

DEWAN P.N. CHOPRA & Co.



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KEY HIGHLIGHTS OF THE REVISED MODEL GST LAW

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The Draft Model GST Law was released in the public domain on 14.06.2016. However, the draft law contained many anomalies / inconsistencies which needed to be addressed. After receiving recommendations / representations from various stakeholders, the government released the revised version of the Model GST Law on 26th November, 2016.

The key highlights of the Revised Model GST Law, November, 2016 are as under:

1. Rate: The GST rate has been capped at 14% each for CGST and SGST and 28% for IGST.
2. Aggregate turnover shall no longer include non-taxable turnover.
3. Easy definition of capital goods - “**capital goods**” means goods, the value of which is capitalised in the books of accounts of the person claiming the credit and which are used or intended to be used in the course or furtherance of business;
4. Goods, now specifically **exclude ‘securities’**. Therefore, no GST on securities.
5. **Composition scheme**: There would be option available to tax payers having turnover less than Rs. 50 lacs can *opt* for Composition scheme wherein they need to discharge tax at a floor rate of **1% or 2.50% (for manufacturers) CGST and SGST each**.
6. It has been clarified that supplies to **SEZs** would be zero-rated.
7. **Special Area Schemes**: The exemptions available under Special Industrial Area Schemes would continue up to legitimate expiry time both for the Centre and the States. Later, after the introduction of GST,

the tax exemptions, remissions etc. related to industrial incentives would be converted, if at all needed, into cash refund schemes.

8. Various inconsistencies in meaning and scope of Supply, have been addressed. Now, **import of service** whether for business or personal use, **only for a consideration** will be considered as supply. However, **import of service** from related party **for business purposes only**, even **without consideration**, is considered as supply.

9. Schedule I, which deals with matters to be treated as supply even if made without consideration, includes,

- a. Permanent transfer/disposal of business assets where input tax credit has been availed on such assets.
- b. Supply of goods or services between related persons, or between distinct persons as specified in section 10, when made in the course or furtherance of business.
- c. Supply of goods—
 - (a) By a principal to his agent where the agent undertakes to supply such goods on behalf of the principal, or
 - (b) By an agent to his principal where the agent undertakes to receive such goods on behalf of the principal.
- d. Importation of services by a taxable person from a related person or from any of his other establishments outside India, in the course or furtherance of business.

10. Schedule III, deals with activities which are outside the scope of supply. These include:

- Contract of employment
- Service by court or tribunal
- Functions performed by Members of Parliament, and other state and local authorities
- Services by foreign diplomatic mission in India
- Services of funeral, burial, crematorium or mortuary including transportation of the deceased.

11. Concept of distinct person :

- A person who has obtained or is required to obtain more than one registration, whether in one State or more than one State, shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act.
- An establishment of a person who has obtained or is required to obtain registration in a State, and any of his other establishments in another State shall be treated as establishments of distinct persons for the purposes of this Act.

12. Time of supply:

- **For Goods** - The earliest of :Date of issuance of invoice or the last date by which invoice is required to be issued or the date of receipt of advance

- **For Service** – The earliest of: Date of issuance of invoice or the last date by which invoice is required to be issued or the date of receipt of advance.
- Further, there are special provisions for continuous supply of goods/ services, Reverse Charge Mechanism etc

13. Value of supply:

Transaction value GST would be payable on the ‘transaction value’. Transaction value is the **price actually paid or payable** for the said supply of goods and/or services between un-related parties. The transaction value is also said to include all expenses in relation to sale such as packing, commission etc. Even **subsidies** linked to supply, excluding Government subsidies will be includable. However, discounts/ incentives given **before or at the time** of supply will be permissible as deduction from transaction value. As regards discounts given after supply is made, the same will be permissible as deduction subject to fulfilment of prescribed conditions.

