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1. Aggrieved exporters likely to get relief from GST Council

The goods & services tax (GST) Council at its meeting is likely to give relief to the exporters who were denied refunds due to changes in the Export Promotion Capital Goods (EPCG) scheme. The scheme allows import of capital goods at zero duty, subject to an export obligation. Integrated GST (IGST) paid on imports is refunded. However, recently an amendment was carried out in Rule 96 under the Central GST and State GST Acts withdrawing the benefit of refund of IGST to exporters even when a small import has been done against the scheme. Punjab Finance Minister Manpreet Singh Badal raised the issue in the previous GST meeting, saying the amendment has introduced an "avoidable" complexity for exporters. The Council has also been told that the changed rules were causing hardship to exporters, especially those who have imported capital goods and machinery under EPCG scheme. It has also been represented that it was not clear whether the earlier rule prevented an exporter, who was importing capital goods, machinery under the EPCG scheme, from claiming refund of IGST paid on export of goods. Several exporters availing benefits of the EPCG scheme have received refunds of IGST while many have been denied similar refund. The Council had referred the matter to its legal committee which had recommended that the amendment be withdrawn. The recommendation will be taken. Aggrieved exporters have meanwhile filed petitions in the Bombay High Court, demanding withdrawal of the changes. Abhishek Rastogi, counsel for exporters in the court and partner at Khaitan & Co, said their petitions will become infructuous if the GST Council addresses the issue and the exporting community will substantially gain, he said. The petitions basically say that the amendment is arbitrary and defeats the rebate scheme.
(Source: Business Standard)

2. TDS, TCS for GST kick-in from October 1: Deduction, registration, compliance, challenges

After the GST regime gained momentum, the government decided to introduce TDS and TCS provisions. The GST law requires TDS to be deducted by certain specified government bodies/ PSUs, where the total value of supply, under a contract, exceeds Rs 2,50,000. The recipient of supply i.e. the TDS Deductor is obligated to deduct 2% (1% CGST + 1% SGST) from the payment made or credited for taxable goods or services or both. The aim to bring this provision is to keep a watch on tax evasion and leakages to the extent possible. The sudden but delayed implementation of TDS provisions from 1st October 2018 has presented certain challenges amongst the industry. The challenges would range from initial hiccups to long-lasting impact on the business of companies. Some noticeable challenges with this implementation are outlined below.

Transitioning to TDS:

The priority for the deductors at this stage is smooth transition considering the additional compliance and legal requirements to deduct tax. This has resulted in businesses analyzing the trigger point for deduction of tax. One key issue is whether TDS provisions apply to supplies made prior to 1st October but where payments are received after this date. In order to answer this question, the interpretation of legal provisions becomes critical.

TDS on inter-State supplies:

The GST Law excludes TDS where the supplier registration and the place of supply registration of the TDS deductor are in different states. The provisions do not say that TDS is not applicable to inter-State supplies. However, the FAQ released by Karnataka Government seems to indicate TDS is not to be deducted on inter-State supplies (irrespective of the location of supplier/ place of supply/ location of recipient). Although the understanding in the FAQ seems to be incorrect, the Department is yet to clarify this position or make the relevant changes to the law. Till then, it remains unclear whether TDS is to be deducted on inter-State supplies.

TDS on inter-unit transactions:

The transactions between two registrations of a same company (even without any consideration) are taxable under GST. As per the provision under TDS, deduction is to be made on payment made or credited to the supplier. Different companies follow different practices with respect to the compensation mechanisms between its units. In such cases, TDS provisions may pose significant accounting and legal challenges.

Contract value or supply value?

The TDS provision specifies that the tax is to be deducted where the total value of such supply, under a contract, exceeds 2.5 lakh. The question that arises is whether the tax is to be deducted for all supplies under one contract, where the contract value exceeds 2.5 lakh, or the value qua each supply is to be considered irrespective of the contract value. In absence of clarification, the provision could have serious ramifications.

Deduction of exempt supplies?

As per the legal provisions, TDS is to be deducted from payments made or credited for taxable goods or services or both. Taxable supplies have been defined as "supply of good or services or both leviable to tax under the Act". Therefore, the supplies which have been made exempt by virtue of exemption notifications would also be considered as taxable supplies. This brings us to the question, whether TDS is to be deducted on payments pertaining to supplies which have been made exempt? Under the Income Tax Law, various Circulars have clarified the non-requirement of deduction in situations where the income is unconditionally exempt. Under GST laws, similar clarifications have not been issued and have been a concern for companies.

Compulsory registration for deductors:

Persons who are required to deduct tax are required to obtain registration (whether or not registered separately). The provision does not address the situation where a person is operating through multiple places of business in one State. It remains unanswered whether such a person would require separate registration for each place of business to comply with the compulsory registration provision or a single registration for the entire State would be enough.

