

LEGAL AND PROCEDURAL ISSUES FACED BY BANKS/ INSURANCE COMPANIES/ FINANCIAL INSTITUTIONS IN GST IMPLEMENTATION

(A) BANKS

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
1.	BANK OF INDIA	<p>a) The new tax regime requires maintenance of stock register for all inputs used for providing service. It will be cumbersome in keeping the spread of our branches across the length and breadth of the country. We request that this provision be restricted to Capital Goods (Fixed Assets only).</p> <p>b) For interchange and other settlements, National Payments Corporation India Ltd. (NPCI) acts as a settlement agency and is a repository of all the information. Currently, NPCI provides details of daily settlement online. As a Bank, we get to know all the transactions through NPCI. We request that NPCI be allowed to issue the invoice on behalf of Banks on daily basis and not burden individual banks.</p> <p>c) Under GST, for all exempt services, Bill of Supply is to be issued. Bank charges interest on loan which is exempt from CGST/SGST. If banks are required to issue Bill of Supply, it will cause lot of strain on the system and will not be expedient. We request that issue of Bill of Supply be dispensed with.</p>	<p>a) It is mandatory as per Rule 56 of CGST Rules 2017. They can be maintained in electronic form too as per the same rule for ease of maintenance</p> <p>b) As per Section 31 of CGST supplier is liable to issue a tax invoice. On the basis of the details provided by NPCI, banks will have to issue invoices on gross basis.</p> <p>c) Under Section 31(3)(c) person supplying exempted goods or services shall issue instead of a tax invoice a bill of supply. Thus it is required as per law. Rule 49 is being re-examined to provide</p>

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		<p>d) Currently, intra-state supplies of goods or services or both from a un-registered vendor is allowed upto Rs.5000 per day. For the bank as a whole, we find this amount very small and will result in banks dealing only with the registered vendors. Lot of start-ups are still to get registered and this provision will run detrimental to their business needs. We request that the amount be instead allowed Rs.5000 per day per branch when supplies are taken from an un-registered vendor.</p> <p>e) As regards import of gold on consignment basis, bank is required to pay IGST @3% with no tax refunds making this business unviable. We request that IGST @ 3% be levied on the sale value to customers instead of tariff value.</p>	<p>dispensation similar to invoice for banks under proviso to rule 47. Or the second proviso to rule 49 is being examined to include exempt supply therein along with non-taxable supply.</p> <p>d) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate).</p> <p>e) The viability of Gold scheme is being examined along with the exemptions sought.</p>
2.	BANK OF MAHARASHTRA	<p>(1) <u>Issuance of invoice:</u> Currently in service tax it is not mandatory for the banks to issue invoice to B to C customers. If same provisions are continued in GST it will smoothen banks functionality.</p> <p>(2) <u>Related Party:</u> Bank employees may be kept outside related party concept, considering various perquisites available to bank employees.</p>	<p>(1) Proviso to rule 47 provides for special dispensation for banks in line with erstwhile service tax regime.</p> <p>(2) CGST council has decided the definition of Related Party as given under explanation of sub section 5</p>

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		<p>(3) <u>Input Tax Credit</u> Since banks will be paying GST under reverse charge on the goods purchased and services availed from unregistered dealers under B to C category, the restriction of 50% ITC utilization be removed for the banks.</p>	<p>of section 15 of CGST Act. Press note dated 10.07.2017 issued in this regard may also be referred.</p> <p>(3) The provision is optional rather than mandatory for banks. (sub-section (4) of section 17 read with rule 38)</p>
3.	CANARA BANK	<p>(1) <u>Recovery through sale of assets:</u> As per earlier law and practice, when a bank re-possesses assets (Gold Jewellery) from a defaulter of loan and sells the same, VAT is paid by the bank as a 'dealer' in terms of State VAT laws. Now, Rule 5 of GST Valuation Rules reads as under :</p> <p><i>“(5) Where a taxable supply is provided by a person dealing in buying and selling of second hand goods i.e., used goods as such or after such minor processing which does not change the nature of the goods and where no input tax credit has been availed on the purchase of such goods, the value of supply shall be the difference between the selling price and the purchase price and where the value of such supply is negative, it shall be ignored:</i></p> <p><i>Provided that the purchase value of goods repossessed from a defaulting borrower, who is not registered, for the purpose of recovery of a loan or debt shall be deemed to be the purchase price of such goods by the defaulting borrower reduced by five percentage points for every quarter or part thereof, between the</i></p>	<p>(1) As per proviso of Rule 32(5) the purchase price shall be deemed to be the purchase price of such goods by the defaulting borrower, who is not registered, reduced by five percentage points for every quarter or part thereof, between the date of purchase and the date of disposal by the person making such repossession.</p>

