



Recommendations of the 54th GST Council meeting and Invoice Management System

September 2024

CONTENTS

1 Speakers for today

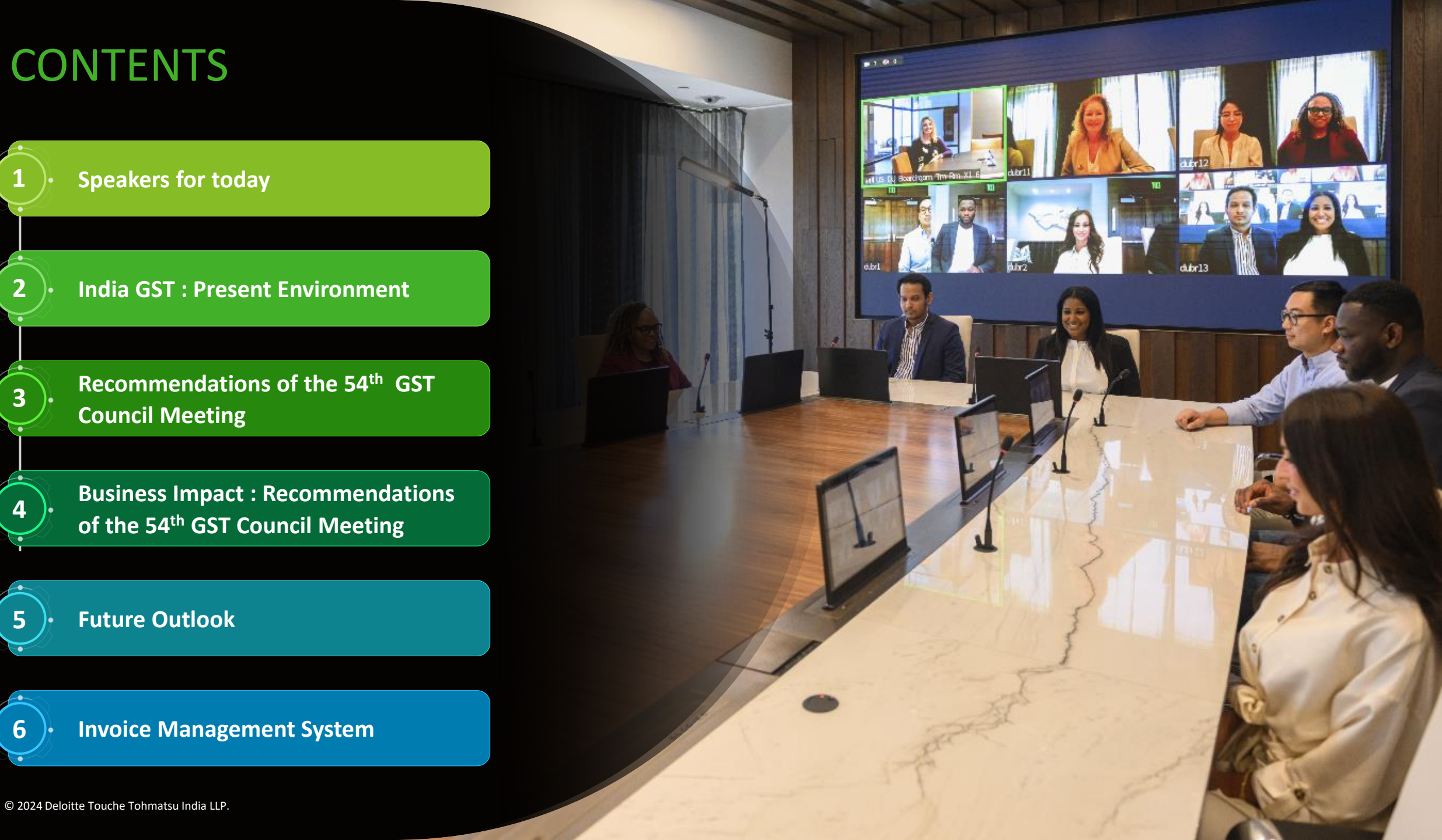
2 India GST : Present Environment

3 Recommendations of the 54th GST Council Meeting

4 Business Impact : Recommendations of the 54th GST Council Meeting

5 Future Outlook

6 Invoice Management System



Speakers for today



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India GST : Present Environment

