



Goods and Services Tax Alert

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Goods and Services tax ('GST') Council meeting held on 04 March 2017 ends with the approval of draft Central GST bill and Integrated GST bill, while State GST bill and Union territory GST bill is scheduled for clearance in the next meeting on 16 March 2017.

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In this issue:

[Goods and Services tax \('GST'\) Council meeting held on 04 March 2017 ends with the approval of draft Central GST bill and integrated GST bill.](#)

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GST Council meeting ends with approval of Central GST and Integrated GST bills

- The GST Council, in the meeting held on 04 March 2017, approved the Central GST (CGST) and Integrated GST (IGST) bills. Passage of such bills now paves way for presenting both bills before the Parliament in the second half of the budget session commencing on 9 March 2017. The bills are likely to be presented as Money Bills before the Parliament, implying that they cannot be rejected by the Rajya Sabha i.e. the Upper House.
- In addition to the State GST (SGST) bills, it has also been proposed to introduce a separate GST bill for Union Territories. The SGST bill and the Union Territory GST (UTGST) bill (which would almost be a replica of the CGST Act) would be taken up for approval in the next meeting of the GST Council on 16 March 2017. These bills will then require the respective approval of State legislative assemblies and the Union Territories administration.
- In the next meeting, the Council will also clear some outstanding issues including determination of GST slabs for certain State-specific goods and services.
- With the passing of the said bills, the Government has once again re-iterated its intention of implementation of GST in India from the proposed date of 01 July 2017.
- Certain key features of the CGST bill and IGST bills are the following:
 - **State-wise single registration** for a taxpayer for filing returns, paying taxes and to fulfil other compliance requirements
 - Most compliances to be carried out **online** resulting in **minimal interaction** between the tax authorities and the taxpayers
 - Taxpayers to file a **single return per State** for reporting all inward and outward supplies under SGST, CGST, IGST and UTGST laws
 - Suppliers with annual turnover up to **INR 2 million (INR 20 lakh) will not require GST registration**. However, suppliers with annual turnover below this threshold limit can obtain GST registration to pay GST and claim input tax credit. The above threshold in case of Arunachal Pradesh, Sikkim, Uttarakhand, Himachal Pradesh, Assam and the other North-Eastern States is INR 1 million (INR 10 lakhs)
 - **All traders, select manufacturing entities and restaurants**, with annual turnover up to **INR 5 million (INR 50 lakh)** can avail benefit of **composition scheme** at various rates
 - To prevent cascading effect of taxes, **input tax credit** would be admissible **on all goods and services** used in the course or furtherance of business, **except certain items** as specified in the GST laws
 - To ensure **seamless utilisation of input tax credit**, GST laws provide that input tax credit under IGST Law and CGST Law can be utilised for payment of GST under SGST Law and UTGST Law. Similarly, credit of CGST, SGST and IGST laws can be utilized for payment of IGST. This cross-utilisation will, however, be in a pre-defined order.

- The existing mechanism of **Input Service Distributor** under Service Tax laws has also been introduced in GST to allow transfer of input tax credit on services across different GST registered units of the same entity.
- **Exporters** will be paid **90% of the refund amount** claimed, within **seven days** of making an application for refund, on a provisional basis. The balance 10% refund will be paid after verification of the refund claim
- To ensure a **single administrative interface** for taxpayers, GST laws authorise officers of Central and State Governments to exercise powers conferred under all the GST acts
- An **agriculturist** will **not be required to obtain GST registration** to the extent of supply of produce out of cultivation of land
- GST laws provide for obtaining **Advance Ruling** for future / proposed transactions so as to obtain certainty as regards tax treatment in advance. GST laws also have exhaustive provisions with respect to appeal mechanism
- GST laws also have detailed **provisions for transition** of existing indirect tax assessees from the current indirect tax laws to GST. The provisions have been drafted to ensure seamless transfer of unutilised input tax credit to the GST regime.
- Taxpayers facing **financial hardship** can make payment of GST in **instalments** on approval being granted by the Commissioner

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