

# DA TAX UPDATE INDIRECT TAX

An E-Tax update from  
**Darda Advisors LLP**

Union Interim Budget 2024 – Key  
Indirect Tax Proposals

Issue -59

**Goods and Service Tax**

**Customs and Others**

# People-Centric Inclusive Development

Substantive development of all forms of infrastructure-Physical, Digital and Social



Digital Public Infrastructure (DPI)-Promoted formalisation and financial inclusion

Deepening and widening of tax base via GST



Strengthened financial sector brought savings, credit and investment back on track

GIFT IFSC- A robust gateway for global capital and financial services for the economy

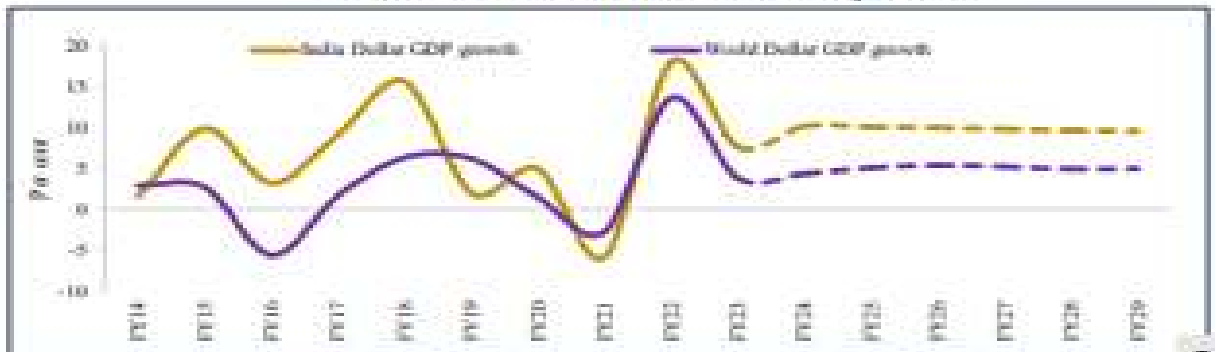


Proactive Inflation management

All parts of country becoming active participants in economic growth

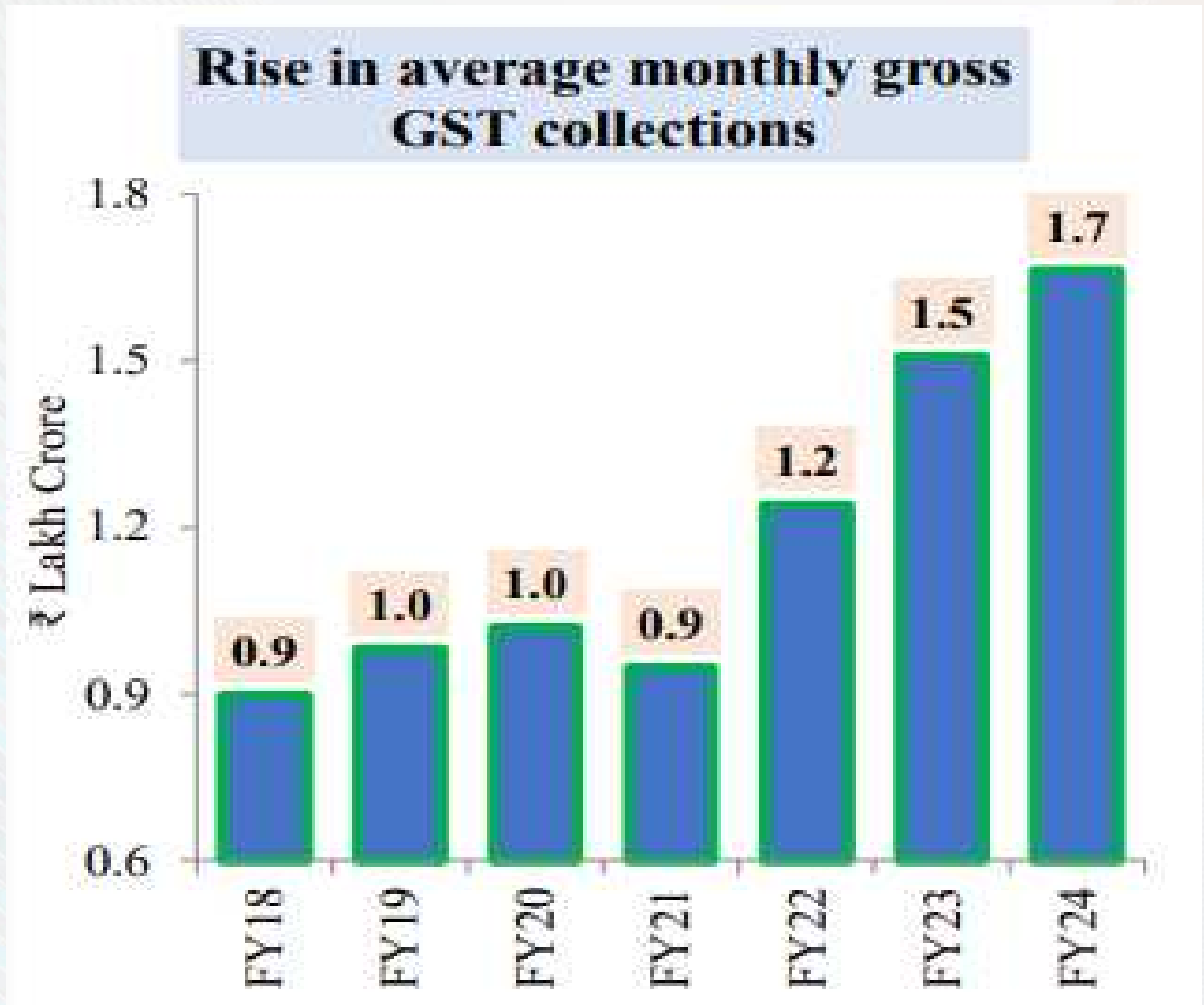


**India and World Dollar GDP growth**





## GST Collections



## Achievements of Taxation Reforms

Direct Tax Collections more than trebled in last 10 years



Number of return filers swelled to 2.4 times



**Faster refunds:** Reduction in average processing time of returns from 93 days (2013-14) to 10 days (2023-24)



Average monthly Gross GST collections doubled to ₹1.66 lakh crore in FY24



Increase in tax buoyancy of State revenue from 0.72 (2012-16) to 1.22 in the post-GST period (2017-23)



**Benefit to consumers:** Reduction in logistics cost and prices of most goods and services

### Positive sentiment about GST

- 94% industry leasers view transition to GST as largely positive
- 80% of respondents feel GST has led to supply-chain optimisation  
*(As per a survey conducted by a leading consulting firm)*

### Decline in import release time since 2019 by:-

- 47 per cent at Inland Container Depots
- 28 per cent at Air Cargo complexes
- 27 per cent at Sea Ports



## Key Note of Speech by Finance Minister related to Indirect Taxes

- ❖ By unifying the highly fragmented indirect tax regime in India, **GST has reduced the compliance burden** on trade and industry. The industry has acknowledged the benefits of GST.
- ❖ According to a recent survey conducted by a leading consulting firm, **94 per cent of industry leaders view the transition to GST as largely positive.**
- ❖ According to 80 per cent of the respondents, it has led to **supply chain optimization, as elimination of tax arbitrage and octroi has resulted in disbanding of check posts at state and city boundaries.**
- ❖ At the same time, **tax base of GST more than doubled and the average monthly gross GST collection has almost doubled to ₹ 1.66 lakh crore**, this year. States too have benefited. States' SGST revenue, including compensation released to states, in the post-GST period of 2017-18 to 2022-23, has achieved a buoyancy of 1.22. ted.



