GCCI
GUJARAT CHAMBER OF COMMERCE & INDUSTRY
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GCCI/DYSGR-2/Pre-Budget/2019-20/7632 **1st July, 2019**

Smt. Nirmala Sitharaman,
Hon. Minster of Finance,
Union of India,
North Block,
New Delhi, INDIA.
fmo@nic.in

Sub: Submission of memorandum of Suggestions for Union Budget 2019 .

Respected Madam,

Greetings from Gujarat Chamber of Commerce & industry, Ahmedabad.

We are a 70-year-old organization established at Ahmedabad by the prestigious industrialist groups of India, we represent Interest of direct 6000 members and nearly 2.5 lacs indirect members belonging tradesmen, Businessman and Industrialist of Gujarat through membership of our Regional chamber of commerce & industry, various Trade associations and Industry bodies of the state of Gujarat.

We are pleased to submit herewith expectations from the budget in terms of provisions in Direct and Indirect taxes for Individual tax payers as well for corporate tax payers by means of memorandum (Attached with the letter).

We hope that, you shall find these suggestions thought provoking and shall include the same in your budget 2019 considerations.

Thanks & regards,
Yours Sincerely,

Durgesh Buch
President

C.C. Shri Subhash Chandra Ghosh, Secretary – Finance, Ministry of Finance, Govt. of India, North Block, New Delhi. Email: Secy-dea@nic.in

Encl: Memorandum of Budget suggestions.

Pre-Budget Memorandum 2019-20

Presented To:

Mrs. Nirmala Sitharaman

Hon. Union Minister of Finance

Government of India

Date : 01/07/2019

Gujarat Chamber of Commerce and Industry

Shri Ambica Mills,

Gujarat Chamber Building,

Ashram Road, Ahmedabad,

Gujarat 380009

Index

A. Direct Tax

Corporate Tax

In 2015 Budget Speech, the Hon'ble Finance Minister had announced a roadmap for reduction of corporate tax rates from 30 percent to 25 percent over the next 4 years.

- As part of the plan to lower rates, the government had in 2016 budget lowered the corporate tax rate to 29% for companies with revenue up to Rs.5 crores and also announced a concessional tax rate of 25% to new manufacturing companies that do not avail of any exemptions.
- Subsequently, in Finance Act 2017 and Finance Act 2018, the Government extended the 25% tax rate to all companies with turnover up to Rs.50 crores and Rs.250 crores in previous year 2015-16 and 2016-17 respectively.
- Thus, linking of concessional tax rate criteria to turnover/ gross receipts of one specific financial year may bring in uncertainty such that the tax rate for companies may keep fluctuating on a year-to-year basis depending on their turnover for specified financial years and the Finance Act provisions for each year.
- The uncertainty in tax rate impacts 'ease of doing business' while drawing up business plans for future or entering into long term contracts with customer or vendors. It also enhances risk factor for doing business in the form of company vis-à-vis other forms like LLP or partnership.

Recommendations:

- It is recommended that the Government should reduce the corporate tax rate across the board to 25% (irrespective of turnover). It would spur economic growth and increase overall tax collections.
- The income tax rates for unincorporated bodies i.e. Firm, Limited Liability Partnership (LLPs), etc., should also be reduced to 25% from the current 30%.
- It is further suggested that the MAT on such companies should also be reviewed/reduced to make the relief truly meaningful.
- The rate of Dividend Distribution Tax may also be reduced suitably so as to be competitive in terms of the comprehensive tax burden.
- It would be appropriate to consider removing the levy of surcharge and cess on corporate and non-corporate taxpayers.

Individual Tax

GCCI recommends the following tax slabs for individual tax payer

Slab (Rs. lakhs)	Tax rate (Present)	Proposed
Up to ₹3,00,000	Nil	Benefits to be extended upto ₹5,00,000
₹2,50,000 – ₹5,00,000	5% of total income exceeding ₹2,50,000	0 - ₹5 lakh – Nil b/w ₹5-7 lakh - 5%
₹5,00,001 to ₹10,00,000	₹12,500 + 20% of total income exceeding ₹5,00,000	This slab should be applicable to above income of ₹7 lakh and to be extended upto ₹12 lakh
Above ₹10,00,000	₹1,12,500 + 30% of total income exceeding ₹10,00,000	30% tax slab limit should be applicable to above ₹12 lakh
Senior Citizen	TDS is applicable on income of above ₹10,000	Interest on FD should be exempted upto ₹5 lakh for senior citizen
Standard Deduction	U/s 80C – 1.5 lakh – 2 lakh (women) u/s 80D - ₹25,000	Limit for male should be extend ₹3 lakh and for women ₹4 lakh

