

# FY 2021-22 Ending Activities in GST

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Indirect Tax proposals made through Budget 2022 indicate the intent of the government to tighten the compliance regulations regarding the availment of Input Tax Credit and other compliance requirements under GST.

Needless to say that seamless flow of Input Tax Credit which is the heart of GST is becoming seen less flow of ITC leading to heart break for taxpayers.

In this compliance burdened scenario, it has been observed that number of businesses often tend to miss this important aspect of Financial Year closing.

As we are approaching towards the end of FY 2021-22 and ushering towards new financial year, FY 2022-23, it is important to consolidate the data for previous financial year and undertake various compliance related requirements for the coming financial year. Thus, it is very imperative to focus on the financial year ending tasks.

This article is an attempt to provide you an illustrated checklist of various GST related compliances which form the part of your year-end compliance deliverables. Kindly find below the analysis of various errands that need to be taken care of at this juncture:

## 1. GST Compliance Requirements for Invoicing

- **Invoicing series to be renewed as on 1<sup>st</sup> April 2022:** Since a new Financial year is starting, tax invoice series need to be renewed as per Rule 46(b) of CGST Rules.
- **Debit and Credit Notes:** Debit and credit notes need to be issued in case of fluctuations made in the sales returns and purchase return made during the year to keep the records upto date.
- **Self-Invoicing and Payment Vouchers:** In respect of Reverse Charge Supplies and Inward Supplies in case of Import of Services received during FY 2021-22, issue of self-invoice need to

be taken care off. Non-issue of self-invoice leads to denial of ITC to the recipient. Also, it may review that the payment vouchers have been issued for all the payment for the supplies attracting reverse charge have been made.

## 2. GST Compliance Requirements for Outward Supplies

- **E-Invoicing:** Mandatory E-invoicing in case of outward supplies is applicable for turnover above Rs.20 crores w.e.f. 01st April 2022. Businesses need to take care that they have adopted mechanism to generate e-invoices as the failure may cause the denial of ITC to the recipient and this could result in the loss of business links.
- **Inter-Company and Inter-group Cross charge:** Ensure that all cross-charges for supplies made between distinct persons and with related parties (within India as well as outside India) are appropriately reported in the GST returns. It is also to be ensured that a formal agreement to be made by the Company with its distinct persons or related parties for the purpose of supplies of services by way of cross charge.

## 3. GST Compliance Requirements for Input Tax Credit

- **Time limit to avail ITC:** ITC for the FY 2021-22 can be taken upto the return for the month of September 2022. As a precautionary measure, creditors outstanding on March 2022 may be evaluated to ensure ITC on such invoices is taken.
- **ITC Reversal:** Reverse ITC on instances where the Company has not paid the consideration to the Supplier within 180 days from the date of supplier's invoice. Keep the Creditors reconciliation ready for the invoices above 180 days and take appropriate actions.
- **Reconciliation of ITC:** Keep monthly reconciliation between Purchase ledger Vs GSTR-2B ready to comply with the provisions of Rule 36(4) of CGST Rules, 2017 and follow up need to be done with the suppliers to furnish the details relating to outward supplies in their outward supplies returns in case the supplies are not reflected in the GSTR-2B statement.

- **Ineligible ITC:** It is to be ensured that ineligible ITC on supplies received during FY are reported in GSTR-3B of each month. In case the same is not reported during the FY then it can be reported in the return for the month of March 2022.
- **Identify supplies from Cancelled GSTIN:** It is to be ensured that the Input Tax Credit has not been taken on invoices from the suppliers whose GST registration has been cancelled or suspended for any reason during the FY 2021-22.
- **Ensure that suppliers are filing returns and making payment of taxes:** It is to be ensured that the suppliers are filing their outward supplies returns in Form GSTR-1 by including those supplies on which the recipient has availed ITC and also the supplier is making the payment of taxes on such outward supplies through Form GSTR-3B to avoid reversal of ITC along with interest at a later stage.
- **Identify supplies of capital assets on which ITC has been availed:** It is to be ensured that the Company has reversed ITC on supply of capital assets on which ITC had been availed on their purchase.
- **Ensure that ITC relating to Input Service Distributor is distributed in same month:** It is to be ensured that the input tax credit available for distribution in a month shall be distributed by Input Service Distributor in the same month.

