

EY Tax Alert

CBIC notifies GST rate for small service providers and increase in registration threshold

Tax Alerts cover significant tax news, developments and changes in legislation that affect Indian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor.

Executive summary

Central Board of Indirect Taxes and Customs (CBIC) has issued various notifications^[1] dated 7 March 2019 in respect of the following:

- Persons exclusively engaged in supply of goods (except specified persons), whose aggregate turnover in the financial year does not exceed INR 40 lakhs are exempted from obtaining the registration under Goods and Services Tax (GST).
- Registered persons, who are not eligible to opt for composition scheme, can opt to pay tax at the rate of 6% (without input tax credit) on first supplies of goods or services, up to an aggregate turnover of INR 50 lakhs, subject to conditions specified.
- The registered persons whose aggregate turnover is up to INR 1.5 crores shall furnish the details of outward supplies in Form GSTR-1 for the quarter April to June 2019 by 31 July 2019.
- For registered persons having an aggregate turnover of more than INR 1.5 crores, the time limit to file Form GSTR-1 for the months April, May and June 2019 is extended till 11th of the succeeding month.
- All registered persons are required to file Form GSTR-3B for the months April, May and June 2019 by 20th of the succeeding month.
- The threshold limit for persons opting for composition scheme has been increased to INR 1.5 crores. However, for certain specified states, the limit shall be INR 75 lakhs.

The above notifications shall be effective from 1 April 2019.

^[1] Notification Nos. 10-14/2019 – Central Tax and Notification No. 2/2019 – Central Tax (Rate) all dated 7 March 2019

Background

- GST Council in its 32nd meeting, held on 10 January 2019 had recommended various measures giving relief to Micro, Small and Medium Enterprises (MSME) sector like increase in threshold limit for registration, concessional rate of tax for service provider, etc.
- To give effect to the above recommendations, various notifications have been issued which are made effective from 1 April 2019.

Notifications

Various Notifications issued by CBIC are as follows:

Exemption from registration for person engaged in exclusive supply of goods²

- Any person who is exclusively engaged in supply of goods having an aggregate turnover of INR 40 lakhs is exempted from obtaining registration GST.
- The exemption has been provided in exercise of powers conferred under section 23(2) of the Central Goods and Services Tax (CGST) Act (Powers to exempt category of person from obtaining registration).
- The above exemption is not available to the following persons:
 - Person required to take compulsory registration;
 - Person engaged in supply of ice-cream and other edible ice (whether or not containing cocoa), pan masala and tobacco and manufactured tobacco substitutes;
 - Person engaged in intra state supply in states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Puducherry, Sikkim, Telangana, Tripura and Uttarakhand;
 - Person who has voluntarily obtained registration; and
 - Registered persons intending to continue their existing registration.
- The above exemption is effective from 1 April 2019.
- The tables given below summarizes state-wise threshold limits for obtaining registration for different category of suppliers making supply in such states:

Exclusive supply of goods		
Aggregate turnover of goods		
INR 10 lakhs	INR 20 lakhs	INR 40 lakhs
Manipur	Arunachal Pradesh	all other states/union territories
Mizoram	Meghalaya	
Nagaland	Puducherry	
Tripura	Sikkim	
	Telangana	
	Uttarakhand	

Others	
Aggregate turnover of goods and services	
INR 10 lakhs	INR 20 lakhs
Manipur	all other states/union territories
Mizoram	
Nagaland	
Tripura	

Due dates for furnishing returns³

- CBIC has notified the due date for furnishing the details of outward supplies in Form GSTR-1 (quarterly and monthly) and Summary return in Form GSTR- 3B for the prescribed period as follows:

Form	Aggregate Turnover	Quarter/ Months	Due date
Form GSTR-1 (Quarterly)	Aggregate Turnover of up to INR 1.5 crores	April to June 2019	31 July 2019
Form GSTR-1 (Monthly)	Aggregate Turnover of more than INR 1.5 crores	April, May and June 2019	11 th of succeeding month
Form GSTR 3B (Monthly)	All taxpayer	April, May and June 2019	20 th of succeeding month

- The due date for furnishing details in Form GSTR-2 and Form GSTR-3 for the months July 2017 to June 2019 will be subsequently notified.

Increase in limit of aggregate turnover for person opting for composition scheme⁴

- In case of a person opting for composition scheme under section 10 of the CGST Act, the Government has increased the limit of aggregate turnover to INR 1.5 crores.

² Notification No. 10/2019-Central Tax dated 7 March 2019

³ Notification No. 11-13 /2019-Central Tax dated 7 March 2019

⁴ Notification No. 14/2019-Central Tax dated 7 March 2019

- However, for eligible registered persons in the states of Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Uttarakhand, aggregate turnover limit shall be INR 75 lakhs.
- Person shall not be eligible to opt for composition scheme if he is a manufacturer of ice cream and other edible ice (whether or not containing cocoa), pan masala and tobacco and manufactured tobacco substitutes.
- The increase in limit shall be effective from 1 April 2019.

