



ERGO

Analysing developments impacting business

GST COUNCIL MEETING PASSES WITHOUT ANY EXPECTED RATE HIKES

20 December 2019

The GST Council (Council) met on 18 December 2019 for the 38th time since the rollout of Goods and Services Tax (GST) regime. Amidst concerns of rate hikes and introduction of cesses for increasing revenue collections, the Council restricted the changes only to procedural changes and a few tweaks in the rate structure. This was also the first time that the members of the Council (after its constitution) had to call for a vote to effect certain rate changes. The relevant notifications to effect the changes shall be issued in due course. The changes recommended by the Council have been captured below:

Rate Changes

- Lotteries run by State and State authorised entities, will be subjected to 28% GST effective from 1 March 2020.
- Presently, the upfront amount payable for long term lease of industrial / financial infrastructure plots was exempt to an entity having 50% or more ownership of Central or State Government. However, the Council has recommended to expand the exemption to apply even in case of lease of such plots by entities having 20% or more ownership of Central / State Government. This shall be effective from 1 January 2020.

Procedural Changes

- The Council has recommended the formation of a Grievance Redressal Committees (GRC) at Zonal/State level with the jurisdictional officers that will address the grievances of the taxpayer.
- The due date for annual return in FORM GSTR-9 and reconciliation statement in FORM GSTR 9C for FY 2017-18 has been extended till 31 January 2020.
- The due date of filing GST returns for the month of November 2019 has been extended in respect of a few North Eastern States.
- In order to improve filing of FORM GSTR-1, certain measures have been proposed, including, waiver of late fee in respect of pending FROM GSTR-1 for the period July 2017 to November 2019. There is also a recommendation to block E-way Bill for taxpayers who have not filed their FORM GSTR-1 for two tax periods.

- Measures in the form of blocking of fraudulent availment of input tax credit are recommended in order to check the menace of fake invoices.
- Input tax credit in respect of invoices or debit notes that are not reflected in FORM GSTR-2A is proposed to be limited to 10% of the eligible credit available in respect of invoices or debit notes reflected in FORM GSTR-2A. This marks a reduction in the permitted credit from 20% to 10% of the unmatched credit.

Comments:

Though it was highly anticipated that due to the reduction in revenue collections, there would be an increase in the rates, barring sale of lotteries, there has been no major increase witnessed. However, it is evident that the Government aims to regulate filing of returns and block any fraudulent availment of credit. The move to further limit the availment of unmatched credit to 10% of matched credit, may cause more harm to the industry as it comes hot on the heels of the recently introduced restriction of unmatched credit to 20% of the matched credit, which was yet to be thoroughly examined. Basis the tone set by this GST Council meeting, it would be interesting to see what Budget 2020 has in store for the taxpayers.

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