#### 4. GST Compliance Requirements for Reconciliations

- **Reconciliation of GSTR-1 and GSTR-3B:** Reconciliation of outward supplies in GSTR-1 and GSTR-3B need to be done and if there is any excess outward supply is shown in GSTR-1, then identify it and pay tax with interest @18% as soon as possible.
- **Reconciliation of E-way Bill generated with GSTR-1:** It is important to have a reconciliation between the amounts of E-way generated during the year versus the amount of outward supply shown in GSTR-1. There can be instances where outward supply as per E-Way Bill is more than outward supply as per GSTR-1. That need to be checked with sale invoices and tax need to be paid, if required and similarly, if outward supply as per E-Way Bill is less than outward supply as per GSTR-1, that need to be reconciled.

- **Reconciliation of outward supply as per GSTR 1 or GSTR-3B with balance sheet:** This is an important step it would come handy while doing the income tax and GST audits and annual returns.
- **Reconciliation of ITC ledgers:** It is advisable to reconcile the GSTR-1 & 3B, cash ledger and credit ledger as per GSTN portal with the books of accounts. Tax wise Credit, cash ledger need to be matched with the respective ledgers as per books of accounts.

## 5. Other GST Compliance Requirements

- **Reverse Charge Liability:** It is to be ensured that the liability is being paid in respect of all input supplies notified for reverse charge and all the amendments have been taken care of. Check if the tax paid under RCM matches with ITC eligible under RCM.
- **Opting for Composition Scheme:** As per rule 3(3) of CGST Rules, any registered person who opts to pay tax under section 10 shall electronically file an intimation in FORM GST CMP-02, on the common portal, prior to the commencement of the financial year for which the option to pay tax under the aforesaid section is exercised. Therefore, it is to be ensured that such person opting to pay tax under Composition scheme shall file Form GST CMP-02 before the commencement of financial year.
- **Opting out of Composition Scheme:** As per rule 6(2) of Composition Rules, if the person ceases to satisfy any of the conditions mentioned in section 10 or these rules, shall issue tax invoice for every taxable supply made thereafter and he shall also file an intimation for withdrawal from the scheme in FORM GST CMP-04 within seven days of occurrence of such event. This need to be taken care off, if the composition dealer has ceases to satisfy the conditions of composition scheme during any part of the financial year or at the beginning of financial year.
- **Opting for Quarterly Return Monthly Payment Scheme:** Though QRMP Scheme has been introduced beginning from 1<sup>st</sup> January 2021, still there are following parameters which need to be taken care off at the beginning of the new FY.

- **Taxpayer wants to opt-out of QRMP scheme and want to become monthly filer:** Such taxpayers may change their filing frequency from quarterly to monthly from 1st February, 2022 to 30th April, 2022.
- **Taxpayer has been assigned quarterly frequency by system even when the aggregate turnover on PAN is greater than Rs. 5 crore:** Such taxpayers are advised to opt-out of scheme for quarter Apr-Jun'22 by 30th April 2022.
- **GST on Advance Receipts:** It is to ensure that GST has been paid on advances received from customers as on 31.03.2022.
- **Refund for FY 2019-20:** The last date to apply for a refund of GST related to FY 2019-20 is 31.03.2022. Ensure to timely make the compliances, if applicable.
- **Renewal of Letter of Undertaking:** Renewal application of LUT need to be filed online to have smooth export of goods/ services without payment of tax.
- **Job Work:** Ensure that the inputs sent out for job work activity have been received back within one year from the date of being sent out and three years in case of capital goods sent for job work. If not received back, the same will be treated as supply for GST payments and would entail interest outgo of 24%.
- **Updations in GST Registration Certificate:** Top 5 commodities and/ or services need to be updated on GST Registration Certificate system to ensure to accommodate/ add any new line of business within the year. Similarly, any updation or amendment with respect to address or constitution of business need to be ensured to be matching with the actual scenarios.
- **Reconciliation of GST TDS/ TCS credit:** It is to be ensured that the TDS/ TCS credit reflecting on the GST portal shall be reconciled with the TDS/ TCS balances appearing in the Books of Accounts.
- **Physical Stock Measure:** The physical stock needs to be reconciled with the stock according to the books of account. This would be fruitful in the case of Income Tax as well as GST audit. In case of any discrepancies, appropriate ITC reversals on goods lost/ stolen/ destroyed/ given free of cost should be considered.

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