

FY 2020-21 Ending Chores in GST

Date of Issue: 11th March 2021

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Since, we are approaching towards the end of FY 2020-21 and ushering towards new financial year, FY 2021-22, it is important to consolidate the data for previous financial year and undertake various compliance related requirements for the coming financial year.

Indirect Tax proposals made through Budget 2021 indicate the intent of the government to tighten the compliance mechanism and increase the scope of GST through various retrospective amendments. Needless to say Good and Simple Tax has not remained so simple.

In this compliance burdened scenario, it has been observed that number of businesses often tend to miss this important aspect of Financial Year closing. 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 chores that need to be taken care of at this juncture:

1. GST Compliance Requirements for Invoicing

- **QR Code on B2C supply Invoices:** QR code on B2C supply invoices by person having turnover above INR 500 crores is required to be printed from 01st April 2021.
- **Six Digit HSN Code:** Effective from 1st April 2021, it is imperative to note the number of digits of HSN code an invoice should contain:

Turnover	No. of digit of HSN
Upto 5 crores	4 digits
More than 5 crores	6 digits

- **Invoicing series to be renewed as on 1st April 2021:** Since a new Financial year is starting, tax invoice series need to be renewed as per Rule 46(b) of CGST Rules.
- **E-Invoicing:** Mandatory E-invoicing is applicable for turnover above Rs.500 crores w.e.f. 01st October 2020 and for turnover above Rs.100 crores w.e.f. 01st January 2020. 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.
- **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 received during FY 2020-21, issuing of self-invoice need to be taken care off. 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 Input Tax Credit

- **Time limit to avail ITC:** ITC for the FY 2020-21 can be taken upto the return for the month of September 2021. As a precautionary measure, creditors outstanding on March 2021 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-2A and GSTR-2B ready to avoid payment of interest.
- **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 2021.

3. 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.

4. Other GST Compliance Requirements

- **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 1st 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, 2021 to 30th April, 2021.
 - **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'21 by 30th April 2021.
 - **Taxpayer has been assigned monthly frequency by system even when the aggregate turnover on PAN is upto Rs. 5 crore:** At the time of assigning the frequency by the system, system considered the aggregate turnover of the taxpayer and the filing status of FORM GSTR-3B for the month of October 2020. If the said GSTR3B was not filed till 30th November 2020, the taxpayer were assigned to monthly frequency. The system allows the taxpayer to opt for QRMP scheme only if the last applicable return in FORM GSTR-3B, whose due date is over, is filed.

- **GST on Advance Receipts:** It is to ensure that GST has been paid on advances received from customers as on 31.03.2021.

- **Refund for FY 2018-19:** The last date to apply for a refund of GST related to FY 2018-19 is 31.03.2021. 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.

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