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		<p><i>date of purchase and the date of disposal by the person making such repossession.”</i></p> <p>Canara Bank’s Query: Suppose auction of gold jewellery is also covered under Rule 5, what shall be the purchase price at the time of repossession / auction, if the same is not available in Bank records? Whether loan amount sanctioned or loan outstanding amount can be treated as purchase price?</p> <p>(2) <u>Payment to unregistered persons:</u> Canara Bank requests the Government to consider relaxing provision of GST on unregistered dealers exempting Rs.5000 per day per dealer per Bank Branch or office to reduce compliance issues to at PSBs having many Branches in a state.</p>	<p>(2) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate) limits</p>
4.	CENTRAL BANK	<p>(1) As per the guidelines of Service tax, the bank is <u>rounding off</u> amount greater than 50 paise to next rupee, if paise is less than 50 the same is ignored, for example: If the Charge is Rs. 18.46, it is made as Rs.18/- and if charge is Rs 18.59, it is made as Rs.19/-. But now, as per the bank’s consultant’s advise GST requires charges in two decimal places, for example Rs 25.43 / Rs 89.67 / Rs. 67.98 etc. If the customer does the cash transactions coins of 1 paise , 2 paise are not in circulation and cannot paid across the counter available, resulting in cash difference in various branches at the time of EOD. The bank needs guidance in the matter so that bank’s branches do not have cash difference and procedure can be set for all future transactions.</p>	<p>(1) Section 170 of CGST Act: The amount of tax, interest, penalty, fine or any other sum payable, and the amount of refund or any other sum due, under the provisions of this Act shall be rounded off to the nearest rupee and, for this purpose, where such amount contains a part of a rupee consisting of paise, then, if such part is fifty paise or more, it shall be increased to one rupee and if such part is less than fifty paise it shall be ignored.</p>

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		<p>(2) <u>CENVAT balances:</u> In terms of section 140(5) of the CGST Act, 2017, it is provided that any ST balance remaining un-availed on June 30, 2017 but reflecting in Transitional return will be electronically carried forward to GST Regime. In this regard, Bank is required to give the details of closing stock as on 30.06.2017. It may please be noted that under erstwhile ST Regime, Bank was not required to maintain Qty. wise stock register except for capital goods. Getting the details of Closing stock as on 30.06.2017 is highly unfeasible.</p> <p>(3) <u>RCM Transaction:</u> Rs, 5000/-for all suppliers put together is a very small threshold for Big corporate. The limit of Rs. 5,000 for each registration per day is not practicable and impossible to monitor. The same may be relaxed to Rs. 5,000 from each unregistered dealer in a day subject to maximum of Rs. 20,000 per month. Further the same needs to ratified in all SGST laws.</p>	<p>(2) No such requirement provided in sub-section (5) of section 140 of the CGST Act, 2017.</p> <p>(3) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate) limits.</p>
5.	CORPORATION BANK	<p>(1) Government Business (Central Government Pension disbursements):</p> <p>a) Banks are disbursing Central Government Pension to the retirees. It is presumed that the Bank provides service to Central Government/ RBI and the commission is earned from RBI and that no service is provided to the account holder pan India to whose account the pension is credited. RBI is exempt from GST and there will not be any GSTIN Number.</p> <p>b) The Pension is disbursed on PAN India basis and the Commission for disbursing the Pension is received from the RBI, Nagpur. Whether in entirety, it will be paid to</p>	<p>(1) The facts stated seem to suggest that the Banks are providing the disbursement of pension to retirees, who it is being presumed have an account with the bank. For providing this service the banks are receiving commission from RBI. Now the question is who the service provider in this scenario is and the recipient as it is RBI which is providing the commission for</p>

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		<p>Maharashtra GST or distributed State wise where the pension accounts of the beneficiaries are located. Please clarify.</p> <p>(2) Whether similar solution/ application shall be provided for the treatment for tax collection work, sale/retailing of Central Govt./ RBI bonds etc., (In the case of agency arrangement with State Governments for payment of pension, e-stamping, any other work like salary disbursements, etc., GST on the income earned</p>	<p>disbursing the pension. Section 2 (93) of the CGST Act, 2017 defines recipient as the person who is liable to pay that consideration where a consideration is payable for the supply of goods or services or both, which in this case is RBI. Further supplier is defined in section 2(105) as person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied, which in this case would be the Bank. But since the branches would be separately registered under GST, it would mean that the central bank is availing the services from the branches. So there would be two level of supplies, one from the bank to RBI and another from branches to central bank. This issue is being examined further.</p> <p>(2) Similar treatment can be adopted for agency functions depending upon the facts of the case.</p>

