paying of GST on imported goods.
- However, since the background work to operationalize e-Wallet scheme is not complete and there are plethora of technical, legal and administrative issues, **implementation of such e-Wallet scheme is deferred by 6 months i.e. upto 01.10.2018.** Further, in order to send strong positive signal to exporting

community, GST Council has recommended to extend available tax exemptions in the form of export promotion schemes on imported goods for further 6 months i.e. upto 01.10.2018.

- **To expedite process of pending GST refund claims, GST Council has directed GSTN to forward balance refund claims to respective authorities such as Customs, Central GST, State GST authorities for immediate sanction and disbursal.**

Abbreviations used:

- GST** : Goods and Services tax
- CGST Act** : Central Goods and Services tax Act, 2017
- IGST Act** : Integrated Goods and Services tax Act, 2017
- CGST** : Central Goods and Services tax
- ITC** : Input Tax Credit

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