

<b>From</b>	Karvy Data Management Services Ltd.
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<b>Subject</b>	Important draft proposals for amendments to the GST Laws
<b>Category</b>	Others
<b>Series</b>	Karvy/GST/77

Since the introduction of Goods and Services Tax Act, 2017, there has been demand from trade and industry to ease the compliance requirements under the new GST law. There has been several notifications, amendments and orders issued by the Government from time to time.

Recently, the Government formed panel to study and formulate ease of doing business. Hence, the Govt. has proposed 46 amendments to the GST laws. These proposed amendments have been targeted to make compliances less cumbersome and to ensure ease of doing business.

Comments from the stakeholders have been invited on the proposal by July 15, 2018. Once the amendments are finalized by the Revenue Dept., they shall be moved to the GST Council for approval and to the legislators for enactment. These proposals are relating to the Supply, Reverse Charge, Composition Scheme, Input Tax credit, returns, etc. Some of the important draft proposals for amendments to the GST Laws are enumerated below for your ready reference:

Sl. No.	Proposed Modification	Essence of the proposed modification	Impact of the proposed modification
1	<b>Amendment in Schedule I of CGST Act 2017 (Activities treated as supply even if made without consideration)</b>	Activities treated as supply even if made without consideration: 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. Proposed: Deletion of the word "taxable"	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	<b>New Insertion in Schedule III of CGST Act 2017 (Activities which shall not be treated as Supply)</b>	Transaction that shall not qualify as supply: Merchant Trading: Movement of goods from one non-taxable territory to another 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. For e.g. ABC Limited in India consigns goods from Singapore to China without the goods entering into India.
3	<b>New Insertion in Schedule III of CGST Act 2017 (Activities which shall not be treated as Supply)</b>	Transaction that shall not qualify as supply: Supply of goods in the course of High Seas Sale and Sale of warehoused goods  In case of import of goods, by virtue of Circular No. 3/1/2018-IGST, Dated May 25, 2018, IGST would be payable only at the time of clearance of goods from Custom bonded warehouse for home consumption. This deferment of levy of GST is done so as to avoid the double taxation. It has been proposed that such situations should be mentioned as 'No Supply' in Schedule III of the CGST Act, 2017 itself.	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 Ware-housed 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, same is now mentioned as 'no supply' in Schedule III.

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4	Section 9(4) of CGST Act 2017 – Tax under Reverse Charge Mechanism	Modification to Section 9(4) of the CGST Act, 2017 to make the provisions of RCM for procurement of taxable goods or services or both, applicable only to notified class of taxpayers and not to all taxpayers.	As per Section 9(4), a registered person is liable to pay GST under reverse charge on goods or services purchased from unregistered supplier. However, this provision has been deferred till September 30, 2018. It has been proposed that only notified class of registered persons should be liable to pay GST under reverse charge mechanism to benefit the small and medium enterprises.
5	Amendment to Section 10 of CGST Act 2017 – Composition Scheme Dealer	Proposal to enhance limit for composition scheme from Rs 1 Crore to Rs 1.5 crores	The limit is being raised from Rs. 1 crore to Rs. 1.5 crore as a measure of trade facilitation, as already recommended by the GST Council.
6	Amendment to Section 10 of CGST Act 2017 – Composition Scheme Dealer	Proposal to include supply of services (other than restaurant Services) for Composition dealers supplying goods	With a view to enable traders and manufacturers supplying services along with goods to avail of the benefit of composition scheme, a new proviso is being proposed to be added in order to allow them to be eligible for the scheme subject to the condition that the value of supply services does not exceed 10% of the turnover in the preceding financial year in a State/Union Territory or Rs. 5 lakhs, whichever is higher.
7	Amendment to Sec 16(2) of CGST Act 2017– Second Proviso – Interest payable on delay in payment to supplier within 180 days from date of Invoice	It is proposed to remove the liability to pay interest in case where the recipient has been made liable to pay an amount equal to the ITC availed in case he fails to pay to the supplier of goods or services or both the amount towards the value of supply along with tax payable thereon within a period of 180 days from the date of issue of invoice by the supplier.	Since upon payment of the due amount to the supplier, the recipient shall be eligible to avail ITC of the said amount, it is believed that liability to pay interest is too onerous and should be removed. Hence, the amendment is proposed.
8	Multiple place of business registrations within same State	The proposed amendment in Section 25(2) of the CGST Act allows multiple places of business of the taxpayers in addition to the different business verticals within the state to be registered separately	This provides a major relief to certain industries like transporters, business conglomerates operating multiple business verticals in same State, etc. by enhancing the ease of doing business. This is a taxpayer-friendly amendment.