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		thereon will have to be paid to the respective States). Corporation Bank requests for early clarification on the above.	
6.	IDBI BANK	<p>a) Since RCM obligation is cast on account of purchases from unregistered dealers, a common HSN and a common GST rate may be prescribed for banks for all such purchases, as it would be very difficult to identify the HSN of each item being procured.</p> <p>b) <u>Providing services without GST to SEZ units and Entities situated outside India:</u> As per the notification dated July 1, 2017, any registered person availing the option to supply goods or services for export without payment of integrated tax shall furnish, prior to export, a bond or a Letter of Undertaking in FORM GST RFD-11 to the Jurisdictional Commissioner. In this regard, we wish to submit that since in Trade related transaction where continuous supply is involved, whether one consolidated undertaking can be made to the jurisdictional Commissioner for the whole year only once. Also the Letter indicates Bank Guarantee details which may not be feasible for services. Whether the same procedure is to be followed for providing services to SEZ units.</p> <p>c) <u>CENVAT balances :</u> Whether balance in KKC and Education Cess can be carried forward as eligible duties and taxes in terms of section 140(1) of the CGST Act, 2017. Further in terms of section 140(5) of the CGST Act, 2017, it is provided that any ST balance remaining unavailed on June 30, 2017 but reflecting in Transitional return will be electronically carried forward to GST</p>	<p>a) HSN code is commodity wise.</p> <p>b) Kindly refer to Circular No. 4/4/2017-GST giving clarification that exporters shall furnish a running bond, in case he is required to furnish a bond, in FORM GST RFD -11.</p> <p>c) KKC and education cess are not covered under sec 140(1) of CGST Act, 2017. For availing transitional credit details of form GST TRAN – 1 have to be filled.</p>

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		<p>Regime. In this regard, Bank is required to give the details of closing stock as on 30.06.2017. It may please be noted that under erstwhile ST Regime, Bank was not required to maintain Qty wise stock register except for capital goods. Getting the details of closing stock as on 30.06.2017 is highly unfeasible.</p> <p>d) RCM Transaction –Rs, 5000/-for all suppliers put together is a very small threshold for Big corporate. The limit of Rs. 5,000 for each registration per day is not practicable and impossible to monitor. The same may be relaxed to Rs. 5,000 from each unregistered dealer in a day subject to maximum of Rs. 20,000 per month. Further the same needs to ratified in all SGST laws.</p> <p>e) Maintenance of stock registers for all the inputs used for providing services. This is very onerous for banks having large network of branches. Hence, this may be required only for inputs which are capital goods and not for other inputs like stationary and other consumables</p> <p>f) NPCI should be directed to issue invoice as agent of all the banks as issue of invoice by all the banks on each other would create a lot of avoidable paper work and software changes.</p> <p>g) Clarification may be issued that any expenditure/supply incurred/made for staff, to the extent covered by Staff Rules, would neither be considered as supply nor gift.</p>	<p>d) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate).</p> <p>e) As per provisions of GST, records have to be maintained.</p> <p>f) As per the Sec 31 of CGST supplier is liable to issue a tax invoice on gross basis.</p> <p>g) As per Schedule 1 (Activities to be treated as Supply even if made without consideration), Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or</p>

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			<p>furtherance of business:</p> <p>Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.</p> <p>This issue is being examined further .</p>
7.	ORIENTAL BANK OF COMMERCE	<p>(1) During the course of <u>official tours, hotels and tickets (air, train etc) are booked in the name of the staff</u>. In order to avail the Input credit, it is mandatory that the hotels and airlines must have bank's GSTIN. However, some hotels and airlines are not accepting the Bank's GSTIN stating that the booking is in the name of officials instead of Bank's name. Accordingly, it is requested to issue guidelines to clarify the above issue by way of FAQs.</p> <p>(2) <u>Bank staff are availing various perks such as telephone etc on which the service provider charges GST</u>. Bank is eligible to claim Input credit of said GST paid to the service provider. However, telephone companies may not accept GSTIN of the bank stating that the telephone connection is in the name of the staff instead of bank. Accordingly, it is requested to issue guidelines to clarify the above issue by way of FAQs.</p>	<p>(1) Kindly make the bookings in the name of the Banks for availing Input Tax credit</p> <p>(2)The telephone connection is to be in the name of bank for availing ITC.</p>

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		<p>(3) In case of registration by the Bank in various states, the system does not allow inclusion of more than 20 additional places of Business. Hence it is requested to give a facility of bulk upload of branch addresses coming under one registration in the State.</p>	<p>(3) GSTN had clarified that taxpayer can register 999 places under Additional Places of Business</p>
8.	PUNJAB NATIONAL BANK	<p>a) Maintenance of stock register for all the inputs used for providing services: This is very onerous for banks having large network of branches. Hence, this may be required only for inputs which are capital goods and not for other inputs like stationary and other consumables.</p> <p>b) NPCI should be directed to issue invoice as agent of all the banks as issue of invoice by all the banks on each other would create a lot of avoidable paper work and software changes.</p> <p>c) The limit of Rs. 5,000 for each registration per day is not practicable and impossible to monitor. The same may be relaxed to Rs. 5,000 from an unregistered dealer in a day subject to maximum of Rs. 20,000 per month.</p> <p>d) The issue of Bill of Supply in case of exempt supplies like interest would put lot of stress on the IT system and hence for Banks, issue of Bill of Supply for consideration received by way of interest should be dispensed with.</p>	<p>a) As per provisions of GST, records have to be maintained.</p> <p>b) As per the Sec 31 of CGST supplier is liable to issue a tax invoice on gross basis.</p> <p>c) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate) limits</p> <p>d) Under section 31(3)(c) person supplying exempted goods or services shall issue instead of a tax invoice a bill of supply. Thus it is required as per law. Kind attention is drawn towards Rule 54(5) which provides that any other document can be issued even for Bill of</p>

