

Cos get relief from GST Council's clarifications

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NEW DELHI: Two clarifications issued by the [GST Council](#) on Friday are expected to provide major relief to businesses - captives of overseas companies in India that cater to other foreign businesses of their parents as well as Indian entities such as telecom outfits, insurers and banks that have operations across several states.

At its Lucknow meeting, the Council comprising union and state finance ministers decided to allow unutilised balance in CGST and IGST cash ledger to be transferred between distinct persons (entities having same PAN but registered in different states), without going through the refund procedure.

Tax practitioners said, this will be a major relief for businesses as an insurance company, which needs separate registration across states and union territories, can now use the unclaimed credit say, in UP, for meeting its liability in Maharashtra. While in the European Union even group companies can use the credit, the facility is limited to the same company in India. So, a conglomerate in India will not be able to use the credit available with its auto company for insurance company, the insurance company can use the credit across states.

"Businesses having multi-state operations will now be relieved that they are permitted to transfer the unutilised balance of credits across the states where they operate, making the working capital management more efficient," said M S Mani, senior director at consulting firm Deloitte.

The other relief will benefit captive businesses of multinationals, such as Citibank or Standard Chartered, which use their India facility for transactions in the US or the UK. A ruling had made life tough for these entities, arguing that they will have to pay 18% GST on services rendered to entities outside India. While the [Central Board and Excise and Indirect Taxes](#) had issued a clarification, the issue could not be resolved.

"The government has proposed to issue clarification on some of the crucial areas of disputes like intermediary services, which is going to be highly relevant for resolving conflicts for BPOs, other backend global offices, etc and put an end to unnecessary litigations," said Abhishek Jain, tax partner at EY India.