

8 Key takeaways of 40th GST Council Meeting

The 40th GST Council has convened its meeting today through video conferencing. The Council in this meeting has primarily focused on easing the compliance for the small taxpayers. In this document, we have covered the key decisions taken by the Council and the issues discussed with Media.

1. Waiver of Late fees from July 2017 to January 2020

The Late fees on late filing of GSTR 3B ('the return') for the period July 2017 to January 2020 has been waived fully for returns having no tax liability. For cases where there is any tax liability in the return, the maximum late fees would be Rs. 500. The benefit of reduced late fee would be applicable only for returns which are furnished between 01 July, 2020 to 30 September, 2020.

Taxmann Comments:

Section 47 of the Central Goods and Services Act, 2017 ('the CGST Act') provides that late fees of Rs 100 per day would be applicable for late filing of return mentioned under Section 39 the CGST Act. This is subject to a maximum cap of Rs 5,000. However, in terms of *Notification No 76/2018 dated 31-12-2018 (amended till date)* where tax payable in GSTR 3B is nil, late fees of Rs 10 per day is levied and in other cases it is Rs 25 per day. Similar notification is notified under the respective State GST laws.

The above relief is proposed to waive the late fees levied from July 2017 to January 2020 for all such GSTR 3B's which are filed between 01 July 2020 to 30 September 2020. The benefit is available to all taxpayers irrespective of the turnover.

It is to be noted that the relief in late fees is only for GSTR-3B and not for GSTR 1. This step in our view would surely clean up the pending Form GSTR 3B's.

2. Waiver of interest for period Feb-April 2020 for small taxpayers (aggregate turnover upto Rs. 5 crore)

<i>Turnover (in the preceding Financial Year)</i>	<i>Tax Period</i>	<i>Interest for GSTR-3B</i>
Upto Rs. 1.5 Crore	February 2020	No interest till 30-6-2020, interest @ 9% p.a. if furnished between 1-7- 2020 to 30-9-2020, and thereafter 18% p.a.
	March 2020	No interest till 3-7-2020, interest @ 9% p.a. if furnished between 4-7- 2020 to 30-9-2020, and thereafter 18% p.a.
	April 2020	No interest till 6-7-2020, interest @ 9% p.a. if furnished between 7-7-

		2020 to 30-9-2020, and thereafter 18% p.a.
More than Rs. 1.5 Crore and upto Rs. 5 Crore	February–March 2020	No interest till 29-6-2020, interest @ 9% p.a. if furnished between 30-6-2020 to 30-9-2020, and thereafter 18% p.a.
	April 2020	No interest till 30-6-2020, interest @ 9% p.a. if furnished between 1-7-2020 to 30-9-2020, and thereafter 18% p.a.

3. Waiver of late fee and interest for period May-July 2020 for small taxpayers (aggregate turnover upto Rs. 5 crore)

<i>Period</i>	<i>Late Fee & Interest for GSTR-3B</i>	<i>Condition (If GSTR-3B is furnished on or before)¹</i>
May 2020	NIL	September 2020
June 2020	NIL	September 2020
July 2020	NIL	September 2020

4. Extension granted in period for revocation of cancellation of registration

GST Council has facilitated taxpayers to file application for revocation of cancellation of registration up to 30.09.2020, in all cases where registrations have been cancelled till 12.06.2020.

Taxmann Comments:

In the previous meeting held on 14 March 2020 the Council had given this benefit wherein the application of revocation was required to be filed up to 30 June 2020. Considering this long Lockdown the time limit has been extended.

5. Inverted Duty Structure in Textile Industry

The Inverted duty structure issue for textile Industry was discussed however Council did not arrive to any conclusion. This issue would be discussed in the next meeting (after single agenda meeting to be in July 2020)

Taxmann Comments:

In order to nullify the impact of inverted rate structure, the GST Council, in its last meeting had increased the GST rate on mobile from 12% to 18% after which there were protests from the association citing fall in demand of mobile phones. The rationalisation of rates is yet to be done for textiles, footwear and fertiliser as well.

6. Compensation: Single Agenda Meeting in July 2020

¹ Exact date to be notified later

Recently, the Central Government has released the GST Compensation of Rs. 36,400 crore to the States for the period from December, 2019 to February, 2020. However, the shortfall on compensation to States still remains. The Council would meet in July 2020 to specifically discuss the agenda of compensating the States.

7. GST on brick-kilns and pan masala

The Uttar Pradesh govt. has specially requested to increase the GST rate on brick-kilns and pan masala in the wake of falling revenue collection in the State. Presently, GST rate on bricks is in the range of 5% to 28% depending upon the nature of the bricks. GST rate on bricks have less than 28% rate may be increased. On the other hand, pan-masala is taxed at 28% along with 60% compensation cess. Since, pan masala is already covered under highest slab rate of 28%, it seems compensation cess will be increased. The Council stated that the issue of GST on brick kilns & paan masala to be sent to fitment committee and will be taken up in the next GST Council meeting.

8. Reversal of ITC on goods lying in godown & going to expire

In the press discussion a specific question was asked from the Chairperson about the reversal requirement on goods which are lying in godown & going to expire. The Finance Minister has said that this matter has not been discussed in this meeting.

Taxmann Comments:

In our view, the requirement of reversal of ITC on raw material (manufacturing units)/Stock (trading units) destroyed is clear in terms of Section 17(5)(h) of the CGST Act. However, reversal requirement for finished goods is quite controversial.

For more details please refer our article- Industry 2020: Treatment of ITC on goods destroyed due to COVID-19 Lockdown [2020] 116 taxmann.com 525 (Article)