



Union Budget Finance Bill (No. 2) 2024

**Summary of GST-related changes as
proposed in the Finance Bill (No. 2) 2024**

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Greetings to all our readers! We wish that we find you in good health & spirits.

The Finance Bill (No. 2), 2024 was presented by the Hon'ble Finance Minister on 23rd July 2024. The said Bill proposes a few but important changes to the GST Law. This note analyses the said proposals in relation to GST. Unless specifically mentioned, the amendments would come into effect from a date to be notified after the enactment of the Finance Bill, 2024.

For simplicity, this note refers to provisions of the CGST Act, 2017 (unless specifically mentioned otherwise). Similar amendments are also proposed under IGST Act, 2017, UTGST Act, 2017 and GST (Compensation to States) Act, 2017. However, the same is not repeated and the amendments should be read mutatis mutandis.

1. Exclusion of 'Extra Neutral Alcohol' from scope of GST

- Section 9 is being amended to take Extra Neutral Alcohol used in manufacture of alcoholic liquor for human consumption out of purview of central tax.

2. Insertion of a new beneficial Section 11A

- Section 11A is being inserted to empower the government to regularize non-levy or short levy of central tax due to any general practice prevalent in trade.

3. Changes in Time of Supply

- Section 13(3) dealing with the time of supply of services covered under reverse charge is being amended to provide that the time of supply shall be determined to be the earliest of the following:

Clause	Event
(a)	Date of Payment as entered in books of accounts of recipient or the date of debit of amount in bank account, whichever is earlier
(b)	60 days from the date of issuance of invoice by the supplier, in cases where the supplier is required to issue the invoice (i.e. where the supplier is registered)
(c)	Date of Issue of Invoice by the recipient, in cases where the invoice is to be issued by the recipient

4. Update in Self-Invoicing provision

- Section 31(3)(f) is being amended, so as to incorporate an enabling provision for prescribing the time-period for issuance of an invoice by the recipient in case of reverse charge mechanism supplies from unregistered supplies.



5. Changes to provisions relating to the claim of ITC in specific cases

- Section 16(5) is being inserted to provide that in respect of an invoice or debit note for the Financial Years 2017-18, 2018-19, 2019-20 and 2020-21, the registered person shall be entitled to take input tax credit in any return under section 39 which is filed upto the 30th day of November, 2021.
- Section 16(6) is being inserted to allow the availment of input tax credit in respect of an invoice or debit note in return filed for the period from the date of cancellation of registration or the effective date of cancellation of registration, as the case may be, till the date of order of revocation of cancellation of registration, filed within thirty days of the date of order of revocation of cancellation of registration, subject to the condition that the time-limit for availment of credit in respect of the said invoice or debit note should not have already expired under Section 16(4) on the date of order of cancellation of registration
- Further, Clause 146 of the Finance (No. 2) Bill, 2024 provides that no refund shall be made of all the tax already paid or the input tax credit already reversed, which would not have been so paid, or not reversed had the above referred sub-sections (5) & (6) existed at all material times.
- Section 17(5) is being amended, so as to restrict the non-availability of input tax credit in respect of tax paid under section 74 of the said Act only for demands upto Financial Year 2023-24. It also removes reference to sections 129 and 130 in the said sub-section.

6. Mandatory filing of Form GSTR-7

- Section 39(3) is being substituted, so as to mandate the electronic furnishing of return for each month by the registered person required to deduct tax at source (Form GSTR-7), irrespective of whether any deduction has been made in the said month or not.

7. Refund provisions to be made stricter

- Section 54(15) is being inserted to provide that no refund of unutilized input tax credit or integrated tax shall be allowed in cases of zero-rated supply of goods where such goods are subjected to export duty.
- Similarly, Section 16(5) is being inserted in the IGST Act, 2017 to provide that no refund of unutilized input tax credit or of integrated tax paid on account of zero-rated supply of goods shall be allowed in cases where the zero-rated supply of goods is subjected to export duty
- Further, the second proviso to Section 54(3) denying refund of accumulated ITC in case of duty drawback claims is proposed to be deleted

8. Changes in the adjudication mechanism

- Section 70(1) is being inserted [under the provisions relating to 'summons'] to enable an authorised representative to appear on behalf of the summoned person before the proper officer in compliance of summons issued by the said officer.