Justifications:

- As per CIEC data the private consumption expenditure in April 2018 was 420 BN USD whereas the figure stood 422 BN USD for the year 2019, thus increase in private expenditure recorded only 0.4% whereas the same figure in the last financial year was 16% it indicates that there is sizable reduction in the consumption story of India which has developed the cascading effect on the overall growth of economy of the country. Thus, in order to revive consumption, we have to increase the disposable income in the hands of consuming class which will automatic revive expenditure and thus will thrust the economy growth of the country. We, therefore suggest increase in standard deduction limit to be made upto ₹3 lakhs for men and ₹4 lakhs for women
- As per International Labor Organization, it has taken about 18 years to double the income of salaried employees of India. Whereas the real estate price index has doubled in last decade as well as petrol prices has increased 133% in last 10 years from ₹30 to ₹70 so as food prices index had nearly doubled in last seven years. Considering all these points tax exemptions should be made for individual tax payers.

Suggestions

- The tax slabs need to be restructured to boost the spending and savings of individual taxpayers. As businessman and consultants can claim exemptions against all kinds of expenses every month, for salaried employees, tax is deducted at source by the employer, which automatically significantly reduces the take-home income.

B. Indirect Tax

GST related Issues

1. Reporting of HSN-wise details (Table 17 & 18 of GSTR-9)

The instructions appended to amended Form GSTR-9 introduced w.e.f. 31st December 2018 state that summary of supplies effected and received against a particular HSN code are to be reported in Table 17 & 18. H is further stated that these details are optional for taxpayers having turnover below Rs. 1.50 crores and mandatory at two digits and four digits for taxpayers having turnover up to Rs. 5 crores and exceeding Rs. 5 crores respectively

1.1 For taxpayers having turnover more than Rs. 5 crores

These details may be forthcoming in cases where a taxpayer has suppliers in the same turnover category. But in the event a taxpayer having turnover more than Rs.5 crores have a supplier whose turnover is either less than Rs. 5 crores (requiring two-digit HSN) or Rs. 1.5 crores (not requiring HSN), it is a near impossible task to gather itemised HSN details of goods or services. The issue gets further muddled by the fact that the taxpayers have not been able to file GSTR-2 which originally envisaged such details. This results into a huge data gathering exercise afresh.

1.2 For taxpayers having turnover less than Rs. 1.5 crores

The GST law states that taxpayers having turnover less than Rs.1.5 crores need not report HSN details. The instruction to Form GSTR-9 also states the same fact. However, it is unclear as to whether the said category of taxpayers is required to submit HSN details of inward supplies.

1.3 Reporting of HSN at 8-digit level for the first time in GSTR-9

Notification No. 12/2017-Central Tax dated 28th June 2017 clearly mandates that only up to four-digit HSN details are required to be complied by all taxpayers. Therefore, it is indeed surprising that while reporting HSN details in Table 17 & 18 the system is, for the first time, requiring eight-digit HSN details irrespective of the turnover of the taxpayer. Introducing such a data intensive requirement is contrary to the Notification and hence, bad in law, bereft of logic and impossible to comply with.

1.4 Requirement of reporting HSN details of inward supplies exceeding 10% in value

It has also been clarified in the aforementioned instruction that the summary

details are required to be declared only for those inward supplies which in value independently account for 10% or more of the total value of inward supplies. This instruction has been touted to be a relief to the taxpayers.

However, a taxpayer, in order to compute the inward supplies amounting to 10% in value, would still be required to first compute the details of 100% of inward supplies and then recalibrate these supplies into 8 digits (apropos to Para 1.3). The net effect is that instead of providing any relief to the taxpayer this instruction is further exacerbating their woes.

(Porbandar Chamber of Commerce and Industry)

2. Technical glitches of GSTN portal

2.1 Portal asking to file pending returns

The GST portal shows an error asking the taxpayer to file all pending GSTR- 3B & GSTR-1 return in order to proceed with filing of Annual Return for the F.Y. 2017-18. In fact, all such returns have been duly filed. How are the taxpayers expected to proceed with filing of the annual return when the system does not allow them to do so for no fault of theirs?

