

GST 27th Council Meeting

The GST Council in its 27th meeting held on 4th May 2018 approved principles for filing of new GST Returns, incentives on digital payments amongst others in order to provide relief to the taxpayers.

Simplification of GST Return:

GST Council approved the principles for filing of new Return design based on the recommendations of the Group of Ministers on IT simplification. The key elements of the new Return design are as follows:

- I. **One monthly Return:** All taxpayers with few exceptions (like composition dealer and dealers having nil transaction) will be required to file single Return in a month. Return filing dates shall be determined on the basis of turnover of the registered person to manage the load on GST IT system. Composition dealers and dealers having nil transaction shall have the facility to file quarterly Returns.
- II. **Unidirectional Flow of invoices:** Buyer will be able to claim Input Tax Credit (ITC) on the basis of unidirectional invoices uploaded by the seller anytime during the month. Buyer will not be required to upload the purchase invoice. Invoices for B2B transaction shall need to use HSN at four digit level only.
- III. **Simple Return design and easy IT interface:** B2B dealers will have to fill invoice-wise details of the outward supply made by them, based on which the system will automatically calculate his tax liability. ITC for a buyer will be calculated automatically by the GSTIN system based on invoices uploaded by his sellers. Taxpayer shall be also given user friendly IT interface and offline IT tool to upload the invoices.
- IV. **No automatic reversal of credit:** ITC will not be reversed automatically from a buyer on non-payment of tax by the seller. In case of default in payment of tax by the seller, recovery shall be made from the seller. However reversal of credit from buyer shall also be an option available with the revenue authorities to address exceptional situations like missing dealer, closure of business by supplier or supplier not having adequate assets etc.
- V. **Due process for recovery and reversal:** Formal process of recovery of tax or reversal of ITC by issuing notice and order will be introduced. The process would be online and automated to reduce the human interface.
- VI. **Supplier side control:** Unloading of invoices by the seller to pass ITC who has defaulted in payment of tax above a threshold amount shall be blocked to control misuse of ITC facility. Similar safeguards would be built with regard to newly registered dealers also.

Analytical tools would be used to identify such transactions at the earliest and prevent loss of revenue.

- VII. **Transition:** New system of Return will be implemented in three stages. Present system for filing GSTR 3B and GSTR 1 is Stage 1. GSTR 2 and GSTR 3 shall continue to remain suspended. New Return software would be ready within 6 months of time till then stage 1 will continue.

In stage 2, the new Return will have facility for invoice-wise data upload and also facility for claiming input tax credit on self-declaration basis, on the same line as GSTR 3B. During this stage 2, the dealer will be constantly fed with information about gap between credit available to them as per invoices uploaded by their sellers and the provisional credit being claimed by them.

In stage 3 (after 6 months of stage 2) the facility of provisional credit will get withdrawn and ITC will only be limited to the invoices uploaded by the sellers from whom the dealer has purchased goods.

- VIII. **Content of the Return and implementation:** In line with ease of doing business, Government is planning to reduce the content / information required to be filled in the GST Return at earliest. The details of the design of the Return form, business process and legal changes would be worked out by the law committee based on these principles.

Incentive to promote Digital Transactions:

With an idea to move towards a less cash economy and to promote digital payment, the Council has discussed in detail for providing a concession of 2% in GST rate (where the GST rate is 3% or more, 1% each from applicable CGST and SGST rates) on B2C supplies made to consumers, for which payment is made through cheque or digital mode subject to a ceiling of INR 100 per transaction.

The Council has recommended for setting up of a Group of Ministers from State Governments to look into the proposal and make recommendations, before the next Council meeting, keeping in mind the views expressed in GST Council.

Imposition of Sugar Cess over and above 5% GST and reduction in GST rate on ethanol:

Having record production of sugar in the current sugar season and consequent decline in sugar prices and build-up of sugarcane arrears, the Council discussed the issue of imposition of sugar cess and reduction in GST rate on ethanol in detail.

The Council has recommended for setting up of a Group of Ministers from State Governments to look into the proposal and make recommendations, within two weeks, keeping in mind the views expressed in GST Council in this regard.

Conversion of Goods and Services Tax Network (GSTN) into Government Company:

The Goods and Services Tax Network - Special Purpose Vehicle (GSTN-SPV) was created as a private limited, not-for-profit company under Section 25 of the Companies Act, 1956 on 28th March, 2013. Its purpose is to provide shared IT infrastructure and services to Centre and States Governments, tax payers and other stakeholders for implementation of GST.

Central Government and State Government are holding 24.5% equity shares respectively and the remaining 51% are held by non-Governmental institutions and through various mechanisms.

GST Council in its meeting decided to acquire the entire 51% of equity held by the Non-Governmental Institutions in GSTN equally by the Centre and the States Governments and allow GSTN Board to initiate process for acquisition of equity held by the private companies.

GSTN Board shall be allowed to continue the existing staff at existing terms and conditions for the a period up to five years and shall have the flexibility of hiring people through contract on the terms and conditions similar to those used by GSTN till now while hiring regular employees.

Please [click here](#) to read Press Release on simplification of GST Return

Please [click here](#) for the Press Release on imposing Sugar Cess and Incentive to promote Digital Transactions

Please [click here](#) for the Press Release on change of shareholding pattern of GSTIN