



The Directorate General of Taxpayer Services, (CBIC)
DGTS-DZU and KZU

Overview of GST Compliance under various sections

Pan-India Webinar on 09-01-20204 -03.00 PM

Follow the CBIC India channel on WhatsApp:
<https://whatsapp.com/channel/0029VaIHEmo9Gv7XcriPOW27>

Disclaimer

- This document is prepared for academic discussion purposes only and is not a legally binding opinion. All views stated are personal. They are not binding on the organizers of the event or any related association.
- All participants/members/listeners are kindly requested to go through all the related tax law provisions (Law, Rules, Notifications, Circulars.).
- The provisions of both the CGST Act and the State /UT GST Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such similar provisions, a reference to the CGST Act would also mean a reference to the same provisions under the respective State/UT GST Act.

Ignorance of the law is never an excuse,'

*As a taxpayer it is his duty to educate himself on all
tax obligations that he needs to fulfill.*

Topics for the day.

Understanding the
taxability of Goods
and Services Tax.

Registration.

Effecting Supply of
goods / services.

Documents relating to
supply of goods and
services.

Maintaining Accounts
for the outward and
inward supply.

Availing input tax
credit.

Reporting Self
assessment.

Consequence of non-
compliance.

Points to ponder

Q&A

Important Compliance

—Registration

- Section 22-30 of CGST Act, read with Rule 8-26

—Invoice, debit note and credit note.

- Section 31-34 of CGST Act, read with Rule 46-55.

—E-Invoicing

- Section 31 of GST Act –Rule 48(4) of CGST Rules

—E-way Bill-

- Section. 68 of CGST Act, read with rule 138, 138A, 138B, 138C, 138D

—Accounts and records-

- Section 35-36 of CGST Act, read with Rule 56-58

—Input tax credit-

- Section 16-21 of CGST Act, read with Rule 36-45

—Restrictions on availment of ITC –

- Section 17-Rule 42 and 43

—Returns and payments-

- Section 37-48 of CGST Act, read with Rule 59-84

—Export, imports and related procedure-

- Section 147 of CGST Act and Section 16 of IGST Act)

—Consequences of non- compliance under GST-

- (Section 47,122-138 of CGST Act, read with rule 162.

GST ‘Good and Simple Tax’.

- Prior to the GST, compliances were nightmare for taxpayer operating in multiple geographical locations.
- Multiple statutes, complex compliance mechanism, cascading effects of indirect taxes, classification disputes etc.. were some of the bottlenecks for the trade and industry.
- The implementation of the Goods and Services Tax (GST) has overhauled the indirect taxation system of India.
- In the last six years, the government has tried its best to keep it good and simple.
- Several amendments, notifications and clarifications have led to the evolution of this tax regime to simply by the business process of the indirect taxation system..

What is compliance?

- Compliance is the act of complying with a command, desire, wish, order, or rule.
- It can also mean adhering to requirements, standards, or regulations.
- Compliances are the backbone of any statute.
- GST law is no different.

What Is GST Compliance....?

- GST compliance refers to adhering to the rules & regulations of the Goods and Services Tax system.
- Adhering to GST compliance in India and maintaining the regulations is pivotal for businesses, evading unwanted penalties, and sustaining seamless operations.
- By comprehending and implementing the various provisions of GST compliance like e-invoicing, e-way Bills, invoice management, credit and debit notes, input tax credit, tax payment, return filing, and annual return and reconciliation, companies can ease the way they function.
- There are separate GST rules applicable to the Goods and Services Trades depending on their nature/size/operation/zone, etc.. and so, GST compliances vary from such businesses.
- By and larger GST compliances are digital and paper-less.

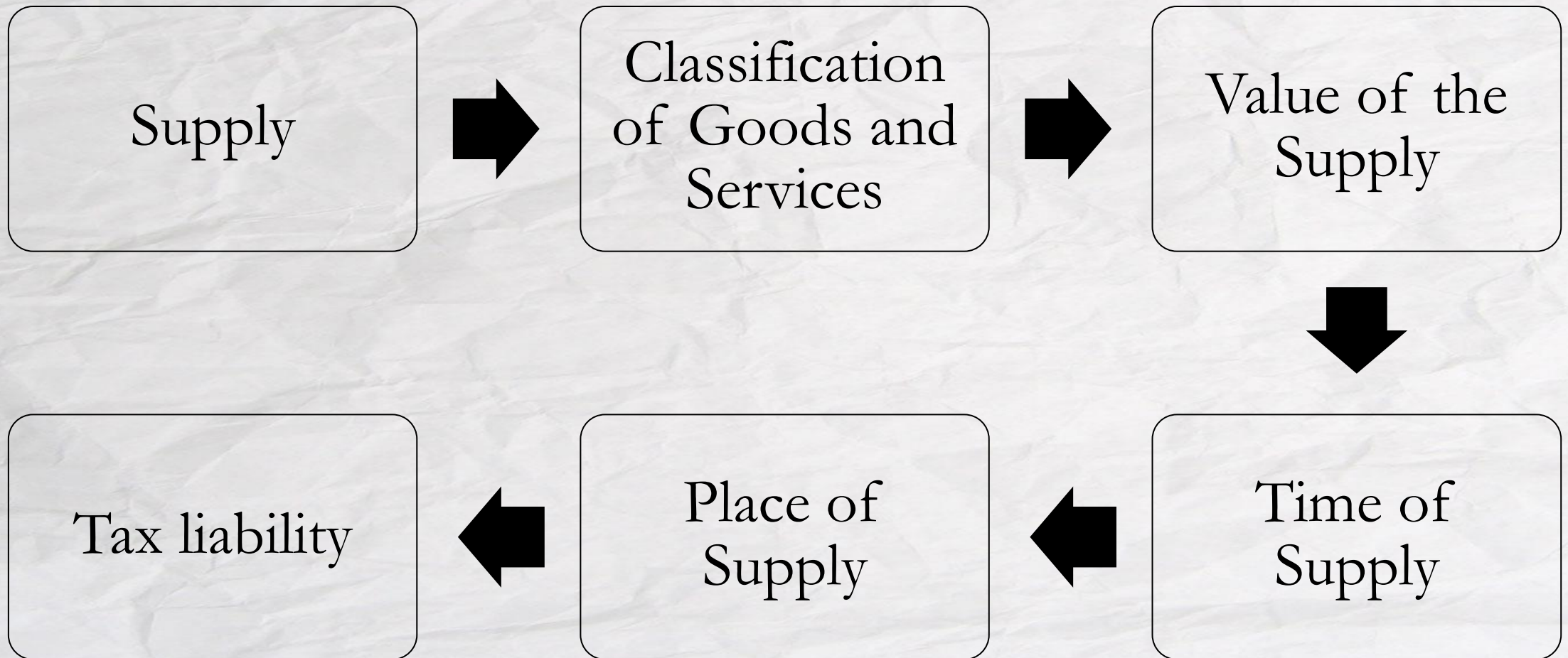
Primary Categories.

- There are many compliances to be adhered to as per the provisions of GST Act and Rules. But there are three primary categories to focus on.
 - Registration Compliance
 - Tax Invoice Compliance
 - Return Filing Compliance
- Many more compliances are also needs to be adhered to. But each of them may differ as per the set business there is.

Section 7. Scope of supply.

- Under CGST Act, central tax called as the central goods and services tax (CGST) shall be levied on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption.
- It shall be levied on the value determined under section 15 and at such rates, not exceeding 20%, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person

Factors for determination of tax liability in GST



Section 9 of CGST Act (Levy and collection)

—GST collection/charge have two types:

—Forward Charge:

- Supplier supplies goods/services or both to recipient, and Recipient make payment along with GST amount to Supplier. The Supplier is liable to pay GST amount to Government, which is collected from Recipient. Section 9(1) and section 9 (2) covers the Forward charge.

