

GST Council Meet - Highlights

Why in news?

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The GST council, in its latest meeting, has announced a range of changes, addressing many concerns with the GST regime.

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What are the highlights?

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- **Composition Scheme** - Firms under the composition scheme can pay tax at a low 1-2% and file 4 returns a year unlike the regular 18% and 37 returns a year.

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- The threshold of annual aggregate turnover under the composition scheme has now been raised from Rs. 75 lacs to Rs. 1 crore.

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- The increase in the turnover threshold will make more taxpayers to avail the benefit of easier compliance under the scheme.

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- **Inter-state Supply** - The earlier mandatory registration for inter-state taxable supplies, irrespective of turnover, is now relaxed if the annual aggregate turnover is less than Rs. 20 lacs.

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- The relaxation is expected to significantly reduce the compliance cost of small service providers doing inter-state trade.

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- **Filing Returns** - Small and medium businesses with annual aggregate turnover up to Rs. 1.5 crores are now required to file returns and pay taxes only on a quarterly basis.

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- For those with turnover above Rs 1.5 crore, the existing system will continue of three returns per month and so on.

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- The registered buyers from such small taxpayers would be eligible to avail ITC (Input Tax Credit) on a monthly basis.

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- This is expected to facilitate the ease of payment and return filing.

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- **Reverse Charge Mechanism** - This basically means that GST is to be paid and deposited with the government by the recipient and not by the supplier of goods and services.

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- This mechanism has now been suspended by the GST council until 31st March, 2018.

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- It will be reviewed by a committee of experts and decided further.

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- **GST on advance** - The requirement of GST on advance payments received has been relaxed for annual aggregate turnovers of up to Rs. 1.5 crores.

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- The GST on such supplies shall be payable only when the supply of goods is made, even if the advance is received before the issue of invoice.

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- **Unregistered Business** - It was found that the Goods Transport Agencies hesitated to provide services to unregistered persons, after GST regime.

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- Responding to this, the services provided by Goods Transport Agencies to small unregistered businesses have now been exempted from GST.

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- **E-way bill** - The complicated e-way bill system is now said to be introduced in gradually with effect from 01.01.2018

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- The nationwide roll out is said to be carried on with effect from 01.04.2018.

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- This is to give trade and industry more time to accustom themselves to the GST regime.

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- **Export** - The Council decided to continue with two pre-GST era schemes that allow duty-free sourcing of materials for export production till March 2018.

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- There is also an announcement on e-wallet for exporters, under which they will be given a notional amount as advance refund.

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- On the basis of this credit, firms can pay IGST and GST, and refunds will be offset against this.

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- The Council has also decided to clear all tax refund claims of exporters earlier than the prior plan.

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- **Other measures** - There are changes in tax rates, mostly a reduction, for nearly 25 items.
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- The registration and operationalization of TDS/TCS provisions are postponed till 31st March, 2018.
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- This is decided after assessing the readiness of the trade, industry and government departments.
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- Invoice Rules have been modified to provide relief to certain classes of registered persons.
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- Also, the last date for filing the return by taxpayers under composition scheme for recent months has been extended.
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- Further, a Group of Ministers (GoM) shall be constituted to examine measures to make the composition scheme more attractive.
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What are the benefits?

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- The changes have come as a relief to small and medium businesses (SMEs) on filing and payment of taxes.
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- The overall compliance burden for SMEs has been reduced.
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- The changes on the export front will improve the liquidity of exporters by preventing their working capital from getting locked up in tax procedures.
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- The changes seem to be simplifying the tax regime in many ways and encouraging fast adoption and access of GST among the trading community.
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Source: Financial Express, The Hindu

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