

GST Update – Some important changes
G.Srikanth, FCA
Partner
GSV Associates, Chartered Accountants

The spate of notifications, circulars and orders since the advent of GST has made it imperative that these are consolidated at regular intervals and suitably dealt with at the level of individual Enterprise. While many of the notifications deal with due dates of filing and extension thereof, there are other notifications granting exemption from registration to suppliers of certain goods and services, reducing GST rates, providing alternative forward charge mechanism for those services that were hitherto subject only to Reverse Charge and so on.

This update on GST is intended to familiarize the reader on some important changes, with particular reference to leather industry.

Revised Due Dates for Filing returns:

A regular dealer is required¹ to file inter alia, the following 3 returns within the dates mentioned below:

GSTR 1	GSTR 2	GSTR 3
On or before 10 th of succeeding month	11 th to 15 th of succeeding month	On or before 20 th of succeeding month

Sensing the difficulty of many tax payers in transitioning to a new system of filing returns and with the technical glitches in GSTN portal, a summary monthly return in GSTR 3B² was introduced as a stop-gap arrangement. The due date for GSTR 3B for July and August is of course well past us (Aug 20 / Sept 20) and hopefully filed. If you have not filed for July yet, you can still file without Late fee³! Here is more good news! Don't worry if your GSTR 3B contains errors - you can correct any inaccuracies through the GSTR 1 and 2 subsequently⁴. So, gear yourselves up to file GSTR 3B for September and subsequent months for which the due date falls on 20th of the subsequent month⁵.

The due dates for filing the regular GSTR 1, 2 and 3 have been notified for July⁶. GSTR 1 – Return of Outward Supplies - is due for filing on or before 3rd October if your turnover is in

¹ Sec 37 of CGST Act

² Notn.17/2017 amending CGST Rules

³ Notn. 28/2017-CT

⁴ Cir 7/7/2017

⁵ Notn.35/2017-CT

⁶ Notn. 30/2017-CT

excess of Rs. 100 crores, and on 10th October for all other cases. GSTR 2 – Return of Outward Supplies - falls due by 31 October and GSTR 3 – Monthly return shall be filed by 10th November.

It may be noted that revised due dates for August and successive months are yet to be notified.

TRANS 1 which is the return that enables you to carry over the old duties and taxes as of 30 June 2016 into your Electronic Credit Ledger is due for filing on 31st October 2017⁷. If you have filed your TRANS 1 return on or before 30 September 2017, you have just one chance to revise it⁸. Any hasty goof-ups here and you can repent at leisure!

Change in GST Rates – Unlearning and learning

- ❖ Duty Credit Scrips, originally classified under 12% GST has been reclassified⁹ under 5%. Good news for those looking to sell their MEIS Scrips.
- ❖ GTA services which hitherto attracted a 5% GST (allowing ITC for the customer, but not for the GTA) comes with an alternative, enabling the GTA to charge 12% GST with a right to claim ITC¹⁰. Hence if your GTA starts charging GST at 12%, don't be surprised!
- ❖ GST on Works Contract services in relation to pollution control or effluent treatment plant (except when located as part of a factory) is now down from 18% to 12%¹¹. This benefits CETPs who are already reeling under severe financial stress. All payments from nodal agencies such as the Council for Leather Exports, under the ASIDE and other schemes will also get this benefit, with the cost of the project coming down to that extent.
- ❖ The undernoted notification¹² for the Printing industry could incidentally be of interest to the leather industry. This addresses GST on job work in relation to printing of newspapers, books, journals and periodicals, with only content supplied by the publisher. The physical inputs including paper used for printing belong to the Printer. The GST rate that was originally 5%¹³ has now been revised upwards to 12% to enable the Printer absorb the input tax credits. This situation is quite similar to a Job Worker in the leather industry who uses his own chemicals in processing leather belonging to the Principal Manufacturer. Given that Job work falls under a common HSN of 9988, one hopes that a similar notification will be issued to address the concerns of Job workers in the leather industry. It would be in the fitness of things that on the same

⁷ Order 2,3/2017

⁸ Notn. 34/2017-CT

⁹ Notn. 27/2017 - CT(R)

¹⁰ Notn.22/2017-CT(R)

¹¹ Notn.24/2017-CT

¹² Notn.20/2017-CT(R)

¹³ Notn.11/2017-CT(R)

principles, the GST rate for 'Job work with Material' is also revised upwards from 5%. This will enable job workers to adjust the input credits without the need to apply for refund.

