

June 22 GST Council meet may give relief to foreign airlines

Clarification could end uncertainty around some services

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The Goods and Services Tax (GST) Council, scheduled to meet on June 22, could take a call on ending uncertainty on taxing foreign airlines and shippers as regards certain services, a senior official in the know told *Business Standard*.

He said the Council was expected to decide on exempting the services in question from GST — aircraft lease rentals, maintenance, crew salaries, etc. These services are provided by foreign airlines to their Indian operations.

Multiple foreign airlines and shippers have received notices for not paying GST on services rendered by their headquarters to the Indian arms.

Following this, foreign entities have approached the finance ministry and their respective embassies, seeking a resolution to the issue.

The head of the International Air Transport Association warned early this month airlines could withdraw from the Indian market if this issue was not resolved.

The fitment committee, comprising revenue officials of the central government and states, is learnt to have reviewed the matter and made recommendations, which will be presented to the Council when it meets.

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Bring petro products, electricity, realty under GST: CII president

Petroleum products, electricity, and real estate must be brought under the ambit of the GST, CII President Sanjiv Puri on Thursday said addressing the press for the first time after assuming charge last month. 6 ▶



new-age companies.

“We believe that the OPI (overseas portfolio investment) route under the Overseas Investment Rules, coupled with the FIF regime in the IFSCA, allows Indian families to structure global investment under a flexible regime. We understand the RBI wants to be more cautious before permitting these remittances and would want to build guardrails around the end use of such remittances,” said Sahil Shah, partner, Khaitan & Co. To facilitate FIFs, the IFSCA last year clarified matters on participation by family-controlled entities, sharing economic interests with employees, setting up additional pooling vehicles, declaration by family members, etc.

This was to remove ambiguity and difficulties family offices face in setting up operations at GIFT-IFSC. Legal experts say an FIF would help family offices invest up to 50 per cent of their net worth through this vehicle, be more cost-effective than setting up an office abroad, and allow them to save on their own individual liberalised remittance scheme (LRS) limit.

The LRS is the individual global remittance limit of \$250,000 allowed by the RBI.

GST Council meet...

The panel examined whether it was considered “reimbursement of expenses” to the India offices of overseas entities, and could be exempted, another official said. A clarification will be issued once approved by the GST Council, the official cited above said. Tax authorities say since the Indian arms are separate legal entities, these services provided by the headquarters are subject to tax in India.

The Directorate General of GST Intelligence, the GST investigation arm, issued the notices and alleged services provided to head offices abroad by the Indian entity were liable to pay GST on a “reverse charge basis”.

In a reverse charge the recipient of goods or services and not the supplier pays GST.

“Taxability and valuation of intra entity cross charges have been a vexed issue under GST with ambiguity continuing on whether there is an actual provision of service /supply from foreign head office to Indian branch to trigger GST, potential arguments on NIL valuation, etc,” said Abhishek Jain, indirect tax head and partner, KPMG. Clarification on transactions between foreign head offices and Indian branches will help contain litigation, Jain said. The GST Council meeting comes after eight months and needs to take up rate rationalisation, another expert said.

“A preliminary effort to include low-impact petroleum products such as natural gas within the GST ambit would be beneficial to business. The stability established in GST collection, together with the fact that GST changes are outside the Union Budget proposals, should provide an impetus to the GST Council in addressing various issues,” said M.S Mani, partner, Deloitte.

The fitment panel, which is meeting before the Council meeting, is expected to review the proposal of bringing natural gas within the GST ambit.

Tata Punch

The test

The Ministry of Road Transport and Highways has introduced an indigenous star-rating system for crash-testing cars. Under this system, vehicles will receive between one and five stars, indicating their safety in a collision. Known as BNCAP, this voluntary rating system was implemented on October 1, 2023.

Under BNCAP, cars nominated voluntarily by automobile manufacturers will undergo crash tests based on protocols outlined in the soon-to-be-published Automotive Industry Standard 197.