—Reverse Charge:

- Supplier supplies goods/services or both to recipient, and Recipient make payment without GST amount to Supplier. The Recipient is liable to directly pay the GST amount to Government. Section 9(3) and section 9 (4) covers the Forward charge.

—E-Commerce Operators.

- Sec 9(5)- Government may notify the Goods /Services or both in which e commerce operator will be liable to pay GST instead of supplier of goods. Like: OYO, Swiggy, Zomato, UBER, OLA.

Registration

(Section 22-30 of CGST Act, read with Rule 8-26)

Registration under GST. Section 22-30 of CGST Act, read with Rule 8-26)

- Once GST liability is determined as applicable the first to comply is “Registration” under Section.
- Under Goods and Services Tax (GST) law, a supplier is required to obtain registration (subject to certain conditions) in every state from where he makes taxable supply of goods or services or both.
- The law provides for various conditions/situations/circumstances under which the supplier of goods or services (or both) is required to obtain registration. These are:
 -

Registration based on aggregate turnover (Section 22)

- A supplier is required to obtain registration if the aggregate turnover of all the supplies made by him during a financial year (FY) exceeds:
 - INR 10 lakh: For the suppliers located in special category states² (can be enhanced to INR 20 lakh on request of the state)
 - INR 20 lakh: For the suppliers located in other states (can be enhanced to INR 40 lakh on request of the state)
- Section 2 (6) "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess;

Mandatory registration for the following category of persons (Section 24)

- Person making inter-State taxable supply of goods
- Casual taxable person making taxable supply
- Person liable to pay tax under reverse charge
- Input service distributor
- Person who make taxable supply on behalf of other taxable persons
- Non-resident taxable person making taxable supply
- Person liable to deduct tax deducted at source (TDS)
- E-commerce operator required to collect tax at source
- (TCS) under Section 52
- Person supplying online information and database access or retrieval (OIDAR) services from a place outside India (other than the registered person)
- Person who supplies goods through e-commerce operator who is required to collect TCS
- Such other person or class of person as may be notified by the government

Registration - Compliance requirements

Rule 10A. Furnishing of Bank Account Details

Rule 10B. Aadhaar authentication for registered person

Rule 10A. Furnishing of Bank Account Details.

- After a certificate of registration in FORM GST REG-06 has been made available on the common portal and a Goods and Services Tax Identification Number has been assigned, the registered person shall as soon as may be, but not later than forty five days from the date of grant of registration or the date on which the return required under section 39 is due to be furnished, whichever is earlier, furnish information with respect to details of bank account, or any other information, as may be required on the common portal in order to comply with any other provision.
- If Bank details is not provided, the Taxpayer will not be permitted to file GSTR-1

Rule 10B. Aadhaar authentication for registered person

- The registered person, other than a person notified under sub-section (6D) of section 25, who has been issued a certificate of registration under rule 10 shall, undergo authentication of the Aadhaar number.
- The proprietor, in the case of proprietorship firm,
- Any partner, in the case of a partnership firm
- The karta, in the case of a Hindu undivided family
- Managing Director or any whole time Director, in the case of a company.
- Any of the Members of the Managing Committee of an Association of persons or body of individuals or a Society,
- Trustee in the Board of Trustees, in the case of a Trust and of the authorized signatory.
- Aadhar Authentication is mandatory for following purpose.
 - For filing of application for revocation of cancellation of registration in FORM GST REG-21 under Rule 23
 - For filing of refund application in FORM RFD-01 under rule 89
 - For refund under rule 96 of the integrated tax paid on goods exported out of India

Invoice, debit note and credit note.

Section 31-34 of CGST Act, read with Rule 46-55.

Invoice compliance.

- Under GST a tax invoice is an important document. It not only evidences supply of goods or services or both but is also an essential document for the recipient to avail Input Tax Credit (ITC).
- A registered person cannot avail input tax credit unless he is in possession of a tax invoice, or a debit note.
- GST is chargeable at the time of supply.
- Invoice is an important indicator of the time of supply.
- Broadly speaking, the time of supply of goods is the date of issuance of invoice and the time of supply of services is the date of issuance of invoice or receipt of payment, whichever is earlier.
- The tax invoice is the primary document evidencing the supply by the supplier and vital for availing input tax credit by the recipient.

Invoice compliance.

- Under the GST regime, an “invoice” or “tax invoice” means the tax invoice referred to in section 31 of the CGST Act, 2017.
- This section mandates issuance of invoice or a bill of supply for every supply of goods or services or both.
- It is necessary for a person supplying goods or services or both to issue invoice.
- The type of invoice to be issued depends upon the category of registered person making the supply.
- For example, if a registered person is making supplies, then a tax invoice needs to be issued by such registered person.
- However, if a registered person is dealing only in exempted supplies or is availing composition scheme (composition dealer), then such registered person needs to issue a bill of supply in lieu of tax invoice.

Tax invoice (Section 31)

- Every registered person supplying goods or services is required to issue invoice within prescribed period.

- **Timelines for issuance of invoice**

- **For supply of goods**

- In cases where supply involves movement of goods, invoice is to be issued before or at the time of removal of goods
- In other cases, invoice is to be issued before or at the time of delivery of goods

- **For supply of service**

- Within 30 days from the date of supply of services
- Within 45 days from the date of supply of services in case of insurer, banking company, financial institution and non-banking financial companies (NBFCs)

- **For continuous supply of goods**

- Where successive statements of accounts or successive payments are involved, the invoice shall be issued before or at the time each such statement is issued/payment is received

- **For continuous supply of services**

- Where the due date of payment is ascertainable from the contract, the invoice shall be issued on or before the due date of payment
- Where the due date of payment is not ascertainable from the contract, the invoice shall be issued before or at the time when the supplier of service receives the payment
- Where the payment is linked to the completion of an event, the invoice shall be issued on or before the date of completion of that event

Credit note (Section 34)

- The supplier of goods/services may issue a credit note in below cases:
 - Taxable value/tax charged on the invoice exceeds the actual taxable value/tax payable.
 - Goods returned by the customer.
 - Goods/services supplied by the supplier found to be deficient
- Time-limit for taking tax adjustment in respect of credit notes
- The supplier would be eligible to reduce his output tax liability in respect of credit notes, if the credit notes have been issued and reported in, earliest of:
 - Monthly return for the month in which such credit note has been issued (not later than the GST return for September of the next FY in which supply was made)
 - Date of furnishing annual return for the year in which supply was made

Debit note (Section 34)

- The supplier of goods/services is required to issue debit note where the value of taxable supply or tax charged on the invoice issued by him is found to be less than the actual value/tax payable in respect of such supply. Debit note is to be reported in the periodical returns for the month in which such debit note is issued.
- A single consolidated credit note/debit note can also be issued against multiple invoices.
- Section 16(4)

Delivery challan

—In the following cases it is permissible for the consigner to issue a delivery challan in lieu of invoice at the time of removal of goods:

- (a) Supply of liquid gas where the quantity at the time of removal from the place of business of the supplier is not known;
- (b) Transportation of goods for job work;
- (c) Transportation of goods for reasons other than by way of supply; or
- (d) Such other supplies as may be notified by the Board

CKD/SKD/Lot Movement of Goods

- Where the goods are being transported in a semi knocked down or completely knocked down condition, or in batches or lots
 1. The supplier shall issue the complete invoice before dispatch of the first consignment;
 2. The supplier shall issue a delivery challan for each of the subsequent consignments, giving reference of the invoice;
 3. Each consignment shall be accompanied by copies of the corresponding delivery challan along with a duly certified copy of the invoice; and
 4. The original copy of the invoice shall be sent along with the last consignment.