Exemptions for certain Inter State activity

Inter State Job Work:

For those who were doing business with small-scale unregistered job workers across States, GST was a spoil sport. In terms of the CGST Act¹⁴, any one engaged in supply of goods or services across States would have to mandatorily register himself under GST. With many small-scale Job Workers refusing to register, manufacturers in other States were left in a bind. Now, thanks to the undernoted notification¹⁵, unregistered Job workers who are not liable to get registered can now engage in inter-state supply of services without the hassle of registering themselves. Subject to the condition that the services are in relation to goods requiring Eway Bill, such Job Workers have been exempted from registration. The flip side though is that the goods sent on job work to an unregistered dealer does not get the benefit of uninterrupted input credit nor the other benefits of Job work as per the CGST Act. For instance, the input credit in respect of the goods sent out has to be reversed by the Principal manufacturer only to be restored when the Job worker returns the finished goods. The goods can also not be supplied directly from the unregistered Job worker place to the customer. The activity would also entail payment of GST by Reverse Charge Mechanism.

Inter State supply of Handicraft Items:

A similar exemption is provided for supply of leather articles falling under 4201, 4202 and 4203 from one State to another. The supplier of such handicraft goods is exempted from registration provided his annual taxable supply from such activity does not exceed Rs. 20 lacs¹⁶. Another requirement is that the supplier would however require to have a PAN and should supply the goods only through an Eway bill. This is apparently to remove the hurdles imposed on Inter-State supplies on Handicraft products.

Liberalization of requirement of Bank Guarantee:

The undernoted Circular¹⁷ is by far the most comprehensive circular for those opting for the LUT/Bond Route of exports. The key take-away is that an exporter registered with an Export Promotion Council can be allowed to submit Bond (where he does not meet the LUT conditions) without Bank Guarantee on submission of self-attested copy of the proof of registration with a registered Export Promotion Council. This is a welcome measure for CLE members who do not have the track-record for LUT entitlement. Another important

¹⁴ Sec 23

¹⁵ Notn.7/2017-Integrated

¹⁶ Notn.8/2017-Integrated

¹⁷ Circular 5/5/2017

clarification is that, for those having more than one registration (owing to place of business in more than one State), the aggregate foreign exchange realization would be reckoned for the LUT entitlement. This is a welcome step for those who may not meet the threshold requirement of foreign exchange remittance in each of the States, but nevertheless have an aggregate remittance exceeding the threshold.

Application for refund – RFD 01 – Yet to be released:

In terms of Rule 89 of CGST Rules read with Sec 54 of the CGST Act, application for refund from electronic credit ledger (read Input Tax Credit) shall be made in Form RFD 01 in the appropriate annexure. That the refund application has not been released in the GSTN Portal is a matter of concern for those who have opted for GST refund. Even those who had opted for Duty Drawback In lieu of Central GST and Integrated GST refund would be unable to claim refund of State GST. The situation is not any better for those who have opted for refund of IGST on exports. Here, the monthly return in GSTR 3 or 3B along with the Shipping Bill constitutes a valid application¹⁸. The export details in GSTR 1 is compared with the Customs Portal and then the refund is released. However, with GSTR 3 not released and GSTR 3B not yet linked to GSTR 1, the processing of refund has become a non-starter. The Government has assured¹⁹ that an alternate mechanism of Form 3B linked to GSTR 1 would be introduced to process the refunds²⁰. One hopes this is done sooner, as huge amounts of input credits are locked in the system, sucking away scarce working capital. In any case, exporters should file GSTR 1 at the earliest for July (due date 3/10 October) to make them entitled to refund.

Notifications galore – Need for stability in Tax Laws

One will be amazed by the sheer volume of Notifications, Circulars, Orders and Press Releases issued since the implementation of GST. When this piece went for print, Notifications numbered 35 in Central Tax, 29 in Central Tax (Rate), 8 in Integrated Tax, 30 in Integrated Tax (Rates) with an equal number in State Tax notified or expected to be notified. On top of this, 7 Circulars in Central Tax, 1 in Integrated Tax and 3 Orders make the total announcements 113, not counting State, Union Territory and Compensation Cess announcements. One wonders if GST will also go the Excise/Customs way of administration by delegated /subordinate legislations. These are early days yet, and with many of the announcements bringing in relief to tax payers, one hopes tinkering in laws and regulations will gradually reduce. It should not be forgotten that stability in tax laws is important to maintain simplicity and promote ease of business. It is fervently hoped that further changes through delegated legislation is made only when absolutely necessary.

¹⁸ Rule 96 of CGST Rules

¹⁹ Press Release dt/22 Sept 2017

²⁰ Press Release