India GST | Present Environment



Strong Fiscal performance



Robust GST Council



Government Focus on ease of doing business



Rate Rationalization

Flurry of notices due to limitation period



Technology enhancements



Implementation of dispute resolution



Redressal of industry issues



Progressive measures





Recommendations of the 54th GST Council Meeting

Recommendations of the 54th GST Council Meeting

In a nutshell

Regularise the past demands on 'as is where is'

- Grants on R&D services
- Import of services by an establishment of a foreign airlines without consideration
- Affiliation services provided by state/central educational boards



Rate Changes

- 18% GST on affiliation services by universities, unless exempt
- GST rate reduced to 5% from 12% on Cancer Drugs

RCM on supplies by

- Renting of Commercial Property
- Supply of Metal Scrap



Trade facilitation measures

- Clarity on export refunds
- Conditions notified for waiver of interest/penalty under amnesty scheme
- Relaxation to avail input tax credit pertaining to FY 2017-18 to FY 2020-21



Key clarifications on legal disputes

- Export benefit extended by clarifying recipient based POS for services provided to foreign entities :-
 - ✓ Advertising
 - ✓ Data hosting
- Availability of ITC on demo vehicles



Technology Initiatives

- Pilot test B2C E-invoicing to enhance efficiency
- New Invoice Management System and Ledgers for better transparency in ITC and compliance





Recommendations of the 54th GST Council Meeting : Business Impact

Proposal for rate rationalization on services (1/2)



The following transactions shall be exempted:

- R&D services by Government Entities or notified institutions (under Income Tax Act, 1961) funded by Government or private grants
- Import of services by foreign airline establishments from related entities outside India, without consideration
- Affiliation services by state/central educational boards and councils to government schools
- Flying training courses by DGCA-approved Flying Training Organisations (FTOs)



Business Impact

1 • Cost Savings & operational efficiency for universities

2 • Enhanced R&D and Educational Collaborations

3 • Boost to Aviation Sector
• Impact on Shipping line to be monitored

4 • Evaluate input tax credit reversal requirement given the exemption.

Proposals pertaining to rate rationalization on services (2/2)



Clarifications provided on the GST rate of following services :

- 5% GST on helicopter passenger transport (seat share basis); 18% on charter.
- Preferential Location Charges (PLC) for construction services bundled with main service; same tax treatment as construction service
- Classification of ancillary services by GTA as part of composite supply.
- 18% GST on affiliation services by universities unless exempt
- Regularization of GST for film distributors/sub-distributors on 'as is where is' basis before 01 Oct 2021
- GoM to address insurance premium affordability by Oct 2024



Business Impact

1

- Standardized invoicing process for real estate transactions

2

- Lower insurance premium costs for consumers, making insurance more accessible

3

- Universities not eligible to claim exemption on affiliation fees to re-assess their fee structure

4

- Ease dispute resolution process for the entertainment industry

Proposals pertaining to trade facilitation measures



Trade Facilitation measures

- Export benefit extended by clarifying recipient based POS for the following services provided to foreign entities :-
 - Advertising
 - Data hosting
- Availability of ITC on demo vehicles clarified
- Inputs procured under customs notifications: Refund on exports no longer contravenes GST provisions. Prospective removal of restrictions on concessional/exemption notifications on input procurement
- Procedure to claim amnesty for waiver of interest/penalty for FY 2017-18 to 2019-20 under section 128A notified.
- Relaxation in respect of time limit for claiming input tax credit pertaining to FY 2017-18 to FY 2020-21



Business Impact

1

- Smoother process for claiming export benefits
- Reduces compliance disputes and improves cash flow

2

- Aids in liquidation of Input Tax Credit (ITC) on capex procurements which currently cannot be obtained as refunds

3

- Encourage better sales strategies and product demonstrations

4

- Enable businesses to resolve past compliance issues and focus on future growth

Proposals pertaining to tax payment under reverse charge mechanism



Proposals pertaining to reverse charge mechanism (RCM) :

- Renting of Commercial Property: RCM on renting by unregistered persons to registered persons to prevent revenue leakage
- Metal Scrap: RCM on supply of metal scrap by unregistered persons to registered persons; 2% TDS on supply by registered persons