E-Invoice(Rule 46 & 48 of CGST Rules)

- The GST Council has decided to implement the system of electronic invoicing (e-invoicing) and quick response (QR) code for specified persons w.e.f. 1 October 2020.
- E-invoice is the concept of digital invoice for goods and services provided by the registered persons. It is the process of submitting standard invoice data on GST portal, which in return would provide unique invoice reference number (IRN) and QR code.
- The e-invoicing mandate, initially for businesses with Rs. 500 Crore turnover, has extended to businesses with a turnover of Rs. 5 Crore from August 1, 2023

E-Invoicing Legal Provisions

- Section 31 of GST Act – provides for issue of invoice in prescribed format.
- As per Rule 48(4) of CGST Rules,
 - notified class of registered persons to prepare invoice
 - by uploading specified particulars in FORM GST INV 01
 - on Invoice Registration Portal (IRP) and
 - obtain Invoice Reference Number (IRN)
- Rule 48(5) – provides that if e-invoice is not issued then the invoice so issued shall not be a valid invoice.
- Where e invoicing is applicable, issuing of invoice in duplicate/triplicate is not required (Rule 48(6))

Persons exempt for e-invoicing

- As per Notification No. 13/2020 CT dt 21.03.2020 registered persons covered by sub-rule (2), (3), (4) & (4A) of Rule 54 are exempt from issuing e-invoice, such as
- Insurance, Banking or Financial Institution including NBFC [Rule 54(2)]
 - Goods Transport Agency transporting goods by road [Rule 54(3)]
 - Supplier of passenger transportation service [Rule 54(3)]
 - Person supplying services by of admission to exhibition of cinematographic film in multiplex screen
 - SEZ Unit as per Notification No. 61/2020 CT dt 30/07/20 exempted.

Transaction covered/Not covered under e-Invoice

—Transaction covered:

- Supply to Registered persons. (B2B transactions only.)
- Export of goods and services (with or without payment).also.
- Supplies of goods and services to SEZ Unit (with or without payment)
- Deemed Export
- Supplies to Government Dept & PSU as per Section 51 of GST Act, 2017.

—Transaction exempted from e-Invoice:

- Supply to unregistered person (B2C transactions)
- Non-GST Supplies (alcoholic liquor, Petrol, Diesel etc.) Bill of Entry in case of Import
- Nil rated or exempted supplies

—(Ref: Notification No: 13/2020 CT dated 01/10/2020 as amended)

E-Invoice

—Cancellation/amendment of invoices

- E-invoice cannot be cancelled partially. It would have to be cancelled fully within 24 hours on IRP. Amendments related to e-invoice would be done on the GST portal in accordance with the GST laws.

Consequences of Non-Compliance with E-invoicing.

—1. Incorrect Tax Invoice

- As per Rule 46 (r), a QR code must be mentioned on the invoice. The QR code is received upon the generation of the Invoice Reference Number (IRN). If the invoice is not registered on the Invoice Registration Portal (IRP) like IRIS IRP, then it is invalid and liable to a penalty. An incorrect invoice will be penalized for Rs. 25,000.

—2. Not Generation an e-Invoice

- According to Rule 48(5), if an IRN is not generated and the invoice remains unissued, it leads to a penalty of Rs. 10,000 or 100% of the tax due - whichever is higher.

—3. Detention of Goods

- According to Section 129 of CGST Act 2017, if any goods are being transported without a valid invoice or one without a QR code, the goods and/or the vehicles may be confiscated. It also makes you liable for penalties for non-compliance with E-way bills.

—4. Input Tax Credit (ITC) Claim

- Section 16 of the CGST Act 2017 states that an ITC cannot be claimed without a tax invoice. And if you have crossed the e-invoice turnover limit and are not generating IRN for your tax invoices, then your invoices are not considered valid as per the e-invoicing mandate. Further, your counterparty will not be able to claim ITC on such invalid invoices. And due to your non-compliance, you may lose your customers.

E-way Bill

(Sec No. 68 of CGST Act, read with rule 138, 138A, 138B, 138C, 138D)

Information to be furnished prior to commencement of movement of goods and generation of E-way Bill (Rule 138)

- Every registered person causing movement of goods of value more than INR 50,000
 - i. In relation to a supply or
 - ii. For reasons other than supply or
 - iii. Due to inward supply from an unregistered person shall before such movement fill Part A of FORM GST EWB-01, electronically, on the common portal.
- The transporter on an authorization received from the registered person, may furnish information in Part A of FORM GST EWB-01, electronically, on the common portal and a unique number will be generated on the said portal.
- E-way Bill can be cancelled within of 24 hours of generation. If E-way Bill is verified in transit once then it can't be cancelled.

Person liable to prepare E-Waybill

- In case, where the goods to be transported are supplied through an e-commerce operator or a courier agency, on an authorization received from the consignor, the information in Part A of FORM GST EWB-01 may be furnished by such e-commerce operator or courier agency and a unique number will be generated on the said portal.
- Where the goods are sent by a principal located in one state to a job worker located in another state, the E-way Bills shall be generated by the principal or registered job worker, irrespective of the value of consignment.
- Where the registered person transports goods as consignor/ consignee in his own conveyance or hired one or by railways or air or vessel, registered person shall fill Part A and B of FORM GST EWB-01 and generate e-way bill.
- In case, the goods are transported by railways or by air or vessel, the information in Part B of FORM GST EWB-01 can be filed even after the commencement of movement.

Person liable to prepare E-Waybill

- Where the goods are transported by railways, the railways shall not deliver the goods unless the E-way Bill is produced at the time of delivery..
- Where the goods are not transported by registered person and the goods are handed over to the transporter for transportation by road, then registered person shall furnish details in Part A and Part B of FORM GST EWB-01 and transporter shall generate the E-way Bill.
- If the goods are supplied by unregistered person to the registered person and such registered person is known at the time of commencement of movement of goods, then it shall be deemed that goods are moved by such registered person.
- The E-way Bill shall not be valid for movement of goods by road unless the information in Part-B of FORM GST EWB-01 has been furnished except in the case where part B is not required to be filled

E-Waybill compliance verification.

- Verification of documents and conveyances (Rule 138B)
 - The proper officer (authorized by commissioner) may verify the E-way Bill or the EBN number in physical form for all interstate and intra-State movement of goods. Once verified it will not be verified again.
 - The commissioner shall verify through RFID where RFID is available.
 - Physical verification of conveyance shall be carried out by proper officer authorized by commissioner

E-Way Bill System - Advisory on HSN Code.

- As per the notification No. 78/2020 –Central Tax, dated 15th October 2020, it is necessary to provide at least 6-digit HSN code for all the B2B and Export transactions by the taxpayers whose Annual Aggregate Turnover (AATO) is more than Rs. 5 Crores. The taxpayers, with AATO less than Rs. 5 Crores, need to provide at least 4 digit HSN code.
- This validation will be implemented in e-way bill System from 1st February 2024.
- Hence, the taxpayers are advised to make necessary changes in their systems and enter 4 / 6 digit HSN codes while generating the e-way bills through web and API systems from 1st Feb. 2024.

Blocking the generation of E-Way Bill without e-Invoice

- Some of the taxpayers, who are eligible for e-Invoicing, are generating e-Waybills without linking with e-Invoice for B2B and B2E transactions.
- In some of these cases, the invoice details entered separately under e-Waybill and e-Invoice are not matching with respect to the certain parameters.
- Hence, to avoid such situations, e-Waybill generation will not be allowed without e-Invoice details from 1st March 2024.
- This is applicable for e-invoice enabled tax payers and for the transactions related to Supplies under B2B and Exports. However, EWBs for other transactions such as B2C and non-supplies will function as usual without any change.

Accounts and records.

(Section 35-36 of CGST Act, read with Rule 56-58)

Accounts and records.

