

EY Tax Alert

GST Council recommends relief measures for MSME sector and approves levy of cess in Kerala

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

The 32nd meeting of Goods and Services Tax (GST) Council was held on 10 January 2019 in New Delhi. Council has announced various measures giving relief to Micro, Small and Medium Enterprises (MSME) sector. The key recommendations are summarized below:

- ▶ Threshold limit for composition scheme for goods has been increased from INR1 crore to INR1.5 crore
- ▶ Taxpayers under composition scheme can file a single return on annual basis with quarterly payment of tax
- ▶ Services providers having annual turnover up to INR50 lakhs shall be eligible for composition scheme with a tax rate of 6%
- ▶ Threshold limit for obtaining registration by supplier of goods has been increased from INR20 lakhs to INR40 lakhs. States have been given the option to adopt higher threshold

The above recommendations shall be made effective from 1 April 2019.

Further, the Council has approved the levy of calamity cess on intra-state supply of goods and services within the state of Kerala at a rate not exceeding 1% for a period of up to two years.

Source: Press Information Bureau

Background

- ▶ The Goods and Services Tax (GST) Council held its 32nd meeting on 10 January 2019 in New Delhi.
- ▶ Various decisions were taken to provide relief to Micro, Small and Medium Enterprises.

Key Recommendations

The key recommendations made by GST council are as follows:

Composition Scheme

- ▶ The threshold limit of aggregate turnover in the preceding financial year for opting composition scheme for goods shall be increased to INR1.5 crore.
- ▶ Special category States¹ would decide, within one week, about the threshold limit for opting composition scheme in their respective States.
 - ▶ The Government, vide Central GST Amendment Act, 2018 has already increased the upper limit of threshold to INR1.5 crore.
- ▶ At present, the threshold limit for opting composition scheme is:
 - ▶ For suppliers located in states other than special category states - INR1 crore
 - ▶ For suppliers located in special category states - INR75 lakhs
- ▶ Currently, composition dealers are required to file GSTR-4 every quarter and pay tax on monthly basis. In order to simplify the compliance process under composition scheme, the Council has decided that the taxpayers would need to file one return on annual basis with quarterly payment of tax (along with a simple declaration).
- ▶ A composition scheme shall be made available to services providers, with an aggregate turnover in the preceding financial year up to INR 50 lakhs. Under this scheme, the service providers shall be liable to pay GST at the rate of 6% (3% CGST + 3% SGST).
 - ▶ The above scheme shall also be applicable to suppliers of goods and services, who are not presently eligible for composition scheme for goods.
 - ▶ Post CGST amendment, only manufacturers and traders having turnover of services of up to INR5 lakhs or 10% of total turnover, could opt for composition scheme. Composition scheme is not available to a person who is only a service provider other than a restaurant service provider.
- ▶ The above recommendations shall be made effective from 1 April 2019.

Registration

- ▶ The threshold limit for obtaining registration will be increased from INR20 lakhs to INR40 lakhs for supplier of goods.
- ▶ The option is given to the states to opt for higher threshold of INR40 lakhs. The states have to take a decision on this within a week.
- ▶ Threshold for registration of supplier of services has not been changed. The same continues at INR20 lakhs with a lower threshold in certain special category states.
- ▶ The above recommendation shall be made effective from 1 April 2019.

Levy of cess

- ▶ The Council has approved the levy of cess on intra-state supply of goods and services within the state of Kerala at a rate not exceeding 1% for a period of up to 2 years. The purpose of levying cess is to mobilize revenue for natural calamities.

Matters referred to GoM

- ▶ A seven-member Group of Ministers (GoM) shall be constituted to examine the proposal of composition scheme to boost the residential segment of the real estate sector.
- ▶ Also, a GoM shall be constituted to examine the GST Rate structure on lotteries.

Comments

The measures recommended by the GST Council in expanding the coverage of composition scheme coupled with increased threshold may go a long way in providing a relief to small enterprises and traders in terms of ease of doing business. The pragmatic approach of the government might facilitate the effort of tax administration to focus on higher revenue generation.

Composition scheme for supplier of services is a welcome step and might benefit small service providers as their level of compliance will substantially reduce.

As the Council has decided to make various changes effective from 1 April 2019, both the central and state government will need to amend the relevant provisions of Central and State GST Acts before the stipulated timeline.

¹Special category states are Arunachal Pradesh, Assam, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.

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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