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		<p>e) Clarification may be issued that any expenditure/supply incurred/made for staff, to the extent covered by Staff Rules, would neither be considered as supply nor gift.</p>	<p>Supply.</p> <p>e) As per Schedule 1 (Activities to be treated as Supply even if made without consideration.) Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:</p> <p>Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.</p> <p>This issue is being examined further .</p>
9.	SYNDICATE BANK	<p><u>Payment to unregistered persons:</u> This is with reference to the Government's Notification No. 8/2017 dated 28/06/2017, wherein certain exemption is given for intra state transaction of value of Rs. 5,000/ between registered person and unregistered supplier. However it was also mentioned that <i>"the exemption shall not be applicable where the aggregate value of such supplies of goods or service or both received by a registered person from any or all the suppliers, who is or are not registered, exceeds five thousand rupee in a day"</i>. From the</p>	<p>The exemption is registered person wise.</p>

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		<p>wording, it looks like the amount of Rs. 5,000 will be for all supplies made by unregistered dealers, made in a day for each state. For a Bank like ours, where we have many branches in each state, this exemption is not giving much benefit. Considering the branch network banks have for each state, limit of Rs. 5,000/- is insufficient, hence we suggest the same can be provided at transaction level.</p> <p><u>Concessional amount vs card rate:</u> Currently, Service charges/taxes are collected on concessional amount. However, under GST, the same will be applicable on card rate. Similarly, same will be applicable on services offered at free of cost to employees. In view of the above, we request you to allow banks to collect GST on concessional amount rather than card rate.</p>	<p>GST is to be paid on transaction value i.e. price paid or payable.</p>
10.	UNION BANK	<p>(1) <u>Government Business:</u> a) Banks in India carry out the Government transactions such as collection of taxes (both State & Centre), disbursement of Pension, collection & Payment of Government Bonds, PPF etc. For all these transactions, they get commission from Reserve Bank of India based on the number and nature of transaction. Bank carries out the Government transactions through various branches situated across various States in India. However, the commission from Reserve Bank of India is received at its nodal branch at Dhantoli, Nagpur. In case of most banks, the nodal branch is situated at Nagpur. b) Banks also carry out certain Treasury functions of the State Government. For these treasury functions, the Reserve Bank of India in the respective States or in its absence, the State Bank of India in the State pays the commission to the Banks.</p>	<p>(1) Please see reply at Point No. 5 – Corporation Bank</p>

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		<p>c) In the case of Banking & Other Financial Services, the Place of Supply is the address of the customer on the records of the bank. In this case, neither Reserve Bank of India nor the Government of India maintains any account with the Banks.</p> <p>d) Further, Reserve Bank of India is not a B2B customer. RBI is exempt from GST and there will not be any GSTIN no.</p> <p>e) Here it is as if the Bank provides service to Central Government/ RBI and the commission is earned from RBI; though in reality the service is provided to the account holders pan India to whose account the pension is credited.</p> <p>f) If the entire tax is paid only to Maharashtra, on the reasoning that the commission is received in Nagpur, then, the other States will be deprived off any tax, though the transactions are carried out in other States and the account of the pensioners / PF holders / Bond holders in the other states are serviced. It may be more reasonable to consider the State in which the transaction is carried out in this case as the place of supply.</p> <p>g) This however, would require a clarification from the Government. As this is a industry level issue, Union Bank solicits clarification on the same.</p> <p>(2) <u>Card transactions as an Issuing Bank (Interchange Commission):</u></p> <p>a) For issuer transactions fees received, the place of supply of services is presumed to be the location of the Card centre of the Bank. In the case of card transactions (other than VISA and Master), NPCI furnishes counter party details, on the basis of which invoices can be generated on the respective Banks.</p> <p>b) In respect of income on account of issuer transactions utilising VISA & Master card, Counter Party Bank from whom we are getting commission is not provided to the card issuing Bank.</p>	<p>(2) The proposed system is in continuation of existing service tax regime.</p>

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		<p>Hence, raising an invoice on the counter party Bank will not be possible. Banks may have to discuss with VISA & Master for getting the details in such cases.</p> <p>c) It is also suggested to increase the Input Tax Credit for Banking and Financial Services, which is 50% right now. Banks would be benefited if the same is increased to 100%.</p>	<p>c) The availment of 50% ITC is optional for banks. They can avail 100% ITC under section 17(2).</p>
11.	UNITED BANK	<p>a) Currently it is not mandatory for the banks to issue invoice to customers. It is suggested that same provisions are continued in GST whereby furnishing of invoices to unregistered customers is not mandatory which will smoothen banks functioning.</p> <p>b) Since banks will be paying GST under reverse charge on the goods purchased and services availed from unregistered dealers which is an additional charge on Banks, the restriction of 50% ITC utilization be removed for the banks. Banks would be benefited if the same is increased to 100%.</p> <p>c) The limit of Rs. 5,000 for each registration per day is difficult to monitor. To consider relaxation of the provision of GST on unregistered dealers upto Rs.5000 per day per dealer per Bank Branch or office would reduce compliance issues at Banks having many Branches in a state. United Bank of India having maximum of its branches concentrated in West Bengal, North East and Orissa , this exemption is quite meagre.</p>	<p>a) As per Section 31 of CGST supplier is liable to issue a tax invoice</p> <p>b) The availment of 50% ITC is optional for banks. They can avail 100% ITC under section 17(2).</p> <p>c) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate) limits.</p>