## Key Note of Speech by Finance Minister related to Indirect Taxes

- ❖ In contrast, the tax buoyancy of State revenues from subsumed taxes in the pre-GST four-year period of 2012-13 to 2015-16 was a mere 0.72.
- ❖ The **biggest beneficiaries are the consumers**, as reduction in logistics costs and taxes have brought down prices of most goods and services.
- ❖ We have taken a **number of steps in Customs to facilitate international trade**. As a result, the import release time declined by 47 per cent to 71 hours at Inland Container Depots, by 28 per cent to 44 hours at air cargo complexes and by 27 per cent to 85 hours at sea ports, over the last four years since 2019, when the National Time Release Studies were first started.

## Key Indirect Tax Proposals – Input Service Distributor (ISD) made mandatory

Particulars	Details
<b>Relevant Provisions</b>	<p>Amendment of Section 2(61) of CGST Act, 2017 – Definition of Input Service Distributor</p> <p>Substitution of section 20 of CGST Act, 2017 . - Manner of distribution of credit by Input Service Distributor.</p>
<b>Key Impact of the Amendment:</b>	<p><b>Mandatory ISD Registration:</b> The substitution makes it mandatory for any office receiving tax invoices for input services, including those liable to tax under specific sections, to register as an ISD under clause (viii) of section 24. This implies that more offices will need to register as ISDs if they meet the criteria outlined in the law.</p> <p><b>Distribution of Input Tax Credit:</b> It clarifies that the ISD is responsible for distributing the input tax credit received from the invoices it handles. This ensures that the input tax credit is appropriately distributed to the respective entities entitled to it.</p> <p><b>Distribution Procedure:</b> The substitution outlines the procedure for distributing the credit of central tax/State tax or integrated tax, including the credit of tax paid by distinct persons registered in the same state. This clarifies the process and requirements for distributing the tax credits, ensuring compliance with the law.</p> <p><b>Document Issuance:</b> It specifies that the credit of central tax/State tax or integrated tax should be distributed by issuing a document containing the amount of input tax credit. This emphasizes the importance of proper documentation in the distribution process.</p> <p>Overall, the substitution provides clarity and establishes procedures for the distribution of input tax credit by an Input Service Distributor, ensuring compliance with GST regulations and facilitating smooth operations in the distribution of credits.</p>