- Assessment in GST is mainly focused on self-assessment by the taxpayers themselves. Every taxpayer is required to self-assess the tax payable and furnish a return for each tax period i.e. the period for which return is required to be filed.
- The compliance verification is done by the department through scrutiny of returns, audit and/or investigation. Thus, the compliance verification is to be done through documentary checks rather than physical controls.
- This requires certain obligation to be cast on the taxpayer for keeping and maintaining accounts and records.
- Section 35 of the CGST Act, 2017 and Rules 56, 57 and 58 of CGST Rules, 2017 provide that every registered person shall keep and maintain all records at his principal place of business.
- Further, irrespective of whether he is a registered person or not, the responsibility to maintain specified records has been put on the owner or operator of warehouse or godown or any other place used for storage of goods and on every transporter.

List Of Documents/Records

—Section 35 of CGST Act, 2017 provides that every registered person shall keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of:

- (a) production or manufacture of goods;
- (b) inward and outward supply of goods or services or both;
- (c) stock of goods;
- (d) input tax credit availed;
- (e) output tax payable and paid; and
- (f) such other particulars as may be prescribed.

—Maintenance of electronic records (Section 35 and Rule 57)

- Accounts and records prescribed under this chapter may be kept in electronic form
- Electronic records shall be authenticated by digital signature
- Proper electronic back-up of records shall be maintained and preserved so the information can be restored

Compliance requirements.

—Location of the records:

- The books of account shall be kept at the principal place of business and at every additional place(s) of business mentioned in the certificate of registration and such books of account shall include any electronic form of data stored on any electronic devices. The data so stored shall be authenticated by way of digital signature.

—Period for preservation of accounts:

- All accounts maintained together with all invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for seventy-two months (six years) from the due date of furnishing of annual return for the year pertaining to such accounts and records and shall be kept at every related place of business mentioned in the certificate of registration.
- A registered person, who is a party to an appeal or revision or any other proceedings whether filed by him or by the Commissioner, or is under investigation for an offence, has to retain the records pertaining to the subject matter of such appeal or revision or proceedings or investigation for a period of one year after final disposal of such appeal or revision or proceedings or investigation, or for the period specified above (seventy-two months), whichever is later.

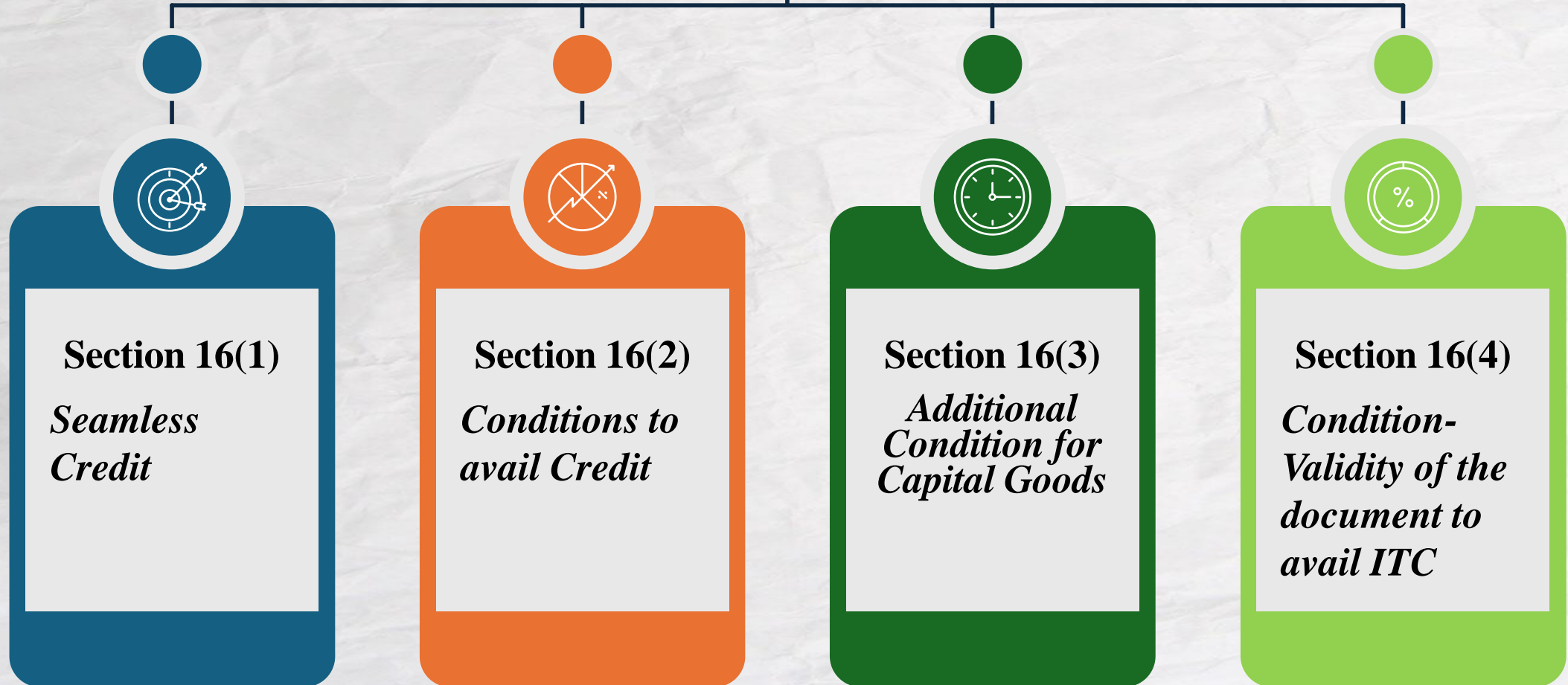
Input tax credit.

(Section 16-21 of CGST Act, read with Rule 36-45)

Conditions of availment of ITC [Section 16(2)]



Section 16



16(2a)

- The recipient is in possession of tax invoice or debit note issued by a supplier;

16(2aa)

- The details of the above-mentioned invoice or debit note have been furnished by the supplier in the statement of outward supplies and such details have been communicated to the recipient in the manner specified u/s 37; (w.e.f. 1st Jan 2022)

16(2b)

- The recipient has received the goods or services or both;

16(2ba)

- The details of input tax credit in respect of the said supply communicated to such registered person under Section 38 has not been restricted (Proposed amendment in Finance Bill 2022 – yet to be made effective)

16(2c)

- The tax charged in respect of such supply has been actually paid to the Government and

16(2d)

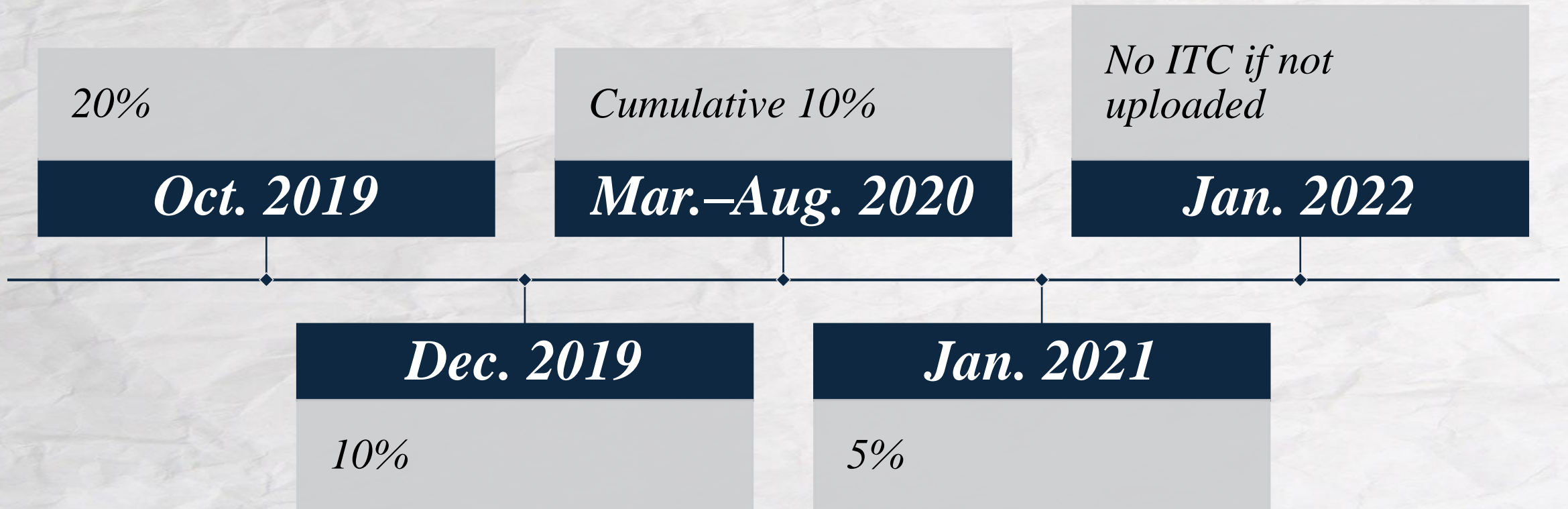
- The recipient has furnished the return under Section 39 of the CGST Act

