

Tax alert: Key indirect tax amendments introduced in the Finance (No.2) Act, 2019

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Summary

Finance Minister, Nirmala Sitharaman, presented her maiden Union Budget on 5 July 2019 which proposed several important changes including amendments to levy of interest under the GST law, introduction of legacy dispute-cum-amnesty resolution scheme, creation of National Appellate Authority for Advance Ruling, etc. The Finance Bill (No.2), 2019 has received presidential assent on 1 August 2019.

This alert summarises key amendments in indirect taxes.

Key amendments related to GST

Extension of composition scheme¹

- Composition scheme (combined rate not exceeding 6%) extended to supplier of services or supplier undertaking mixed supplies having an annual turnover of up to INR 50 lakh in the preceding financial year.
- Annual turnover to exclude the value of exempt supply of services by extending deposits, loans or advances where the consideration is represented by way of interest or discount.

Higher registration threshold for goods suppliers²

- At the request of the state and on the recommendations of the Council, the threshold limit to be increased from INR 20 lakh to INR 40 lakh in case of suppliers who are exclusively engaged in supply of goods.

Mandatory verification³

- Mandatory verification through AADHAAR or any other alternate viable means for better compliances/ control under GST as may be prescribed.

Digital payment facility⁴

- Notified suppliers to offer digital payment facility to recipients.

Returns and payment of taxes⁵

- Facility of filing quarterly returns to be notified for taxpayers up to the specified threshold.
- Composition taxpayers to furnish annual return along with quarterly payment of taxes.

Interest to be paid on the net cash liability⁶

- In case of delayed filing of returns, interest to be deposited on the net tax payable in cash, ie amount after adjusting input tax credit.

Disbursement of refund amount by single authority⁷

- Power granted to the central government to disburse refunds, including the amount towards state taxes.

Constitution of a National Appellate Authority⁸

- Constitution of the National Appellate Authority for Advance Ruling to take up appeals against conflicting advance rulings on similar issues pronounced by two or more existing appellate authorities.

¹ Section 10 of the CGST Act, 2017

² Section 22 of the CGST Act, 2017

³ Section 25 of the CGST Act, 2017

⁴ New Section 31A of the CSGT Act, 2017 inserted

⁵ Section 39 and 44 of the CGST Act, 2017

⁶ Section 50 of the CGST Act, 2017

⁷ Section 54 of the CGST Act, 2017

⁸ New sections 101A, 101B and 101C to the CGST Act, 2017 inserted

Key amendments related to Customs

Increase in penalty for contravention not expressly mentioned⁹

- Maximum penalty has been increased from INR 1 lakh to INR 4 lakh.

Export manifest¹⁰

- Export manifest allowed to be filed by notified persons other than the person in charge of a conveyance.

Mandatory verification¹¹

- Mandatory verification through AADHAAR or any other alternate and viable means of identification introduced as may be prescribed.

Scope of prosecution and penalty provisions widened¹²

- Fraudulent availment of duty drawback / exemptions under the Customs Act with duty value exceeding INR 50 lakh, fraudulently obtained and utilized instruments under the Customs Act or Foreign Trade (Development and Regulation) Act with duty value exceeding INR 50 lakh and offenders located outside India to be prosecuted and penalized.

Increase in penalty for contravention/ failure to comply with any rules or regulations under the Act¹³

- Penalty increased from INR 50,000 to INR 2 lakh.

Confiscation and seizure of goods¹⁴

- Power to grant custody to owner/ importer of goods in cases where custody and seizure of confiscated goods is not practical, subject to undertaking.
- Power to attached bank account for a period of six months (extendable by further six months) to protect revenue interest or smuggling.

Other key changes

- A Legacy Dispute Resolution-cum-amnesty Scheme called “**the Sabka Vishwas Legacy Dispute Resolution Scheme, 2019**” shall be introduced to allow quick closure of these litigations.
- The scheme will be a dispute resolution cum amnesty scheme for resolution/ settlement of legacy cases under the erstwhile Central Excise and Service Tax regime.
- The scheme shall come into force as per the date to be notified.

Our comments

Overall, the indirect tax changes are aimed towards procedural simplification, ease of doing business and better tax administration.

On the GST front, the much-needed clarity on the applicability of interest on the net liability is a welcome move for the taxpayers. The establishment of National Appellate Authority for Advance Rulings would enable uniformity in the interpretation of the law, address the issues emerging due to divergent rulings and help to curb litigations.

The introduction of Sabka Vishwas dispute resolution and settlement scheme is yet another welcome move for the taxpayers and is intended to enable quick settlement of long pending litigations under erstwhile excise and service tax laws.

9 Section 117 of the Customs Act, 1962
10 Section 41 of the Customs Act, 1962
11 Section 99B of the Customs Act, 1962

12 Sections 103, 104 of the Customs Act, 1962
13 Section 158 of the Customs Act, 1962
14 Section 110 of the Customs Act, 1962

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