## Key Indirect Tax Proposals – Input Service Distributor (ISD) made mandatory

Particulars	Details
<p><b>Key Impact of the Amendment:</b></p>	<p><b>Inclusion of Invoices for Services Liable to Tax:</b> The definition now explicitly includes invoices for services liable to tax under sub-section (3) or sub-section (4) of section 9 (RCM). This means that input invoices for services subject to tax under specific sections of the law are now explicitly recognized.</p> <p><b>Inclusion of Distinct Persons:</b> The amended definition specifies that the input service distributor can receive tax invoices for or on behalf of distinct persons referred to in section 25. This implies that an office can act as an Input Service Distributor for multiple distinct persons, allowing for a more flexible distribution of input tax credit.</p> <p><b>Manner of Distribution Clarification:</b> The distribution of input tax credit should adhere to the guidelines outlined in section 20 of the GST law and to be further outlined in CGST Rules.</p> <p>Overall, the amendment broadens the scope of the ISD's role by making it mandatory, allowing it to handle invoices for specific taxable services and for distinct persons, while also providing clarity on the manner in which input tax credit should be distributed.</p>



## Key Indirect Tax Proposals – Additional Penalty for transactions under Section 148 of CGST Act, 2017

### Notifications related to Section 148

#### Section 148. Special procedure for certain processes.-

The Government may, on the recommendations of the Council, and subject to such conditions and safeguards as may be prescribed, notify certain classes of registered persons, and the special procedures to be followed by such persons including those with regard to registration, furnishing of return, payment of tax and administration of such persons.

Notification	Details
Notification No. 30/2019-Central Tax (Rate), G.S.R. 456(E) dated 28th June, 2019	Seeks to provide exemption from furnishing of Annual Return / Reconciliation Statement for suppliers of Online Information Database Access and Retrieval Services (“ <b>OIDAR services</b> ”).
Notification No. 27/2020-Central Tax dated 23rd March, 2020 and	Seeks to prescribe the due date for furnishing <b>FORM GSTR-1</b> for the quarters April, 2020 to June, 2020 and July, 2020 to September, 2020 for registered persons having aggregate turnover of up to 1.5 crore rupees in the preceding financial year or the current financial year.
Notification No. 74/2020-Central Tax dated 15th October, 2020	Seeks to prescribe the due date for furnishing <b>FORM GSTR-1</b> for the quarters October, 2020 to December, 2020 and January, 2021 to March, 2021 for registered persons having aggregate turnover of up to 1.5 crore rupees in the preceding financial year or the current financial year.
Notification No. 75/2020-Central Tax dated 15th October, 2020	Seeks to prescribe the due date for furnishing <b>FORM GSTR-1</b> by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or the current financial year, for each of the months from October, 2020 to March, 2021.
Notification No. 12/2020-Central Tax, G.S.R. 195(E) dated 21st March, 2020 and 21/2019-Central Tax, G.S.R. 322(E) dated 23rd April, 2019]	Seeks to waive off the requirement for furnishing FORM GSTR-1 for 2019-20 for taxpayers who could not opt for availing the option of special <b>composition scheme</b> under notification No. 21/2019- State Tax, dated the 23rd April, 2019.
Notification No. 20/2018-Central Tax, G.S.R. 309(E) dated 28th March, 2018)	Extension of due date for filing of application for <b>refund</b> under section 55 by notified agencies within 18 months

## Key Indirect Tax Proposals – Additional Penalty for transactions under Section 148 of CGST Act, 2017

<b>Notifications related to Section 148</b>	
<b>Notification</b>	<b>Details</b>
Notification No. 09/2020-central Tax dated 16th March, 2020	Seeks to exempt <b>foreign airlines</b> from furnishing reconciliation Statement in FORM GSTR-9C
Notification No. 10/2020-central Tax dated 21st March, 2020.	Seeks to provide special procedure for taxpayers in <b>Dadra and Nagar Haveli and Daman and Diu</b> consequent to merger of the two UTs
Notification No. 11/2020-central Tax dated 21st March, 2020	Seeks to provide special procedure for <b>corporate debtors</b> undergoing the corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016
Notification No. 6/2019-central Tax (Rate), G.S.R. 253(E) dated 29th March, 2019	Seeks to notify certain class of persons by exercising powers conferred under section 148 of CGST Act, 2017 - <b>Receives Development Rights</b>
Notification No. 66/2017-central Tax, G.S.R. 1422(E) dated 75th November, 2017)	Seeks to <b>exempt all taxpayers</b> from payment of tax on advances received in case of supply of goods



