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## Newsflash: Highlights of 39<sup>th</sup> GST Council Meeting's Outcome

## 1.0 Background

The 39<sup>th</sup> GST Council meeting, held on 14<sup>th</sup> March 2020, was concluded with following key recommendations:

- Increase in GST rate on Mobile phones
- Extension of due date for GST audit of F.Y. 2018-19 till 30<sup>th</sup> June 2020
- Clarification on levy of interest u/s 50 on net liability payable
- Onetime relief to taxpayers whose registration got cancelled
- Deferment of E-invoicing, QR Code and new return filing system till 1<sup>st</sup> October 2020
- Extension of IGST exemption on imports under AA/ EPCG/ EOU till 31<sup>st</sup> March 2021
- Issuance of some clarifications and amendment in Central GST Rules

Detailed overview of the major recommendations are as under:

## 2.0 Changes in GST rates

- Recommended to increase GST rate from 12% to 18% on Mobile phones and other specified parts.
- Proposed to levy single rate of GST @12% on all types of Matches i.e. Handmade matches (earlier 5%) and other matches (earlier 18%).
- Reduction in GST rate from 18% to 5%, with full ITC, on Maintenance, Repair and Overhaul (MRO) services in respect of aircraft.

[Note: It is proposed to issue notifications giving effect to these recommendations of the Council on 1<sup>st</sup> April 2020]

## 3.0 Extension of due date of GST audit for F.Y.2018-19

- The Council has proposed to extend due date of GST audit for F.Y.2018-19 till 30<sup>th</sup> June 2020 from present date of 31<sup>st</sup> March 2020.
- Proposed to relax filing of annual return and reconciliation statement of F.Y.2018-19 for taxpayers having aggregate turnover below Rs. 5 crores.
- Waiver of late fee on delayed filing of annual return and reconciliation statement for F.Y.2017-18 and F.Y.2018-19 by taxpayers having aggregate turnover less than Rs. 2 crores.

## 4.0 Clarification on levy of interest on late payment of tax

- Clarified that interest for late payment of tax shall be calculated on net liability to be paid in cash [i.e. Gross tax payable minus input tax credit]. This clarification shall have retrospective application from 1<sup>st</sup> July 2017.

## **5.0 Onetime relief to taxpayers whose registration is cancelled**

- Where registration has been cancelled till 14<sup>th</sup> March 2020, an application for revocation of cancellation of registration can be filed up to 30<sup>th</sup> June 2020 as against regular time limit of 30 days from date of service of cancellation order.

## **6.0 Deferment of E-invoicing and QR Code system**

- The dates for implementation of e-invoicing and QR Code to be extended to 1<sup>st</sup> October 2020 from present timeline of 1<sup>st</sup> April 2020.
- Certain class of registered persons such as insurance company, banking company, financial institution, non-banking financial institution, GTA, passenger transportation service, etc. are to be exempted from issuing e-invoices or capturing dynamic QR code.

## **7.0 Deferment of new return filing system**

- The dates for implementation of new return filing system to be extended to 1<sup>st</sup> October 2020 from present timeline of 1<sup>st</sup> April 2020. Accordingly, existing GSTR-1 and GSTR-3B to be continued till September 2020.

## **8.0 Other recommendations:**

- Extension of the present exemptions from IGST and Cess on the imports made under the Advance Authorization (AA)/ Export Promotion Capital Goods (EPCG)/ Export Oriented Unit (EOU) schemes up to 31<sup>st</sup> March 2021.
- Extension of the time to finalize e-Wallet scheme up to 31<sup>st</sup> March 2021.
- A new facility called 'Know Your Supplier' to be introduced so as to enable every registered person to have some basic information about the suppliers with whom they conduct or propose to conduct business.
- A special procedure is being prescribed for registered persons who are corporate debtors under the provisions of the Insolvency and Bankruptcy Code, 2016 and are undergoing the corporate insolvency resolution process, so as to enable them to comply with the provisions of GST Laws during the CIRP period.
- Issuance of circulars, in due course, in respect of-
  - (a) Clarification in apportionment of ITC in cases of business reorganization under section 18 of CGST Act read with rule 41(1) of CGST Rules;
  - (b) Appeals during non-constitution of the Appellate Tribunal;
  - (c) Clarification on refund related issues;
  - (d) Clarification on special procedure for registered persons who are corporate debtors under the provisions of the Insolvency and Bankruptcy Code, 2016, undergoing the corporate insolvency resolution process.

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- Recommended key modifications in Central GST rules-
    - (a) Ceiling to be fixed for the value of the export supply for the purpose of calculation of refund on zero rated supplies;
    - (b) To allow for refund to be sanctioned in both cash and credit in case of excess payment of tax;
    - (c) to provide for recovery of refund on export of goods where export proceeds are not realized within the time prescribed under FEMA.

***[Source: Press Release dated 14<sup>th</sup> March 2020]***

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This newsflash is general in nature. In this newsflash, we have provided an overview of the major recommendations of the 39th GST Council Meeting held on 14th March 2020. It may be noted that nothing contained in this newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain applicability or otherwise of the said notification and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this newsflash.

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