

Date 16.03.2020

## Summary of decisions taken by the GST Council in 39<sup>th</sup> Meeting on 14<sup>th</sup> March 2020

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**1. Changes in GST rates recommended:**

[proposed to be made effective from 1<sup>st</sup>April 2020]

Supply of goods/ service	Present GST rate	Proposed by GST council
Mobile Phones & specified parts	12%	18%
All types of Matches	Handmade: 5% Others: 18%	12%
Maintenance, Repair and Overhaul (MRO) Services for aircrafts	18%	5%

***Our Comments-***

- a. *GST rate on mobile phones increased to correct the inverted duty structure on recommendations of Fitment Committee.*
- b. *GST rate on safety matches changed to address classification issues on handmade and other matches.*
- c. *GST rate on MRO services for aircrafts reduced to 5% and it is proposed to change the place of supply for B2B MRO services to the location of recipient. Therefore, 5% GST would be applicable on repair cost when aircrafts are sent abroad for repairs. Further, such GST paid on repairs may not be available as credit due to restrictions under section 17(5) of the CGST Act, which would add to cost.*
- d. *The above changes in rates are recommendations of the GST council. These changes would be made effective by issue of gazette notifications w.e.f. 1st April 2020.*

**2. Law related and procedure related changes:**

- (a) **Interest on net GST liability:** Interest for delay in payment of GST to be charged on the net tax liability (paid by utilising electronic cash ledger) w.e.f. 01.07.2017. Law to be amended retrospectively.

*Our Comments-A welcome decision of the Council and in line with our recommendations. The proviso inserted in section 50(1) of the CGST Act vide Finance Act (No. 2) of 2019 seeks to correct an anomaly in the provision as it existed prior to such insertion. The same should be read as clarificatory and operative retrospectively as held by the Madras High Court in case of M/s. Refex Industries Ltd. 2020-TIOI-382-HC-MAD-*

*GST. Therefore, demands raised by the department for payment of interest on GST liability, paid by utilising input tax credit, is invalid.*

- (b) **Extension of time limit for filing application for revocation:** Application for revocation of cancellation of registration can be filled up to 30<sup>th</sup> June 2020, where registrations have been cancelled till 14<sup>th</sup> March 2020.

***Our Comments-** The law provides for a time limit of 30 days for filing of application for revocation of cancellation of registration, subject to extension by the Additional Commissioner by 30 days, and by the Commissioner for a further period of 30 days.*

*This one-time measure of extension of time limit for filing of revocation application till 30<sup>th</sup> June 2020, would facilitate the taxpayers whose registration was cancelled but could not apply for revocation within the time limit specified in the Act.*

- (c) **Annual Return and Reconciliation Statement:**

- i. Waiver of late fees for taxpayers having aggregate turnover of less than Rs. 2 crores for delayed filing of Annual return in Form GSTR-9 for FY 2017-18 and FY 2018-19.

***Our Comments-**Late fees of Rs. 200/- per day applicable for other taxpayers having aggregate turnover of more than Rs. 2 crores for delay in filing of GSTR-9.*

- ii. Due date for filing Annual Return (GSTR-9) and Reconciliation Statement (GSTR-9C) for FY 2018-19 extended till 30<sup>th</sup> June 2020.

***Our Comments-**Presently, the due date for filing Annual Return (GSTR-9) and Reconciliation Statement (GSTR-9C) was 31st March 2020. The proposed extension for FY 2018-19 would be made effective vide removal of difficulty order which is awaited as on date.*

- iii. Filing of reconciliation statement in Form GSTR-9C for FY 2018-19 to be made optional for taxpayers having aggregate turnover below Rs. 5 crores.

*Our Comments-Presently, the taxpayers whose aggregate turnover during a financial year exceeds Rs. 2 crores are required to get their accounts audited and furnish reconciliation statement in GSTR-9C.*

**(d) Deferment of E-invoicing:**

- i. E-invoicing and QR code deferred till 1<sup>st</sup> October 2020.
- ii. Certain class of registered persons (insurance company, banking company, financial institution, non-banking financial institution, GTA, passenger transportation service etc.) to be exempted from issuing e-invoices or capturing dynamic QR code.

*Our Comments-Taxpayers having aggregate turnover exceeding Rs.100 crores were required to issue e-invoice for B2B supplies, and taxpayers having aggregate turnover exceeding Rs. 500 crores were required to print QR code in the invoice for B2C supplies w.e.f. 1<sup>st</sup> April 2020, in the first phase. This is deferred till 1<sup>st</sup> October 2020 on account of technology support not available and still under development as on date.*

**(e) Deferment of New Returns:** Continuation of existing system of furnishing FORM GSTR-1 & FORM GSTR-3B till September, 2020.

**(f) Know Your Supplier:** 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.

**(g) Import and Export related proposals:**

- i. Extension of the present exemptions from IGST and Cess on the imports made under the AA/EPCG/EOU schemes up to 31<sup>st</sup> March 2021.
- ii. Deferment of e-wallet scheme upto 31<sup>st</sup> March 2021.
- iii. Bunching of refund claims allowed across financial years to facilitate exporters.
- iv. Ceiling to be fixed for the value of the export supply for the purpose of calculation of refund on zero rated supplies;
- v. To provide for recovery of refund on export of goods where export proceeds are not realized within the time prescribed under FEMA.

**(h) Refund to be sanctioned in re-credit as well, in case of excess payment of Tax:**  
The council has proposed changes in GST rules to the effect that refund could be

sanctioned in cash as well as by re-credit to the electronic credit ledger in case of excess payment of GST.

- (i) **Transition plan for taxpayers in Dadra and Nagar haveli & Daman and Diu:** The two Union Territories of Dadra and Nagar Haveli & Daman and Diu were merged into a single Union Territory with effect from 26<sup>th</sup> January 2020. Consequent to merger, there was ambiguity on tax to be charged on supplies made within the UT, transfer of ITC balance, etc. The Council has proposed to bring out a transition plan which would be applicable till 31<sup>st</sup> May 2020.
- (j) **Special proposal for taxpayers in Ladakh:** The Council has proposed to extend the due dates for registered persons having principal place of business in Ladakh for the returns in Form GSTR-1, GSTR-3B and GSTR-7 for the months from July 2019 to January 2020.
- (k) **Compliance with GST during Insolvency Resolution Process:** The Council has proposed to bring about a special procedure to ensure compliance with the provisions of GST laws by the corporate debtors who are undergoing the Corporate Insolvency Resolution Process under the Insolvency and Bankruptcy Code, 2016.
- (l) The Council has proposed to waive off the requirement of furnishing Form GSTR-1 for FY 2019-20 for those taxpayers who could not opt for special composition scheme under Notification No. 02/2019-CT(R) by filing Form CMP-02.
- (m) The council has proposed to bring about a procedure for:
  - a. Reversal of input tax credit in respect of capital goods which are partly used for affecting taxable supplies and partly for exempt supplies.
  - b. Apportionment of input tax credit in cases of business reorganization like in case of demerger, sale or transfer of business.
- (n) Other new initiatives proposed by the Council:
  - a. Seeking information return from banks
  - b. Restrictions proposed to be imposed on passing of input tax credit to the new GST registrations, before physical verification of premises and financial KYC, as a part of measure to curb fake invoicing.

**Note: This is a summary of the recommendations made by the GST Council to the Government. The above recommendations would be given effect through gazette notifications/ Removal of Difficulties Order, which alone would have the force of law.**