## Key Indirect Tax Proposals – Additional Penalty for transactions under Section 148 of CGST Act, 2017

Particulars	Details
<b>Relevant Provisions</b>	Insertion of new section 122A - Penalty for failure to register certain machines used in manufacture of goods as per special procedure.
<b>Key Impact of the Amendment:</b>	<p>The insertion of Section 122A introduces significant penalties for non-compliance with special procedures related to the registration of machines used in the manufacture of goods. Here are the key impacts:</p> <p><b>Increased Penalties:</b> The insertion imposes a penalty of one lakh rupees for every machine not registered in accordance with the special procedure notified under section 148. This is in addition to any other penalties already applicable under Chapter XV or other provisions of the Act. The significant monetary penalty aims to deter non-compliance with registration requirements.</p> <p><b>Seizure and Confiscation:</b> In addition to the monetary penalty, every machine not registered as per the special procedure is liable for seizure and confiscation. This underscores the seriousness of non-compliance and the potential loss of assets for businesses failing to adhere to the registration requirements.</p> <p><b>Provisions for Mitigation:</b> The provision includes a provision for mitigation of the penalty and prevention of confiscation. If the penalty is paid, and the registration of the machine is made within three days of receiving communication of the penalty order, confiscation may be avoided. This provision offers a window for rectification and compliance before facing severe <b>consequences</b>.</p>

## ROSCTL for export of Apparel/Garments- Scheme extended till 31 March 2026

- **Approval of Continuation:** The Union Cabinet, chaired by Prime Minister Shri Narendra Modi, has approved the continuation of the Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for the export of Apparel/Garments and Made ups until March 31, 2026.
- **Stable Policy Regime:** Extending the scheme for two years provides a stable policy regime, essential for long-term trade planning, particularly in the textiles sector where orders are placed well in advance for long-term delivery.
- **Eligibility and Benefits:** Other textile products (excluding Chapter 61, 62, and 63) not covered under RoSCTL are eligible to avail benefits under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme along with other products.
- **Objective of the Scheme:** The scheme aims to compensate for State and Central Taxes and Levies in addition to the Duty Drawback Scheme on exports of apparel/garments and Made-ups by way of rebate. This aligns with the internationally acceptable principle that taxes and duties should not be exported.



# Update Beyond Budget – Customs Duty Reduction on Mobile Parts

## **Reduced Duty:**

- Duty on battery cover, front cover, middle cover, main lens, back cover, GSM antenna, PU case/sealing gasket, SIM socket, screw, other plastic mechanical items, and side key is reduced from 10% to 0% if used in mobile phone manufacturing.
- Duty on LCD conductive foam, LCD foam, BT foam, heat dissipation sticker battery cover, sticker-battery slot, protective film for main lens, mylar for LCD FPC, film-front flash, and all goods for use in mobile phone manufacturing is reduced from 10% to 0% if used in mobile phone manufacturing.

## **New Duty Categories:**

Two new categories are added for inputs or parts used in manufacturing goods with reduced duty:

- Nil duty for inputs/parts used in items with 0% duty (categories 6E, 6G, and 6I).
- 10% duty for other inputs/parts used in mobile phone manufacturing (categories 6A and 6J).

## **Exclusions:**

Five items are removed from the list of exempted goods under category 7.

## **Overall Impact:**

This notification reduces the customs duty burden on manufacturers of cellular mobile phones by providing duty-free imports for certain key components and inputs.

This aims to promote domestic mobile phone manufacturing by making it more cost-competitive.

***Notification No. 09/2024-Customs, dated 30<sup>th</sup> January 2024***

## Expectation not met – MOOWR Scheme related

- It is expected that the government will remove Section 65A of Customs Act, 1962, which was announced in the Finance Act of 2023. This section, which has not yet been notified, imposes IGST and GST Compensation Cess on goods that are moved to a warehouse for manufacturing or other operations. This tax is imposed at the time of removal of goods from the warehouse, rather than at the time of clearance for home consumption.
- However, there will be no change to the existing provisions for the levy of customs duty, which will continue to be paid by the importer when the goods are cleared for home consumption from the bonded warehouse. Therefore, in the future, the deferment of duties in respect of goods imported under MOOWR may be restricted to duties other than integrated tax (IGST) and compensation cess (Cess).
- This means that IGST and Cess will be payable on the import of goods under MOOWR. The introduction of Section 65A of the Customs Act, 1962, and the relevant changes made in Sections 157 and 159, will come into effect when they are notified.



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