Additional compliance burden:

In addition to legal issues, the business would be required to prepare themselves for certain compliance requirements. Over and above the existing returns, the person deducting the tax would also be required to file GSTR-7 for furnishing the details of tax deducted.

The Deductor would also be required to furnish to the Deductee (supplier of goods or services) a TDS certificate mentioning the contract value, rate of deduction, amount deducted, and amount paid to the government within 5 days from the date the TDS is deposited.

With fresh challenges under the GST, all the stakeholders must be ready for implementation of the TDS provisions before 1 st October 2018. There is a dire need to clarify the open issues to avoid confusion.

It will be interesting to see whether the issues relevant for TDS implementation are discussed and clarified during the 30th GST Council Meeting scheduled on 28.09.2018. We can only wait and watch.

(Source: Financial Express)

3. CCI urged to open 25 cotton purchase centre's by Oct. 10

With the commencement of cotton plucking in some pockets of the State where its cultivation was taken up early, and with the expected arrival of cotton to the market from October first week, the State Government has requested the Cotton Corporation of India (CCI) to open its purchase centres in at least 25 market yards by October 10. At a meeting held to review the arrangements being made for procurement of green gram, black gram, maize, groundnut and cotton this marketing season, it was decided to open cotton procurement centres in 98 market yards by CCI and another 288 purchase centres at ginning mills. Minister for Marketing T. Harish Rao asked the Cotton Corporation of India officials to open all their purchase centres by October 20 and also notify 288 ginning mills that have participated in Cotton Corporation of India tenders as designated purchase centres. The Centre has fixed a minimum support price (MSP) of Rs. 5,450 per quintal for cotton this year against Rs. 4,320 last year. As the minimum support price has been enhanced by over Rs. 1,100 per quintal, it is being expected that a large number of farmers would prefer sale of the fibre crop produce at Cotton Corporation of India purchase centres. However, the Minister has suggested the farmers to maintain the quality norms specified by the Cotton Corporation of India, including keeping the moisture content between 8% to 12% and removal of any other material to get the announced price. Officials of the marketing and agriculture departments, Telangana State Cooperative Marketing Federation Ltd (TS-Markfed), Hyderabad Agricultural Cooperative Association (HACA), TS Warehousing Corporation, Branch Managers of Cotton Corporation of India and representatives of ginning mills association attended the meeting. Mr. Harish Rao spoke to Chairman and Managing Director of Cotton Corporation of India P. Alli Rani over phone and requested her to take steps for timely shifting of cotton bales and seed from ginning mills and also to ensure hassle-free procurement in Khammam district where ginning millers did not participate in Cotton Corporation of India tenders. The Minister directed the TS-Markfed officials to open procurement centres for green gram (9) and maize immediately, which have been fixed minimum support price of Rs. 6,975 and Rs. 1,700 per quintal, respectively. The Minister also told the officials to get prior approval from the Centre for procurement of black gram, groundnut and red gram too.

(Source: Business Line)

4. MSMEs may not receive additional benefits before 2019 general elections: Report

Micro, small and medium enterprises (MSMEs) may not receive more benefits under the Goods & Services Tax (GST) regime before the 2019 general elections as there has been a consistent fall in collections, The Financial Express reported. The GST structure might not see any major change and even the new return filing system may not be implemented until the Lok Sabha polls are concluded and the new government assumes office, the report said. “Tax officials and the political dispensation are wary of implementing new measures close to general elections. Apart from revenue considerations, we also have to factor in the income tax-related issues that may arise after implementation,” a source told the paper. The government had earlier proposed additional sops to MSMEs. It, however, feels that the rolling out such benefits closer to elections could create technical hassles. The inconvenience may, in turn, offset political benefit the National Democratic Alliance (NDA) government could garner through tax sops for small businesses. The Centre has also decided to stick to its FY19 fiscal deficit target of 3.3 percent of GDP. Amid declining GST revenues, offering additional benefits to MSMEs may hurt government's fiscal deficit target. Revenue collection from GST declined to Rs 93,960 crore in August from Rs 96,483 crore in July, the lowest in the current fiscal. The decline may have been due to a rate cut on several items that was announced to provide relief to MSMEs and customers. On July 21, the GST Council had cut rates on more than 80 items across various tax slabs. The rate cut was effective from July 27. The GST Council had set-up a Group of Ministers (GoM) on August 4 to formulate a plan for further relief to MSMEs, but the panel hasn’t met even once, the report said. The GoM is unlikely to submit an interim report during the next GST Council meeting scheduled on September 28, the report said. The government had earlier decided to provide MSMEs additional relief as small taxpayers, who were exempt from excise duty in the pre-GST regime, are now liable to pay excise duty and Value Added Tax. The move is said to have taken away the competitive advantage from these enterprises. The sops were aimed at reducing tax burden as well as giving these firms a bit of a competitive advantage.

