

GST panel proposals can provide big relief to big service providers

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THE
EDITORIAL
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The 6.5 per cent warning

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AANCHAL MAGAZINE
NEW DELHI, JANUARY 10

THE BIGGEST compliance burden for large service providers such as banks and airlines, who were required to apply for multiple registrations in every state of operation under the new Goods and Services Tax (GST) regime, could be eased.

The GST Council's law review committee has recommended

centralised registration for large service providers operating across ten or more states with an annual aggregate turnover exceeding Rs 500 crore, which could offer big compliance-related relief for big service sector firms.

The proposal for change in the registration mode for service providers, which would benefit large service providers in sectors such as insurance, banking,

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GST panel

railways and airlines, is part of some 16 recommendations made by the law review committee that are aimed at further simplification of the new indirect tax regime for businesses. The recommendations, an official said, will be taken up for discussion at the 25th GST Council meeting to be held on January 18.

The 10-member committee has also recommended broadening of certain categories for availment of input tax credit. It is learnt that the committee has recommended allowing credit for off-road vehicles and conveyances such as dumpers, tippers and other earth-moving vehicles when they are used for furtherance of business along with relaxation in credit for larger vehicles for transport of passengers like those used for ferrying employees, both when purchased or hired.

At present, the credit on rent-a-cab and insurance services is allowed only when an employer is obligated to provide services under any law. "It was felt that credit should be allowed on other services provided by the employer to an employee under obligation of some law," the official said.

The committee has also proposed restricting levy of the controversial reverse charge mechanism — under which tax liability lies on the recipient rather than the unregistered supplier — to only certain cat-

egory of unregistered suppliers as against the earlier proposal to levy it for all unregistered suppliers under the GST regime. The committee has also proposed extension of reverse charge mechanism to renting of immovable property services provided by any person other than a business entity to a registered person by way of a notification.

Retail transactions may also see further simplification as the committee has proposed separate categories of tax invoices for B2B (business to business) and B2C (business to customer) firms, a feature similar to VAT, wherein invoices in case of B2C transactions may have fewer mandatory elements as no input tax credit is claimed in B2C transactions.

"It was represented that invoices issued for B2C supplies may be simplified as the recipient does not require the credit. In view of improving ease of doing business, a distinction can be made between tax invoice of which the buyer will take tax credit and a retail invoice. Certain parameters which are prescribed for B2B invoices may not be necessary for B2C supplies and therefore, a distinction has been proposed," the official said, adding that transparency would be maintained as the tax amount would be mentioned in the retail invoice for consumers.

Among other recommendations, the committee has proposed delinking invoice-wise data matching from the GST returns and conducting it over a quarterly

period than a monthly system. The Council has recommended that the tax payers with annual turnover below Rs. 1.5 crores may file only a quarterly return, while filing of a monthly return by all other categories be continued. Also, it has proposed levy of compensation cess at the manufacturing stage on parameters such as production capacity for certain categories of supplies such as pan masala, gutka and other evasion prone commodities. The move, an industry expert said, would help the government check tax evasion as cess would be levied at capacity utilisation than actual production.

For supplies made by Special Economic Zones (SEZs) to units in Domestic Tariff Area (DTA), the committee has proposed that the exemption route needs to be addressed to ensure that there is no double levy of Integrated GST (IGST), if the IGST is paid as part of the customs duty.

The law review committee, which was constituted in November with representatives from both states and the Centre, has met five times over the last two months to discuss the recommendations made by various trade and industry bodies, law advisory group and the Department of Revenue under Ministry of Finance.

It has recommended about 16 changes in GST-related laws and once the Council gives its approval, the changes would be incorporated in the Central GST (CGST) and Integrated GST (IGST) Acts and similar changes in the SGST Act would be drafted.

