

## GST Council reaches consensus over Transition Rules, finalises Return Rules and IGST exemptions on imports

The Goods and Services Tax (GST) Council at its meeting held on 03.06.2017 has finalised GST rate fixtures for some additional products as under:

Products	GST Rate
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin (Articles of Chapter 71)	3%
Rough Diamond	0.25%
Footwear having retail sale price below Rs. 500 per pair	5%
All other Footwear items	18%
Biscuits	18%
Cotton, Cotton fabric	5% with no refund of ITC
Articles of apparel and clothing accessories with sale value not exceeding Rs. 1000 per piece	5%
Articles of apparel and clothing accessories with sale value exceeding Rs. 1000 per piece	12%
Solar Panels	5%

An addendum to the earlier GST rate schedule has also been issued for changes made by the GST Council to the GST rates fixed previously.

### **GST Exemptions on imports**

The GST Council has also released a list of IGST exemptions to be continued in lieu of existing customs notifications;

- Multilateral/Bilateral Commitments – Imports by Privileges Persons, Organizations, Authorities and Foreigners
- Exemption for goods in transit to and from Nepal Bhutan [land locked countries]



- Exemption from IGST on imports by a SEZ unit or SEZ developer for authorized operations
- Exemption from IGST from bonafide passenger baggage and transfer of residence
- Exemption to certain specified goods or specified use covered under the existing Notification 12/2012-Customs extended under GST

### **Our Comments**

While the changes / amendments to the existing Foreign Trade Policy are being anticipated, it is interesting to note that the aforesaid list of IGST exemptions does not have any mention for the existing exemptions relating to goods procured under EPCG scheme or advance authorization / other schemes or goods imported by an EOU etc., all of which may lead to huge working capital requirements. It is also not clear whether the exemption list is exhaustive or whether any further amendments are expected. As of now it appears that the above is a complete list of IGST exemptions which would be available on import of goods into India.

### **GST Return rules and Return formats**

As regard the finalization of GST Return Rules and Return formats, the key changes are summarised hereunder:

#### *(A) Key changes in the GST Return Rules*

- Separate return format in Form GSTR-5A prescribed for OIDAR foreign service provider
- Matching of invoice value as a field, for claiming input tax credit or reduction in output tax liability done away with
- Powers granted to Commissioner to extend date of matching relating to input tax credit or reduction in output tax liability
- Matching of details furnished by e-commerce operator with number of details reduced to only State of POS and net taxable value
- Separate return prescribed for details of tax collected at source (TCS) to be furnished by an e-commerce operator

#### *(B) Key changes in the GST Return formats*

- Characterization in terms of nature of supply as Goods or Services for the purpose of reporting Invoice level information removed
- HSN Code line item wise reporting for invoices is removed. Summary of HSN wise supplies to be disclosed separately
- SAC Code need not be reported in the return including at summary level
- Tax paid on provisional assessment not required to be specified in tables
- Reasons for issuance of Credit Note or Debit Note removed
- Advances to be disclosed rate-wise and not invoice-wise
- Advance receipt date and number field removed
- Table for disclosure of details for job work removed



- Ineligible ISD credit distributed to be reported only at the ISD level

A format of the mismatch report to be generated from the GSTN has also been circulated. It is expected that for the initial months, the taxpayers will be allowed additional time to upload transaction-wise details on to the GSTN and the mismatch reports will be generated thereafter.

### **GST Transition Rules**

The revised Transition Rules have not been reported yet, however, based upon the news reports the broad contours are as under:

- Input tax credit on goods held in stock on the appointed day in respect of which he is not in possession of any document evidencing payment of central excise duty. The input tax credit so allowed will be @ of 40% in respect of goods attracting central tax of below 18% and 60% in respect of goods attracting central tax of 18% and above. The issue which still remains unclear is whether any transition credit would also be proportionately available towards IGST tax liability
- Transfer of duty credit, in respect of invoices above Rs. 25000, by issuance of a credit transfer document issued by a manufacturer or a depot without requiring them to obtain a separate First Stage Dealer registration under Central Excise law

The next meeting of GST Council will be held on 11.06.2017.



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