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9	Changes in negative list of input tax credit has been proposed – Sec 17(5)	<p>It is proposed that input tax credit should be allowed for the taxes paid on following:</p> <p>a) Supply of food, transport and insurance provided to employees if it is obligatory for the employer.</p> <p>b) Purchase of motor vehicle if it used for transportation of money for or by a banking company or a financial institution.</p>	<p>It is proposed to expand the scope of ITC availability in case of motor vehicles having approved capacity of not more than 13 persons (including the driver) in case it is used for specified purposes.</p> <p>The amendment is sought to make it clear that input tax credit would now be available in respect of dumpers, work-trucks, fork-lift trucks and other special purpose motor vehicles.</p> <p>After the amendment is carried out, input tax credit would be available in respect of motor vehicles for transport of persons having approved seating capacity of not more than 13 persons (including the driver), vessels and aircraft when these are used for business purposes.</p> <p>ITC shall be available in respect of motor vehicles if they are used for transportation of money for or by a banking company or a financial institution.</p> <p>The proposal is to clarify that GST ITC is not available in respect of services of general insurance, servicing, repair and maintenance in respect of those motor vehicles, vessels and aircraft on which ITC is not available.</p> <p>Presently, in accordance with the provisions of section 17(5)(b), ITC is not available in respect of food and beverages, health services, travel benefits to employees etc.</p> <p>This sub-section is being amended to allow ITC in respect of such goods or services or both where the provision of such goods or services or both is obligatory for an employer to provide to its employees under any law for the time being in force.</p>
10	Cancellation of Registration – Sec 29(2) – New Insertion	The insertion of this proviso seeks to ensure that once it is sought to cancel the registration of a registered person, the proper officer may temporarily suspend the registration till the procedural formalities for cancellation are completed.	This is a tax friendly measure to reduce the compliance burden post surrender/cancellation of registration
11	Amendment to Sec 34(1) and 34(3) – Tax Invoice, Credit and Debit Notes - Single Credit or Debit Note against multiple Invoices	At present, a credit or debit note can be issued only against its underlying invoice, which is quite cumbersome to correlate. Thus, it is proposed that parties should be allowed to issue consolidated credit or debit note to reduce the compliance burden for taxpayers.	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. This bring big relief to the tax payers who had to link DN/CN with original invoices

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12	<b>Section 35 (5) – GST Audit Report – Relaxation to the department of the Central Government or a State Government or a local authority</b>	Relaxation to the department of the Central Government or a State Government or a local authority, whose books of accounts are subject to audit by the Comptroller and Auditor-General of India or an auditor appointed for auditing the accounts of local authorities under any law for the time being in force	<p>Ministry of Defence has represented that the annual accounts of Canteen Stores Department (CSD) are internally audited by the Controller of Defence Accounts (CDA) and therefore, should not be subject to audit by a Chartered Accountant or a Cost Accountant.</p> <p>In this backdrop, it is proposed to provide that any department of the Central or State Government / local authority which is subject to audit by CAG need not get their books of account audited by any Chartered Accountant or Cost Accountant.</p>
13	<b>Sec 39(9) – Facility to amend the returns - Rectification of any omission or incorrect particulars in a return, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities</b>	If any registered person after furnishing a return discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars are noticed, or in the amendment return prescribed for this purpose, subject to payment of interest under this Act	<p>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.</p> <p>This is a welcome move which may enable tax payers to amend the returns and need not wait till the subsequent return for amendment.</p> <p>However, no such rectification shall be allowed after the due date for furnishing of return for the month of September (for monthly filers) or second quarter (for quarterly filers) following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier.</p>
14	<b>Simplification of Returns</b>	A new provision is being introduced by inserting section 43A, to enable the new return filing procedure as proposed by the Returns Committee and approved by the GST Council.	The return simplification method shall be placed before GST Council for its consideration and approval. However, the detailed formats and mechanism is yet to be notified.
15	<b>Changes in provisions relating to Refunds - Sec. 54 (2) (e) of CGST Act 2017</b>	Amendments are proposed under Section 54(3) of the CGST Act to file refund claim for the unutilized ITC on Inputs & Input Services by due date for furnishing of returns under section 39 for the period for which the claim for refund of ITC arises.	The present provision is end of financial year under Sec. 54(3) read with Sec. 54(2)(e) of CGST Act 2017