2.2 Difference in auto-populated credit balance as per GSTR-2A within the portal Table 8A of GSTR-9 shows the auto-populated ITC as per GSTR-2A. The same amount is also visible through a consolidated table in the Returns section of the portal. It may be noted that the amount as per the two tables does not match. So much so, the auto-populated amount as per Table 8A of GSTR-9 differs on a day to day basis. Although the Press Release dated 4th June 2019 states that the amount displayed will be as on 01-05-2019, we fail to understand the reason for such fluctuations in the months of May and June 2019. This is causing huge confusion among taxpayers who are unable to gather invoice level data as per GSTR-2A due to such mismatch.

(Porbandar Chamber of Commerce and Industry)

3. ITC related issues

3.1 Impact where ITC as per GSTR-3B is greater than GSTR-2A

Although the amended Form GSTR-9 now allows a negative figure in Table 8(0) whereby the ITC claimed in GSTR-3B is greater than ITC appearing in GSTR-2A, the impact of such reporting is still uncertain.

Such a mismatch has created anxiety among a wide section of taxpayers, who are worried of any future implications of such reporting. In our humble opinion, in the absence of the facility to file the returns of inward supplies in Form GSTR-2, as long as the taxpayer has complied with the conditions and restrictions of sec. 16 of the CGST Act, ITC cannot be disallowed merely on the fact that the same is not appearing in GSTR-2A. If there is an alternate interpretation by the Revenue, the same should be clarified forthwith.

3.2 Bifurcation of ITC

It is a known fact that the GST Council had to suspend GSTR-2 and 3 indefinitely due to the inability of the GSTN portal to handle the huge amount of data and the fact that it was an extremely complex and impossible data gathering exercise for the taxpayers on a monthly basis. Therefore, GSTR-9 ought not to enforce reporting of the details as per GSTR-2 and 3. For example, Table 6 requires bifurcation of ITC into inputs, input services and capital goods for the first time. This is an extremely time-consuming exercise.

3.3 Implications of difference in ITC claimed in GSTR-3B vs. ITC as per books

This can be explained by way of an example: ITC claimed in GSTR-3B filed during July 2017 to March 2019: Rs. 1,00,000 ITC as per books of account determined during GST audit: Rs. 80,000 Table 6(A) of GSTR-9 auto-populates ITC claimed as per GSTR-3B i.e. Rs. 1,00,000. The same is then required to be bifurcated as stated in Para 3.2. What is the implication where a taxpayer can only report the details of Rs.80,000 being his actual ITC in Table 6(B) to 6(0)? It has been brought to our notice that a validation error is occurring in Table 13 of GSTR-9C where ITC as finally reported in Table 7(J) of GSTR-9 is different than ITC reported in GSTR-3B. (Porbandar Chamber of Commerce and Industry)

4. RCM related issue

Tax payable on inward supplies under reverse charge relating F.Y. 2017-18 and paid in F.Y. 2018-19 when reported in Table 10 is leading to increase in turnover of outward supplies. This will lead to incorrect reporting of turnover. You are, therefore, requested to clarify as to how such details are to be reported.

(Porbandar Chamber of Commerce and Industry)

5. Issues arising out of the limitations of the system

This being the first year of implementation of GST, when the highly meritorious and resourceful GST Council and GSTN had to make several course corrections, it is obvious that the taxpayers who have been on the receiving end would have also made errors. Following are a few examples:

a) Credit Notes raised on account of sales returns could not be reported in GSTR-3B where the value of such credit notes exceeded that of the turnover of outward supplies in a particular month. This has resulted in several taxpayers being unable to correctly report their turnover in GSTR-3B.

b) B2B outward supplies inadvertently reported under B2C category in GSTR-1 could not be rectified on account of the system only allowing a one-time amendment to a particular Table of GSTR-1 of a particular month.

c) Inter-state supplies shown as intra-State while filing GSTR-3B but correctly reported in GSTR-1 will result in a difference between tax paid as per GSTR-3B and taxes reported in GSTR-9.

Unfortunately, the taxpayers are now being thrust upon a Form which does not fully accommodate the errors and allow rectifications to put forth an accurate statement. You are humbly requested to provide an actual simple system to correct the many small errors and issue a suitable clarification for the benefit of the taxpayers.

