

Scheme for reimbursement of tax paid notified under the Assam GST Act, 2017

Summary

The Government of Assam has notified a scheme¹ wherein the tax paid under the Assam Goods and Services Tax Act, 2017 ('Assam GST Act') will be provided as reimbursement to eligible manufacturing units, hotels/resorts above 2-star category and river cruise located in the state of Assam.

Salient features of the scheme

1. The scheme has been introduced with effect from 1 July 2017 to replace the following schemes ('the erstwhile schemes'):
 - a. The Assam Industries (Tax Exemption) Scheme, 2009, framed pursuant to Industrial and Investment Policy of Assam, 2008 or notifications issued there under; and
 - b. The Assam Industries (Tax Exemption) Scheme, 2015, framed pursuant to Industrial and Investment Policy of Assam, 2014 or notifications issued thereunder.

The scheme provides for reimbursement of SGST paid in cash after utilising the available credits under the Assam GST Act.

2. Benefit of the scheme is available to:
 - a. Existing units who were availing partial or full benefits under the erstwhile schemes to the extent of unavailed monetary incentives and for unexpired time limit.
 - b. New units and expansion units which undertake substantial expansion during the period commencing from 1 July, 2017 to 31 December, 2022 in terms of eligibility criteria of Industrial and Investment Policy of Assam, 2014.
3. The time limit and monetary ceiling of tax reimbursement under the Scheme is summarised as under:

¹ Assam Industries (Tax Reimbursement for Eligible Units) Scheme 2017, Notified vide Notification No. FTX.113/2017/72 dated 19-Jan-2018

| Category | Time limit and monetary ceiling of tax reimbursement | | | |
|------------------|---|---|---|---|
| | New unit | | Expansion unit | |
| | For units set up in areas other than special parks (specified in next column) | For units set up in Plastic Park, Bamboo Park, Food Park, Tea Park and other Parks developed by or in collaboration with state/central government | For units set up in areas other than special parks (specified in next column) | For units set up in Plastic Park, Bamboo Park, Food Park, Tea Park and other Parks developed by or in collaboration with state/central government |
| Micro | 15 years subject to maximum of 200% of fixed capital investment | 15 years subject to maximum of 250% of fixed capital investment | 15 years subject to maximum of 150% of additional fixed capital investment | 15 years subject to maximum of 200% of additional fixed capital investment |
| Small | 15 years subject to maximum of 150% of fixed capital investment | 15 years subject to maximum of 180% of fixed capital investment. | 15 years subject to maximum of 100% of additional fixed capital investment | 15 years subject to maximum of 120% of additional fixed capital investment |
| Medium and Large | 15 years subject to maximum of 150% of fixed capital investment | 15 years subject to maximum of 150% of fixed capital investment. | 15 years subject to maximum of 100% of additional fixed capital investment | 15 years subject to maximum of 100% of additional fixed capital investment |

4. If the eligible units are not in a position to avail the benefit within the prescribed time due to genuine reason, then such units may apply for extending time limit.
5. The benefits of the said scheme are not available for units engaged in the manufacturing of certain category of goods such as:

- a. Pan Masala;
 - b. Plastic carry bags of less than 20 microns;
 - c. Tea industry;
 - d. Galvanisation, corrugation of sheet or both;
 - e. Marble and decorative stone cutting;
 - f. Conversion of coal from coke, etc.
6. The eligible units are considered as separate business verticals required to obtain a separate registration under Assam GST Act.
 7. The eligible units are required to mention the number and date of their Certificate of Entitlement in addition to their GSTIN in every invoice issued to the recipient. The invoices shall also bear in bold letter "EX" as a suffix at the end of invoice number.
 8. Input tax credit of GST charged by eligible unit cannot be utilised by recipient dealer if he supplies such goods in the course of inter-state trade. The credit proportionate to such inter-state sale shall lapse.
 9. The eligible unit shall file an application in the prescribed format for issuance of Eligibility Certificate and Certificate of Entitlement.
 10. The eligible unit needs to file application for tax reimbursement
 - a. For period from 1 July 2017 to effective date of scheme - within 60 days from the date of notification;
 - b. For period post the effective date of scheme - within 30 days from the due date of payment of SGST.
 11. In case of contravention of any provisions of the scheme, the tax reimbursed shall be recovered along with simple interest of 18 per cent per annum.

Our comments

The Government of Assam has reintroduced the tax exemption scheme that existed during the erstwhile VAT regime as a tax reimbursement scheme under the GST regime. Unlike the earlier tax exemption scheme, the new scheme doesn't provide upfront tax exemption to the eligible units. Instead, under the new scheme, the assessee is required to pay the state taxes and then apply for the reimbursement of such taxes paid in cash, ie. through the electronic cash ledger.

The concept of providing tax exemption by way of reimbursement is in line with protecting the credit chain under GST regime. While the reimbursement mode may have a temporary impact on cash flow, overall the scheme would have a positive impact on industry and development of the state.



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