Rule 36

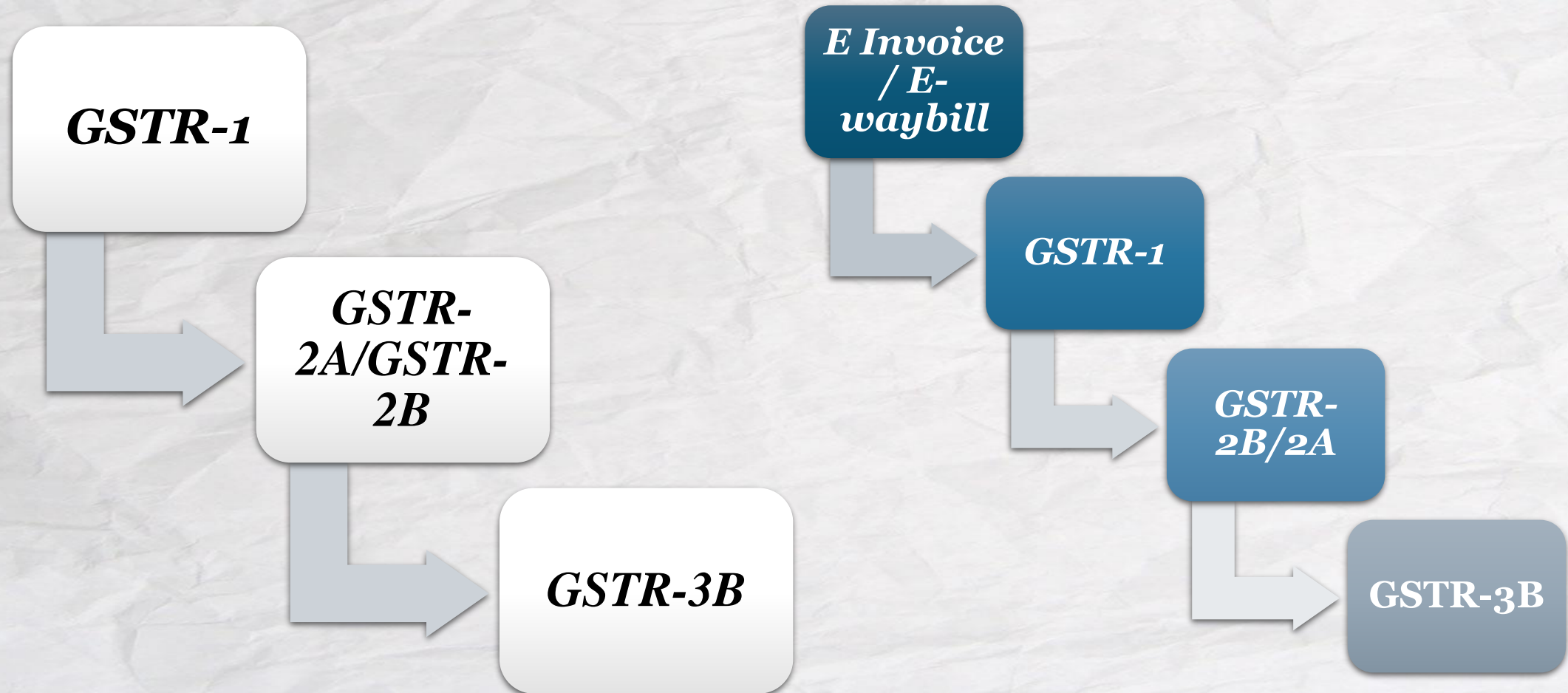
—Provisions under Rule 36 of the Central Goods and Services Tax (CGST) Rules, 2017 relating to “Documentary Requirements and Conditions for claiming Input Tax Credit”, which is backbone the ITC compliance

- (1) The input tax credit shall be availed by a registered person, including the Input Service Distributor, on the basis of any of the specified documents,
- (2) Input tax credit shall be availed by a registered person only if all the applicable particulars as specified in the provisions of Chapter VI are contained in the said document
- (3) Input tax credit not available in respect of any tax that has been paid in pursuance of any order where any demand has been confirmed on account of any fraud, willful misstatement or suppression of facts.
- (4) Restrictions of credit relating to the invoices not uploaded by the suppliers in their form GSTR-1

Rule 36(4) Amendments



Rule 36(4) Compliance



Imposition of limit on availment of ITC for invoicing not appearing in GSTR-2A

- With effect from 1 October 2019, a restriction on availment of ITC has been imposed vide insertion of Rule 36(4). As per this rule, ITC in respect of those invoices that have not been uploaded by the supplier, would not exceed 10% of the total eligible ITC for that month (20% up to 31.12.2019) and the same was subsequently restricted to 10%, 5% and w.e.f 01/01/20122, the ITC is allowed only if the invoice has been reflected in GSTR-2A/2B.
- Eligible ITC means the total tax in respect of those invoices, which is otherwise available to the assessee (e.g., excluding the invoices pertaining to blocked credit and invoices attributable to exempted supplies)

Restrictions on availment of ITC (Section 17-Rule 42 and 43)

- A registered person would not be entitled to claim/take ITC in respect of:
- Taxes paid in respect of non-business supplies
 - Taxes paid in respect of exempted supplies
 - Taxes paid in respect of certain inward supplies mentioned in Section-17(5) of the CGST Act (blocked credits)

Reversal of ITC in case of inputs and services (Section 17 and Rule-42)

- Every registered person shall be entitled to take credit of input tax charged on any supply of goods or services or both to him, which are used or intended to be used in the course or furtherance of his business.
- If such supply is to be used for non-business purpose, then no credit shall be allowed in respect of such supply
- Where the goods or services or both are used by the registered person partly for the purpose of any business and partly for other purposes, the amount of credit shall be restricted to so much of the input tax as is attributable to the purposes of his business.
- Where the goods or services or both are used by the registered person partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including zero-rated supplies.
- Some of the inputs or input services may be used for business as well as non-business purpose and for making taxable as well as exempt supply and such identification can't be made at invoice level.

