

GOODS & SERVICES TAX / IDT UPDATE – 80

Amendment in the CGST Rules, 2017 to prescribe the value of Lottery

The Central Government vide [Notification No.08/2020-Central Tax ,dated 2nd March, 2020](#) has made the following amendment in the CGST Rules 2017 :-

In the Central Goods and Services Tax Rules, 2017, with effect from the 1st March, 2020, in rule 31A, for sub-rule (2), the following sub-rule shall be substituted, namely:-

“(2) The value of supply of lottery shall be deemed to be 100/128 of the face value of ticket or of the price as notified in the Official Gazette by the Organising State, whichever is higher.

Explanation:– For the purposes of this sub-rule, the expression “Organising State” has the same meaning as assigned to it in clause (f) of sub-rule (1) of rule 2 of the Lotteries (Regulation) Rules, 2010.”.

Comment:- *This amendment has been made to prescribe the uniform valuation of both State run and State authorized lottery which were valued differently earlier..*

[\[Notification No. 08/2020-Central Tax ,dated 2nd March, 2020\]](#)

Changes in Rate of GST on supply of lottery

The Central Government vide [Notification No.01/2020-Central Tax \(Rate\) dated 21st February, 2020](#) and [Notification No.01/2020-Integrated Tax \(Rate\) dated 21st February, 2020](#) has notified the **uniform rate of GST on supply of Lottery w.e.f. 1st March 2020 as 28 %** instead of the earlier differential rates of 12% on State run and & 28 % on State authorized lottery.

[\[Notification No.01/2020-Central Tax \(Rate\) dated 21st February, 2020\]](#)

[\[Notification No.01/2020-Integrated Tax \(Rate\) dated 21st February, 2020\]](#)

Recommendations of GST council related to law & procedure

The 39th GST Council in its meeting held on 14th March, 2020, has made the following recommendations on Law & Procedures changes.

1. Measures for Trade facilitation:

- a. Interest for delay in payment of GST to be charged on the net cash tax liability w.e.f. 01.07.2017 (Law to be amended retrospectively).
- b. Where registrations have been cancelled till 14.03.2020, application for

revocation of cancellation of registration can be filled up to 30.06.2020 (extension of period of application as one-time measure to facilitate those who want to conduct business).

c. **Annual Return:**

- i. Relaxation to MSMEs from furnishing of Reconciliation Statement in **FORM GSTR-9C**, for the financial year 2018-19, for taxpayers having aggregate turnover below R. 5 crores;
 - ii. Due date for filing the Annual return and the Reconciliation Statement for financial year 2018-19 to be extended to 30.06.2020; and
 - iii. Late fees not to be levied for delayed filing of the Annual return and the Reconciliation Statement for financial year 2017-18 and 2018-19 for taxpayers with aggregate turnover less than Rs. 2 crores.
- d. 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.
- e. The requirement of furnishing **FORM GSTR-1** for 2019-20 to be waived for taxpayers who could not opt for availing the option of special composition scheme under notification No. 2/2019-Central Tax (Rate) dated 07.03.2019 by filing **FORM CMP-02**.
- f. 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.
- g. Extension of due dates for **FORM GSTR-3B** for the month of July, 2019 to January, 2020 till 24th March, 2020 for registered persons having principal place of business in the Union territory of Ladakh. Similar extension is also recommended for **FORM GSTR-1 & FORM GSTR-7**.
- h. Bunching of refund claims allowed across financial years to facilitate exporters.

2. **Deferment of E-invoice and QR Code:**

- a. Certain class of registered persons (insurance company, banking company, financial institution, non-banking financial institution, GTA, passenger transportation service etc.) to be exempted from issuing e-invoices or capturing dynamic QR code; and
- b. The dates for implementation of e-invoicing and QR Code to be extended to 01.10.2020.

3. **Deferment of e-wallet Scheme:**

- a. Extension of the time to finalize e-Wallet scheme up to 31.03.2021; and
 - b. Extension of the **present exemptions from IGST and Cess on the imports made under the AA/EPCG/EOU schemes up to 31.03.2021.**
4. Continuation of existing system of furnishing **FORM GSTR-1 & FORM GSTR-3B** till September, 2020;
5. **Other new initiatives:**

- a. Seeking information return from Banks;
- b. To curb fake invoicing and fraudulent passing of ITC, restrictions to be imposed on

passing of the ITC in case of new GST registrations, before physical verification of premises and Financial KYC of the registered person.