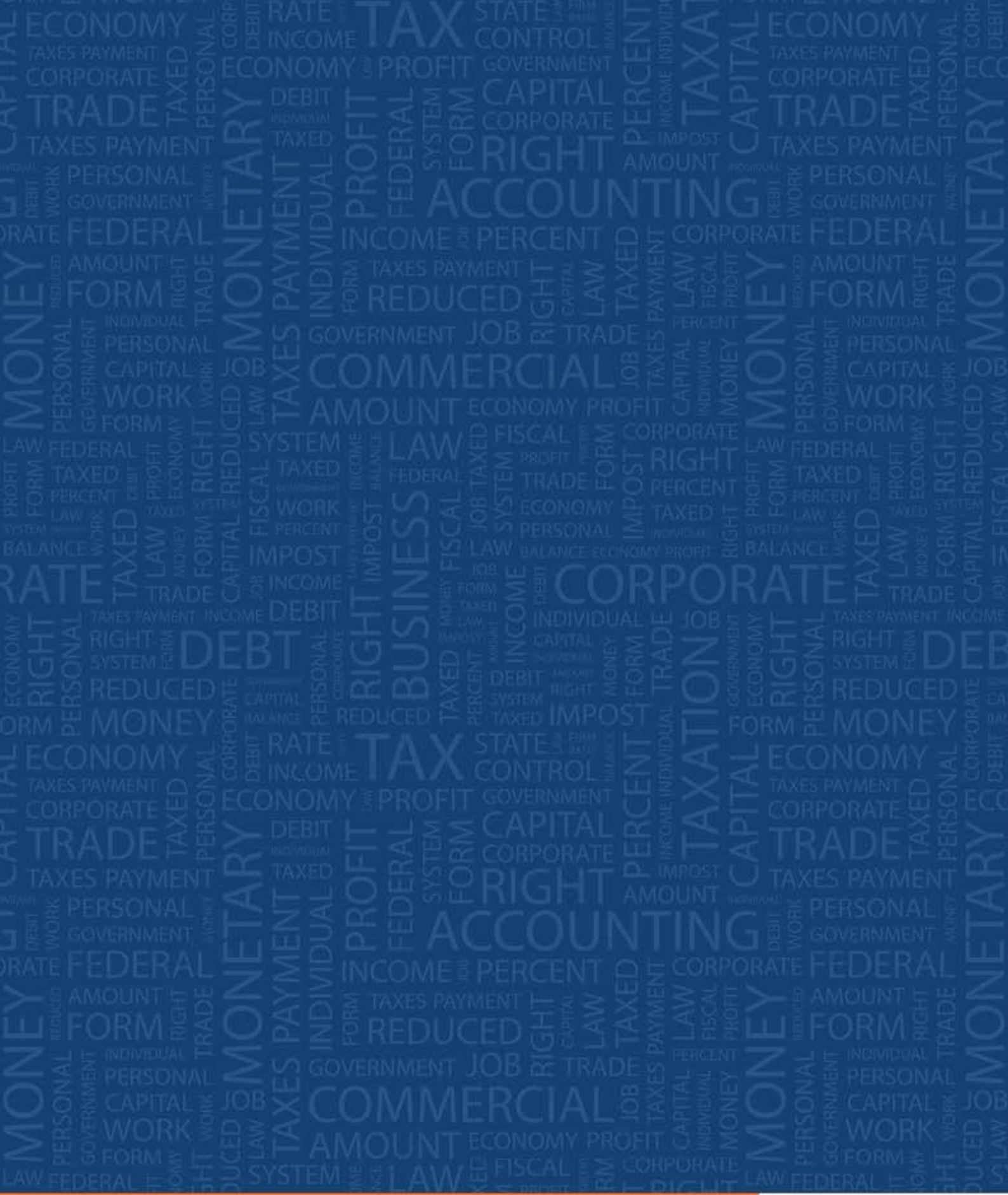
14. Different provisions have been provided for Place of supply in case of exports and Imports, under the Model IGST Law.

15. Transitional provisions have been modified to address various inconsistencies.

16. The Revised Model GST Law has proposed an anti-profiteering mechanism to ensure benefit of lower taxes in GST is shared with consumers. It is stated that an Authority will be constituted to examine whether input tax credits availed by any registered taxable person or the reduction in the price on account of any reduction in the tax rate have actually resulted in a commensurate reduction in the price of the said goods and/or services supplied by him.

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