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GOVERNMENT OF KERALA INTRODUCES THE KERALA FLOOD CESS

31 May 2019

Key Highlights

The Government of Kerala has introduced a cess as per clause 14 of the Kerala Finance Bill, 2019 called the “**Kerala Flood Cess**”.

Effective Date: The Kerala Flood Cess would be effective from the 1 June 2019 and will be in effect for a period of two years.

Levy: The Kerala Flood Cess would be levied on intra-state supplies of goods and/ or services made by a taxable person to an unregistered person in respect of supplies specified as under:

Category of Supply	Rate of Kerala Flood Cess on value of supply
Goods taxable at the rate of 1.5% SGST	0.25%
Goods taxable at the rate of 6%,9% or 14% SGST	1%
All Services under SGST	1%

Note: This cess would not be leviable on (i) supplies under composition levy, (ii) exempted supplies and (iii) supplies between two registered taxable persons.

Collection: The Kerala Flood Cess would be collectible on the taxable value of supplies as specified above, shown separately in the invoice and paid to the government along with the return.

Compliance to be undertaken

- Every taxable person liable to pay the Kerala Flood Cess is required to file a monthly return in the prescribed format

- The return is to be filed electronically through the official portal, www.keralataxes.gov.in
- No refund would be applicable for the Kerala Flood Cess
- The provisions of the Kerala State Goods and Services Tax Act, 2017 and Central Goods and Services Tax Act, 2017, and the rules made thereunder, would mutatis mutandis apply in relation to the levy and collection of the abovementioned cess

Comment

Kerala Flood Cess is intended to provide a major relief the state of Kerala which is grappling with the aftermaths of the massive flood that occurred in Kerala in August 2018. The collections from such cess would be used to meet reconstruction, rehabilitation and compensation needs of the state.

The Kerala Finance Bill, 2019 adopts the provisions contained in Kerala Goods and Services Tax Act, 2017 in relation to levy as well as collection thereof. Considering this, the said cess should not be included in the value for the purpose of Goods and Services Tax.

While the Notification specifies the effective date as 1 June 2019, it has been decided by the Government of Kerala that the Kerala Flood Cess will be implemented from 1 July 2019. Notification in this regard is awaited.

- *Dinesh Kumar Agrawal (Executive Director); Ankit A. Shah (Principal Associate) and Pranay Sahay (Senior Associate)*

For any queries please contact: editors@khaitanco.com

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Mumbai

One Indiabulls Centre, 13th Floor
Tower 1 841, Senapati Bapat Marg
Mumbai 400 013, India

T: +91 22 6636 5000
E: mumbai@khaitanco.com

New Delhi

Ashoka Estate, 12th Floor
24 Barakhamba Road
New Delhi 110 001, India

T: +91 11 4151 5454
E: delhi@khaitanco.com

Bengaluru

Simal, 2nd Floor
7/1, Ulsoor Road
Bengaluru 560 042, India

T: +91 80 4339 7000
E: bengaluru@khaitanco.com

Kolkata

Emerald House
1 B Old Post Office Street
Kolkata 700 001, India

T: +91 33 2248 7000
E: kolkata@khaitanco.com