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		<p>d) We are paid agency commission/turnover commission by RBI for conducting certain government businesses like disbursement of pension like maintaining of small savings like PPF, SCSS, KCY etc. It is not clear whether it will come under the ambit of GST or not.</p> <p>e) Whether in the case of agency business with State Governments for payment of pension, any other work like salary disbursements, etc., GST on the income earned thereon will have to be paid to the respective States?</p> <p>f) Banks are required to make payment to agencies such as CIBIL/CERSAI etc. with respect to regulatory requirements, on behalf of their clients. In respect of these items, GST on fees payable to such agencies is collected from the customer and is directly paid to the respective service providing agency; as there is no income accruing to the Bank out of such services. Hence, payment made by Banks to such agencies, on behalf of clients, should not be taxed at Bank's hands (i.e. GST should be at 0%).</p> <p>g) For free of cost and exempted services comprehensive list and detailed guidelines/ FAQs are required.</p> <p>h) Sector wise procedural clarification is not available along with the Act/Rules.</p> <p>i) Invoicing for Inter-state transaction and self invoicing may be dispensed for Banking sector.</p>	<p>d) Please see reply at Point No. 5- Corporation Bank.</p> <p>e) Please see reply at Point No. 5- Corporation Bank.</p> <p>f) If it satisfies the concept of Pure Agent under Rule 33 of CGST Rules then cost incurred by supplier shall be excluded from supply.</p> <p>g) Sector wise Guidance Notes and FAQs are being prepared.</p> <p>h) Sector wise Guidance Notes and FAQs are being prepared.</p> <p>i) Invoicing requirement has been relaxed for banking sector in CGST Rules.</p>

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12.	VIJAYA BANK	<p>(1) <u>Government Business (Pension disbursements): Central Government pensions & tax collection:</u> It is presumed that the Bank provides service to Central Government/ RBI and the commission is earned from RBI and that no service is provided to the account holder pan India to whose account the pension is credited. RBI is exempt from GST and there will not be any GSTN no. Similar will be the treatment for tax collection work, sale/retailing of Central Government/ RBI bonds. Clarification is sought as to which state the tax has to be paid on the commission received from RBI, Nagpur i.e. whether in entirety, it will be paid to Maharashtra GST or distributed State wise where the pension accounts of the beneficiaries are located?</p> <p>(2) <u>Agency services to State Government:</u> Whether in the case of agency arrangement with State Governments for payment of pension, e-stamping, any other work like salary disbursements, etc., GST on the income earned thereon will have to be paid to the respective States.</p> <p>(3) <u>Payment to unregistered suppliers:</u> Vide Notification No. 8/2017 dated 28.06.2017, Exemption from Reverse charge is not applicable where aggregate value of goods or services or both is received from any or all the suppliers who are not registered, exceeds Rs.5000/- per day. Vijaya Bank is having many rural branches and some of the branches are located in remote and hardship areas. For daily operational purposes, expenses on customer refreshments, Xerox , printing, branch cleaning expenses, etc are incurred which are essential for effective branch operations. It is difficult to find registered dealers in rural and remote areas for such expenses. The blanket inclusion of all URD supplies/services under reverse charge will</p>	<p>(1) Please see reply at Point No. 5- Corporation Bank.</p> <p>(2) Please see reply at Point No. 5- Corporation Bank.</p> <p>(3) GST Council has decided this limit as per Notification No.8/2017- Central Tax (Rate) limits.</p>

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		severely impact operational costs in remote areas/rural areas. We request for making limit of Rs.5000 as per URD vendor ceiling.	
13.	CITIBANK	<p>Citibank has requested clarity on the applicability of GST on interchange earned by an Issuing Bank in a card transaction. Summarized below is the brief background of the issue and the clarification they are looking for from a GST applicability perspective.</p> <p><u>Background:</u></p> <ul style="list-style-type: none"> a) Banks render debit/ credit card services to their customers which include card holders as well as merchant establishments facilitating card transactions. b) A Bank may provide such services in the capacity of an issuing bank (bank issuing credit cards) as well as an acquiring bank (bank providing infrastructure to merchant to accept card payments). A number of banks in the industry act in both the capacities whereas there are some banks which are acting only as an issuing bank or only as an acquiring bank. c) Issuing Bank, Acquiring Bank and the Card networks (VISA, Master, Rupay) play their respective roles to ensure that a transaction is effectively undertaken between the card holder and the merchant establishment. d) While making payments to the merchant for card purchases by card holders, Acquiring Banks retain the Merchant Discount (consideration towards support service provided by the Acquiring Bank to the merchant). A part of the Merchant Discount is shared with the Issuing Bank. Merchant Discount 	The understanding is that these are two separate supplies, one from the issuing bank to acquiring bank and other from acquiring bank to Merchant and thus GST is applicable on both supplies.

