

GST Council relaxes compliance requirements for small and medium enterprises and gives relief to the exporters

October 7, 2017

In brief

In its 22nd meeting, the GST Council mainly focused on the compliance issues faced by the small and medium enterprises and the issues relating to fund blockage faced by the exporters.

In detail

The summary of the decisions taken by the GST Council is as under¹:

GST rates for goods:

Changes in rates of tax:

- Tax rates on various goods has been reduced. Some of the key rate changes are as under:

Sr. No.	Chapter heading	Description	New rate	Existing rate
1	21	Unbranded namkeens	5%	12%
2	30	Unbranded Ayurvedic, Unani, Siddha, Homeopathy medicines	5%	12%
3	4907	Duty credit scrips	0%	5%
4	5401	Sewing thread of manmade filaments	12%	18%
5	5402, 5404, 5406	All synthetic filament yarn, such as nylon, polyester, acrylic, etc.	12%	18%
6	5403, 5405, 5406	All artificial filament yarn, such as viscose rayon, cuprammonium	12%	18%
7	5508	Sewing threads of manmade staple fibres	12%	18%
8	8483	Plain Shaft Bearing	18%	28%
9	84	Parts suitable for use solely or principally with fixed speed Diesel Engines of power not exceeding 15HP	18%	28%
10	84 or 85	Parts suitable for use solely or principally with specified power driven pumps	18%	28%

¹ This alert has been prepared on the basis of press releases issued by the Government and announcements made in the press conference by the Finance Minister. The formal notifications operationalising these decisions are awaited.

Sr. No.	Chapter heading	Description	New rate	Existing rate
11	Specified chapters	Specified categories of waste/ scrap (including E-waste)	5%	18%/ 28%

IGST Exemption

- IGST has been exempted on imports of following goods:

Sr. No.	Description	New rate	Existing rate
1	Rigs for oil/ gas exploration and production projects under lease subject to fulfilment of specified conditions	Nil	5%
2	Medicines supplied free by international agencies like UNICEF, WHO, Red Cross etc.	Nil	5%/ 12%
3	Bona fide gifts upto CIF value limit of INR 5000 imported through post or air	Nil	28%

- The GST Council has approved a concept paper for determination of rates, which will be used by fitment committee to determine the rates.

Relief to exporters:

intended to be operationalised by 1 April, 2018.

coastal vessels and foreign going vessels.

Release of refunds:

- Refund of IGST paid on goods exported outside India would begin to be paid as follows:

- From 10 October, 2017 for exports in July 2017,
- From 18 October, 2017 for exports in August, 2017,
- Refunds for other months would be handled expeditiously.

- Refund of IGST paid on supplies made to SEZ and of input taxes on exports made under bond/ LUT would be processed from 18 October, 2017.

- Central and State GST authorities would be suitably empowered so that exporters get refunds from only one authority.

- The Government is considering to introduce a system of e-wallet for exporters, where such e-wallet would be credited with a notional amount as if it is an advance refund. Such amount can be used to pay IGST, GST, etc. The actual refunds would be adjusted from such e-wallet. This scheme is

Exemption/ concession on procurement of goods for exports:

- Imports made by advance authorisation holders, EPCG license holders and units under 100% EOU Scheme would be without payment of IGST, cess, etc. Domestic supplies to such persons would be treated as deemed exports and refund of tax paid on such supplies would be given to the supplier.
- Merchant exporters are required to pay GST @ 0.1% for procuring goods from domestic suppliers for exports.
- Specified banks and public sector units are being allowed to import gold without payment of IGST. Such gold can then be supplied to exporters as per a scheme similar to advance authorisation.

GST rates:

- GST rate on sale of duty credit scrips is being reduced from 5% to 0%.
- GST rate on bunker fuel is being reduced to 5% for both

Relaxation for small and medium enterprises:

Changes in the composition scheme:

- The turnover limit for opting for composition scheme has been increased to INR 10 million (INR 7.5 million for special category States other than Uttarakhand and Jammu and Kashmir).
- The facility of availing composition scheme to be available to migrated as well as new taxpayers up to 31 March, 2018.
- The option once exercised shall become operational from the first day of the month immediately succeeding the month in which the option to avail the composition scheme is exercised.
- Persons otherwise eligible for composition scheme but provide any exempt service (e.g. extending deposits to banks on which interest is being earned) would also be eligible for the scheme. Further, for computing the turnover limit for eligibility for composition scheme, the

turnover of such exempted services will not be taken into account.

- The due date for filing return in Form GSTR 4 by a taxpayer under composition scheme for the quarter July-September, 2017 would be extended to 15 November, 2017.
- A Group of Ministers to be constituted to examine measures to make composition scheme more attractive.