(Source: Money Control)

5. China to cut import tariffs on textile, metals and other products: FinMin

China will cut the import tariffs on textile products and metals, including steel products, to 8.4 percent from 11.5 percent, effective Nov. 1, the finance ministry said. Import tariffs on wood and paper products, minerals and gemstones will be cut to 5.4 percent from 6.6 percent, the ministry said.
(Source: Business Standard)

6. GSTN makes PIN code must for transporters, businesses for e-way bill

Tightening the norms for issuance of e-way bill, the GST Network has made it mandatory for businesses and transporters to mention PIN codes of places of loading and unloading of consignments. Quoting of PIN codes, according to officials, will help in calculating the correct distance and determine the validity of the electronic way or e-way bill, which is used by businesses to transport goods worth over Rs 50,000 both within and outside a state. So far, businesses and transporters are required to broadly mention the distance and place of loading and unloading of consignments for generating e-way bill. As the validity of the e-way bill depends upon the distance mentioned by the businesses, it was feared that this could lead to tax evasion by transporters making multiple trips on the basis of same e-way bill. The validity of the e-way bill is one day if the distance to be covered is less than 100 km. For every additional 100 kms or part thereof, the validity of the bill goes up by one day. Under the revised procedures for obtaining e-way bill, the GSTN has introduced the facility of auto population of state name based on the PIN code entered at consignor or consignee addresses, an official statement said. The move would further smoothen the experience of users generating e-way bill, the Goods and Services Network (GSTN) said. Another new feature now available on the e-way bill portal now alerts the generator of the e-way bill through a pop up and SMS message, in case the total invoice value entered by them is very high, to avoid making mistake, GSTN said. "The new features are part of GSTN's continuous efforts to improve user experience and make the e-way bill generating process easy and convenient for users. These new features have been developed and introduced in response to feedback from both users as well as tax authorities to make generating of e-way bill easier," GSTN said. Between April 1 when the system came into force and September 30, a total of Rs 253.2 million e-way bills have been generated. Of this, the inter-state transport of goods have accounted for 121.4 million of the bills while the intra state transport has contributed to 131.2 million. As many as 245.3 million taxpayers and 31,232 transporters have registered with the e-way bill system so far.
(Source: Business Standard)

7. Maharashtra brings in 31 GST reforms to promote ease of doing biz

Following the GST Council's meeting last week, the state government brought in 31 reforms in the state GST structure to promote ease of doing business on October 3, a state finance ministry official said. The state government has brought in changes for the first time since the introduction of the goods and services tax (GST), and all the changes will come into effect from October 1, the official said. The state had slipped to the 13th rank in the Centre's rankings released by the Department of Industrial Policy and Promotion in July. It had ranked 10th in the previous year. The official said hotels, restaurants and traders will now see speedy processing of refunds, as actual processing would start from the date of its filing, rather than March 31 of every fiscal earlier. "There are sizeable number of traders who file their tax on a monthly or quarterly basis. The process of refunds as per the existing rules begins from March 31 and the period for refunds stretches to two years," the official said. "The GST council has decided to initiate the refund processing from the date of filing of tax returns. It will save the waiting period of the traders for their refunds," the official claimed. The companies having their units in special economic zones (SEZs) as well as outside them used to have only one GST number earlier. However, the official said, "The companies in SEZ can now have separate GST registration numbers, which will be simply for the processing of taxes for the authorities as well as for the filing companies," the official said. The recovery of evaded tax is another front where the reforms have given more muscles to the authorities. The challenge was to recover tax dues from a company having presence in multiple states. Existing state GST structure prohibited the tax recovery from units present in other states, which is now changed and authorities can recover the taxes, the official said. Another major step in the GST reforms is to charge 2 percent TDS (tax deducted at source) on payments made to all types of government contractors. The cumulative GST on such payments is 9 percent, the official said. "This will help the state government to streamline financing to the projects as well as earn certain amount at regular intervals apart from the collection of taxes from other sources," the official added. The rule of one GST number for one trader irrespective of his or her multiple business activities is now changed. A trader can have multiple GST numbers as per the business verticals, according to the official. Hotel, restaurant and grocery shop owners can now enjoy 'composition scheme', where annual turnover bar is raised from Rs 1 crore to Rs 1.5 crore. It is revised to bring it parallel to income-tax provision, where annual revenue above Rs 1.5 crore invites tax audit provision as per the I-T rules, the official said. "Earlier, companies having service tax could not avail 'composition scheme', but if the component of service tax is up to 10 percent or more than Rs 5 lakh, then those units can benefit from the scheme," the official said. The tax consultants who were restricted to filing of returns can now extend their services to deregistration under GST and refund filing as well, the official added.

(Source: Money Control)