

# What's New

## News Flash



June 2017

**The Government confident of 01 July as the roll out date, finalises rules relating to return and transition provisions and approves the rate structure on goods and services which were not decided earlier**

### In brief

At its fifteenth meeting, the GST Council has approved the rate structure on gold, precious metals, diamonds, jewellery, textiles, beedi, and branded and packaged food items, including biscuits. The GST Council also approved rules relating to return and transition.

### In detail

#### **GST Rates**

The GST Council has completed the exercise of finalisation of rate of GST on most of the goods. The commodities on which GST rates are finalised today are tabulated below:

Sr. No.	Product category	Description of Goods	GST Rate (in %)
1	Precious metal and jewellery	Gold, silver, diamond, processed diamond and Gold jewellery	3%
		Rough diamonds	0.25%
2	Packaged items of food	Packaged items of food sold under registered trademark	5%
3	Biscuits	All categories of biscuits	18%
4	Textile	Raw silk and jute	0%
		Yarn (excluding man-made yarn)	5%
		Man-made Yarn	18%
		All categories of fabrics	5%
		Ready-made garments with sale price below INR 1000	5%
		Ready-made Garments with sale price exceeding INR 1000	12%
5	Footwear	Price below INR 500	5%
		Others	18%
6	Beedi	Beedis	28% (No cess to be levied)
		Beedi Leaves	18%
7	Agri-Machinery	Depending on the present rate	5% and 12%

- Supplies made to CSD will be liable to pay full tax initially and CSD will get a refund of 50% of the GST paid by them. There will not be any concession from compensation cess. The supplies made by CSD to unit run canteens as well as supplies made by CSD or unit run canteens to final consumer are exempted from GST.

- An addendum for changes in rates has been issued, keeping solar panels @ 5%. The addendum also made changes in the rate schedule issued earlier for some items omitted and rectifies errors.
- In some cases, while the output GST rate is lower, no refund is allowed for credit overflow.
- The council has not re-considered any rate on any commodities which were finalized in last meeting and may consider representations made by various stakeholder may be taken up in the next meeting of GST Council scheduled to be held on 11 June, 2017.

### ***IGST Exemption on Imports***

The Government has released a list of IGST exemptions/ concessions on import of goods under GST, with reference to the present Customs Notifications. This includes imports relating to (i) multilateral/ bilateral commitments, (ii) imports by privileged persons, organisations, authorities and foreigners, (iii) certain imports relating to defence (iv) imports for research purposes (iv) re-imports after processing outside India (v) imports for display in exhibitions and re-export (vi) imports for repairs/ maintenance and re-export etc.

IGST exemption is also specifically provided for imports by a SEZ unit/ developer for authorised operations.

### ***Amendments in rules***

The GST Council has approved registration rules and transition rules. The key changes are highlighted below:

#### **• Return Rules:**

- For matching of claim of input tax credit, requirement to match taxable value is done away with. Now only the GSTIN of the supplier and recipient, invoice/ debit note number and tax amount needs to be matched.
- A new return in form GSTR 5A is introduced for supplies of online information and database access and retrieval services by a person located outside India, made to a non-taxable person in India. This return is to be filed on or before the twentieth day of the succeeding month.
- In case supplies made through electronic commerce operator, details required to be matched between the outward supply details of the supplier and statement of collection of tax at source submitted by electronic commerce operator are significantly reduced.
- Annual return for the electronic commerce operator in form GSTR 9B has been introduced.
- Enabling provision has been incorporated, empowering the Commissioner to extend the date of matching in all cases of discrepancies, on recommendation of council.

#### **• Return Formats:**

- Invoice level HSN/ SAC code reporting is not required. However, HSN wise summary of outward supplies is required to be furnished in the return for outward supplies made.
- The format of annual returns have not yet been released.
- Details of documents issued during the tax period is also required to be furnished separately in the return of outward supply.
- If invoice is raised in the same tax period in which advance received, it is clarified that there is no need to report the advance separately.
- Formats provide detail instructions which explains the manner in which return is required to be filed in.

These are only some important changes and do not capture all the amendments in the formats.

#### **• Transition rules<sup>1</sup>:**

- The deemed credit, where the person does not have any duty paying document, has been increased to 60% from 40%, if the product attracts tax rate of 18% and above.
- With respect to high value having value more than INR 25,000/-, where the product bear a brand name of the manufacturer and goods are serially numbered by inventory management systems (e.g. vehicle chassis or fridge etc), a concept of credit transfer document is introduced. The manufacturer will issue a credit transfer document, and the dealer will be able to claim full credit of the excise duty paid on the strength of such document.

### **Some of the other important points addressed in the press conference by the Finance Minister and the Revenue Secretary are as under:**

- The Council assessed the status of readiness of GSTN. GSTN has assured that it will be ready for implementation of GST from 01 July, 2017.
- Some of the provisions relating to registration will need to be notified, which will be done soon.

- The GST Council decided to form a committee to entertain any complain on anti-profiteering cases.

## **PwC Comments**

The GST Council has finished the exercise of rate fitment on various products, concluding a very important aspect of introduction of GST. With this, the Government has signalled that it is completely geared up for introduction of GST from 01 July. While the rates have been fixed by and large on the basis of principle of equivalence *vis-à-vis* current rates, there appears to be some disconnect in terms of the calculation formula on effective rates computed by the GST Council. Hopefully, in the next meeting of the GST Council, where they would finalise the rate schedule after considering various representations submitted, this aspect would also be relooked at. The Government has already shown that it is listening to the industry voices and one hopes that this trend would continue in same vein while finalising rate schedule.

On procedural aspect, removal of requirement of matching of taxable value for credit matching and the reduction in disclosure requirements in the returns is a welcome change to simplify the compliance process. The amendment in the transition rules to increase the deemed credit (though only for the goods taxed at higher rates) and passing of full credit by using the concept of credit transfer document are quite welcome changes and will result in minimising disruption in the trade.

Industry still awaits the guidelines on anti-profiteering clause, though it seems that the committee set up for this purpose would act on specific complaint of price increases and would be more of a watch dog.

The final countdown to the most radical tax reform in India now begins, with 01 July more seeming a reality after reaffirmation by the Government, post the GST Council meeting. Gearing up to the D-date is definitely challenging and the Industry has to push its preparedness in full swing, without waiting any further...

<sup>1</sup> At the time of preparing this newflash, the transition rules are not available in public domain and the above changes are as mentioned in the press conference addressed by the Finance Minister and the Revenue Secretary.

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With Best Regards  
PwC TRS Team

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