

GST Regime – Summary of Recent Notifications

Further to the recommendation of the 22nd GST Council Meeting, the Government has issued several notifications last week introducing important changes to GST Rules and Regulations. Some of the important changes have been summarized below.

Supplies Received from Unregistered Vendors Exempted¹

CBEC has exempted the supply of goods or services or both received by a registered person from any supplier, who is not registered, from the whole of GST leviable under Section 9 (4) of CGST Act and Section 5 (4) of IGST Act. This exemption has been provided to all registered persons from 13th October, 2017 to 31st March, 2018.

The aforementioned sections required a registered person procuring goods and/or services from an unregistered person, to raise an invoice and pay tax on behalf of the unregistered person on reverse charge basis. This led to unnecessary hassles and increased the burden of compliance on the registered person. It also put small businesses at a great disadvantage as registered businesses were unwilling to do business with unregistered vendors. Therefore, the exemption from reverse charge shall benefit small businesses and substantially reduce compliance costs.

Reduction in Rates for Vehicles Purchased and Leased Prior to 1st July, 2017²

In order to provide relief to old/existing leases of motor vehicles, the GST Council took several decisions in respect of motor vehicles purchased and leased prior to 1st July, 2017 which are as given below:-

- a) Leasing of vehicles purchased and leased prior to 1st July, 2017 would attract GST at a rate equal to 65% of the applicable GST rate (including Compensation Cess).
- b) Such vehicles when sold shall attract GST of 65% of the applicable GST rate (including Compensation Cess).

¹ Notification No. 38/2017 – Central Tax (Rate) & Notification No. 32/2017 – Integrated Tax (Rate)

² Notification No. 38 & 39/2017 – Integrated Tax (Rate), Notification No. 31 & 37/2017 – Central Tax (Rate) and Notification No. 6 & 7/2017 – Compensation Cess (Rate)

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- c) Sale of vehicles by a registered person who had procured the vehicle prior to 1st July, 2017 and has not availed any Input Tax Credits of Central Excise duty, VAT or any other taxes paid on such motor vehicles, would also be subject to 65% of applicable GST rate (including Compensation Cess).

These rates would apply for a period of three years with effect from 1st July, 2017.

Other Miscellaneous Changes

- 1) **Invoice-cum-Bill of Supply³** – Where a registered person is supplying taxable as well as exempted goods or services or both to an unregistered person, a single “invoice-cum-bill of supply” may be issued for all such supplies.
- 2) **Exemption on Duty Credit Scrips⁴** – To restore the lost incentive on sale of duty credit scrips, GST on sale-purchase of these scrips has been reduced from 5% to 0%.
- 3) **GST on Advance Payments⁵** – The requirement to pay GST on advances received was proving to be burdensome for small dealers and manufacturers. In order to mitigate their inconvenience on this account, taxpayers having annual aggregate turnover up to Rs. 1.5 crores shall not be required to pay GST at the time of receipt of advances on account of supply of goods. The GST on such supplies shall be payable only when the supply of goods is made.
- 4) **Exemption on Supply by GTA to Unregistered Persons⁶** – The services provided by a Goods Transport Agency (GTA) to an unregistered person including unregistered casual taxable person, other than the recipients liable to pay tax on GTA services under reverse charge, shall be exempted from GST.
- 5) **Sale of Used Vehicles, etc. by Government Liable to RCM⁷** – Sale by way of auction etc. of used vehicles, seized and confiscated goods, scrap etc. by Central Government, State Government, Union Territory or a local authority, to any person, to be subjected to GST under reverse charge under section 9 (3) of the CGST Act.
- 6) **Exemption from Registration to Persons making Inter-State Supplies⁸** - 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 lacs (Rs. 10 lacs in special category states except Jammu & Kashmir) 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.

³ Notification No. 45/2017 – Central Tax

⁴ Notification No. 35/2017 – Central Tax (Rate) & Notification No. 36/2017 – Integrated Tax (Rate)

⁵ Notification No. 40/2017 – Central Tax

⁶ Notification No. 32/2017 – Central Tax (Rate) & Notification No. 33/2017 – Integrated Tax (Rate)

⁷ Notification No. 36/2017 – Central Tax (Rate) & Notification No. 37/2017 – Integrated Tax (Rate)

⁸ Notification No. 10/2017 – Integrated Tax

- 7) **Threshold for Composition Scheme Increased⁹** – The composition scheme has been made available to taxpayers having annual aggregate turnover of up to Rs. 1 crore as compared to the current turnover threshold of Rs. 75 lacs. This threshold of turnover for special category States has been increased to Rs. 75 lacs from Rs. 50 lacs. The increase in the turnover threshold will make it possible for greater number of taxpayers to avail the benefit of easier compliance under the composition scheme and is expected to greatly benefit the MSME sector.
- 8) **Extension in Time Limits for Return Filing¹⁰** – CBEC has extended return filing deadlines for various classes of taxable persons. The changes are summarized below:

Class of Taxable Persons	Tax Period	Original Date	Revised Date
Composition Supplier	July – September	18th October, 2017	15th of November, 2017
Input Service Distributor	July, August & September	13th of following month	15th of November, 2017
Supplier of OIDAR Services	July, August & September	20th of following month	20th of November, 2017

Besides the above, various other changes have been made including change in rates of various goods and services. Further changes in line with the recommendations of 22nd GST Council meeting are expected to follow shortly.

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.

⁹ Notification No. 46/2017 – Central Tax

¹⁰ Notification No. 41/2017, 42/2017 & 43/2017 – Central Tax