

GST Council finalises key Rules for the new tax regime

The Goods and Services Tax (GST) Council, today, approved 7 key GST rules for the rollout of the new indirect tax regime and in the process of taking a final call on the rules for return and transition. Set out below is a summary of the key changes made to the Rules approved by the GST Council. Trust you have an interesting read.

Change in Rules	Amendment	Comment
GST Determination of Value of Supply Rules		
Value of supply of goods between distinct or related persons	Option provided to the supplier in case where goods are intended for further supply by the recipient (distinct / related person), the value shall be an amount equivalent to ninety percent of the price charged for the supply of goods of like kind and quality by the recipient to his customer not being a related person.	Option available for supply of goods made or received through an agent now extended to self-supplies and supplies to related parties.
Determination of value in respect of certain supplies such as services of money changer, booking of tickets for travel by air, life insurance business etc.	<ul style="list-style-type: none"> The non-obstante clause in rule 6(1) having powers to override anything contained in the GST Act have been omitted and it has been expressly stated that the provisions mentioned in such rule shall be at the option of the supplier be determined in the manner mentioned thereunder. New proviso inserted to rule 6(5) relating to valuation of used / second hand goods provides to provide for manner of determining purchase value in the hands of lender for goods 	<ul style="list-style-type: none"> Rule 6(1) has now been amended to state that the manner of valuation provided in Rule 6 will not be mandatory, but optional and in addition to the valuation provisions in Section 15 of the GST Act. The maximum life of a repossessed goods has been deemed to be 5 years, post-which the purchase value of



	repossessed from a defaulting borrower, who is not registered. The purchase value shall be the purchase price of such goods by the defaulting borrower reduced by 5.00% for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.	repossessed goods will be treated as nil and the lender will be required to pay GST on the selling price.
Value of supply of services in case of pure agent	The existing conditions relating to expenses incurred by a pure agent for exclusion from value of taxable services have been curtailed to 3 conditions, viz. (i) the supplier acts as a pure agent of the recipient when he makes payment to third party on authorization by such recipient; (ii) the payment made by pure agent has been separately indicated on the invoice issued by the pure agent; and (iii) the supplies procured by the pure agent are in addition to the services he supplies on his own account.	The conditions relating to pure agent have been simplified and the ambiguities relating to satisfaction of all the existing conditions have been eliminated.
Value of supply inclusive of GST	New rule has been inserted to determine the tax amount, where the value of supply is inclusive of taxes, as under the current indirect tax laws. The tax amount shall be: $= \frac{\text{Value inclusive of taxes} \times \text{GST Rate \%}}{100 + \text{Sum of Tax Rate in \%}}$	This enabling provision will be relevant with respect to determining tax payable in case of receipt of advances.
GST Input Tax Credit Rules & Registration Rules		
Documentary requirements and conditions for claiming input tax credit	Document for availing credit earlier included bill of entry. The same has been widened to include any other document as prescribed under Customs Act, 1962 or rules made thereunder for assessment of IGST on imports	
Reversal of input tax credit in case of non-payment of consideration	<ul style="list-style-type: none"> The reversal of credit shall apply only to the proportion of value of supply whose payment has not been made to the vendor The condition of reversal of credit in case of non-payment to vendor within 180 days shall not apply to supplies made without consideration in Schedule 1 The time limit for availing credit shall not be applicable in cases of re-availment of credit 	<ul style="list-style-type: none"> This clarifies scenarios where part payment made is made to the Vendors for the supply. In such cases, full credit shall not be reversed. Credit only to the extent of such unpaid amount needs to be reversed
Procedure for distribution of input tax credit by Input Service Distributor	<ul style="list-style-type: none"> ISD shall be required to distribute ineligible and eligible credit. Ineligible credit shall include negative list of credits and words 'ineligible otherwise' has been inserted in the rule. The same shall include credit pertaining to non-business 	Any person also holding a registration as ISD shall provide ISD registration number to their vendors while procuring services. The HO shall then distribute direct credits to the respective



	<p>use, reversal pertaining to exempt supplies, etc.</p> <ul style="list-style-type: none"> • Further, it is provided that ISD will be required to take a separate registration under GST 	location and other credits basis the prescribed method
Manner of claiming credit in special circumstances	Supply of used capital goods or plant and machinery on which credit has been availed, person shall pay an amount equal to such credit taken reduced at the rate of five percentage points for every quarter or part thereof from the date of issue of invoice for such goods	
GST Tax Invoice, Credit and Debit Notes Rules		
Serial numbering	The consecutive serial number of invoice shall not exceed sixteen characters	
Tax invoice in case of RCM from unregistered person	Person procuring services under reverse charge mechanism or from unregistered person shall be required to provide his signature or the digital signature either of himself or his authorized representative	
Receipt Voucher	<p>It has been provided that, at the time of receipt of advance if:</p> <ul style="list-style-type: none"> • rate of tax is not determinable – Tax shall be paid at 18% • nature of supply is not determinable – treat it as inter-state supply 	This will be applicable where advance amount received is not linked against a specific supply
Refund Voucher / Payment Voucher	New rules inserted for particulars to be mentioned on refund voucher and payment voucher has been inserted	
GST Payment and Refund Rules		
Payment of tax	A registered person shall, upon noticing any discrepancy in his electronic cash ledger / electronic liability ledger, communicate the same to the officer exercising jurisdiction in the matter, through the Common Portal in FORM GST PMT-04	
Documentary evidence for claiming refund	<p>New documents prescribed for claiming refunds:</p> <ul style="list-style-type: none"> ▪ For refunds arising on account of supplies to SEZ unit or SEZ developer, a declaration stating that input tax credit of the tax paid by the supplier on account of the supply of goods or services made to such SEZ unit or Developer has not been availed by the SEZ unit or Developer ▪ For refunds arising on account of incorrect classification of nature of transaction, a statement showing details of such transactions considered as intra-State supply instead of inter-State supply 	
Refund on account of inverted duty structure	<p>The maximum amount of refund on account of inverted duty structure has been prescribed as:</p> <p>= {Turnover of inverted rated supply of goods x Net ITC % Adjusted Total Turnover}</p>	



	minus Tax payable on such inverted rated supply of goods	
Grant of provisional refunds	The conditions for grant of provisional refunds have been relaxed. Now, persons with lower GST compliance ratings or having pending proceedings of appeal, review or revision which form the basis of refund, will also be eligible for provisional refund	



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