Business Impact

1

- System and process changes to capture taxability as registered persons will need to self-assess, calculate, and pay the GST

3

- Landlords adjusted rent amounts among family members to remain below the GST threshold. Such practices will be curtailed

2





- TDS Obligations to be complied on supply of metal scrap

4

- Small scrap buyers are now obligated to pay GST, putting them on par with large buyers

Rate Changes

Proposals for rate rationalization of goods

Nature of goods and services	Existing rate	Proposed rate
 Namkeens and Extruded/Expanded Savoury Food Products	18%	12%
 Cancer Drugs	12%	5%
 Railway AC Units	As applicable	28%
 Car and Motor cycle seats	18%	28%

Proposals pertaining to technology enhancements



GST compliance recommendations :

- E-invoicing for B2C transactions to be introduced on a voluntary pilot basis for select sectors and states
- New system enhancements : RCM Ledger, ITC Reclaim Ledger, and Invoice Management System (IMS)
 - Taxpayers have until 31 Oct 2024 to declare opening balances for RCM and ITC Reclaim Ledger.
 - IMS optional for accepting, rejecting, or holding invoices for ITC availment



Business Impact

1

- Enhanced customer trust
- Businesses can familiarize themselves without facing immediate compliance pressures

2

- Reduces manual tracking errors and enhances transparency

3

- Streamline the process of managing RCM
- Better cash flow planning

4

- Taxpayers to report opening balance for these ledgers by 31 October 2024

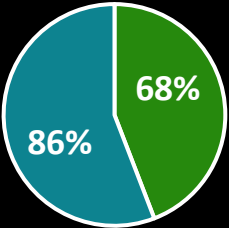


Priority areas GST 2.0 and Future Outlook

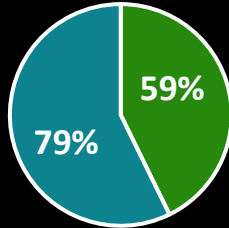
Priority areas for GST 2.0

Key progressive measures

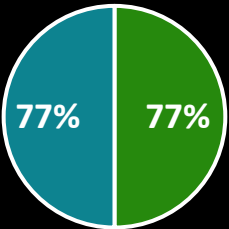
Measures for sectoral growth in GST 2.0



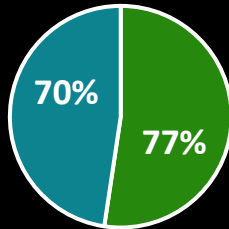
Removing restrictions on input tax credits, in specific cases, such as in relation to employees and the set-up of commercial infrastructure



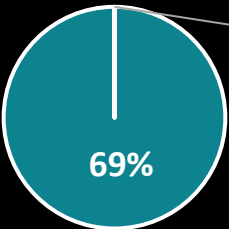
Rationalising GST rates for the entire supply chain



Unlocking of working capital measures



Promoting exports by liberalising export rules under the GST law



Addressing the inverted duty structure, in a holistic manner

● 2024 ● 2023

All business sizes expressed uniformly high emphasis (very large—87 percent, large—83 percent, MSMEs—88 percent) on removing input tax credit restrictions, as a universal challenge across business topographies

Future Outlook



GST Appellate Tribunal (GSTAT) – Addressing litigations

- The government, on May 6 appointed Justice (retd) Sanjaya Kumar Mishra as president of the GSTAT. Fully functional GST Tribunal will require appointment of judicial and technical members, which would be done in the days to come.
- GST law proposed to provide for a specified date from which the time limit for filing appeals (3 months) before the Appellate Tribunal shall start



National Appellate Authority for Advance Ruling – resolve conflicting State rulings

- Will act as an appellate forum for taxpayers to resolve conflicting rulings by various State advance ruling authorities
- Expected to be notified and set up next year



Committees setup by the GST Council – Rate Rationalization

- Group of Ministers (GoM) to study GST issues on life and health insurance and report by October 2024.
- Examine issue of correction of inverted duty structure for major sectors; rationalize the rates and review inclusion of products currently outside the ambit of GST
- Discussion on taxation of Online Gaming



Invoice Management System

A new communication process

Objective:

- Real Time invoice dashboard - Facilitate taxpayer in matching of invoices vis a vis issued by suppliers for availing the correct ITC

