

# **OVERVIEW OF CHANGES IN RETURN FILING UNDER GST**

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## INTRODUCTION: PAST, PRESENT & FUTURE

### • GSTR-1,2 AND 3 (THE ORIGINAL PLAN)

1. GSTR-1 DUE DATE 10<sup>TH</sup> OF NEXT MONTH
2. INVOICE UPLOAD LOCKED AFTER 10<sup>TH</sup> AND RECIPIENT SHOULD ACCEPT/REJECT/KEEP PENDING TILL 15<sup>TH</sup>
3. CORRECTION WINDOW FOR SUPPLIER 16<sup>th</sup> -20<sup>th</sup>
4. **FILE FINAL RETURN AND SET OFF LIABILITY IN GSTR 3 TILL 20<sup>TH</sup> OF NEXT MONTH**

### • GSTR-3B AND GSTR-1 (BACKUP PLAN OF GOVT)

1. For many months GSTR-3B was filed before GSTR-1 as it was easy to file & enabled Govt. to get revenue.
2. Then GSTR-1 due date 10<sup>th</sup> next month & GSTR 3B till 20<sup>th</sup> of next month
3. Settle liabilities in GSTR 3B and pay taxes
4. **Concept of matching was defeated.**

### • UPCOMING MONTHLY RETURN (THE FUTURE HOPE OF GOVT)

1. Staggered return filing dates based on turnover.
2. Due date for large taxpayers 20<sup>th</sup> of next month.
3. One single return with option of amending twice.
4. **Requires matching of ITC**

# INTRODUCTION

- In the present scenario of GST, return filing is a lengthy and cumbersome procedure because of multiple return filing
  - There were variations in returns related to same period. (i.e. between GSTR 3B VS GSTR-1)
  - GST council could not successfully implement GSTR 2 and GSTR 3 facilities because of technical and practical feasibility issues.
  - GST council realized all these shortcomings and in its 27<sup>th</sup> meeting on 4<sup>th</sup> May 2018 it approved basic principals of new GST return design.
  - In the 28<sup>th</sup> meeting held on 21<sup>st</sup> July 2018, GST council approved key features and new format.
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## BIRD'S EYE VIEW OF CHANGES

- One monthly return for regular taxpayers
  - NIL returns can be filled by SMS
  - Taxpayers with turnover up to 5 Cr are included in the “Small Taxpayer” base.
  - Introduction of new Sahaj & Sugam returns to ease return filing for sellers with local market base.
  - A New seperate Amendment Return has been introduced
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## **CHANGES IN REGULAR RETURNS ( MONTHLY RETURNS)**

## RETURN FILING FREQUENCY & DUE DATES

- Under new scheme there will be one monthly return per taxpayer except in few cases such as
    - small taxpayers
    - composition dealers
    - Input service distributors
    - Non residents registered under the act and
    - Entities liable to deduct tax at source.
  - Return filing dates are planned to be staggered based on the turnover of taxpayers
  - 20<sup>th</sup> of next month will be due date for large taxpayers
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# RETURN FORMAT

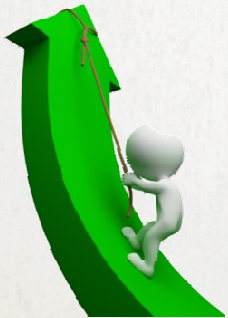
- Profile based Return
  - New return format contains mainly 2 tables.
    - a. Supplies on which tax liability arises.
    - b. Table for availing input tax credits.
  - Returns has annexure attached to it. From such annexure data will get auto populated in the main return.
  - Input tax table has auto populating cells (which will get populated from input annexure).
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## CONCEPT OF “VIEWING FACILITY”

- Similar to earlier facility of GSTR 2A, new returns provide a “Continuous Viewing Facility” also called as “inward annexure”
- Using this facility we can check whether counter party has uploaded our invoices which will enable us to avail ITC
- ITC will be available on only those invoices which are uploaded on portal by **10<sup>th</sup> of next month.**
- After return filing period, the purchaser can check the counter-party filing status of return to see if he has discharged his liability.
- ITC related to all the invoices which are **not uploaded by 10<sup>th</sup>** can be availed in next tax period or it can be claimed by entering user input. Then Accepting the invoice in next month and reversing the same in in Monthly Return