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16	Changes in provisions relating to Refunds - Sec. 54 (2)(c)(i) of CGST Act 2017	Explanation (2)(c)(i) to Section 54 of the CGST Act, It is proposed to allow receipt of payment in Indian rupees in case of export of services where permitted by the Reserve Bank of India.	Generally in the case of exports to Nepal and Bhutan, the payment is received in Indian rupees as per RBI regulations.
17	Appeals to Appellate Authority and Appellate Tribunal – Sec 107(6) of CGST Act 2017 - Ceiling for filing an appeal	For filing appeal to Appellate Authority the ceiling is 10% of disputed amount. A ceiling of 25 Crores has been provided	It is proposed to provide a ceiling of Rs. 25 crore for filing an appeal before the Appellate Authority.
		Similarly, for filing appeal to Appellate Tribunal the ceiling is 20% of disputed amount. A ceiling of 50 Crores has been provided	It is proposed to provide a ceiling of Rs. 50 crore for filing an appeal before the Appellate Tribunal.  This is a taxpayer friendly amendment especially in cases where the tax demand is of hundreds of crores of rupees.
18	Export of Services – Sec 2(6)(iv) of IGST Act, 2017 – Export of services	Export of services would include payment realised even in Indian Rupees where permitted by RBI	It is proposed to allow receipt of payment in Indian rupees in case of export of services where permitted by the Reserve Bank of India since particularly in the case of exports to Nepal and Bhutan, the payment is received in Indian rupees as per RBI regulations.
19	Amendment to Sec 12 (8) of IGST Act, 2017 – Place of supply of services by way of transportation of goods, including by mail or courier.	Place of supply of services by way of transportation of goods, including by mail or courier.	In order to provide a level playing field to the domestic transportation companies and promote export of goods, it is proposed that the transportation of goods from a place in India to a place outside India by a transporter located in India would not be chargeable to GST, as place of supply will be outside India.
	Insertion of a proviso-	Insertion of following proviso- Provided that if the transportation of goods is to a place outside India, the place of supply shall be the place of destination of such goods.	

To view complete list of proposed amendments, please click on the link below:

[https://static.mygov.in/rest/s3fs-public/mygov\\_153120546651553221.pdf](https://static.mygov.in/rest/s3fs-public/mygov_153120546651553221.pdf)

**About KARVY DATA MANAGEMENT SERVICES LTD.**

Karvy Data Management Services Limited (KDMSL), a GST Suvidha Provider which has developed ASP Solution for easing GST compliance for tax payers. Easy to use interfaces are made available at the disposal of the tax payers to simplify their compliances in terms of dashboards, MIS, returns, payments, refunds and other compliance process. So, 'HELP US HELP YOU' we offer following services for GST - GSP & ASP Services (on cloud or on premises) with ERP Integration and Vendor Management Solution. We also offer managed services for Outsourced GST Compliance which will take care of end to end compliances.

In India, GST Team of KDMSL are located in following cities: Hyderabad, Mumbai, Bangalore, New Delhi, Chennai, Pune and Kolkata. For more information about KDMSL service offerings, visit [www.karvygst.com](http://www.karvygst.com)

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