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		<p>charged by the Acquiring Bank will be subject to GST in the hands of the Acquiring Bank.</p> <p>e) On the other hand, Issuing Bank remits the funds to the Acquiring Bank through the Card networks after retaining its portion of Merchant Discount in the form of Interchange.</p> <p>f) The Merchant Discount is effectively income belonging to two beneficiaries / claimants at inception viz. the Acquiring Bank and the Issuing Bank and is taxed at inception.</p> <p>g) In summary, interchange due to the Issuing Bank, is disbursement of money from the gross amount which has already suffered tax at inception in the hands of the Acquiring Bank (as Merchant Discount) and should not be liable to fresh levy of GST at the time of movement of money between the Acquiring Bank and the Issuing Bank as the said levy would result in double taxation of the same consideration.</p> <p><u>Clarification required:</u> Citibank has requested to clarify if an Issuing Bank will be liable to pay GST on interchange, given that at inception the Issuing Bank's share in the Merchant Discount has already been taxed in the hands of the Acquiring Bank and the flow of money later is not taxable under GST. The clarification will help clear the recent confusion in the minds of customers on double taxation of credit card transactions. Clarification of the stance is required so that any unintended consequences of an unclear/ negative position impacting larger usage of credit cards and digital payments by customers can be mitigated.</p>	
14.	KARUR VYSYA BANK	(1) <u>Payment of mandatory fees like CGTMSE, CERSAI, CIBIL etc.:</u> Banks are required to make payment to these agencies in respect of mandatory / regulatory prescriptions, on behalf of their	(1) If it satisfies the concept of Pure Agent under Rule 33 of CGST Rules then cost incurred by

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		<p>clients. In respect of these items, GST on fees payable to such agencies is levied from the customer and is directly paid to the respective agency; there is no income accruing to the Bank out of such services. Hence, payment made by Banks to such agencies, on behalf of clients, may not be taxed in Bank's hands (i.e. GST should be at 0%).</p> <p>(2) <u>Concession given to employees</u>: It proposed to tax free supplies made by the employer to an employee, based on valuation rules. Banks, typically, allow small concessions like free ATM withdrawals, waiver of penalty for non-maintenance of minimum balances etc. to their employees. As the amounts of fee / charges of such facilities are not quantifiable and are of low value, the same may be kept out of the ambit of GST.</p>	<p>supplier shall be excluded from supply.</p> <p>(2) The amount of such service has to be quantified and will have to be considered under :</p> <p>Schedule 1 (Activities to be treated as Supply even if made without consideration): Supply of goods or services or both between related persons or between distinct persons as specified in section 25, when made in the course or furtherance of business:</p> <p>Provided that gifts not exceeding fifty thousand rupees in value in a financial year by an employer to an employee shall not be treated as supply of goods or services or both.</p>
15.	SUMITOMO MITSUI BANKING	<p>a) Free of cost services - detailed guidelines/ FAQs are required to resolve interpretational matters.</p> <p>b) Reverse charge on Services from Unregistered Vendors -</p>	<p>a) Sector wise Guidance Notes and FAQs are being prepared.</p> <p>b) Sector wise Guidance Notes</p>

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
	CORPORATION	detailed guidelines/ FAQs are required like on Self invoice etc.	and FAQs are being prepared.
16.	LAKSHMI VILAS BANK	<p>a) Industry/sector wise procedural clarification is not available along with the Act/Rules.</p> <p>b) Similar to approved GSPs, the list of ASPs may also be made available for uniformity in procuring the application software.</p> <p>c) Self-invoicing in respect of unregistered vendors and payment of GST thereupon. The limit of Rs. 5,000/- is too small for a state since banks have multiple branches in a state.</p> <p>d) Invoicing of Inter-state transactions.</p> <p>e) GST liability on perquisites paid to employees</p> <p>f) Accounting of Charges like stock audit payment, valuation fee for borrowal accounts and whether these charges will attract GST since these are collected from the borrower and paid to the auditor/consultant.</p>	<p>a) Sector wise Guidance Notes and FAQs are being prepared.</p> <p>b) GSTN is being requested to examine this.</p> <p>c) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate).</p> <p>d) This is mandatory as per law.</p> <p>e) Please refer to Schedule 1 (Activities to be treated as Supply even if made without consideration)</p> <p>f) If falling under rule 33 of CGST rules (pure agent) then not to be considered as part of valuation of service being rendered by Bank. There cannot be general guideline on this as it will depend upon the facts of the case.</p>
17.	CATHOLIC SYRIAN BANK	<p>(1) <u>Accounting of Inter branch transactions - How to value the transactions?</u></p> <p>a) Example: Printing & Stationery items supplied by the Bank to</p>	(1) Rule 28 of CGST Rules, to be applied.

