

GST Council releases proposed amendments to GST law, seeks comments from stakeholders by July 15; Proposal contains 38 amendments to the CGST Act, 6 amendments to IGST Act, and 2 amendments to GST (Compensation to States) Act

I am highlighting some important changes recommended:

1. Amendment in Schedule I

4. Import of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

(Changes: This amendment is to ensure that import of services by entities which are not registered under GST (say, they are only making exempted supplies) but are otherwise engaged in business activities is taxed when received from a related person or from any of their establishments outside India.

2. Schedule III new insertion

Clause 7. Supply of goods from a place in the non-taxable territory to another place in the non-taxable territory without such goods entering into the taxable territory

(It is sought to exclude from the tax net such transactions which involve movement of goods, caused by a registered person, from one non-taxable territory to another non-taxable territory).

3. Schedule III new insertion

Clause 8 (a) Supply of warehoused goods to any person before clearance for home consumption.

(b) Supply of goods by the consignee to any other person, by endorsement of documents of title to the goods, after the goods have been dispatched from the port of origin located outside India but before clearance for home consumption.

Explanation. - For the purposes of this clause, the expression “warehoused goods” shall have the meaning as assigned to it in the Customs Act, 1962 (52 of 1962)

(It is sought to ensure that there is no double taxation of transactions where supply of goods occurs in the course of high sea sales and sale of warehoused goods, before clearance for home consumption. It was observed that in case of supply of goods as high seas sales and sale of warehoused goods, before being cleared for home consumption, IGST was being levied twice, once under the Customs Tariff Act, 1975 (read with the IGST Act) and then for a second time, on clearance for home consumption under the IGST Act.

Since double taxation needs to be avoided, Circulars were issued to state that IGST would be payable only once at the time of clearance of goods for home consumption. However, it is imperative that such situations are squarely mentioned as 'no supply' in Schedule I).

4. Section 9(4) scrapped & substituted by new provision (reverse charge on purchase from unregistered persons)

New Section 9 (4) The Government may, on the recommendations of the Council, by notification, specify a class of registered persons who shall, in respect of taxable goods or services or both received from an unregistered supplier, pay the tax on reverse charge basis as the recipient of such goods or services or both, and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both.

(Section 9 (4), which mandates that all registered persons shall pay the tax on reverse charge basis on purchases made from unregistered persons, is presently under suspension. This subsection is being omitted for trade facilitation.

Instead, it is proposed to take an enabling power for the Government to notify a class of registered persons who would be liable to pay tax on reverse charge basis in case of receipt of goods from an unregistered Supplier).

5. **Composition scheme** the limit as per the Act is Rs.1 crore, it is proposed to be enhanced to Rs.1.5 Crores. Additionally a composition taxable person is permitted to supply services of the value not exceeding 10% of the turnover in the preceding financial year in the state or Rs.5 Lakhs whichever is higher.

6. As per the proviso to section 16 of the CGST Act, if the recipient fails to make the payment to the supplier within 180 days then the recipient should reverse the **input tax credit** & add in his output tax liability along with interest. Now it is proposed to delete the interest portion in the proviso as it is felt that such provision is onerous.
7. **Input credit on Motor vehicles** having a sitting capacity of more than 13 passengers will now be available and also it will be available for dumpers, work-trucks, fork lifts and other special purpose motor vehicles.
8. It is further clarified that if as per section 17(5) input tax credit of motor vehicle is not available then **input credit of related expenses** like general insurance, servicing, repair and maintenance in respect of such motor vehicles also will not be available.
9. Section 34 is proposed to be amended. At present, a credit/debit note which is issued by the registered person is required to be issued invoice-wise. This causes avoidable compliance burden for tax payers. Thus, it is proposed to allow issuance of **consolidated credit/debit** which is in line with the best international practices.
The amendment seeks to permit a registered person to issue consolidated credit / debit notes in respect of multiple invoices issued in a Financial Year without linking the same to individual invoices.
10. **Returns can be amended**: It is proposed to provide for allowing taxpayers to amend the returns. This provision existed in pre-GST regime, and is a trade friendly measure which would enable the taxpayers to correct inadvertent mistakes in the returns by filing an amendment return.
11. A new section 43A is proposed to be introduced in order to enable the **new return filing procedure** as proposed by the Returns Committee and approved by GST Council. The whole procedure of filing the return is proposed to be changed.
12. It is proposed to take an enabling power for the Government to prescribe any **specific order of utilization of input tax credit** of any of the taxes viz., integrated tax, central tax, State tax or Union territory tax for the payment of the said taxes.

13. In terms of section 143 of the CGST Act, a registered person (Principal) is **allowed to send inputs or capital goods to a job worker** for job work without payment of tax subject to the conditions inter-alia, that the inputs and capital goods are brought back within a period of one year and three years respectively.

It is proposed to insert a proviso in section 143 to provide that the period of one year or three years may, on sufficient cause being shown, be extended by the Commissioner for a further period not exceeding one year and two years respectively.

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