(Porbandar Chamber of Commerce and Industry)

6. Issue arising out of instructions to GSTR-9

It is unclear whether the instructions in GSTR-9 are binding in nature. For instance, the instructions to Table 4 state that various Tables from GSTR-1 may be used to fill up the data relating to outward supplies in GSTR-9. Considering an example where a transaction of outward supply which was duly reported in GSTR-3B but was left out of GSTR-1 filed during F.Y. 2017-18 and 2018-19, whether such a transaction can now be reported in Table 4 of GSTR-9 based on the data of GSTR-3B instead of GSTR-1? The larger question is with regard to the impact of non-compliance with the instructions of Form GSTR-9.

The above are few of the major issues which have been reported across India by the trade and practitioners alike. Although clarification with regard to some issues was issued vide Press Release dated 4th June 2019, in our humble opinion such a clarification is not only insufficient but also extremely delayed.

The introduction of GST has led to teething troubles which have unfortunately not yet been sorted. This is evident by the fact that none of the taxpayers have actually filed a true and correct return since GSTR-2 and 3 had to be kept in abeyance for reasons best known. There is now a virtual reintroduction of the return process in the form of "Simplified GST Returns" planned to be implemented from July 2019 onwards.

The taxpayers and tax professionals have also had to contend with a tsunami of notifications, clarifications, and amendments under the garb of simplification. The result has been to the contrary. For example, one must verify whether tax under reverse charge pertaining to inward supplies from unregistered persons was correctly paid during 1st July 2017 to 13th October 2017 and also the implications and reporting where the same has been paid by a taxpayer inadvertently even beyond the notification rescinding ReM; multiple dates on which tax on advances received for supply of goods was abolished based on turnover criteria. These and more such changes have resulted into fragmented and error-prone implementation of GST in the first year. One of the simplest solutions to these existing issues would be to have a system where revision of regular return is allowed as was the case with indirect tax compliance in all States in the pre-GST era.

The industry as well as the tax professionals have shown tremendous forbearance by wholeheartedly supporting the GST law, which is evident from the fact that the GST revenues are showing an exponential upward trend: This is largely a result of voluntary compliance by the trade and the assiduous efforts of the tax practitioners. Yet, the obstinate attitude of the Revenue in insisting on GST Annual Return in its current form and within the prescribed date is causing immeasurable trauma and anxiety amongst the industry and tax professionals. There is widespread discontent brewing amongst the entire industry and the tax practising community.

(Porbandar Chamber of Commerce and Industry)

In the light of the above all issues, we strongly urge that you consider one or more of the following suggestions:

1. A radically more simplified form after taking of Annual Return be notified suggestions of the trade, practitioners as well as the States.

2. Significant extension of due date for filing GSTR-9, 9A, 9B, and 9C along with clarifications of the issues.

3. Making the annual return optional for the first year i.e. F.Y. 2017-18.

4. Scrapping the requirement to file annual return in its current form for the first year.

7. Making GST rates compliance friendly for Hotel/restaurant in the forthcoming budget and GST council meeting

We wish to petition your good office to standardize the GST in hotels to 12% with input tax credit. Kindly apply this on all services provided across the hotel and restaurant industry. We urge you to discontinue the confusing practice of different slabs of GST i.e. 0,5%, 12%, 18% and 28% in different cases.

We are attaching a table that shows how confusing the current GST slabs are. Some items are exempt from GST, while some other items have different slabs from 5% to 28%.

We have explained the idea of 12% uniform tax rate with input credit in the table below:

Restaurant Category

Particulars	Existing GST Rates	Our Proposal for GST Rates	Input Tax Credit
Restaurants turnover up to 1.5 crore (Option of Composition Scheme)	5%	5%	No
Restaurants turnover more than 1.5 crore (Without Composition Scheme)	5% without ITC	12% with ITC	Yes
Banquet in Restaurant	18%	12%	Yes
Outdoor Catering by Restaurants	18%	12%	Yes

Hotel Category

Particulars	Existing GST Rates	Our Proposal for GST Rates	Input Tax Credit
Room Tariff up to Rs.999/-	0	0	0
Room Tariff Rs.1000/- to Rs.2499/-	12%	12%	Yes
Room Tariff Rs.2500/- to Rs.7499/-	18%	12%	Yes
Room Tariff above Rs. 7500/-	28%	12%	Yes
Restaurant in hotel where room tariff is below Rs.7500/-	5% without ITC	12% with ITC	Yes
Room service in hotel where room tariff is below Rs.7500/-	5% without ITC	12% with ITC	Yes
Restaurants in Star Hotel (Where room tariff is above Rs.7500/-)	18%	12%	Yes
Room Service in Star Hotel (Where room tariff is above Rs.7500/-)	18%	12%	Yes
Banquet in any Hotels	18%	12%	Yes