Section -17-ITC Availability



ITC Available

Business purpose

- Taxable Supply
- Zero rated supply

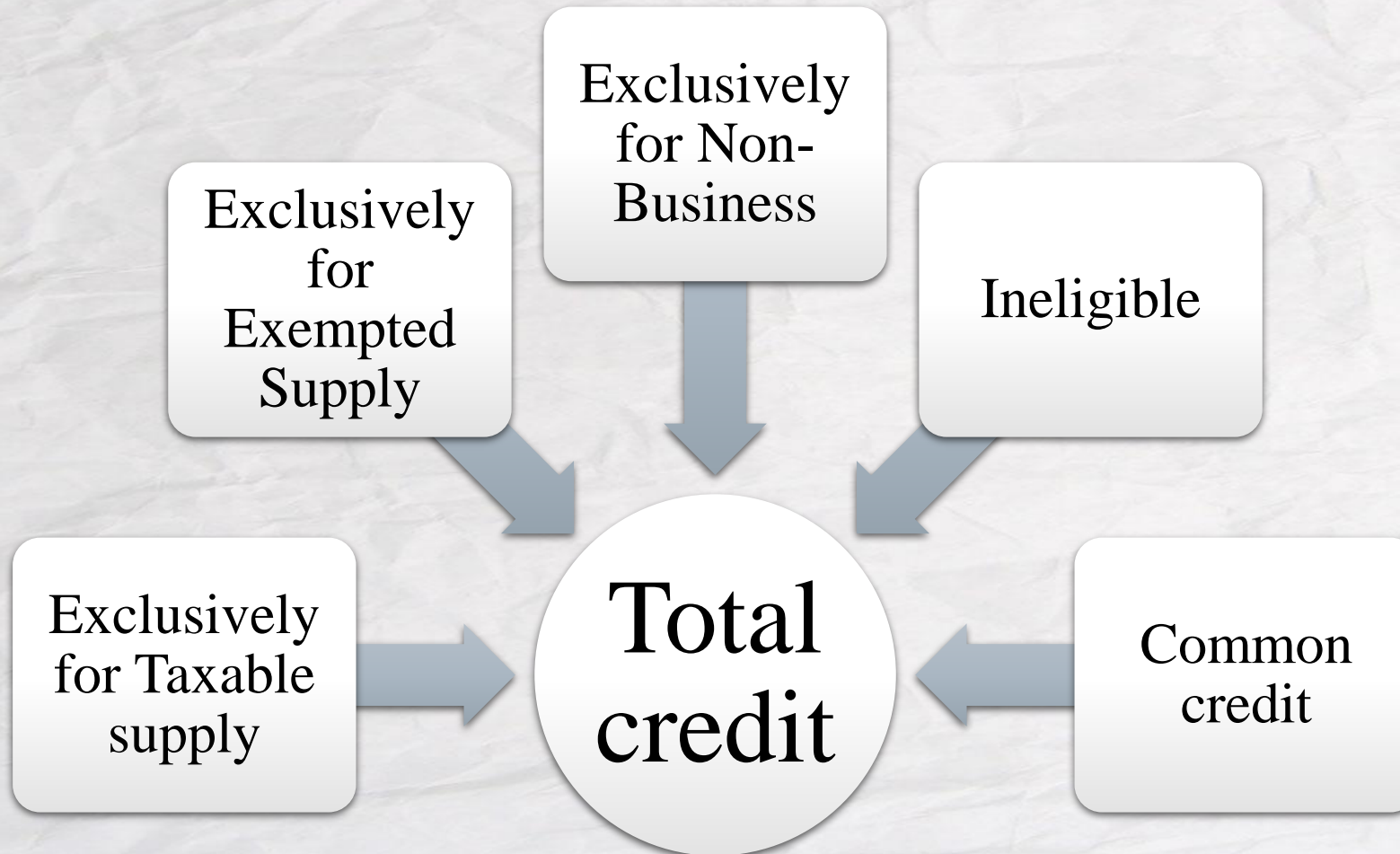


ITC Not available

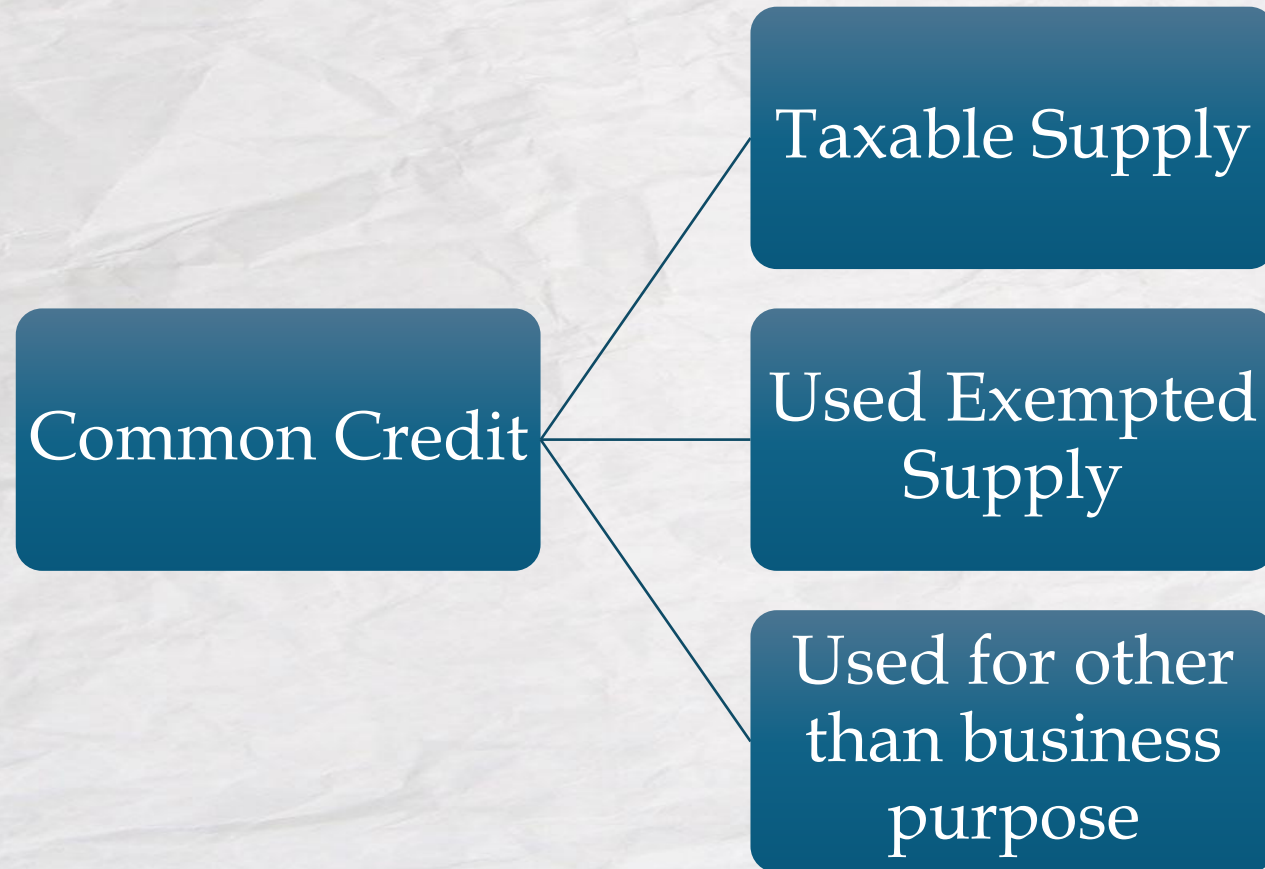
Other than Business purpose

Non-taxable supply

- Exempted supply
- Nil rated supply
- Non-GST



This Common credit will be divided into 3 parts. This shows the common credit which has to be shared between taxable supplies, personal supplies and exempt supplies.



Reversal of ITC in case of capital goods (Section-17 & Rule-43).

- Where the capital goods have been used commonly for both taxable and exempted supply, or business and non-business purposes, the registered person shall be required to reverse the proportionate ITC in respect of capital goods used for effecting exempted supplies and non-business purposes
- These reversals shall be on monthly basis, by considering the useful life of assets to be five years (60 months) from the date of invoice.
- Rule 43 has prescribed a detailed mechanism for calculating the reversal amount in respect of exempted/ non-business supplies

Reporting ITC Reversal.

