IT industry wants provisions out of model GST law

Complex billing, valuation will hit export of services, says Nasscom

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Industry body Nasscom believes that the Centre will need to exclude some provisions in the GST model law that could require IT companies to increase their compliance process manifold.

On Wednesday, in a meeting with the empowered committee of finance ministers, chaired by the finance minister of West Bengal, Nasscom raised issues the industry could face if the GST is passed in its current form. "We've not only had discussions with this committee; we've had discussions with the Finance Minister, Revenue Secretary, and also met some of the State finance ministers and finance secretaries.

"We believe these issues would be looked at. One thing is clear — all of them agree that there is a serious problem when IT services is concerned. But it is important for us to communicate all details," R Chandrashekhar, President of Nasscom, told *BusinessLine*.

Bone of contention

There are several issues raised by Nasscom over GST.

One of the key concern is that companies engaged in the supply of services on a pan-India basis will have to seek three registrations in 37 jurisdictions (29 States + 7 Union territories with legislature + Central Government) from just one single registration that is currently required.

Moreover, places of supply provisions may require multiple invoicing for services delivered under a single contract, if services are delivered from various offices/centres of the same entity.

Most importantly, Nasscom says that the export competitiveness of the IT sector could be impacted due to complex billing and invoicing requirements due to the place of supply and valuation.

Further, the reverse charge of GST on import of services used as input for services exported could lead to locking-in of working capital.

Internal valuation

"We've said that internal valuations have to be done purely on self declaration, full flexibility has to be provided to the company over place of supply of services, and there should preferably be single registration or at the very least single registration for central taxes for IGST and CGST," Chandrashekhar said.

"Successful implementation of GST for goods should not be on the basis of posing an unsustainable burden and grievous injury to the IT industry, which is one of the few sectors doing well," he added.