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S&V INSIGHT NEWSLETTER

CHARTERED ACCOUNTANTS

sarathyandvasu.com

GST

Highlights of 31st GST Council meeting are

1. GST 2.0 to be implemented on trial basis in April 2019

New return filing system to be started on a trial basis from April 1, 2019, and will be to be implemented by July 1, 2019

2. E-way bills norms made stern

Taxpayers cannot generate e-way bill if they do not file GST returns for two consecutive tax periods*.

3. Announcements on Present GST return filing*

- FM Arun Jaitley has announced a Late fee waiver for GSTR1, GSTR3B and GSTR4 which are yet to be filed as on 22nd December 2018 up to 31st March 2019, for the months July 2017 up to September 2018.
- Further time to claim the Input tax credit for FY 2017-18 allowed up due date of filing GSTR-3B of March 2019, subject to conditions.
- There is going to be single tax ledger for each Tax head. For example- The three tax ledgers i.e Credit, Liability and Cash will be merged into one ledger for each tax head such as IGST, SGST/UTGST CGST and Cess.

4. Simplification of Form GSTR-9 & GSTR-9C*

- HSN code may be declared only for those inward supplies whose value independently accounts for 10% or more of the total value of inward supplies.
- If any additional payments are to be made they can be done through the FORM GST DRC-03 in cash.
- ITC cannot be availed through FORM GSTR-9 and FORM GSTR-9C.
- Verification by a taxpayer who is uploading the reconciliation statement would also be included in FORM GSTR-9C.

5. Due date extensions recommended*

- The due date for filing of GST Annual Return (GSTR-9) and Reconciliation statement (GSTR-9C) after GST Audit to be extended till 30th June 2019.
- GSTR-8 to be filed by e-commerce operators for the period 1st October 2018 to 31st December 2018 will be extended to 31st January 2019.
- Filing of ITC-04 for the months July 2017 to December 2018 to be extended to 31st March 2019.

4. The scope of Composition scheme to be expanded*

Council to meet again in January 2019 to decide whether or not to include under Composition scheme: the supply of residential properties under real estate and supply of services by small service providers. A group of ministers(GoM) is to be formed for looking into the same.

EDITORS NOTE

Dear Reader, this edition features mainly on changes in GST an overview. Income Tax-80G exemptions, Expecting your your valuable suggestions.

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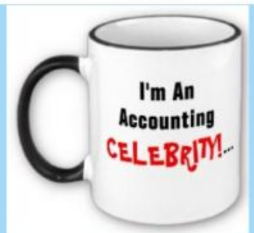
Wishes you a happy and prosperous New year 2019



GST Updates

List of rate changes at 31st GST Council Meeting		
SL.no	**List of Goods/Services**	**Changes in Tax Rate**
1	Vegetables provisionally preserved but unsuitable for immediate consumption	5% to Nil
2	Vegetables cooked/uncooked via steamed, frozen or boiled (branded)	
3	Parts for manufacturing renewable energy devices falling under chapter 84, 85 or 94 of Tariff	5%
4	Music Books	12% to Nil
5	Natural cork	12% to 5%
6	Fly ash blocks	
7	Walking sticks	
8	Marble rubble	18% to 5%
9	Agglomerated cork	18% to 12%
10	Cork roughly squared or debugged	
11	Articles of Natural cork	
12	Movie Tickets < or = Rs 100	
13	Premium on Third party insurance on Vehicles	
14	Accessories for Handicapped Mobility Vehicles	28% to 5%
15	Power banks	28% to 18%
16	Movie Tickets > Rs 100	
17	Video game consoles, equipments used for Billiards and Snookers and sport related items of HSN code 9504	
18	Retreated & used pneumatic Rubber Tyres	
19	Colour Television Sets & monitors up to "32 Inches"	
20	Digital & Video Camera recorders	
21	Pulleys, transmission shafts, cranks and gear boxes under HSN 8483	
22	Tax rate on Air travel of pilgrims reduced*	
Exemption		
*Bank services to a holder of Basic Savings bank account and Pradhan Mantri Jan Dhan Yojana (PMJDY) account to be made exempt		
*For travel by non-scheduled/chartered operations for religious pilgrimage which are facilitated by GoI under bi-lateral agreements		

Disclaimer: The tax rate changes mentioned above will come into effect once the CBIC issues notifications

Income Tax

Taxation of withdrawals and maturity proceeds of Public Provident Fund (PPF)

Presently, this is one of the very good product for retirement due to its tax exemption at all the stages. The money invested gets you deduction under Section 80C. The interest accrued on the PPF account gets you exemption under Section 10.

In case you take a loan from the PPF account, the interest paid on such loan can be claimed against your business income if the funds are used for your business. However if the funds are used for your personal purposes, no tax benefits are available. The money withdrawn partly or fully before completion of its original tenure of15 years are fully exempt in your hand.

The maturity proceeds are also fully exempt under the income tax laws. The exemption in respect of interest is available during the currency of the original tenure of 15 years of PPF account and during extension period as well. Interest received on PPF account is also exempt in case the PPF account is not extended and the maturity proceeds are not withdrawn fully at one go and the balance earns interest.