- The taxpayers are advised to report their ITC reversal and ineligible ITC correctly in Table 4 of GSTR-3B at the GST Portal.
- The details of ITC reversal and ineligible ITC are also required to be furnished in Table 7 of GSTR 9.
- Following the 47th GST council meet held on 28-29 June 2022, Notification No. 14/2022 –Central Tax dated 5th July 2022, Circular No.170/02/2022-GST dated the 6th July 2022, has been released by CBIC to introduce some important changes and amendments in Form GSTR-3B and the corresponding filing process.
- In (B) and (D) of Table 4 in Form GSTR-3B, the taxpayers has to report information on ITC correctly availed, reversal thereof, and declaring ineligible ITC,

Reporting ITC Reversal

- In July 2022, the government made certain changes to the format of the GSTR-3B return, the important change is the procedure for reporting data in Table 3 and Table 4 of the form.
- The changes were first announced in July via Notification No. 14/2022 – Central Tax, and thereafter, in September, the GSTN released the format for reporting data in Table 4 of the GSTR-3B.
- The new format of Table 4 of the GSTR-3B has now been updated to include a more detailed split of input tax credit (ITC) that is eligible and ineligible, restricted, reversed and reclaimed, along with other similar ITC information.
- Refer: CBIC Circular :70/02/2022-GST dated 06-Jul-2022
 - Mandatory furnishing of correct and proper information of inter-State supplies and amount of ineligible/blocked Input Tax Credit and reversal thereof in return in FORM GSTR-3B and statement in FORM GSTR-1

Reclaimable credit reporting

(3) Inward supplies liable to reverse charge (other than 1 & 2 above)	0.00	0.00	0.00	0.00	
(4) Inward supplies from ISD	0.00	0.00	0.00	0.00	
(5) All other ITC	20,61,755.83	6,24,873.24	6,24,873.24	0.00	
(B) ITC Reversed					
(1) As per rules 38,42 & 43 of CGST Rules and section 17(5) ⓘ	0.00	0.00	0.00	0.00	
(2) Others ⓘ	0.00	411.59	411.59	0.00	
(C) Net ITC	Re-claimable ITC such as on account of rule 37 of CGST Rules, Section 16(2)(b), Section 16(2)(c) of the CGST Act shall be reported here. Inadvertently availed ITC may also be reversed here.		6,24,461.65	6,24,461.65	0.00
(D) Other Details					
(1) ITC reclaimed which was reversed under Table 4(B)(2) in earlier tax period	0.00	0.00	0.00	0.00	
(2) Ineligible ITC under section 16(4) & ITC restricted due to PoS rules	0.00	0.00	0.00	0.00	

CANCELCONFIRM

2018-19 Goods and Services Tax Network

Site Last Updated on 13-11-2023

Designed & Developed by GSTN

Strategies to Correct GST ITC Claims.

—To ensure accurate ITC claims, businesses should adopt the following strategies:

- Proper Documentation:
 - Maintain precise records of tax invoices, debit notes, and supporting documents to substantiate ITC claims.
- Reconciliation with Supplier Data:
 - Reconcile purchases with supplier data to identify discrepancies and promptly rectify them.
- Timely Return Filing:
 - File GST returns punctually to ensure supplier compliance, facilitating seamless Input tax credit claims.
- Periodic Review:
 - Conduct periodic reviews to identify missed or under-claimed ITC and rectify any errors or omissions.
- Employee Education:
 - Train procurement and accounting personnel on the importance of proper documentation and compliance to maximize ITC claims.

Returns and payments

(Section 37-48 of CGST Act, read with Rule 59-84)

GST Return Compliance.

- Amidst other GST compliance services, one must understand what GST return compliance is all about.
- Every business that is GST-related must file returns on a yearly, monthly, or quarterly basis.
- The return frequency is highly dependent on the form of business activity that is being carried out..

Return compliance.

- Return of outward supplies (Form GSTR-1) [Rule 59(1)]
- Summary return (Form GSTR-3B) [Rule 61(5)]
- Returns for specific types of registered persons
 - Input service distributors [Rule 65]-GSTR-6
 - Person opted for composition scheme [Rule 62]-CMP-08 & GSTR-4
 - Person required to deduct TDS (government and related departments/authorities) [Rule – 66(1)-GSTR-7
 - Person required to collect TCS (electronic commerce operators) [Rule 67(1)]-GSTR-8
 - Person providing OIDAR services [Rule 64]-GSTR-5A

—Final return (Form GSTR-10) (Section 45)

- Every registered person, whose registration has been cancelled, is required to file final return in Form GSTR-10, containing the details of tax payable/paid in respect of stock held by him and other related details. Such return is required to be filed within three months of the date of cancellation or date of order of cancellation, whichever is later.

—Annual return (Form GSTR-9) (Section 44) and GSTR-9C

Rule 88D: Manner of dealing with difference in Input Tax Credit available in GSTR-2B and availed in GSTR-3B.

- Auto generation of notice in DRC-01C, if the amount of input tax credit availed in FORM GSTR-3B exceeds the input tax credit in FORM GSTR-2B.
- Intimation shall also be sent to by e-mail, highlighting the said difference and directing
 - Pay an amount equal to the excess input tax credit availed in the said FORM GSTR-3B, along with interest payable under section 50, through FORM GST DRC-03, or
 - Explain the reasons for the aforesaid difference in input tax credit on the common portal, within a period of seven days.
- If any amount specified in the intimation remains to be paid within the period specified or
 - no explanation or reason is furnished or
 - the explanation or reason furnished is not found to be acceptable by the proper officer,
 - the said amount is liable to be demanded as per provisions of section 73 or section 74, as the case may be.”

Difference in GSTR-2A and GSTR3B

```
graph TD; A[Difference in GSTR-2A and GSTR3B] --> B[Intimation to be sent in Part A of FORM GST DRC-01C.]; B --> C[Reply within 7 days in Part-B of DRC-01C.  
• Pay the differential tax liability, along with interest in DRC-03]  
• Explain the aforesaid difference as per the details prescribed.  
• Explanation accepted issue closed.]; C --> D[Explanation not acceptable.  
• Action under Section 73 or 74];
```

Intimation to be sent in Part A of FORM GST DRC-01C.

Reply within 7 days in Part-B of DRC-01C.

- Pay the differential tax liability, along with interest in DRC-03]
- Explain the aforesaid difference as per the details prescribed.
- Explanation accepted issue closed.

Explanation not acceptable.

- Action under Section 73 or 74

Utilization of input tax credit.

- CGST credit can be used only for paying CGST or IGST. SGST credit can be used only for paying SGST or IGST.
- The credit would be permitted to be utilized in the following manner:
 - ITC of CGST allowed for payment of CGST & IGST in that order;
 - ITC of SGST allowed for payment of SGST & IGST in that order;
 - ITC of UTGST allowed for payment of UTGST & IGST in that order;
 - ITC of IGST allowed for payment of IGST, CGST & SGST/UTGST in that order.

Points to remember-GST Payments.

—Payment before the due dates of tax return submission and adherence to GST return filing requirements are crucial for GST compliance. Delayed or incorrect GST payments and non-compliance with return filing can result in penalties and legal issues. Here's how businesses can manage these aspects effectively:

—Payment of Tax

- Calculate Accurate Tax Liability:
 - Calculate tax applicability precisely based on applicable rates and the value of supplied goods or services.
- Timely Payments:
 - Ensure tax liabilities are paid within stipulated due dates to avoid penalties and interest charges.
- Right Payment Method:
 - Utilize the online payment methods available on the GST portal for a quick payment process.
- Tax Payment Records:
 - Keep the records of all tax payments, including payment reference numbers and dates, for future reference and audit purposes.

Points to remember- GST Return Filing

—Familiarize Yourself with Return Requirements:

- Gain a comprehensive understanding of return types and their respective deadlines, relevant to your business category and turnover.

