

Key Highlights Of The 39th GST Council Meeting

The **39th GST Council Meeting** was conducted in Delhi on 14th March 2020 chaired by our **Finance Minister Nirmala Sitaraman**. Relaxations in compliance for multiple types of taxpayers and deferment of E-invoicing and New Returns were a big relief brought out by the decisions of the council meeting. Key decisions and their impact on the taxpayers are outlined below: –

Interest on Net Tax Liability Basis

At the start of the calendar year 2020, a list of taxpayers was circulated to GST authorities containing GSTIN wise defaulters who have delayed in filing GSTR 3B without payment of interest. The interest so computed was on a gross tax liability that is a total liability to be paid on the outward supplies without giving the effect of input tax credit available to the taxpayers. The amount of interest to be recovered as per the list was **INR 46,000/- Crores**.

There were taxpayers who were under litigation, few who had filed a writ petition against such a demand whereas there were a few who had actually paid the demand.

The council has brought a big relief to the taxpayers by pronouncing the interest liability to be computed on the NET basis. Section 50 of the CGST Act which provided was a levy of interest will be amended retrospectively to give the effect of this decision with effect from 1st July 2017. Three situations emerge out of this decision as under: -

- **Writ Petitions with High Court –**

The Writ Petitions with the high court should ideally stand withdrawn as there will be a retrospective amendment in the law that resolves the issue and the plead by the taxpayers.

- **Notices Already Issued to the Defaulting Taxpayers –**

The notices per se will become null and void due to the retrospective amendment in the law.

- **Concerns for Taxpayers who have Paid on a Gross Basis –**

The taxpayers who have paid the interest liability on a gross basis may wish to apply for a refund of the amounts paid.

Relaxations in Compliances

The council deliberated on the challenges faced by the taxpayers in relation to compliances and decisions were made to ease the taxpayers. Due dates for annual return i.e. GSTR 9 and reconciliation statement that is GSTR 9C was revisited along with issues specific to particular areas and types of taxpayers. These are enumerated as under: –

- **Extension of the Due Date of GSTR 9 and 9C**

The due date for GSTR 9 and GSTR 9C for FY 2018-19 was extended from 31st March 2020 to 30th June 2020.

This allows the taxpayers additional time to consolidate the learnings from the 1st GST audit which ended in Jan 2020 and ensure readiness in a more comprehensive manner. Additionally, it gives bandwidth to deal with the pandemic Coronavirus.

However, the council was silent on changes in the form of return and the existing utilities for filing GSTR 9 and 9C.

- **Taxpayers with Aggregate Turnover Less than INR 2 Crore**

The council relived small taxpayers by deciding to waive off any late fees on filing GSTR 9 and 9C by the taxpayers with aggregate turnover less than 2 Crores.

- **MSME's Turnover for GSTR 9 and 9C Extended to INR 5 Crores**

Micro, Small and Medium Enterprises (MSMEs) with turnover below INR 5 Crores are not required to file GSTR 9C.

- **Revoke of Canceled Registrations**

The taxpayers whose registrations were canceled till 14th March 2020 are allowed a window till 30th June 2020 to apply for revocation of such cancellation

- **No GSTR 1 for FY 2019-20 for Selected Taxpayers**

Taxpayers who were not able to opt for the special composition scheme as per Notification No. 2/2019-Central Tax (Rate) which was typically for taxpayers having only B2C supplies can file opt to file CMP 02 instead of GSTR 1 for FY 2019-20

- **Persons in Union Territory of Ladakh**

The due date for **GSTR 1, GSTR-3B** and **GSTR-7** for Jul'19 to Jan'20 extended till 24th Mar 2020 for registered persons in the Union territory of Ladakh

E-Invoicing Extended till 1st October 2020

The most talked topic in relation to GST has been **E-invoicing** which was deliberated by the council in depth along with Mr. Nandan Nilekani who represented Infosys. The introduction of e-invoicing has been extended to 1 October 2020.

The benefit that industry at large would get is sufficient time to do the following:

1. Identify the areas requiring a change in their Invoice processing system and related verticals
2. Deliberate and on-boarding the vendors providing the solution for E-invoicing
3. Changes in the ERP system to incorporate the IRN Number and the QR code in their systems as well as Invoice
4. Establishing communications with the vendors and the customers and keeping them onboarded with the changes due to E-invoicing
5. Scheduling training of the teams getting affected by E-invoicing
6. Transition to E-invoicing in smooth manner

Industries Carved Out of E-invoicing

Five industries viz, Insurance company, banking company, financial institution, NBFC's, GTA, passenger transportation service are excluded from the scope of **E-invoicing** entirely

These industries follow a very different way of invoicing and operations are very unique which cannot be treated at par with other types of taxpayers. These industries had been in discussions with the council members, multiple representations from the industries were made on reasons creating a disruption from E-invoicing. Basis these representations and to deliberations by the council, these industries were carved out of scope from E-invoicing.

New Returns Extended to September 2020

Extension of New returns till September 2020 allows time to the taxpayers to ensure readiness for new returns. This paves way for the taxpayers to align their vendors, review the contract clauses and obtain indemnities from the vendors wherever required.

The taxpayers should also use the prototype versions released by the government in relation to New returns and identify the areas requiring modifications.

This will require the taxpayers to continue to perform monthly ITC reconciliations to comply with Rule 36(4) of CGST Rules. The expectation from the council to relax the applicability of Rule 36(4) was not considered by the council and hence taxpayers have to ensure the appropriate system for reconciliations is in place.

Technical Glitches on GSTN and Mitigation Plan

Infosys presented the issues faced on the GSTN portal and road map on ways of eliminating the same. To support the removal of glitches and to increase the threshold of GSTN from 1.5 lakh users at a time to 3 lakh users, the government has approved the deployment of an additional 60 member team along with the procurement of necessary hardware for ensuring readiness for E-invoicing. The council also mandated Mr. Nilekani to attend the next 3 council meetings and give an update on the progress.

Mr. Nilekani also addressed the issue of implementation of new returns and suggested an incremental manner whereby GSTR 1 will initially be linked to GSTR 3B followed by linking of input tax credits with GSTR 2A which are currently claimed suo moto in GSTR 3B.

Other Notable Decisions by the Council are as under

1. The taxpayers are awarded the flexibility to file export refunds by bunching of refund claims across financial years.
2. GST Rate increased on Mobile phones and specified parts from 12% to 18%
3. GST Rate on all type of matches to be 12 %

4. GST Rate on Maintenance, Repair, and Overhaul (MRO) services in respect of aircraft from 18% to 5% with full ITC
5. Know your supplier facility introduced to know any vendor before conducting business
6. Special procedures for corporate debtors as per Insolvency and Bankruptcy Code, 2016
7. Special procedures for registered persons in Dadra and Nagar Haveli & Daman and Diu during the transition period.

To know more visit their official www.gstcouncil.gov.in