

GST NEWSLETTER

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**LEADING FINANCIAL
ADVISORY AND BUSINESS
COUNSULTING FIRM**

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**GST Newsletter:
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ARTICLE

GST On Electric Vehicle, Hydrogen Fuel Vehicles And Hybrid Vehicles

Introduction :

The world is currently facing a climate crisis with pollution being at its highest and global warming estimated to breach the 1.5C increase set by the Paris Agreement by 2025. While governments seek to reduce their carbon footprint by promoting climate friendly solutions, private players have also sought to play a bigger role in the field. The most popular of them and also one of the most polluting is, of course, the automobile industry. Further, rising fuel prices due to close control on supply and burden of high taxes has made consumers to think of better alternatives.

Elon Musk's Tesla electric car is currently the most popular vehicle manufactured in large scale and also the most preferred by customers in USA. While in India, automobile manufacturers such as Tata and Hyundai have already released their versions of electric cars such Nexon EV and Kona EV respectively. In the two-wheeler segment companies like Aether have gained a foot hold while Ola is the current new entrant; with all of them riding the negative sentiments against rising fuel costs. Then there are the hybrid vehicles like Toyota Prius which implement a mix of fuel and electricity in order to reduce the fuel burden and carbon footprint.

Considering that Electric Vehicles are the next big thing in the automobile industry, the taxation aspects of Electric Vehicles has implications on the prices to be determined for these vehicles.



GST On Electric Vehicle

Taking note of the increased preference for electric vehicles and the implementation of FAME India (Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles in India) phase 2 in April 2019, the GST council recommended the reduction of GST rates for electric vehicles in their 36th GST Council Meeting held on 27th July 2019. The CBIC (Central Board of Indirect taxes and Customs) notified the same in July 2019:

Sl. No.	HSN code	Particulars	Previous GST rate	Current GST rate	Notification
1.	8504	Charger or charging station for Electrically operated vehicles.	18%	5%	12/2019-Central Tax (Rate) dated 31.07.2019
2.	8703	Electrically operated vehicles, including two and three wheeled electric vehicles and E-bicycles.	12%	5%	
3.	9966	Service of giving on hire to a local authority ¹ an electrically operated vehicle meant to carry more than twelve passengers.	5%	Exempt	13/2019-Central Tax (Rate) dated 31.07.2019

Here,

- ✓ Electrically operated vehicles refer to vehicles which are run solely on electrical energy derived from an external source or from one or more electrical batteries fitted to such road vehicles.
- ✓ Charger & charging stations may refer to devices used to transfer the electrical energy from a power outlet to the vehicle's battery.

Hence, GST rates on sale of electric vehicles were reduced to 5% from 12% whereas chargers and charging stations used for electric vehicles were reduced from 18% to 5%. Hiring of electric vehicles by local authorities were rendered exempt provided the vehicles had a seating capacity of 13 or more passengers. There is no Cess applicable for electric vehicles.

GST On Hydrogen Fuel Cell Vehicles

Hydrogen fuel cell vehicles are, in essence, electric vehicles but use a hydrogen fuel stored in cells to convert the hydrogen gas to electrical energy to run the vehicle. Fuel cell cars are not considered as electrically operated as the energy used to run the vehicle is hydrogen fuel converted to electricity through a chemical process. There is no Cess applicable for fuel cell vehicles.

Sl. No.	HSN code	Particulars	Previous GST rate	Current GST rate	Notification
1.	8703	Fuel Cell Motor Vehicles	12%	12%	18/2018-Central Tax (Rate) dated 26.07.2018

GST On Hybrid Vehicles

Hybrid vehicles run on both a combustion engine with petrol / diesel as fuel and a small electric motor which increases fuel efficiency. Currently, there is no reduction in GST rates for hybrid vehicles which is at GST rate of 28% and Cess of 15% and classified under 8702.