6. Issuance of circulars in respect of:

- a. Clarification in apportionment of ITC in cases of business reorganization under section 18 (3) 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; and
- 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.

7. Amendments to the CGST Rules: Key amendments are as below:

- a. Procedure for reversal of input tax credit in respect of capital goods partly used for affecting taxable supplies and partly for exempt supplies under rule 43 (1) (c);
 - b. ceiling to be fixed for the value of the export supply for the purpose of calculation of refund on zero rated supplies;
 - c. to allow for refund to be sanctioned in both cash and credit in case of excess payment of tax;
 - d. to provide for recovery of refund on export of goods where export proceeds are not realized within the time prescribed under FEMA; and
 - e. to operationalize Aadhaar authentication for new taxpayers.
8. Certain amendments to be carried out in the GST laws.

Recommendations of GST council related to changes in GST rates on supply of goods and services

GST Council took following decisions relating to changes in GST rates on supply of goods and services.

1. The Council made the following recommendations:-

- i. To raise the GST rate on Mobile Phones and specified parts presently attracting 12% to 18%.
- ii. To deliberate the issue of calibrating the rate in other items for removing inversion in future meetings with further consultation and examination of issue.

2. GST rate on all types of matches (Handmade and other than Handmade) has been rationalised to 12% (from 5% on Handmade matches and 18% on other matches). This would address the classification issues.

3. To reduce GST rate on Maintenance, Repair and Overhaul (MRO) services in respect of aircraft from 18% to 5% with full ITC and to change the place of supply for B2B MRO services to the location of recipient. This change is likely to assist in setting up of MRO services in India. Domestic MRO will also get protection due to 5% tax paid under

section 3(7) of the Customs Tariff Act, 1975 on most imported goods (sent abroad for repairs) as this tax is not available as credit.

Note: It is proposed to issue notifications giving effect to these recommendations of the Council on 01st April, 2020.

Recommendations of GST Council related on IT Roadmap

In the GST Council meeting, Shri Nandan Nilekani, on behalf of Infosys, made a presentation addressing the system related issues that are being faced by the taxpayers in the GST system. He first gave the summary of the recently observed IT issues and the way forward to resolve them.

He suggested that in order to smoothen the rollout of the new return system, and to ensure a better uptake of the new return, the transition to the new return system may be made in an incremental manner. He suggested that the process may be initiated by addressing the compliance related issues first so that the problem of tax evasion and gaming of the system due to non-linking of **FORM GSTR-1** and **FORM GSTR-3B** is addressed immediately. The journey could start with linking of the details of the statement of outward supplies in **FORM GSTR-1** to the liability in **FORM GSTR-3B**. This would be followed by the linking of the input tax credit in **FORM GSTR-3B** to the details of the supplies reflected in the **FORM GSTR-2A**. In order to tackle evasion and preventing the gaming of the system, implementation of Aadhaar authentication and spike rules would also be initiated.

He informed the Council that to augment the capacity of the IT system to concurrently handle 3 lakh taxpayers from the present level of 1.5 lakh taxpayers, hardware procurement process has been initiated which is slightly impacted by the Covid-19 pandemic.

The GST Council further made the following suggestions after due discussions-

- a. Shri Nandan Nilekani would attend the next 3 meetings of the GST Council and update the council of the status of implementation of the decisions taken by the Council and assist the Council in taking appropriate decisions on technology related issues,
- b. To support the timely implementation of various initiatives, the Council gave a go ahead for deployment of additional manpower (60 in number) on T&M basis and assured that both on procurement of additional hardware and hiring of manpower, expeditious approvals would be given however the return filing experience of the taxpayers and removal of technical glitches needs to be carried out urgently.

Shri Nandan Nilekani assured that he would personally monitor the progress of the GSTN project and also agreed to attend the IT-GoM for the next 6 months or till such time the initiatives are implemented. The GST Council expects these initiatives to be implemented by the 31st of July, 2020.

Source : <https://pib.gov.in/index.aspx>

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