



# #12

10/18

DEBT EQUITY

**GST**

GOODS & SERVICES TAX

Audit

SBS



UPDATES COVERED:

1. GST UPDATES FOR THE MONTH OF OCTOBER 2018  
— BULLETIN III

**FEMA**

**INCOME  
TAX**



**SBS AND COMPANY LLP**  
CHARTERED ACCOUNTANTS

# GST UPDATES FOR THE MONTH OF OCTOBER 2018 - BULLETIN III

- Compiled by Indirect Tax Division

## NOTIFICATIONS

### 1. EXPANSION OF THE LIST OF HANDCRAFTED GOODS TO GRANT EXEMPTION TO CASUAL TAXABLE PERSON FROM THE REQUIREMENT OF REGISTRATION:

Notification 32/2017-Central Tax read with Notification 8/2017-Integrated Tax grants exemption from the requirement of registration to a casual taxable person engaged in supply of handcrafted goods provided that the aggregate turnover does not exceed twenty lakh rupees. These notifications are now superseded by the below mentioned notifications, which expands the list of handcrafted goods to allow the casual taxable persons dealing with such goods also to claim this benefit. The expanded list of handcrafted goods includes handbags, pouches, purses including jewellery box, wooden frames of painting, photographs, mirrors bangles, beads and small ware, ornamental framed mirrors, glass statutes etc.

**{NOTIFICATION NO. 56/2018-CENTRAL TAX & NOTIFICATION NO. 3/2018-INTEGRATED TAX DATED 23.10.2018}**

### 2. DUE DATE TO FILE FINAL RETURN FOR REGISTRATIONS THAT ARE CANCELLED ON OR BEFORE 30th SEPTEMBER 2018:

In terms of Section 45 of CGST Act, 2017, every registered person whose registration has been cancelled shall be required to furnish a final return within three months of the date of cancellation in form GSTR-10. The GST portal has recently enabled with the filing facility of this return. In view of this reason, it is notified that persons whose registrations were cancelled on or before 30th September 2018 are required to file the final return till 31st December 2018.

**{NOTIFICATION NO. 57/2018-CENTRAL TAX DATED 26.10.2018}**

The updates are - Compiled by Indirect Tax Division

✉ harsha@sbsandco.com

✉ manindar@sbsandco.com

### **3. EXTENSION OF DUE DATE TO FILE GST ITC-04 TO 31st DECEMBER 2018:**

In terms of Rule 45(3), the Principal is required to furnish the details of challans in respect of goods dispatched to a job worker or received from a job worker or sent from one job worker to another during a quarter in GST ITC-04 on or before 25th of the month succeeding the said quarter. Because of the GST portal related challenges, the due dates for filing this form for various quarters has been extended from time to time. It is now notified that the due date to file this form for the period July, 2017 to September, 2018 as 31st December, 2018.

**{NOTIFICATION NO. 59/2018-CENTRAL TAX DATED 26.10.2018}**

## **CIRCULARS**

### **4. INSTRUCTIONS FOR PROCESSING OF APPLICATIONS FOR CANCELLATION OF REGISTRATIONS:**

Rule 20 of the CGST Rules, 2017 provides that the taxpayer applying for cancellation of registration shall submit the application in GST REG-16 within a period of 30 days of event warranting cancellation. It might be difficult in some cases to identify the exact day on which such event occurs. Hence it is clarified that 30-days deadline may be interpreted liberally and tax payers' application for cancellation of registration shall not be rejected for this reason.

It is also clarified that the cancellation shall be undertaken by the proper officer within 30 days of application except in cases where the form is incomplete or in cases where the cancellation is required because of transfer, merger or amalgamation of business and the new entity has not registered before submission of the application. In these situations, the officer is required to seek explanations with seven working days. If no reasons are received or reasons received are not satisfactory, then application can be rejected by proper officer after giving an opportunity to be heard to applicant.

In terms of Section 29(5) of CGST Act, 2017 read with Rule 20 of CGST Rules, 2017, the tax payer seeking cancellation of registration is under requirement to pay the amount of ITC involved on closing stock of capital goods, inputs, semi-finished goods and finished goods or the output tax payable on such goods whichever is higher. The payment can be made by way of debit to electronic cash or credit ledger. It is clarified that the requirement to pay can also be met after the application for cancellation has been filed at the time of submission of Final Return in GSTR-10.

It is also clarified that the tax payer who has filed the application for cancellation of registration is not required to file periodical returns from the date of registration to the date of application for cancellation if no taxable supplies are undertaken and an undertaking is furnished to this effect.