Sl. No.	HSN code	Particulars	Previous GST rate	Current GST rate	Notification
1.	8702/ 8703	Vehicles, with both spark - ignition or compression - ignition internal combustion reciprocating piston engine and electric motor as motors for propulsion	28% + nil to 15% Cess	28% + nil to 15% Cess	01/2017-Central Tax (Rate) dated 28.06.2017

GST On Spares

Though the GST rates on electric vehicles are reduced to 5% GST bracket, the lowest GST rate possible, there is however, no reduction is the spares and accessories that are fitted with these vehicles. Currently some of the spares that are charged are:

Sl. No.	HSN code	Particulars	Previous GST rate	Current GST rate	Notification
1.	8706	Chassis fitted with engines			
2.	8707	Bodies for the motor vehicles	28%	28%	01/2017-Central Tax (Rate) dated 28.06.2017
3.	8708	Parts and accessories of the motor vehicles			
4.	8507	Lithium-ion Batteries (spare batteries for electric vehicles)	18%	18%	18/2018-Central Tax (Rate) dated 26.07.2018

Local authorities refer to the definition as per Section 2(69) of the CGST Act, 2017 and means:

- ✓ a "Panchayat" as defined in clause (d) of article 243 of the Constitution;
- ✓ a "Municipality" as defined in clause (e) of article 243P of the Constitution;
- ✓ a Municipal Committee, a Zilla Parishad, a District Board, and any other authority legally entitled to, or entrusted by the Central Government or any State Government with the control or management of a municipal or local fund;
- ✓ a Cantonment Board as defined in section 3 of the Cantonments Act, 2006 (41 of 2006);
- ✓ a Regional Council or a District Council constituted under the Sixth Schedule to the Constitution;
- ✓ a Development Board constituted under article 371 and article 371J of the Constitution; or
- ✓ a Regional Council constituted under article 371A of the Constitution;

Compliance and Accounting measures to be undertaken by businesses in the month of September 2021 for GST.

With the month of September 2021 arriving business are reminded of section 16(4), proviso to section 34(3) and proviso to section 39(9) of the CGST act, 2017 and KGST Act, 2017 wherein taxpayers cannot claim Input Tax Credit (ITC) or make such changes to their GSTR 1 & GSTR 3B after September 2021 return filing due date. They are required to take certain measures in their GST compliances and books of accounts pertaining to the period FY 2021-22 in order to mitigate any issues in the future either with the GST officials or their customers and suppliers. We have prepared a list of such measures which may of importance to the taxpayers.

In Form GSTR 1:

Sl. No.	Issue	Measures	Consequences
1.	Sales / Credit notes / Debit notes not disclosed	Disclose the transaction by providing the correct invoice numbers and original date and amount	If not disclosed in GSTR 3B, then interest will be payable
2.	Sales / Credit notes / Debit notes being B2B disclosed as B2C	Reduce or increase the taxable value of B2C of the particular period by way of amendment AND disclose the taxable value in the B2B tables with the original document nos. and date	Since, the GST on the transaction is paid in 3B, there will not be any interest. But the customer should be notified so they can check their ITC claim
3.	Sales / Credit notes / Debit notes being B2B disclosed with incorrect document nos, date or GSTIN.	Amend the original B2B invoice / credit / debit note and provide the correct details.	Since, the GST on the transaction is paid in 3B, there will not be any interest. But the customer should be notified so they can check their ITC claim

4.	Sales / Credit notes / Debit notes of lower GST rate disclosed in higher GST rate	Amend the original invoice / credit / debit note or B2C sales and provide the correct details.	Verify if excess tax is paid in GSTR 3B. If so, then reduce the tax payable for September 2021.
5.	Sales / Credit notes / Debit notes of higher GST rate disclosed in lower GST rate	Amend the original invoice / credit / debit note or B2C sales and provide the correct details.	Verify if lower tax is paid in GSTR 3B. Interest will be payable on the differential paid now.
6.	Advances not disclosed / wrong disclosed	Amend the original advance amount stated by entering the correct figures	If not disclosed in GSTR 3B, then interest will be payable
7.	Adjustment of advances not disclosed / wrong disclosed	Amend the original advance adjustment amount stated by entering the correct figures	If not disclosed in GSTR 3B, then the taxpayer may have paid excess GST.
8.	Export details not disclosed / wrong disclosed including shipping bills / port code	Amend the original export invoice details stated by entering the details	If not disclosed in GSTR 3B, then refund claim may be affected
9.	Exempt / Non-GST / Nil rated supplies not disclosed	Disclose the supplies in GSTR 1	Disclose the supplies in GSTR 3B
10.	HSN codes not provided / incorrectly provided	No amendment possible.	No effect on GSTR 3B
11.	Document details not provided / incorrectly provided	No amendment possible.	No effect on GSTR 3B

In Form GSTR 3B:

Sl. No.	Issue	Measures	Consequences
1.	Sales / Credit notes / Debit notes not disclosed	Include the value in the sales to be disclosed in September 2021	Interest will be payable for late payment of GST at 18% p.a.
2.	Advances not disclosed / wrong disclosed	Include the value in the sales to be disclosed in September 2021	Ensure that proper reconciliation is done between GSTR 1 & 3B for advances. Interest may be payable at 18% p.a.
3.	Adjustment of advances not disclosed / wrong disclosed	Reduce the value in the sales to be disclosed in September 2021	Ensure that proper reconciliation is done between GSTR 1 & 3B for adjustment of advances
4.	ITC of 20-21 not claimed	Claim the ITC in the month of September 2021 after confirming the same is available in GSTR 2A	Ensure that the same is accounted in books if not already
5.	ITC of 20-21 excess claimed due to non-reconciliation with / non-availability in GSTR 2A	Carry out a reconciliation of the ITC claimed earlier and the availability of the same in GSTR 2A. If not available, then reverse the ITC under others in 3B	Interest will be payable for excess claim of ITC at 24% p.a.
6.	ITC of 20-21 appearing in GSTR 2A but not claimed in GSTR 3B	Carry out a reconciliation of the ITC available in 2A with books of accounts. If the ITC is valid but not accounted, then account and claim in September 2021. If the invoice of the ITC is not available or is invalid for claim, then ignore the ITC	Claim ITC only if valid and invoice is available.

7.	ITC reversal in terms of Rule 42/43	Carry out an ITC reversal exercise based on proportion of exempt turnover to total turnover and the ITC to be reversed. Disclose the ITC to be reversed in 3B	If ITC has not been reversed or there is a short-fall then reverse the ITC and pay interest of 24% p.a. If ITC is reversed in excess, then the balance ITC can be claimed in September 21
8.	Ineligible ITC claimed	Reverse the ITC under others and disclose the same in GSTR 3B	Interest of 24% p.a. will be payable
9.	ITC reversed for non-payment within 180 days but not re-claimed	Carry out a reconciliation of the ITC reversed and ensure that the same is paid to suppliers. Re-claim the ITC in September 2021.	Verify the ITC claimed.
10.	ITC not reversed for non-payment within 180 days	Carry out a reconciliation of the ITC of FY 2020-21 for which payment is not made till September 2021 and reverse the same under others	Interest of 18% p.a. will be payable.
11.	RCM expenses not paid / short paid	Verify the eligibility of the RCM transaction and pay the RCM in September 2021 and claim the ITC	Interest at 18% p.a. will be payable.
12.	CGST & SGST paid as IGST	Increase the CGST & SGST liability and reduce the IGST liability in GSTR 3B	Ensure the POS is amended in GSTR 1
13.	IGST paid as CGST & SGST	Increase the IGST liability and reduce the CGST & SGST liability in GSTR 3B	Ensure the POS is amended in GSTR 1

NOTIFICATIONS AND CIRCULARS FOR THE MONTH OF AUGUST 2021

✓ Three Central Tax Notification. - [Click here](#)

Sl. No	Subject	Notifications/Circulars No. Date of Issue
1.	Seeks to extend timelines for filing of application for revocation of cancellation of registration to 30.09.2021, where due date for filing such application falls between 01.03.2020 to 31.08.2021, in cases where registration has been canceled under clause (b) or clause (c) of section 29(2) of the CGST Act.	34/2021-Central Tax dated 29.08.2021
2.	Seeks to extend FORM GSTR-3B late fee Amnesty Scheme from 31.08.2021 up to 30.11.2021.	33/2021-Central Tax dated 29.08.2021
3.	Seeks to make seventh amendment (2021) to CGST Rules, 2017.	32/2021-Central Tax dated 29.08.2021

DUE DATES OF GST FOR THE MONTH OF SEPTEMBER 2021

SEPTEMBER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6	7	8	9	GSTR-7 & GSTR-8 10	* GSTR-1 11
12	* IFF 13	14	15	16	17	18
19	* GSTR-3B/5/5A 20	21	22	23	24	* PMT-06 25
26	27	28	29	30		

2021

* Monthly return for taxpayers with Annual Turnover more than Rs.1.50 Crores or Taxpayer who has opted Monthly return option.

* For taxpayers with Annual Turnover less than Rs.1.50 Crores or Taxpayer who has opted quarterly return option (QRMP).




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