Applicability:

- Registered Taxpayers - Monthly or Quarterly filers
- Applicable only for tax documents - Not on Inward RCM supply or Bill of Supply



Overview

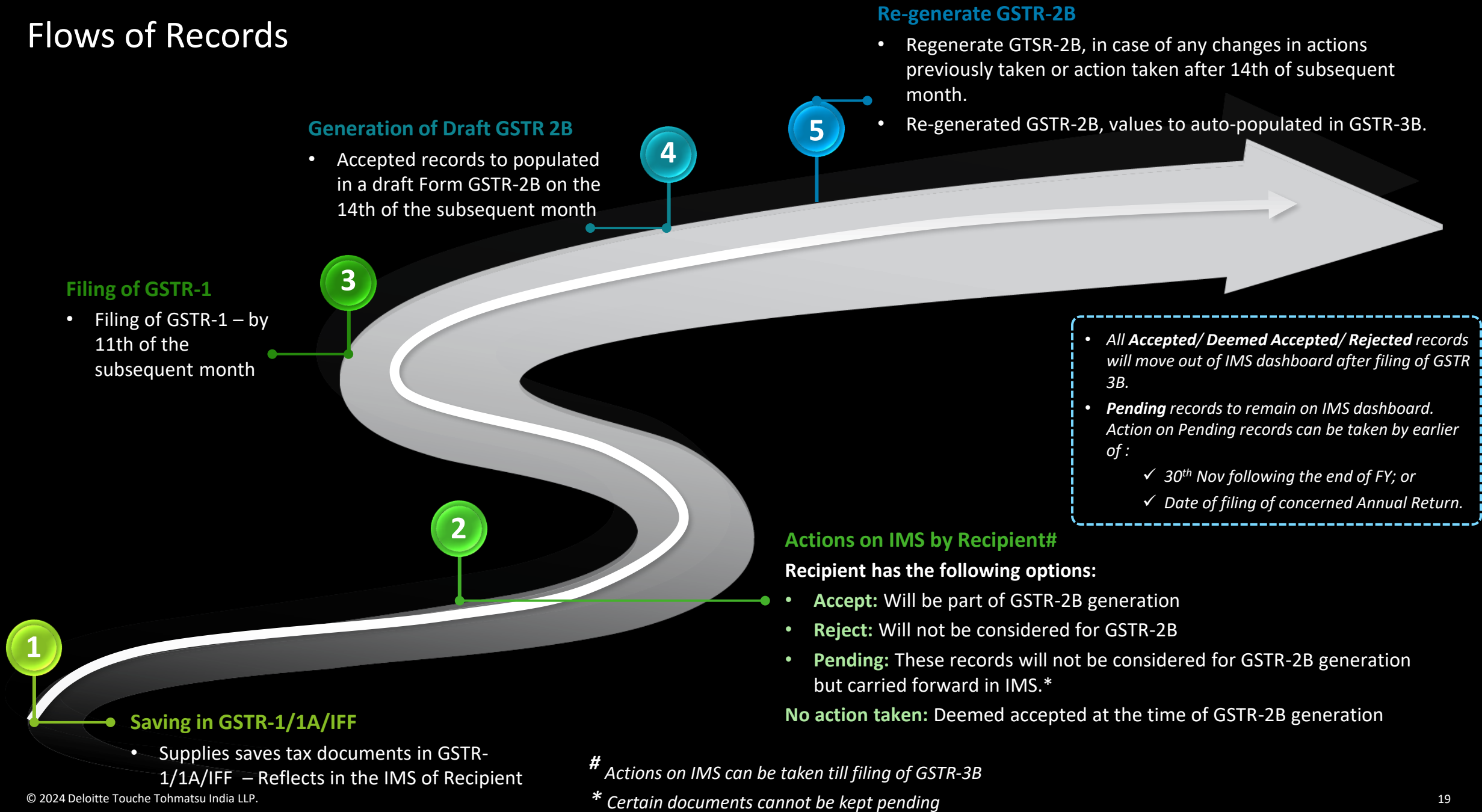
Effective Date:

- To go live from 01st October 2024 on the GST portal.

