

# BUDGET 2024



# Proposed amendments to Goods and Services Tax law via the Finance Bill 2024

## ➤ Reliefs, amnesty & clarifications to resolve and prevent unwanted disputes:

- **Time limit extended under section 16(4) for FY 2017-18 to FY 2020-21:** As a major relief to tax payers, the time limit u/s 16(4) for availment of ITC of invoices pertaining to FY 2017-18, 2018-19, 2019-20 and 2020-21 has been deemed to be Nov 30, 2021. In other words, ITC pertaining to any such years can be availed in any Form GSTR3B filed until Nov 30, 2021.
- Similarly in case of anomalous situations such as ITC availed during returns filed for period between date of cancellation of registration and its revocation is to be protected from time limit u/s 16(4). This time limit is relaxed provided such tax payer furnishes all the returns within 30 days from the date of revocation order and such ITC was not otherwise time barred on date of cancellation. However, it would have to be seen as to how the tax pertaining to invoices pertaining to inward supplies received during the period from date of cancellation to date of revocation would be allowed as ITC since the GSTR2B condition (section 16(2)(aa)) may not be fulfilled.
- **Amnesty Scheme for disputes relating to initial 3 years of GST regime:** Section 128A is set to be inserted to provide for amnesty in regards to disputes pertaining to FY 2017-18, 2018-19 and 2019-20 by way of waiver of interest and penalty in respect of matters assessed under section 73 (cases with no intent to evade taxes), provided tax liability is paid on or before Mar 31, 2025. Mechanism to implement this amnesty is expected to be set out by way of issuance of a separate notification. It is pertinent to note that dues already accepted and paid would not be refunded back.

## ➤ Streamlined litigation mechanism:

- **Introduction of Section 74A from FY 2024-25 onwards:** Singular time limit for issuance of show cause notice and subsequent order irrespective existence of *mens rea*. Provisions relating to issuance of SCN and order thereof under section 73 and 74 of CGST law have been merged to provide a singular assessment mechanism via Section 74A w.e.f. FY 2024-25 with following features:

- Irrespective of intent to evade tax, time limit of issuance of show cause notice for FY 2025-25 onwards shall be 3.5 years (42 months) from due date of filing of annual return, with the subsequent proceedings be closed within a period of 12 months from issuance of SCN.
  - Time limit to avail full/ partial waiver of penalty has been increased to 60 days from current time of 30 days. This would also mean that Department cannot proceed ahead with issuance of order prior to 60 days from issuance of SCN.
  - Penalty (extent/ manner of computation) may be provided separately via bringing in rules u/s 74A.
  - Note that earlier time limits of 36 months and 60 months would continue to be applicable in case of proceedings initiated u/s 73 (cases with no intent to evade tax) and 74 (cases involving intention to evade tax) respectively for proceedings relating to financial years till FY 2023-24.
- **Reduced pre-deposit for appeals:** Pre-deposit for furnishing appeals has been capped at Rs.40Crores at both, Appellate and Tribunal levels, while also the mandatory pre-deposit for appeal at GST Tribunal is reduced to 10% of tax liability from existing 20%. Time period for filing of appeals in GST Appellate Tribunal once it is constituted shall be 3 months from the notified date. Currently many state departments are seeking declaration from tax payers that later shall be filing appeal within 7 days/ 15 days from date of constitution of GST Tribunal.
  - CBIC has clarified that tax payers aggrieved by an order under GST and desiring to prefer an appeal with GST Appellate Tribunal, until functioning of GST Appellate Tribunal resumes would have to make mandatory pre-deposit of further 10% and submit an undertaking to the jurisdictional GST department declaring the intent to do so. Then the concerned GST department may not initiate the recovery proceedings.

➤ **Rate Rationalisation Measures and newer exemptions:**

- In line with the recommendations of GST council in its 53rd meeting, ENA used for manufacturer human consumption alcohol is excluded from the charge of GST levy with States set to have exclusive rights on taxing the same. This comes as a clarifying step considering the ongoing disputes over the power to tax ENA. This change as brought through Finance Bill 2024, will come into force on date of Presidential ascent to the Finance Act, 2024.
- Section 11A is set to inserted via Finance Bill 2024 allowing the Central Government to issue (through Notification) regularization measures, on recommendation of GST council, in cases of non/short payment of tax owing to common trade practices. This will assist the executive pro-actively resolve industry wide disputes and ultimately ease the burden on courts
- While the reinsurance services to exempted insurance service providers, reinsurance of such reinsurance (retrocession), co-insurance premium apportionment and commission ceding are set to be included in Schedule III of the CGST Act thereby treating such services as neither supply of goods, nor supply of services. This will be brought in force with enforcement of Finance Act, 2024. Further, disputes/ matters arising on account of treatment of services other than as expected are to be settled on 'as is where basis' as directed by Circular 228/22/2024.

**Limitation on scope:** This tax update is only for informative purposes. This tax update is meant for easy reference only. A legal consultation is suggested before any business specific application is made on account of above changes. We are not by means of this material, rendering any professional advice or services or soliciting work.

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# THANK YOU



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