GST rate for registered person having aggregate turnover up to INR 50 lakhs⁵

- Registered person is eligible to pay tax at the rate of 6% [3% CGST and 3 % State Goods and Services Tax (SGST)] up to an aggregate turnover of INR 50 lakhs for first supply of goods or services or both made on or after 1 April 2019 in a financial year.
- For the purpose of determining eligibility to pay tax at specified rate, the term “first supply of goods or services or both” shall include supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the said Act.
- For the purpose of determination of tax payable, the supplies from the first day of April of a financial year to the date from which he becomes liable for registration under the Act shall not be included.
- Further, for determining eligibility, value of supply of exempt services by way of extending deposits, loans or advances in so far as the consideration is represented by way of interest or discount, shall not be taken into account.
- The above benefit is available subject to following conditions:
 - aggregate turnover in the preceding financial year was INR 50 lakhs or below;
 - person is not eligible to pay tax under section 10(1) of the CGST Act;
 - person is not engaged in making any supply which is not leviable to tax;
 - person is not engaged in making any inter-State outward supply;
 - person is neither a casual taxable person nor a non-resident taxable person;
 - person is not engaged in making any supply through an electronic commerce operator who is required to collect tax at source; and

- person is not engaged in making supply of ice-cream and other edible ice (whether or not containing cocoa), pan masala and tobacco and manufactured tobacco substitutes.
- Where more than one registered person is having same permanent account number then tax at the rate of 6% is payable by all such registered person.
- The registered person is not eligible to collect any tax from recipient nor he is entitled to claim any input tax credit (ITC).
- Such registered person shall issue bill of supply with the description “taxable person paying tax in terms of notification No. 2/2019-Central Tax (Rate) dated 07.03.2019, not eligible to collect tax on supplies”.
- The registered person shall pay tax on all outward supplies at the rate of 6% notwithstanding any other notification issued under section 9(1) [Levy and Collection] or under section 11(Power to grant exemption from tax) of the CGST Act.
- Such registered person will be liable to pay tax on supplies covered under reverse charge mechanism at the applicable rates.
- The above notification shall be effective from 1 April 2019.

Comments

While the GST law provides for treatment of input tax credit in case of persons opting in or out of composition scheme, similar provisions may be inserted for the category of supplier of services covered under the new scheme.

Relief to small service providers by bringing them at par with traders and manufacturers under composition scheme is a welcome move. However, extending the benefits like quarterly tax payment, waiver from furnishing invoice-wise details of outward supply, etc. also to such service providers would facilitate reducing the compliance burden.

The recommendation made by the GST Council earlier, proposing a single annual return for persons registered under composition scheme is yet to be notified.

⁵ Notification No. 2/2019-Central Tax (Rate) dated 7 March 2019

Our offices

Ahmedabad

2nd floor, Shivalik Ishaan Near C.N.
Vidhyalaya Ambawadi
Ahmedabad - 380 015
Tel: + 91 79 6608 3800
Fax: + 91 79 6608 3900

Bengaluru

6th, 12th & 13th floor "UB City",
Canberra Block No.24 Vittal Mallya
Road Bengaluru - 560 001
Tel: + 91 80 4027 5000
+ 91 80 6727 5000
+ 91 80 2224 0696
Fax: + 91 80 2210 6000

Ground Floor, 'A' wing Divyasree Chambers

11, O'Shaughnessy Road Langford
Gardens Bengaluru - 560 025
Tel: + 91 80 6727 5000
Fax: + 91 80 2222 9914

Chandigarh

1st Floor, SCO: 166-167 Sector 9-C,
Madhya Marg Chandigarh - 160 009
Tel: + 91 172 331 7800
Fax: + 91 172 331 7888

Chennai

Tidel Park, 6th & 7th Floor
A Block (Module 601,701-702) No.4,
Rajiv Gandhi Salai Taramani, Chennai -
600 113
Tel: + 91 44 6654 8100
Fax: + 91 44 2254 0120

Delhi NCR

Golf View Corporate Tower B Sector 42,
Sector Road Gurgaon - 122 002
Tel: + 91 124 464 4000
Fax: + 91 124 464 4050

3rd & 6th Floor, Worldmark-1 IGI Airport Hospitality District Aerocity, New Delhi - 110 037

Tel: + 91 11 6671 8000
Fax + 91 11 6671 9999

4th & 5th Floor, Plot No 2B

Tower 2, Sector 126
NOIDA - 201 304
Gautam Budh Nagar, U.P.
Tel: + 91 120 671 7000
Fax: + 91 120 671 7171

Hyderabad

Oval Office, 18, iLabs Centre Hitech
City, Madhapur Hyderabad - 500 081
Tel: + 91 40 6736 2000
Fax: + 91 40 6736 2200

Jamshedpur

1st Floor, Shantiniketan Building
Holding No. 1, SB Shop Area Bistupur,
Jamshedpur - 831 001
Tel: + 91 657 663 1000
BSNL: + 91 657 223 0441

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 304 4000
Fax: + 91 484 270 5393

Kolkata

22 Camac Street 3rd
Floor, Block 'C' Kolkata -
700 016
Tel: + 91 33 6615 3400
Fax: + 91 33 2281 7750

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg Dadar
(W), Mumbai - 400 028
Tel: + 91 22 6192 0000
Fax: + 91 22 6192 1000

5th Floor, Block B-2 Nirlon

Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000
Fax: + 91 22 6192 3000

Pune

C-401, 4th floor Panchshil
Tech Park Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 6603 6000
Fax: + 91 20 6601 5900

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