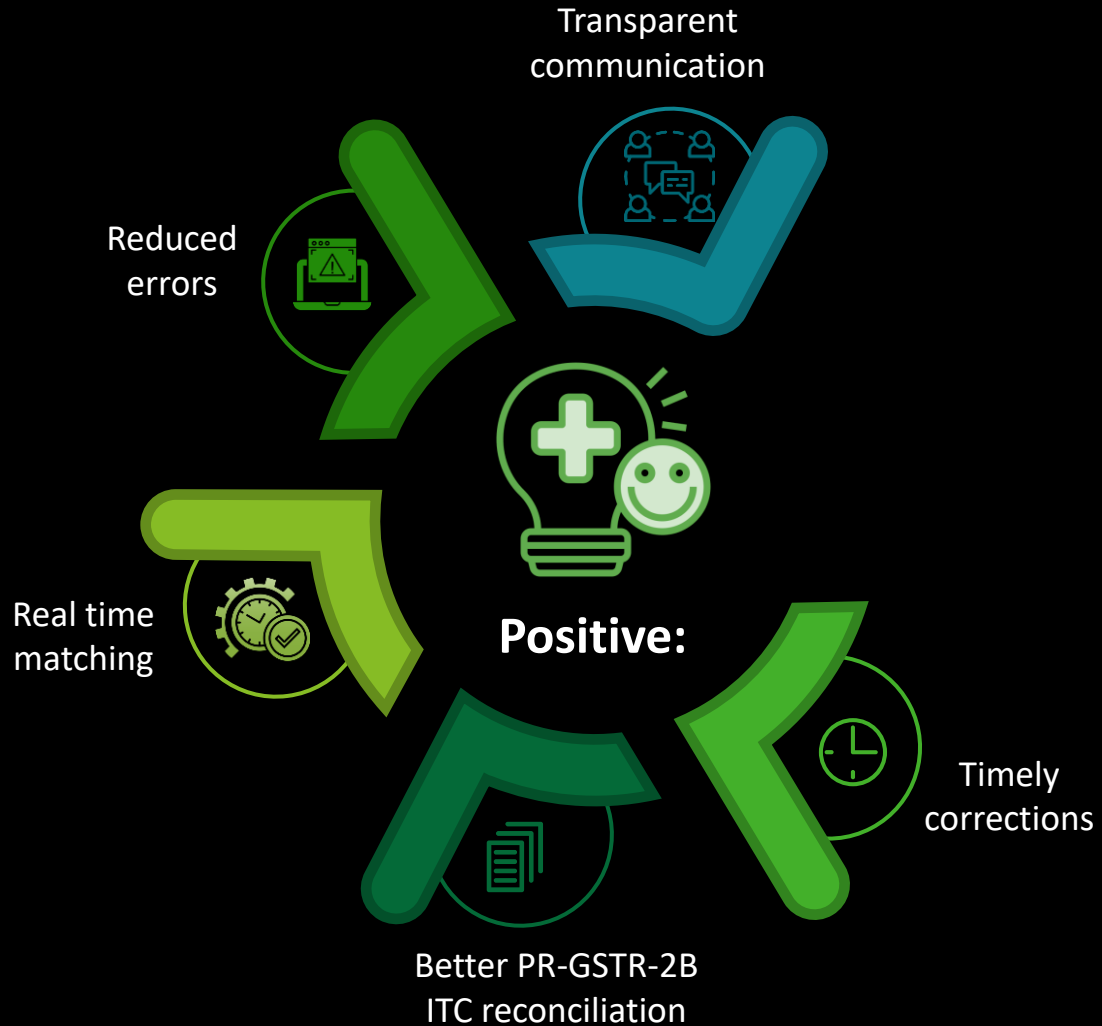
Salient Features:

- Records to flow in IMS even at upon saving of record by supplier in GSTR-1/1A/IFF
- Recipient can take action on the record in IMS as soon it is saved by the supplier
- Only accepted invoices to appear in GSTR-2B

Flows of Records



Business Impact



Concerns

- Complexity in the IMS mechanism
- Lack of time to adapt before the go-live date
- Solution for handling erroneous rejections in IMS
- **No IMS for supplies where ITC is –**
 - time barred u/s 16(4) due to incorrect document date
 - blocked on account incorrect place of supply
- MS procedure lacks enforceability due to the absence of supporting provisions in the GST law



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