—Return Submission Before Due Date:

- Make sure you file the return before the stipulated deadline for GST returns. Adhering to given due dates to avoid the penalties and legal hassles.

—Completeness and Accuracy:

- Guarantee that all relevant information such as sales, purchases, and input tax credits, are not only included in returns but also meticulously and comprehensively reported.

—Reconciliation and Corrections:

- Regularly conduct reconciliations between return data and your accounting records, to identify any possible errors.

—Maintain Return Records:

- Keep a well-organized record of all filed returns, including acknowledgement numbers and dates, for the purpose of future reference and audit.

Export, imports and related procedure.

(Section 147 of CGST Act and Section 16 of IGST Act)

Letter of undertaking (LUT) Rule 96A.

—Furnishing of LUT in place of Bond

- All registered person under GST law shall furnish LUT in place of bond if: The said registered person has not been prosecuted for any offence under the CGST Act, 2017 or the IGST Act, 2017 or any of the existing laws in force in a case where the amount of tax evaded exceeds INR 250 lakh.

—Validity of LUTs

- LUT shall be valid for whole FY in which it is tendered.

—Withdrawal of LUT facility

- LUT facility shall be withdrawn if goods are not exported within three months or extended period as may be allowed by the commissioner and specified amount of tax due along with interest is not paid and such facility will be restored after payment of such tax and interest.
- Meanwhile, exports shall be either on payment of tax or under bond with bank guarantee

Deemed exports under GST (Section 147)

- The notified goods would be deemed to be exported, if such goods are manufactured in India although they do not leave India and payments are received in Indian rupees or convertible foreign exchange.
- The central government has notified the following supplies of goods as deemed exports: (Notification No. 48/2017 – Central Tax)
 - Supply of goods by a registered person against advance authorization;
 - Supply of capital goods by a registered person against export promotion capital goods (EPCG) authorization;
 - Supply of goods by a registered person to export oriented unit (EOU);
 - Supply of gold by a bank or public sector undertaking against advance authorization;

Supply to merchant exporter under GST Law [Notification No. 40/2017 – Central Tax (Rate)]

—Reduce rate of the IGST @ 0.1% would be applicable for the inter-State supply of taxable goods by a registered person to the registered recipient for export (merchant exporter) subject to fulfillment of prescribed conditions

—**Key compliance requirements:**

- Merchant exporter must be registered with an export promotion council, or a commodity board recognized by the Department of Commerce.
- Goods must be exported by such merchant exporter within a period of 90 days from the date of issue of tax invoice by the supplier of goods otherwise benefit of reduce rate would not be available to the supplier.
- Merchant exporter shall indicate the GSTIN of the supplier and tax invoice number issued by the supplier in the shipping bill/bill of export.
- After export, merchant exporter shall provide the copy of shipping bill, tax invoice raised by the supplier and export report to the supplier and the jurisdictional tax officer of the supplier

Consequences of non-compliance under GST

(Sec No. 47,122-138 of CGST Act, read with rule 162.)

Consequences of non- compliance.

Fine/ penalty

Late fees/ interest

Confiscation

- Arrest & Imprisonment

Litigation

Consequences of non- compliance.

- Late fee (Section 47)
- Interest (Section 50 and Rule 37)
- Cancellation of registration (Section 29)
 - The circumstances under which a person's registration will be cancelled are:
 - A regular dealer has not furnished returns for a continuous period of six months.
 - A composition dealer has not furnished returns for three quarters.
 - A person who has taken voluntary registration has not commenced business within six months from the date of registration.
 - Registration has been obtained by fraud, willful misstatement or suppression of fact.

Penalty (Section 122 and 125)

- Offences for which penalty shall be levied have been specifically laid down under GST in different category as offence by taxable person, registered person, any person:
- Higher of INR 10,000 or an amount equivalent to the tax evaded (Each for CGST and SGST Act)

Litigation under GST
Sec No. 73-79, 95-101 and 107-118 of CGST Act,
read with rule 104, 105 and 108-115).

- Whenever it appears that a person chargeable to tax, has not discharged his obligations properly or has obtained refund erroneously, the Dept shall serve a show cause notice (SCN) on the person and ask him to justify why the amount mentioned in the SCN should not be recovered from him.
- There may be two types of cases :
 - Cases involving fraud, willful mis-statement and suppression of facts (Section-74)
 - Other cases, not involving fraud, willful mis-statement or suppression of facts (Section-73)

Arrest & Imprisonment.

- If the Commissioner of CGST/SGST believes a person has committed an offence u/s 132, he can be arrested by any authorized CGST/SGST officer
- The arrested person will be informed about the grounds of his arrest. He will appear before the magistrate within 24 hours in case of cognizable offence.
- Offenses u/s 132 where arrest provisions become applicable-
 - A taxable person supplies any goods/services without any invoice or issues a false invoice.
 - He issues any invoice or bill without supply of goods/services in violation of the provisions of GST.
 - He collects any GST but does not submit it to the government within 3 months.
 - Even if he collects any GST in contravention of provisions, he still has to deposit it to the government within 3 months. Failure to do so will be an offense under GST.
 - He has already been convicted of an earlier u/s 132 i.e., this is his 2nd offense.

Section 149. Goods and services tax compliance rating

- GST compliance rating is akin to a performance ranking of all registered taxable persons which tells you how compliant they are with respect to the GST provisions. This will be irrespective of nature, size, or turnover of the business. However, the parameters, criteria and methodology have not been notified yet, but it is expected that compliance rating scores may be based on following:
- timely payment of taxes timely e-filing of monthly/quarterly returns matching of transactions
 - adherence to various time limits.
 - Cooperation in dealing with the tax Department etc.
 - Correct utilization of input tax credit and its disclosure
 - correct deduction of TDS/TCS, wherever applicable
 - findings in scrutiny of returns/audit findings
 - refund claims etc.

Ensuring proper tax compliance

- To ensure that you follow every compliance requirement, it is necessary to have a systematic approach.
 - Make a list of all the legal provisions applicable to your organization..
 - For every legal provisions applicable, list out all the necessary forms and returns that you need to file.
 - For every legal provisions applicable, mark the due dates of payments of tax and the due date of filing of return.
 - Make a list of all the documents necessary for each type of return.
 - Keep your books tidy and supporting documents in order.
 - Keep an eye on the changes in the tax compliance laws especially those which affect your business.
- Tax compliance can be challenging. Tax compliance not only requires a thorough knowledge of various tax laws, but it also requires a lot of time and work to follow. Deadlines have to be met with accuracy. Hence, it is advisable to seek professional help, wherever necessary.

Benefits of compliance rating

- GST compliance ratings (gst.gov.in) are expected to bring a new culture of compliance which will not only ensure fullest and correct compliances but will also result in avoidance of tax evasion and lesser tax disputes and litigation.
- Buyers may get input tax credit immediately.
- Higher GST compliance will attract more business
- They'll get their refunds immediately.
- Enjoy better reputation Reduce chances of an audit by the tax authorities.
- May be used by banks /suppliers as a benchmark
- Add to good governance aspects of Organization
- Will facilitate better negotiation with suppliers

Before parting

- Now you have sufficient details about GST compliance and its various kinds. We have talked about almost all types of GST compliance services here for your reference as well. This should help you comprehend the system of GST in a much more comprehensive order.
- Always make sure that your GST system is up-to-date and that you have to serve minimal to no penalties at all.
- Follow the CBIC India channel on WhatsApp:
<https://whatsapp.com/channel/0029VaIHEmo9Gv7XcriPOW27>

Thank U

B.Venkateswaran I.R.S.,

Asst., Commissioner CGST (Retired), Coimbatore

E-mail: beevenkateswaran@gmail.com; Mobile:9442012335/8500885294