Taxation for withdrawals from Employee provident Fund (EPF) account

The money withdrawn from your EPF for the permitted purposes like purchase of land, purchase/construction of house, repayment of home loan, education of children and marriage and medical treatment of family members is fully tax exempt in your hand. Even in case the money is withdrawn due to being jobless for certain period of time or for due to non receipt of salary would also be exempt provided the money is withdrawn after you have contributed to the EPF account for minimum of five years. It is not necessary that the contribution to the EPF account should have been made under the same employer. Even in case you have left an employer and have transferred the EPF balance to the EPF account under new employer, the money withdrawn would still be exempt provided the aggregate period of contribution under one or more employer taken together exceeds five years.

In case the balance in EPF account is withdrawn before five years the entire money received becomes taxable in the year in which the money is withdrawn. However in case the money is withdrawn before five years due to termination of the services of the employee due to his illness or closure of the business of the employer the money even if withdrawn before completion of five years would still be tax free. Likewise in respect of money withdrawn from EPF and transferred to NPS such withdrawals would be fully tax free.

The payer of the money withdrawn from EPF account, in case the same is withdrawn five years, will deduct tax at source @ 10% in case the aggregate amount of such balance exceeds 50,000/-. The money withdrawn at the time of retirement is fully tax free in your hand. However in case you do not withdrawal the full balance at the time of your retirement, any interest credited to your EPF account after retirement/resignation will become taxable in your hand as per a recent ruling of an Income Tax Tribunal.

Taxation of NPS withdrawals

Money withdrawn from NPS account at the time of retirement or reaching the age of 60 years is exempt only upto 40% of the accumulate balance. The subscriber is under an obligation to buy annuity from an insurance company to the extent of 40% and for the balance 20% he has the option to either buy the annuity or withdraw it and pay tax on it. As the scheme allows you to withdraw the money in full if the accumulated corpus is less than 2 lakhs, you still have to pay tax on 60% of such withdrawals as only 40% of the accumulated balance is only exempt.

Like EPF the NPS rules have been recently modified to allow partial withdrawals for specified purposes. However unlike EPF where the money partially withdrawn is fully tax exempt, the partial withdrawals from NPS account are exempt upto 25% only and the balance 75% will become taxable in your hands.

Section 80G

Deduction for donations towards Social Causes

The various donations specified in u/s 80G are eligible for deduction up to either 100% or 50% with or without restriction as provided in section 80G. From FY 2017-18 any donations made in cash exceeding Rs 2,000 will not be allowed as deduction. The donations above Rs 2000 should be made in any mode other than cash to qualify as deduction u/s 80G.

a. Donations with 100% deduction without any qualifying limit

- National Defence Fund set up by the Central Government
- Prime Minister's National Relief Fund
- National Foundation for Communal Harmony
- An approved university/educational institution of National eminence
- Zila Saksharta Samiti constituted in any district under the chairmanship of the Collector of that district
- Fund set up by a State Government for the medical relief to the poor
- National Illness Assistance Fund
- National Blood Transfusion Council or to any State Blood Transfusion Council
- National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities
- National Sports Fund
- National Cultural Fund
- Fund for Technology Development and Application
- National Children's Fund
- Chief Minister's Relief Fund or Lieutenant Governor's Relief Fund with respect to any State or Union Territory
- The Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund, Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996
- The Maharashtra Chief Minister's Relief Fund during October 1, 1993 and October 6,1993
- Chief Minister's Earthquake Relief Fund, Maharashtra
- Any fund set up by the State Government of Gujarat exclusively for providing relief to the victims of earthquake in Gujarat
- Any trust, institution or fund to which Section 80G(5C) applies for providing relief to the victims of earthquake in Gujarat (contribution made during January 26, 2001 and September 30, 2001) or
- Prime Minister's Armenia Earthquake Relief Fund
- Africa (Public Contributions — India) Fund
- Swachh Bharat Kosh (applicable from financial year 2014-15)
- Clean Ganga Fund (applicable from financial year 2014-15)
- National Fund for Control of Drug Abuse (applicable from financial year 2015-16)

b. Donations with 50% deduction without any qualifying limit

- Jawaharlal Nehru Memorial Fund
- Prime Minister's Drought Relief Fund
- Indira Gandhi Memorial Trust
- The Rajiv Gandhi Foundation

c. Donations to the following are eligible for 100% deduction subject to 10% of adjusted gross total income

- Government or any approved local authority, institution or association to be utilized for the purpose of promoting family planning
- Donation by a Company to the Indian Olympic Association or to any other notified association or institution established in India for the development of infrastructure for sports and games in India or the sponsorship of sports and games in India

d. Donations to the following are eligible for 50% deduction subject to 10% of adjusted gross total income

- Any other fund or any institution which satisfies conditions mentioned in Section 80G(5)
- Government or any local authority to be utilized for any charitable purpose other than the purpose of promoting family planning
- Any authority constituted in India for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns, villages or both
- Any corporation referred in Section 10(26BB) for promoting the interest of minority community
- For repairs or renovation of any notified temple, mosque, gurudwara, church or other places.

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