

11th GST Council Meeting - Update

The Goods and Services Tax (GST) Council in its eleventh meeting on Saturday gave approval to the two key draft laws of Central GST (CGST) and Integrated GST (IGST). The Compensation Bill was already approved by the Council in its previous meeting. The CGST Law gives power to Centre to levy GST on supply of goods and services, whereas the SGST Law gives power to States to levy GST on supply of goods and services.

The CGST Bill is expected to be presented to the Parliament for approval in the second half of the Budget session beginning March 9, 2017. The SGST Bill will have to be passed by each of the State Legislative Assemblies.

Increase in Cap Rate

The GST Council has decided to increase the cap rate from 28% to 40%, although the tax structure slab already agreed upon, will remain unchanged. This is being done to avoid the need for going to Parliament in case the levy is to be raised on certain goods and services in the future.

Composition Scheme

Composition scheme under GST, which allows taxpayers to pay tax at a fixed rate and undertake minimal compliances, has now been extended to small hotels and restaurants as well, having an annual turnover of up to Rs. 50 lakh. The GST Council has fixed this rate at 5%. This scheme was earlier available to manufacturers and traders only subject to certain exceptions.

Instalment Facility

Tax demand raised by authorities under the proposed Goods and Services Tax (GST) regime can also be paid in monthly instalments on a case-by-case basis, in case of financial hardships. The revised draft GST model Bill, approved by the GST Council on Saturday, gives powers to tax officers to allow a taxpayer to pay dues in a staggered manner if he is facing a financial crunch. The move is aimed at improving the scope of revenue recovery without causing hardships to assesseees.

Refund for Exports

The GST Council has also agreed that 90% of the duties paid by exporters in the process of manufacturing items for export will be refunded within a period of seven days under the Goods and Services Tax (GST) regime. The remaining 10% duty refund will be made after verifications by tax authorities. This would help to mitigate the problem of working capital crunch because of duties getting held up with tax authorities for months before a refund is processed.

The remaining two Bills namely, State Goods and Services Tax (SGST) Bill and the Union territory Goods and Services Tax (UTGST) Bill, which would be almost a replica of the CGST Act, would be taken up for approval after their legal vetting in the next meeting of GST Council scheduled on 16th March 2017.

Amicus 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.

For Tax/Transfer Pricing queries you may contact:

Mr. Ashutosh Mohan Rastogi

+91 9818084707

ashutosh@amicusservices.in

Amicus - Advocates & Solicitors

Ashutosh Mohan Rastogi

+91 9818084707

ashutosh@amicusservices.in

Shivi Agarwal

shivi@amicusservices.in

+91 9999775630

Madhav Rastogi

madhav@amicusservices.in

+91 9818117517

+91 11 41553433

info@amicusservices.in

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Amicus
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A-137, Lower Ground Floor,
Defence Colony, New Delhi-24

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