- Sections 73(12) & 74(12) are being inserted so as to restrict the applicability of the said provisions for determination of tax pertaining to the period upto Financial Year 2023-2024.
- A new provision Section 74A is being inserted, so as to provide for determination of tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised for any reason pertaining to the Financial Year 2024-25 onwards. It also provides for the same limitation period for issuing demand notices and orders in respect of demands from the Financial Year 2024-25 onwards, irrespective of whether the charges of fraud, wilful misstatement, or suppression of facts are invoked or not, while keeping a higher penalty, for cases involving fraud, wilful misstatement, or suppression of fact. A comparison of the current and the proposed provisions is tabulated below:

Situation	Section 73	Section 74	Section 74A
Period of Applicability	Upto FY 2023-2024	Upto FY 2023-2024	From FY 2024-2025
Cases Covered	Other than fraud, wilful misstatement, or suppression of facts	Fraud, wilful misstatement, or suppression of facts	All situations
Time Limit for Issuance of Notice	Three months prior to the due date of issuance of OIO	Six months prior to the date of issuance of OIO	42 months from the due date of annual return
Time Limit for Issuance of Order	Three years from annual return due date	Five years from annual return due date	12 months from the date of SCN. Further extension of 6 months to be approved by a senior officer

- The provisions relating to penalty are also sought to be amended as tabulated hereunder:

Quantum of Penalty dependent on stage of payment of tax along with interest	Current Provisions		Proposed Provisions	
	Other than fraud, wilful misstatement, or suppression of facts	Fraud, wilful misstatement, or suppression of facts	Other than fraud, wilful misstatement, or suppression of facts	Fraud, wilful misstatement, or suppression of facts
General Provisions	10% of tax or Rs. 10,000 whichever is higher	100% of tax	10% of tax or Rs. 10,000 whichever is higher	100% of tax



Quantum of Penalty dependent on stage of payment of tax along with interest	Current Provisions		Proposed Provisions	
	Other than fraud, wilful misstatement, or suppression of facts	Fraud, wilful misstatement, or suppression of facts	Other than fraud, wilful misstatement, or suppression of facts	Fraud, wilful misstatement, or suppression of facts
Before issuance of SCN	NIL	15% of tax	NIL	15% of tax
Within 30 days of issuance of SCN	NIL	25% of tax	NIL (Period relaxed upto 60 days from issuance of SCN)	25% of tax (Period relaxed upto 60 days from issuance of SCN)
Within 30 days from issuance of OIO	10% of tax or Rs. 10,000 whichever is higher	50% of tax	10% of tax or Rs. 10,000 whichever is higher	50% of tax (Period relaxed upto 60 days from issuance of OIO)

9. Changes in Appeal filing provision (including pre-deposit requirements).

- Section 107(6) is being amended, so as to reduce the maximum amount of pre-deposit for filing appeal before the first appellate authority from Rs. 25 crores to Rs. 20 crores.
- Sections 112(1) & (3) are being amended, so as to empower the Government to notify the date for filing appeal before the Appellate Tribunal.
- Section 112(8) is also being amended to reduce the requirement of additional pre-deposit to 10% of the disputed tax subject (earlier it was 20%) to a maximum of Rs. 20 crores (earlier it was 50 crores)

10. Clarification for Section 122(1B)

- Section 122(1B) is being amended to provide that the said penalty will be applicable only to electronic commerce operators who are required to collect tax at source:

11. Amnesty Scheme under GST

- Section 128A is being inserted, to provide for a conditional waiver of interest and penalty in respect of demand notices issued under section 73 of the said Act for the Financial Years 2017-18, 2018-19 and 2019-20, except the demand notices in respect of erroneous refund. In cases where interest and penalty have already been paid in respect of any demand for the said financial years, no refund shall be admissible for the same.



12. Retrospective amendment in Transition Provision

- Section 140(7) is being amended, to enable availment of the transitional credit of eligible CENVAT credit on account of input services received by an Input Services Distributor prior to the appointed day, for which invoices were also received prior to the appointed date.

13. Anti-profiteering cases to be handled by Appellate Tribunal, moving forward

- Section 171 dealing with anti-profiteering is being suitably amended to empower the Government to notify the sunset date for the said provisions and to refer to the Appellate Tribunal as the appropriate Authority to deal with anti-profiteering cases.

14. Changes to Schedule III (Activities not considered as Supply of Goods or Services)

- The activity of apportionment of co-insurance premium by the lead insurer to the co-insurer for the insurance services jointly supplied by the lead insurer and the co-insurer to the insured in coinsurance agreements shall be treated as neither supply of goods nor supply of services, provided that the lead insurer pays the tax liability on the entire amount of premium paid by the insured.
- The services by the insurer to the re-insurer, for which the ceding commission or the reinsurance commission is deducted from reinsurance premium paid by the insurer to the reinsurer, shall be treated as neither supply of goods nor supply of services, provided that tax liability on the gross reinsurance premium inclusive of reinsurance commission or the ceding commission is paid by the reinsurer.



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