

Revised version of Draft Model GST Law issued

A revised version of the draft model Goods and Services Tax (GST) Act¹, Integrated GST Act² and Goods and Services Tax (Compensation to the States for loss of revenue) Bill³ has been issued by the Government of India.

The GST council would consider these laws in its meeting scheduled on 2 and 3 December, 2016.

Key changes:

While this flash is not aimed at providing a complete analysis of the revised draft law, some of the important amendments, as compared with the previous draft, are as under:

1. Enabling provisions have been made for introduction of an anti-profiteering measure, wherein a mechanism may be established to monitor whether the benefit arising to industry on account of GST is passed on to the consumers.
2. Credit of excise duty and CVD paid on transition stock is proposed to be allowed, provided the benefit is passed on to the recipient.
3. No GST to apply on 'securities' and subsidies granted by Central or State Governments.
4. Free of cost (FOC) supplies would not attract GST, except in specific cases (such as transactions between related parties).
5. Credit for certain specific capital goods to be staggered over a period of 3 years. In general, credit on capital goods to be linked with accounting treatment (earlier proposal was to link it with to the HSN codes, in line with current regulations).
6. Concepts of 'composite supply' and 'mixed supply' introduced. A composite supply, wherein a supply is made comprising of multiple supplies of goods or services, out of which one supply is predominant and others are naturally bundled with it, will be treated as supply of such predominant supply. A mixed supply, which involves multiple individual supplies of goods or services for a single price, without any predominant supply, will be treated as supply of goods or services which attracts highest rate of tax.
7. The proposal of considering 'intangibles' as services has been removed.
8. Supplies made to SEZ units to be treated as zero rated supplies.
9. Several amendments have been proposed in Place of Supply provisions.

PwC Comments

The revised draft deals with several aspects on which industry had made representations. Amendments with respect to transition stock, input tax credit provisions and FOC supplies address some of the major concerns of industry. Provisions relating to anti profiteering, while aimed at protecting consumers, might be difficult to implement. Many concerns of the services sector, particularly with respect to single centralised registration and clarity in terms of Place of Supply rules, have not been adequately addressed. Further changes to this draft cannot be ruled out. If the GST council approves the revised draft in its meeting scheduled for 2 and 3 December, the Government may be able to present it before the Parliament in the current winter session.

The Government of India continues to aim for 01 April, 2017 as the date of GST implementation.

¹ <http://www.cbec.gov.in/resources//htdocs-cbec/gst/draft-model-gst-law-25-11-2016.pdf>

² <http://www.cbec.gov.in/resources//htdocs-cbec/gst/draft-igst-law-25-11-2016.pdf>

³ <http://www.cbec.gov.in/resources//htdocs-cbec/gst/draft-gst-compensation-law.pdf>

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