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
		<p>their branches in the other states, how the taxable value will be decided in order to raise the invoice.</p> <p>b) Processing of Loans: Processing of Loan handled at head office level, however the processing fee will be accounted at branch level, in this case branch is receiving service from HO, how the taxable value will be decided?</p> <p>(2) <u>Non collection of charges</u> from customers based on product features (i.e. no charges collected from platinum card holders) - Whether GST will apply on notional income basis? Non collection of charges from staff members (based on internal circulars) - Whether GST will apply on notional basis?</p> <p>(3) <u>Charges recovered</u> from Customer before implementation of GST (under Service Tax regime) and to maintain customer relationship, it is reversed on or after 01.07.2017, whether GST or Service tax is required to be reversed on the said reversal? If not, how it is to deal with? Whether GST also can be reversed by issuing of credit note? As per clause 34 of CGST Act, 2017 credit note can be issued if the service are found to be deficient, however in our case there is no deficiency in the service provided, and charges are reversed to maintain business relationship.</p> <p>(4) <u>Whether Bond amount and notice pay recovery</u> from staff members will attract GST?</p>	<p>(2) If such discounts to platinum card holders already existed in the agreement then No GST, but if not mentioned in the agreement/contract the GST</p> <p>(3) It will be reversed and credit note can be used.</p> <p>(4) The amount being recovered is in consequence of employment contract and if covered under clause 1 of schedule III, it will be treated as neither a supply of goods nor of services.</p>

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
		<p>(5) Whether the <u>sale of PSLC</u> will attract GST?</p> <p>(6) Basis for <u>distributing Input tax credit under ISD</u>. (Example: Credit received on DICGC insurance premium paid at HO level, on what basis it will be distributed to the other state branches, as there could be dispute on allocation of income at state level.)</p>	<p>(5) Yes.</p> <p>(6) Turnover criteria in line with rule 39 of CGST rules, 2017.</p>

(B) INSURANCE COMPANIES

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
1.	LIFE INSURANCE CORPORATION	<p><u>Payment to unregistered persons:</u> Payment to unregistered person by a registered person up to Rs. 5000/- per day is exempt under GST vide Notification dated 28th June, 2017. LIC, the registered person in a state, is having a large number of offices under one registration and the limit of Rs. 5000/- per day is difficult to compute. Instead payment to unregistered person up to Rs. 5000/- per day per office may be exempted.</p>	GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate) limits
2.	NEW INDIA ASSURANCE	<p>(1) <u>Limiting the digits in tax invoice to 16 characters:</u> This is to submit that the digits in the tax invoice have been restricted to 16 characters, whereas the characters in the policy document across the industry has more than 16</p>	(1) If possible the industry may identify 16 characters or otherwise the rule needs to be re-examined.

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
		<p>characters. It is requested to consider removing this restriction for Insurance sector.</p> <p>(2) <u>Inter office transactions:</u> The company has presence in all the states across the country and being a service industry almost all the offices service policies issued by other offices. In view of this inter branch transactions would involve hundreds of invoices being issued on each other. The sector would request that though transaction level data of inter branch activity would be kept ready for record and verification and shall be the basis for tax payment under GST, the sector be permitted to raise one consolidated invoice every month on each state .This would entail each state raising 36 invoices for inter branch activity instead of thousands of invoices.</p>	<p>(2) Second proviso to Rule 47 may be helpful.</p>
3.	UNITED INDIA INSURANCE	<p>(1) <u>Time limit for issue of credit note:</u> Since the industry has taken a stand that policy document is to be treated as Invoice, hence subsequent endorsements on the policy (both positive and negative) is to be taken as Debit Note and Credit Note. Section 34(2) of the CGST Act, 2017 prescribes time limit for this. As per section 34(2) of CGST Act, 2017 “<i>Any registered person who issues a credit note in relation to a supply of goods or services or both shall declare the details of such credit note in the return for the month during which such credit note has been issued but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier</i>”. Since on a policy refund endorsement can be</p>	<p>Section 34(2) provides for the maximum time limit in which credit note can be issued with tax implications. Otherwise there is no time limit to the issuance of credit notes.</p>

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
		<p>passed any time, the time limit of credit note will create various troubles later on.</p> <p>(2) <u>Valuation of Inter offices services:</u> As per Rule 6(7), “<i>The value of taxable services provided by such class of service providers as may be notified by the Government on the recommendations of the Council as referred to in paragraph 2 of Schedule I between distinct persons as referred to in section 25, where input tax credit is available, shall be deemed to be NIL</i>”. GI Council can request GST council to notify General Insurance Companies for the same.</p> <p>(3) <u>Tax on Reinsurance Commission:</u> As of now Tax on Reinsurance commission is not payable as per CBEC circular in this regard. We request that a demand can be made to issue same circular in GST regime also.</p> <p>(4) <u>Extension of Direct side exemption to Reinsurance Transactions:</u> As per classification scheme of services Reinsurance is classified as separate service from General Insurance service. That means any exemption available for General insurance will not be available to Reinsurance business unless it is specifically stated. Since most of the Direct side insurance is ceded and amount of GST paid on ceding premium is very huge. If input credit is not available for the same the entire amount has to be debited to P&L , which may be a major loss.</p>	<p>(2) Rule 28 of CGST Rules, 2017 would be helpful.</p> <p>(3) More facts are required to examine the issue.</p> <p>(4) The issue is being further examined.</p>

