

## Changes Proposed in GST Council Meeting

The GST Council under the Chairmanship of Union Finance Minister Shri Arun Jaitley held its 22nd Meeting at New Delhi. The council approved various changes to the GST legislation providing relief to small and medium businesses on filing and payment of taxes, easing rules for exporters and also reducing tax rates on more than two dozen items.

### Key Changes

- Exporters to get IGST relief for 6 months
- SMEs with annual turnover upto Rs 1.5 crore will be allowed to file quarterly returns
- E-wallet gateway will be developed and introduced after six months
- Group of Ministers to decide on bringing down the rate for AC restaurants to 12 percent
- Reverse charge mechanism suspended till March 2018

### Relief to Exporters

Mindful of the difficulties faced by exporters post-GST leading to a decline in export performance and export competitiveness, the Council had last month set up a high power Committee on Exports to recommend suitable strategies for helping this sector. The Council identified the major difficulties constraining the export sector are on account of delays in refunds of IGST and input taxes on exports and working capital blockage as exporters have to upfront pay GST on inputs and capital goods for export production or for procuring goods for export. Another difficulty was that the duty credit scrips such as MEIS was losing value due to its reduced usability as it could no longer be used to pay IGST / GST.

Exporters will now get refunds for the tax paid by them on exports during July and August by 18 October. For the remainder of the fiscal, they will operate under an exempted category paying a nominal 0.1 percent GST. Exporters have also been exempted from furnishing Bond and Bank Guarantee when they clear goods for

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export. As a long term solution, an e-wallet will be created for every exporter where a notional amount will be given in advance and the refund will be offset later against that amount. The e-wallet option is expected to be launched by 1st April, 2018.

### **Composition Scheme**

The composition scheme will be made available to taxpayers having annual aggregate turnover of up to Rs. 1 crore as compared to the current turnover threshold of Rs. 75 lakhs. This threshold of turnover for special category States, except Jammu & Kashmir and Uttarakhand, will be increased to Rs. 75 lakhs from Rs. 50 lakhs. The turnover threshold for Jammu & Kashmir and Uttarakhand will be Rs. 1 crore.

The facility of availing composition under the increased threshold will be available to both migrated and new taxpayers up to 31.03.2018. Also, the last date for filing the return in FORM GSTR-4 by a taxpayer under composition scheme for the quarter July-September, 2017 will be extended to 15.11.2017.

### **Relief for Small and Medium Enterprises**

The GST council has also taken various measures to significantly ease the burden of compliance on small taxpayers. Presently, anyone making inter-state taxable supplies, except inter-State job worker, is compulsorily required to register, irrespective of turnover. It has now been decided to exempt those service providers whose annual aggregate turnover is less than Rs. 20 lakhs (Rs. 10 lakhs in special category states except J & K) from obtaining registration even if they are making inter-State taxable supplies of services. This measure is expected to significantly reduce the compliance cost of small service providers.

### **Return Filing**

To facilitate the ease of payment and return filing for small and medium businesses with annual aggregate turnover up to Rs. 1.5 crores, it has been decided that such taxpayers will be required to file quarterly returns in FORM GSTR-1, 2 & 3 and pay taxes only on a quarterly basis, starting from the Third Quarter of this Financial Year i.e. October-December, 2017. The registered buyers from such small taxpayers would be eligible to avail ITC on a monthly basis. Meanwhile, all taxpayers will be required to file FORM GSTR-3B on a monthly basis till December, 2017. All taxpayers are also required to file FORM GSTR-1, 2 & 3 for the months of July, August and September, 2017. Due dates for filing the returns for the month of July, 2017 have already been announced. The due dates for the months of August and September, 2017 will be announced in due course.

### **Reverse Charge Mechanism**

The reverse charge mechanism under sub-section (4) of section 9 of the CGST Act, 2017 and under sub-section (4) of section 5 of the IGST Act, 2017 will be suspended till 31.03.2018 and will be reviewed by a committee of experts. This will benefit small businesses and substantially reduce compliance costs. The requirement to pay GST on advances received is also proving to be burdensome for small dealers and manufacturers. In order to mitigate their inconvenience on this account, it has been decided that taxpayers having annual aggregate turnover up to Rs. 1.5 crores will not be required to pay GST at the time of receipt of advances on account of supply of goods. The GST on such supplies will be payable only when the supply of goods is made.

## **Goods Transport Agencies (GTAs)**

Also, Goods Transport Agencies (GTAs) were not willing to provide services to unregistered persons. In order to remove the hardship being faced by small unregistered businesses on this account, the services provided by a GTA to an unregistered person will be exempted from GST.

## **Other Major Changes**

- Registration and operationalization of TDS/TCS provisions has been postponed till 31.03.2018.
- The e-way bill system will be introduced in a staggered manner with effect from 01.01.2018 and will be rolled out nationwide with effect from 01.04.2018.
- The last date for filing the return in FORM GSTR-6 by an input service distributor for the months of July, August and September, 2017 will be extended to 15.11.2017.
- Invoice Rules will be modified to provide relief to certain classes of registered persons.

These changes are subject to issue of relevant Notifications in the official gazette. Next GST Council meeting is expected to be held on November 9 & 10 in Guwahati.

### *Tax Team*

*The information contained in this newsletter is solely intended to provide general guidance on matters of interest. Nothing herein constitutes professional or legal advice, nor does any information herein constitute a comprehensive or complete statement of the issues discussed. It is recommended that you seek a professional advice to confirm your understanding on the issues dealt above.*

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