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Unlocking Insights :
GST@7 Survey and 53rd
GST Council meeting

June 2024

CONTENTS

1

GST@7 : Survey Methodology and findings

2

Key Advocacy wins

3

Business Impact : Recommendations of the 53rd GST Council Meeting

4

Future Outlook



GST@ 7 : Survey findings

GST@7 : Survey Objective and Methodology



Objective

- Comprehend the industry's viewpoint on the seven-year journey of Goods and Services Tax (GST) in India
- Understand the status of GST implementation, assess the progress made so far and gather feedback for the next stage of reforms

Methodology

- Online surveys conducted with C-suite and C-1 level seniors across different industries and company size
- Survey entails 40 questions eliciting responses on different aspects of GST with multiple select and single-select questions
- A total of 760 responses were obtained from 6 industries

Respondent profile

Industry

Industry	Percentage
Consumer	20%
Energy, resources & industrials	17%
Lifesciences & healthcare	17%
Technology, media & telecommunication	19%
Banking & other financial services	17%
Government & public services	10%

N - 760

Turnover

Turnover	Percentage
Above INR 3,000 crore	38%
INR 250-3,000 crore	34%
Less than INR 250 crore	28%

N-760

Growing confidence: Positive perception of GST on the rise

An impressive 84 percent responded positively to GST, a notable improvement over 72 percent displaying the same sentiment in 2023



Key drivers for positive sentiments

1. Adoption of a robust tax technology framework
2. Enhanced financial and supply chain efficiencies
3. Removal of ambiguities through the issuance of clarifications
4. Enhanced stakeholder consultation by the government
5. Clarity around regulatory guidelines

India GST @7 | Survey Findings



01

Enhanced positive sentiment on GST implementation: About 84 percent of respondents recognised GST's positive perception (up from 59 percent in GST@5 and 72 percent in GST@6) paving the way for reforms in GST 2.0.

02

Top performance areas: Automation of tax compliances and e-invoicing/e-way bill initiatives continue to be voted as top performance areas, followed by issuance of circulars/instructions.

03

Amnesty scheme: It is viewed as crucial for resolving procedural disputes for initial years under GST.

04

Audit and assessment challenges on the rise: The need for redressal of challenges around parallel/multiple audits, long-drawn audits and expansive legal interpretations continues. Also, overwhelming ask is for faceless assessment

05

Effective Dispute resolution: Alignment of pre-deposit percentages with the pre-GST regime-central tax laws: Over 70 percent emphasize aligning pre-deposit requirements for GST appeals with the pre-GST regime.

Key Policy Wins



Key Policy Wins : Recommendations of the 53rd GST Council Meeting



1. Reduction of rate of TCS from 1% to 0.5%
2. Proposed GST law amendment to reduce pre-deposit amount for filing appeals
3. Clarification on import of services by domestic entities from foreign affiliates, eligible for full ITC
4. Clarification on various issues regarding valuation of services of providing corporate guarantees between related parties
5. Clarifications around the taxability of re-imbursment of securities as ESOP/ESPP/RSU provided by a company to its employees
6. Clarification relating to place of supply of goods supplied to unregistered persons, where delivery address is different from the billing address
7. Exemption from Compensation cess on supply of aerated beverages and energy drinks to authorized customers by Unit Run Canteens under Ministry of Defence.
8. Uniform rate of 5% IGST will apply to imports of 'Parts, components, testing equipment, tools and tool-kits of aircrafts, irrespective of their HS classification to provide a fillip to IMRO activities subject to specified conditions.
9. Clarification that place of supply for custodian services by India Banks to Foreign Portfolio Investors (FPI) is the FPIs location



Recommendations of the 53rd GST Council Meeting : Business Impact

Proposals amending GST Law and procedure



GST policy recommendations :

1. Section 11A: Regularise non-levy or short levy of GST due to common trade practices.
2. Provide for a sunset clause for anti-profiteering under GST i.e.. 1 April 2025
3. Enable receipt of transitional credit received by Input Service Distributor (ISD) before 1 July 2017 (effective 1 July 2017)
4. Claiming refund of additional GST paid on account of upward revision in price of the goods

Business Impact



- Amnesty to the industry for the past practices
- Certainty going forward



- Claim of refunds on items with export duty not allowed.



- Adoption of any valuation methodology allowed in case of revenue neutrality, thereby removing ambiguity.



- Resolve disputes and reduce litigation, providing much-needed clarity and stability for businesses.

Proposals pertaining to Dispute Resolution



Appeal and adjudication recommendations :

1. Amnesty in the form of the waiver of interest and penalties - Tax demanded under section 73 is fully paid by March 2025 for FY 17-18, 18-19, and 19-20.
2. Monetary limits for reducing litigation by government proposed - Appellate tribunal (INR 20 lakhs), High Court (INR 1 crore) and Supreme Court (INR 2 crores).
3. Revision in pre-deposit rates

Maximum amount of pre-deposit	Existing (CGST and SGST)		Proposed (CGST and SGST)	
	%	Amount in INR	%	Amount in INR
First appellate authority	10%	25 crore each under CGST and SGST	10%	20 crore each under CGST and SGST
Appellate Tribunal	20%	50 crore each under CGST and SGST	10%	20 crore each under CGST and SGST

Business Impact



Amnesty would help businesses resolve procedural disputes of initial years.



Tribunal appeals are now expected to increase/ to be filed soon. Thus, reduced pre-deposit a relief in the dispute resolution process



Reduced litigation on account of increased departmental appeal threshold



Reduced cash flows would help free up working capital thus helping the business with financial stability.