Outdoor Catering by Hotels	18%	12%	Yes
Laundry Services	18%	12%	Yes
Pickup-Drop Service	18%	12%	Yes
Taxi Service	18%	12%	Yes
Wi-Fi Service SPA	18%	12%	Yes
Gym	18%	12%	Yes
Game Zone	18%	12%	Yes
Swimming Pool	18%	12%	Yes
Club	18%	12%	Yes
Event	18%	12%	Yes
Mandap Service	18%	12%	Yes
Decoration	18%	12%	Yes
DJ Music	18%	12%	Yes
Live Music	18%	12%	Yes
Valet Parking	18%	12%	Yes
Secretarial	18%	12%	Yes
Projector	18%	12%	Yes
Travel Desk	18%	12%	Yes
LED Screen	18%	12%	Yes
P.R.O	18%	12%	Yes
There are also compliances like RCM, TDS, TCS etc., which needs further simplification			
The rate of tax in a restaurant of a hotel is decided according on the basis of room tariff which need to be rectified.			

Our Suggestions

1)There is an option of 5% composition scheme (without ITC) for the restaurant having turnover of 1.5 crore, which is appropriate. The same rate and composition scheme should be also allowed for restaurants having banquet hall and party hall services.

2) The restaurant which has turnover more than 1.5 crore should have GST rate of 12% and input tax credit should be allowed.

3)The GST rate for restaurant & hotels having outdoor catering and banquet service should be decreased from 18% to 12% and input tax credit should be allowed.

4)For other services viz. laundry, taxi, pick up-drop, wi-fi and all the services mentioned in the above table the GST rate should be 12% and input tax credit should be allowed.

5)There is an exemption in hotel room tariff up to 999/- and for tariff more than 1000/- Presently there are slabs like 12%, 18% and 28% which should be replaced with single rate of 12% and input tax credit should be allowed.
(Southern Gujarat Hotel and Restaurant Association)

8. Minimum Alternate Tax

- With GCTphasing out of exemptions and incentives under the Act, the current rate of MAT of 18.5% is quite high and has impacted significantly cash flow of companies who otherwise have low taxable income or have incurred tax losses
- MAT has also diluted significantly the tax incentives offered under Chapter VI-A of the Income-tax Act,1961 (the Act) to eligible businesses and Industrial Undertakings as the difference between the effective tax rate based corporate tax rate at 30% and MAT at 18.5% is not very large

Suggestion:

- The burden of MAT should also be reduced to boost the liquidity of MSME

C. Budget Allocation for MSMEs as well as water conservation industry

Allocation for Water Treatment Plant

- Water scarcity adversely impacts to Industries, therefore Gujarat Water Infrastructure Limited and private sector Essel Infra-projects Limited signed a Memorandum of Understanding (MoU) to implement the Water Desalination project at the Jodia coast in Jamnagar district in Saurashtra region
- Small and medium-scale desalination plants in the water-scarce border areas of Kutch and Banaskantha, while the Gujarat Industrial Development Corporation would start work on such projects in Dahej and Gandhidham to meet the water requirements of industries
- Consider to give 100% Tax Rebate on those Water Treatment Plant for 10 Years
- Accelerated related depreciation benefits may be offered for investment in this sector

Allocation for MSME Sector

- Lowering interest cost to 4-% to allow more businesses to enter the market
- Extend concession of 25% rate to all taxpayers – All corporate taxpayers receive a concessional rate of 25% if their turnover is INR 250 Cr or less. The current tax rates discriminate MSMEs and favor corporates. MSMEs want the government to consider offering a concessional tax rate of 25% to all taxpayers
- MSMEs contribute to over 40% of the country's exports. MSME exporters are deprived of key income tax concessions. With the Budget 2019, Government can re-introduce provisions to incentivize exporters who set up new units
- Reducing Compliance Burden in GST: GST requires heavy compliance from businesses. There is a monthly, quarterly and yearly return for small taxpayers too. With the new budget, MSMEs expect GST Compliance burden to reduce