**{CIRCULAR NO. 69/43/2018-GST DATED 26.10.2018}**

The updates are - Compiled by Indirect Tax Division

✉ [harsha@sbsandco.com](mailto:harsha@sbsandco.com)

✉ [manindar@sbsandco.com](mailto:manindar@sbsandco.com)

## 5. CLARIFICATION ON DEFICIENCY MEMOS ISSUED FOR EXPORT REFUND APPLICATIONS:

It has been previously clarified through Circular No. 59/33/2018-GST dated 04.09.2018 that in case of deficiency memo issued for refund applications filed, the exporter is required to file a fresh application. It was also clarified that once a deficiency memo has been issued against an application for refund, the ITC debited at the time of filing application is required to be re-credited to electronic credit ledger of applicant by using GST RFD-01B. It is now clarified that GST portal does not allow taxpayer to file a fresh refund application for the same period on more than one occasion. Therefore, it is clarified that till such facility is developed in GST portal, taxpayers would be required to submit the rectified refund application manually under earlier ARN (generated at the time of filing the original application) only. It is also clarified that there is no requirement of re-credit of refund amount in cases where a deficiency memo has been issued.

**{CIRCULAR NO. 70/44/2018-GST DATED 26.10.2018}**

## 6. CLARIFICATION ON ISSUES RELATED TO CASUAL TAXABLE PERSON AND RECOVERY OF EXCESS ITC DISTRIBUTED BY ISD:

In case of taxpayer seeking registration as a casual taxable person, he is required to estimate the tax liability and deposit the tax in advance as specified in Section 27(2) of CGST Act, 2017. It is now clarified that the amount tax to be deposited should be calculated after considering the duly eligible ITC that might be available to such taxpayer.

As per Section 27 of CGST Act, 2017, the registration of a casual taxable person is operational for a period of 90 days with a provision for extension of same by proper officer for further period not exceeding 90 days. Thus, a taxpayer can operate under casual taxable person registration for a maximum period of 180 days. Various representations have been made that this registration period should be extended beyond 180 days period in cases of long run exhibitions (for a period more than 180 days). It is now clarified that the taxpayer cannot obtain registration as casual taxable person in these cases and he should obtain the registration as normal taxable person. It is also clarified that an allotment letter granting the taxpayer to use the premises for exhibition shall be treated as proof for place of business to grant the registration.

In cases of excess distribution of ITC by an Input Service Distributor, it is now clarified that such excess distributed ITC shall be recovered from recipients along with interest. Penalty shall also be imposed in those cases where the recipient does not come forward voluntarily to reverse or repay such excess distributed ITC. It is further clarified that the Input Service Distributor shall also be liable for a general penalty under Section 122 of CGST Act, 2017.

**{CIRCULAR NO. 71/45/2018-GST DATED 26.10.2018}**

The updates are - Compiled by Indirect Tax Division

✉ [harsha@sbsandco.com](mailto:harsha@sbsandco.com)

✉ [manindar@sbsandco.com](mailto:manindar@sbsandco.com)

## 7. CLARIFICATION ON PROCEDURE TO BE FOLLOWED FOR RETURN OF TIME EXPIRED DRUGS OR MEDICINES:

In case of time expired drugs or medicines, it is a common practice to return the goods by retailer to wholesaler and from there to manufacturer. This circular has been issued to clarify that the returns can be undertaken by following any of the two procedures mentioned therein

Under the first procedure, the stock return shall be considered as fresh supply by recipient returning the stock and thereby issues an invoice for the same at the value at which the goods are originally received. The wholesaler/manufacturer who are in receipt of such return supply shall be eligible to avail Input Tax Credit on the tax levied on such return supply subject to fulfillment of conditions specified in Section 16 of CGST Act, 2017. In case the person returning the goods is a composition tax payer, then the return supply shall be made by issuing a bill of supply and pay the tax that is applicable for composition tax payer. In case the person returning the goods is unregistered person, then the return shall be made without charging any tax by issuing a commercial document.

Under the second procedure, the stock return shall be undertaken by recipient by issuing a delivery challan and the wholesaler/manufacturer may issue a credit note towards the return of stock. If such credit notes are issued not later than September following the end of Financial Year in which supply was made or date of furnishing of annual return whichever is earlier, then the recipient returning the stock will reduce his GST liability for the month in which such credit notes are received. In cases where the credit notes are issued after the expiry of the above time limit, then the recipient returning the stock cannot reduce the tax liability because of such credit notes.

In cases where such time expired goods returned by wholesaler/retailer are destroyed by manufacturer, then ITC attributable to the manufacture of such goods shall be required to be reversed in terms of Section 17(5)(h) of CGST Act, 2017.

**{CIRCULAR NO. 72/46/2018-GST DATED 26.10.2018}**

The updates are - Compiled by Indirect Tax Division

✉ [harsha@sbsandco.com](mailto:harsha@sbsandco.com)

✉ [manindar@sbsandco.com](mailto:manindar@sbsandco.com)