GST BULLETIN

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Lesser the number of exemptions, better would be the rate of GST: Najib Shah

Mr. Najib Shah, Chairman of Central Board of Excise and Customs (CBEC) is batting for minimal exemption for Corporate India under GST. According to him, exemptions distort the tax structure and therefore, there should be minimal exemptions.

Further, he said that both the Centre as well as the State Governments are expecting to collect what they have been collecting so far under the indirect tax regime and therefore, the decision regarding rate of GST is of utmost importance and hence, the number of exemptions being granted is also very crucial and important because lesser the number of exemptions, better or lower would be the rate.

COMMENT:

To distribute the tax burden equally, the exemption list must be cut short.

> ***"GST by its very definition means subsuming multiple taxes, ensuring credit is given, so you are looking at the common man. We are looking at a situation where the tax on tax situation will no longer be there and that should help also in determination of the rates itself. So, it is of key importance for all players. "***
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> *-Najib Shah*

Insurance Industry seeks exemption, differential rates under the GST regime

The 2nd GST Council meeting approved five important subordinate items of legislation dealing with issues such as registration, invoicing, tax payments, refund and return under GST. The rules have been approved but would be finally notified only after the GST legislation is passed.

The Council also consented on the treatment of exemption from GST. Presently the Govt. provides area-based excise duty exemptions to the North-East and hill States and it has agreed to continue it under the GST regime too. The reimbursement mechanism will function in a manner where GST will be firstly levied on all exempted entities and later central and state governments will decide to reimburse the quantum of tax back to some entities. Therefore, conceptually, there would be refunds and not exemptions as such.

Govt. to continue levy of Excise Duty, Service tax and VAT till September 6, 2017

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GST legislation empowers the government to continue levying excise duty, service tax and value added tax (VAT) till September 16, 2017, clarified Finance Minister Arun Jaitley. Similarly, the State governments shall also remain empower to levy sales tax or VAT on the sale of goods till that time for the same time period.

COMMENT: This clarification answers the questions raised about legality of levying excise duty and services tax when provisions of the GST Constitution Amendment Act were notified.

As regards the much debated exemption list, the Finance Minister said that decision regarding exemption entities will be of the States as they would be the ones reimbursing tax to the exempted entities. The tax share ratio between Centre and States is in the ratio of 58% to 42%, respectively and therefore, the reimbursements for the area based exemptions would also be in the same ratio.

Also the Council decided to maintain status quo for assessment of 11 lakh service tax assessees, with the powers continuing to stay with the Centre. New assessees which would be added to the list would be divided between the Centre and states.

COMMENT: With dissent over 1st meet decision, the Council has decided substantial questions in its 2nd meet.

SAKSHAM Project approved to assist implementation of GST project

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Cabinet Committee on Economic Affairs approved a Rs. 2256 Cr SAKSHAM project, a New Indirect Tax Network (Systems Integration) of Central Board of Excise & Customs (CBEC). The said cost of the project will be incurred over seven years

The said Network is to assist in implementation of GST, extension of Indian Customs Single Window Interface for Facilitating Trade (SWIFT) and other tax-payer friendly initiatives under Digital India & Ease of Doing Business of CBEC.

According to the Cabinet, CBEC's IT systems need to integrate with GSTN for processing of registration, payment and returns data sent by GSTN systems, as well as act as a frontend for other modules like Audit, Appeal, Investigation. The current IT system, which was set up in 2008, cannot cater to increased document load since the present number of 36 lakhs tax-payers is likely to go upto over 65 lakhs after introduction of GST; CBEC also aims to introduce mobile services for tax-payers and departmental users to increase outreach of its services

COMMENT: There is no overlap in the GST-related systems of CBEC and GSTN.

CBEC issues the Draft Registration, Payment, Invoice, Return and Refund Rules along with their formats

The Draft Registration Rules mandate the Tax Authorities to approve registration in 3 working days from the date of submission of registration application, provided all the required documents are submitted and in case of defect, the authorities must intimate the applicant within 3 working days and the applicant shall be granted registration within 7 days of receiving such clarification.

As regards Registration, CBEC released 17 rules and 26 forms, for Invoice, there are 5 rules and 1 form and 4 rules and 7 forms for Payment. The invoice rules prescribe for number of details to be mentioned in each invoice, for example, Description of Goods, Amount of tax (Under reverse charge), Electronic reference number etc.

Regarding refunds, the draft rules provide that an application of refund should be acknowledged by the Department within 15 days of filing and within 7 days thereafter, a provisional refund, if required, may be made. The rules also contain provision for grant of provisional 80 per cent refund to notified exporters and refund to certain persons.

COMMENT: The release of Draft rules and formats is a positive move towards meeting the April 1, 2017 GST rollout deadline.