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
		<p>(5) <u>Exemption of Crop Insurance from GST:</u> In the notification No. 12/2017- Central Tax (Rate) dated 28th June, 2017, Crop Insurance is not mentioned as defined exemption. This may raise an issue in the future regarding eligibility of exemption in case of crop Insurance. In the administrative guidelines of Crop Insurance it is given that the scheme is extension of Modified agriculture scheme hence the exemption applied earlier is available for crop insurance also. But till date there is no official notification of the department for exempting crop insurance.</p> <p>(6) <u>CENVAT Reversal for Exempted Services:</u> As discussed earlier, many insurance products has been declared as exempt from GST. As per section 17 of CGST Act, 2017 no input credit can be claimed for GST paid on inputs which are used for providing exempted services. In case of crop insurance which has major chunk of premium, is totally exempt from GST. More than 80% premium is ceded, which has huge amount of Input Credit, which will not be available for credit. Our suggestion is that it should be placed under zero rated category or to be taxed with minimum rate.</p>	<p>(5) The issue is being further examined.</p> <p>(6) The issue is being further examined.</p>
4.	MAX LIFE INSURANCE	<p>(1) <u>GST required to be paid under Reverse charge on commission payments to insurance agents:</u> In case of services received from corporate agents who are registered under GST law, there is requirement to obtain invoices from them and ITC will be allowed on the basis of returns filed by the service provider (like Corporate Agents). Now there may be mismatches against GST paid by service recipient due to non filling of returns or non issuance of</p>	<p>(1) ITC availment is based on conditions mentioned in section 16 which are statutorily mandated.</p>

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
		<p>invoices by service provider and this may result issues in availing GST credits. It is recommended that ITC should be available on the basis of payment of Challans by the service recipient irrespective of filing of return/invoice issuance by the service provider.</p> <p>(2) <u>In case of payment to unregistered dealer</u>, supplies received up to Rs 5000 per day are exempt. Take an example that in one state there are 25 branches and on an average it works out Rs 200 per day per branch. Stated amounts are insufficient to run the branch. Hence, it is recommended that the limit be raised to Rs 5,000 per day per vendor per branch.</p> <p>(3) The Government clarified in the second master class that for premium received by life insurance companies, the <u>policy document would be treated as invoice</u>. With this, we understand that there is no requirement for separate invoice issuance against ULIP/other charges under a policy. This would go a long way in easing out the processes and compliances.</p> <p>(4) <u>Free Look Up cancellation</u> is the option which is mandated by the IRDA to be given to the policyholders. In such scenarios, policies issued with ST (prior to July) would be subject to reversal of ST paid to Govt earlier. Currently there is no provision under GST to adjust these ST amounts. It should be allowed under Transitional provisions that such reversals should be adjusted against GST liability for current period to avoid double payment/cash flow/other</p>	<p>(2) GST Council has decided this limit as per Notification No.8/2017-Central Tax (Rate) limits.</p> <p>(3) More facts are required to examine the issue.</p> <p>(4) The issue is being further examined .</p>

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
		<p>procedural issues and avoid unnecessary transactional burden on GSTN.</p> <p>(5) In case where <u>Motor Cars are purchased by the insurance companies for usage of employees</u>, in these cases ITC is not available on the GST component paid by the company to the vendors. After 5 to 7 years, company transfers these used motor cars to the employees then basis current understanding GST is applicable on such transfers @ 43%. It results in total GST around 61% (18% levied at purchase of motor cars + 28 % levied on Sale of motor cars + 15% cess levied on sale of motor cars). We believe this is not the intent of the law to levy 61% GST on the transaction without CENVAT credit. We recommend GST rate on transfer of used motor cars from the company to its employees to be at the rate of 18% only (including cesses if any) on which taxes were paid earlier. Also, ITC should be allowed on purchase of Motor Cars by the companies to its employees.</p>	<p>(5) The issue is being further examined.</p>

(C) FINANCIAL INSTITUTIONS

SN	NAME	LEGAL & PROCEDURAL ISSUES	REMARKS FROM CBEC
1.	EXIM BANK	EXIM Bank is not facing any legal issues in the implementation of GST.	None
2.	NABARD	NABARD has not faced any legal or procedural issues. No specific problems are reported. The problems encountered are more of the nature of settlement of pending bills as on 30 th June 2017, etc.	None
3.	SIDBI	Relaxation may be considered for issue of invoice for Inter Branch transactions, as issue of invoice for inter branch transactions within SIDBI shall involve additional burden of tax as well as additional work load.	Rule 47 of CGST Rules, 2017 may kindly be referred.