Compliance requirements:

- Small and medium businesses with annual aggregate turnover up to INR 15 million will be required to file returns in Form GSTR 1, 2 and 3 and also to discharge the tax liability on a quarterly basis.
 - This relaxation will be effective from the month of October, 2017.
 - The due dates for filing quarterly returns will be announced separately.
 - Such businesses would be required to submit monthly returns and pay tax on a monthly basis for the months of July to September, 2017.
 - The buyers from such small businesses can claim input tax credit (ITC) on a monthly basis by entering the data of the purchases from such small businesses in their Form GSTR 2.
 - Further, such businesses would also be required to submit return in Form GSTR 3B up to the month of December, 2017.
- Service providers making inter-State supplies of services are exempted from obtaining registration if their annual aggregate turnover is less than INR 2 million (INR 1 million

in special category States except Jammu and Kashmir).

- Taxpayers having annual aggregate turnover up to INR 15 million would not be required to GST at the time of receipt of advances on account of supply of goods and GST on such supplies would be payable only when the supply of goods is made.

Leasing of vehicles and transportation:

- Leasing of vehicles purchased and leased prior to 1 July, 2017 would be taxed at 65% of the applicable GST rate (including cess) for a period of three years with effect from 1 July, 2017. Supply of vehicles covered by these leases within 3 years will also be subject to the lower tax.
- The tax rates of 5% without ITC and 12% with ITC as applicable to transport of passengers by motor cab/renting of motor cab will be extended to any motor vehicle. Further, ITC of input services will be available if supplier and service recipient are in the same line of business at GST rate of 5%.
- Transportation of natural gas through pipeline would be subject to GST @ 12% with ITC or 5% without ITC.
- Vehicles supplied by a registered person, who procured vehicle prior to 1 July, 2017 and had not availed ITC of excise duty, VAT or any other tax paid on such vehicles would be taxed at 65% of the applicable GST rate (including cess).

Works contract services/ Government services:

- Works contract services involving predominantly earth works (i.e. constituting more than 75% of the value of the works contract) supplied to

Central Government, State Governments, Local Authority, Governmental Authority or Government Entity would be taxed at 5%.

- Works contract services (which would have attracted rate of 12% when supplied to Government) supplied to Government entities would be taxed at reduced rate of 12% when supplied in relation to the work entrusted to it by the Central Government, State Government, Union Territory or Local Authority.
- Supply of goods or services by a Government Entity to Central Government, State Government, Union Territory, Local Authority or any person specified by them against consideration received in form of grants would be exempted.
- Exemption to annuity paid by NHAI (and State authorities or State owned development corporations for construction of roads) to concessionaires for construction of public roads.
- Exemption to upfront amount payable in respect of granting long term lease of thirty years, or more of industrial plots or plots for development of infrastructure for financial business, provided by the State Government Industrial Development Corporations/ Undertakings or any other entity having 50% or more ownership of Central Government, State Government, Union Territory to (a) industrial units or (b) developers in any industrial or financial business area.
- Works contract services in respect of offshore works contract relating to oil and gas exploration and production in the offshore area beyond 12 nautical miles would be taxed @ 12%.

Reverse charge mechanism:

- The reverse charge mechanism in case of procurement from unregistered persons is suspended till 31 March, 2018 and will be reviewed by a committee of experts.
- Services provided by a GTA to an unregistered person including unregistered casual taxable person other than the recipients liable to pay tax on GTA services under reverse charge exempted from GST.
- Sale by way of auction etc. of used vehicles, seized and confiscated goods, scrap etc. by Central Government, State Government, Union Territory or a local authority, to any person, to be subjected to GST under reverse charge mechanism under section 9 (3) of the CGST Act.
- Services provided by overseeing committee members to RBI will be taxable under reverse charge mechanism.

Other key relaxations:

- The rates of job work in various industries and printing services are rationalised.
- The e-way bill system would

be introduced in a staggered manner with effect from 1 January, 2018 and would be rolled out nationwide with effect from 1 April, 2018.

- The registration and operationalisation of TDS/ TCS provisions is postponed till 31 March, 2018.
- The due date for filing Form GSTR 6 by an input service distributor for the months of July, August and September, 2017 extended to 15 November, 2017.
- Invoice rules will be modified to provide relief to certain classes of registered persons.
- Few other technical changes/ amendments would be made in notifications issued under CGST, IGST, UTGST and SGST Acts.

PwC Comments

- The Government has taken various steps to resolve the concerns of small and medium enterprises pertaining to high compliance burden and working capital issues of the exporters. The suspension of the reverse charge mechanism till March, 2018 for procurements from un-

registered persons and the concessions for existing car leases are welcome industry friendly measures. The Council has also considered the demands to realign rates of tax of some goods and services. While the job work rates have been rationalised, there is still lack of clarity on what constitutes job work and the procedures relating to job work valuation and credit flow.

- The staggered introduction of e-way bill provisions from January, 2018 is a major area of concern for the industry due to historical experiences and there is strong representation to do away with these provisions.
- Early commencement of functioning of the advance ruling authorities and a clear methodology for determining 'profiteering' and implementing the 'anti-profiteering' provisions are much awaited and need quick attention.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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