Proposals pertaining to Trade Facilitation



Trade Facilitation clarification :

1. Clarifications proposed to be issued on valuation of import of service from related party
2. Clarification on valuation mechanism on corporate guarantee extended by a related party
3. Time limit to avail the ITC on self-invoice issued by the recipient for the supplies received from unregistered persons
4. Taxability of re-imbursment of securities/shares as ESOP/ESPP/RSU provided by a company to its employees
5. Taxability of loans granted between related person or between group companies
6. Mechanism for providing evidence by the suppliers for compliance of conditions for exclusion of post-sale discounts from the value of supply to the effect that ITC has been reversed by the recipient on the said amount
7. Warranty/ extended warranty provided by manufacturers to end customers

Business Impact

- Benefit of circular no. 199/11/2023 dated 17 July 2023 has been proposed to be extended to services imported from overseas related parties



- GST payment made under reverse charge after Supreme Court ruling in the Northern Operating System's case, would now be put to rest.



- Mechanism to provide evidence by suppliers for post supply discounts would streamline the business processes followed by industry at large



- End to avoidable litigations in case of revenue neutral situations.

Proposals pertaining to GST compliance



GST compliance recommendations :

1. Extended time limit to avail the ITC in respect of invoices/debit notes for FY 2017-18 to FY 2020-21
2. Optional facility for amendment/ addition of details furnished in Form GSTR-1 proposed in Form GSTR-1A
3. Threshold for reporting of invoice wise B2C inter-state supplies - reduced from INR 2.5 lakhs to INR 1 lakh.
4. Biometric-based Aadhaar authentication of registration applicants is proposed pan-India, in a phased manner to combat fake ITC.
5. Proposal for not charging interest on delayed payment of tax to the extent amount is available in electronic cash ledger on the due date and the same is debited while delayed filing of Form GSTR-3B.

Business Impact



• Extension of the time limit to avail Input Tax Credit will relieve businesses of historical burdens.



• Effective tracking invoices on which TDS has been deducted – facility previously not available



• Invoice-wise reporting of B2C supplies - Changes in data extraction process



• Correcting errors or omissions in Form GSTR-1 - Timely availment of ITC at the recipient's end.

Sectoral Recommendations



Banking, financial services and insurance (BFSI) sector



- Schedule III of the Central Goods and Services Tax Act, 2017 to include follower premium share and re-insurance commission. Past cases may be regularised on 'as is where is' basis
- Other clarifications on place of supply of custodian services, ITC reversal, exemptions, taxability of wreck and salvage values in motor insurance etc. proposed

E-commerce Sector



- Rate of tax collected at source (TCS) by e-commerce operators (ECOs) to be reduced from 1% to 0.5%
- W.e.f. 1 October 2023 it is proposed to clarify that, specified penal provisions are applicable only on ECOs required to collect tax at source and not on other ECOs

Alcohol Sector



- Amendment proposed in GST law to keep rectified spirit/ Extra Neutral Alcohol (ENA) supplied for manufacturing alcoholic liquors for human consumption outside the scope of GST.

Defence Sector



- Exemption from IGST on imports of specified items for defence forces proposed to be extended for further period of 5 years till 30 June 2029.
- GST exemption on imports of technical documentation for AK-203 rifle kits imported for Indian defence forces.
- Exemption of Compensation cess on supply of aerated beverages and energy drinks to authorised customers by Unit Run Canteens under Ministry of Defence



Railways

GST to be exempted on the following services:

- Services provided by Special Purpose Vehicles (SPV) to India Railways by way of allowing Railways to use infrastructure built and owned by SPVs during the concession period
- Maintenance services supplied by Indian Railways to SPV
- Services provided by Indian Railways to general public – sale of platform tickets, facility of retiring rooms/waiting rooms, cloak room services and battery-operated car services

Rate Changes
Proposals for rate rationalization of goods and services

Nature of goods and services	Proposed rate
Imports of parts, components, testing equipment, tools and toolkits of aircrafts (irrespective of their classification), subject to specified conditions for maintenance, repair and overhaul (MRO) operations	5%
All milk cans (of steel, iron and aluminium) irrespective of their use proposed	12%
Solar cookers (whether single or dual energy source)	12%
Sprinklers including fire water sprinklers	12%
Parts of poultry keeping machinery	12%
Carton, boxes and cases of corrugated/ non-corrugated paper/ paperboard (covered under specified HSNs)	12%
Accommodation services having value up to INR 20,000 per month per person provided such accommodation is supplied for a minimum continuous period of 90 days	Exempt



Future Outlook



Future Outlook



GST Appellate Tribunal (GSTAT) – Addressing litigations

- The government, on May 6 appointed Justice (retd) Sanjaya Kumar Mishra as president of the GSTAT. Fully functional GST Tribunal will require appointment of judicial and technical members, which would be done in the days to come.
- GST law proposed to provide for a specified date from which the time limit for filing appeals (3 months) before the Appellate Tribunal shall start



National Appellate Authority for Advance Ruling – resolve conflicting State rulings

- Will act as an appellate forum for taxpayers to resolve conflicting rulings by various State advance ruling authorities
- Expected to be notified and set up next year



Committees' setup by the GST Council – Rate Rationalization

- Examine issue of correction of inverted duty structure for major sectors; rationalize the rates and review inclusion of products currently outside the ambit of GST
- Discussion on taxation of Online Gaming

Q&A



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