

NASSCOM WELCOMES PASSAGE OF GST AMENDMENT BILL

Recommends Government – Industry collaborative approach to address implementation and administrative challenges in Model GST Law

August 3, 2016, New Delhi: National Association of Software and Services Companies (NASSCOM) welcomes the government's initiative to bring in structural changes to the tax regime in India through the Goods and Services Tax (GST) bill. The bill is aimed at addressing issue of multiple levies and its cascading effect, ushering in destination-based taxation, simplify compliances and provide for effective dispute resolution mechanisms in a time-bound manner.

The GST regime has over the years promised to subsume multiple levies, and remove cascading effect of taxes, prevalent on businesses so far. The GST constitutional amendment bill passage would now pave way for the enactment of the GST law in the centre and the states. As details are worked out in the next few months, it will have a positive impact for the country in the long term.

Citing his opinion on the GST constitutional amendment bill, **Mr. R Chandrashekhar, President, NASSCOM** stated that, *"The passage of the amendment bill will unarguably usher in the most impactful tax reform this country has seen. The services industry at large was administered under a single authority in the centre under the Service Tax regime. The simplicity and certainty that it offered needs to be emulated in the GST law that States and Centre adopt subsequently. The new tax regime should also be future ready and cater to the needs of the emerging digital economy in the country."*

The draft GST model law, currently in public domain, requires close collaboration between Industry and Government to ensure that the GST regime lives upto the expectations, including not only maintaining but enhancing the competitiveness of technology products, services and the internet sector. While several provisions like time bound processes, clarity on electronic download classifications etc. are in line with the larger objective of ensuring ease of business, there are several concerns that need to be addressed.

Mr. CP Gurnani, Chairman NASSCOM and CEO & MD, Tech Mahindra, stated that *"We congratulate the government and all parties for collaborating together and ensuring passage of the GST Amendment Bill. The industry has been discussing challenges related to multiple registrations in each state and associated complexities that may arise in the GST regime. We are confident that given the Government's commitment to ease of doing business, we will be able to address the industry concerns in totality."*

New age businesses like ecommerce and online aggregators are changing the way business is done and bringing in previously unheard of efficiencies.

Mr. Sanjeev Bikhchandani, Chairman, NASSCOM Internet Council and Executive Vice Chairman, Infoedge, said *"The GST regime should adapt to these changes with an eye on the future. However, apprehensions prevail on the administrative requirements that could potentially render internet enabled businesses uncompetitive. We believe this is not the intent of the Government and will work closely with Revenue officials towards enabling a simple and enabling GST regime for all."*

A quick analysis of the positives and concern areas of the GST Bill are listed below:

Positive Impact

- Subsumes multiple levies
- Clarifies taxation of electronic downloads
- Robust technology framework for implementation bringing in transparency and process simplification
- Provisions for time bound processes
- Simple, efficient and transparent indirect tax regime is widely expected to accelerate overall growth of GDP in the country with spinoff benefits for all sector including IT-BPM

Key Issues that need to be addressed

- Companies engaged in the supply of services on a pan-India basis, will have to seek registrations in 37 jurisdictions (29 States + 7 Union territories with legislature + Central Government).
- Place of supply provisions may require multiple invoicing for services delivered under single contract if services are delivered from various offices/ centers of the same entity
- **Valuation of services** can potentially lead to disputes and litigations, leading to Transfer pricing like situation for intra company supplies and will necessarily require refunds.
- Export competitiveness of the IT sector could be impacted due to
 - Complex billing and invoicing requirements due to place of supply and valuation
 - Reverse charge of GST on import of services used as input for services that are exported, can lead to locking in working capital
 - For SEZ units, which were permitted upfront exemptions, there is now no provision for upfront exemptions, and it will necessarily require application for refunds.
- The provision mandating “tax collection at source” for transactions on third-party ecommerce market place are discriminatory and can potentially render such ecommerce marketplace unviable. Moreover, this is likely to negate the beneficial impact of e-commerce on lakhs of small businesses in the country by compelling them to seek refunds compounding their working capital problems.

As deliberations on administration and implementation progress, concerns are emerging on the specific language of the model law and its interpretations. However, this does not in any way undermine the importance and the urgency of ushering in the GST reform. We are confident that the government will look into the specific issues raised by the industry and find mutually acceptable resolutions to the issues.

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About NASSCOM

NASSCOM® is the premier trade body and the chamber of commerce of the IT-BPM industries in India. NASSCOM is a global trade body with more than 2100 members, which include both Indian and multinational companies that have a presence in India. NASSCOM's member and associate member companies are broadly in the business of technology products and services, BPM, Engineering R&D, Internet and Ecommerce and startups. NASSCOM's membership base constitutes over 95% of the industry revenues in India and employs over 3.7 million professionals.

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