## CONCEPT OF “VIEWING FACILITY”

- All the invoices which are uploaded on portal till 10<sup>th</sup> of next month will be auto populated in the recipient's monthly return enabling him in claiming credits.
- Invoices which are uploaded after 10<sup>th</sup> will also be shown in viewing facility of the same month but they'll be considered in the return of next tax period and ITC will also be claimed in next tax period.
- **For 6 months after implementation of the new return facility, the recipient shall avail ITC on self declaration basis even on the invoices which are not uploaded by supplier by 10<sup>th</sup> of next month. - ?????**
- **After the transition phase there seems a chance of increase in working capital because if supplier uploads invoices after 10<sup>th</sup> we may need to pay taxes out of our own pockets for settling liability of current period.**



## RECOVERY OF LIABILITY/I.T.C.

- If supplier uploads the invoice but does not file the return, it'll be considered as self-admission of the liability and recovery proceedings shall be initiated against him.
  - No automatic reversal of tax on recipient's ledger due to non payment of taxes by the supplier.
  - Recovery shall be 1<sup>st</sup> done by supplier and only in special cases such as taxpayer missing, closer of business etc. recovery will be done by the recipient.
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## DOCUMENT FLOW & CONCEPT OF “MISSING INVOICES”

- Only the invoices or debit notes **uploaded** by the **supplier** on the common portal shall be the valid document for claiming ITC.
- Invoices/Debit notes not uploaded by supplier and on which recipient has availed input credits will be called “**missing invoices**”
- If “**missing invoices**” are not uploaded by the supplier within prescribed time, Input tax claimed by recipient on such invoices will be recovered by recipient.

## REPORTING OF “MISSING INVOICES”

- “Missing invoices” as discussed before, can be uploaded by supplier in the main return for any month in any return with applicable interest/penalty as applicable.
- **Suppose -the return of September is filed and missing invoice of april is filled in september month then invoice of April will be clubbed with the Information relating to the month of April.**
- If the supplier does not upload the “missing invoice” ,it is recipient’s liability to report them within 2 tax periods. *(Table 3L in the annexure of supplies to main return)*
- **For example:** Invoice of April on which recipient claimed ITC but not uploaded by supplier, then such invoice shall be reported by the recipient not later than in the return of June, which will be filed in the month of July.
- Information about missing invoices uploaded by the recipient shall be made available to the supplier.
- Catch Point here -

## PAYMENT OF TAXES

- Payment of taxes has to be done in full by supplier as being done in present scenario. No provisions of filing payable returns.
- If in one return there are invoices related to 2 or more periods (say due to addition of missing invoices) then liability of such different periods will be **shown separately**.
- Such liabilities, even if shown separately, can be paid using one single consolidated challan.
- Interest shall be applicable on invoices which are uploaded after their due date.
- For ex: if let's say while filing the return of September there are invoices which are related to the month of say April then, **the liability due to invoices of April and liability due to invoices of September will be shown separately**.

# ACTIONS TO BE TAKEN ON INVOICES UPLOADED BY SUPPLIER



- Just like in earlier GSTR 2, new returns also require us to take actions on invoices uploaded by the supplier.
- Just like the earlier pattern, there are 3 actions which can be taken by recipient on the invoices uploaded by the supplier:
  - ✓ Accepting the invoice (Locking of invoice)
  - ✓ Rejecting the invoice
  - ✓ Keeping invoices pending

# CONCEPT OF LOCKING OF INVOICES



- Locking of invoices is like handshake between recipient and the supplier.
- It means that the supplier has accepted the invoice uploaded by the supplier.
- Separate locking facility is also available before filing of return.
- Any invoice on which no action has been taken, will be deemed to have been locked and accepted when recipient will use ITC related to such invoices for filing of monthly return.

## DEEMED LOCKING, CHANGES IN LOCKED INVOICES & UNLOCKING THE INVOICES

- The invoices will be deemed locked if recipient does not take any action on the invoices & takes inputs on such invoices.
- Once the invoice is locked no changes can be made by the supplier.
- Only changes in locked invoices can be made through Debit/Credit notes raised to affect changes in them.
- A wrongly locked invoice can be unlocked by recipient before filing of return subject to reversal of credit in his credit ledger-???? No clarity

## REJECTED INVOICES AND IT FACILITY:

- Where an invoice has been uploaded with wrong GSTIN, it'll be shown in the “viewing facility” of that wrong GSTIN.
  - As that entity is not the actual recipient of goods/services, he should “**reject**” such invoices.
  - To assist matching of correct GSTIN, Govt utility may include in the tool, a facility which will create a recipient and seller master list from which GSTIN numbers can be matched.
  - *Utmost care should be taken while uploading the invoices as entering a wrong GSTIN may lead to transfer of credit to non-eligible persons.*
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## PENDING INVOICES

- Invoices can be “kept pending” due to one of three reasons:-
    - a) Supply not received by the recipient.
    - b) Recipient holds the opinion that invoice needs amendment.
    - c) Recipient is not able to decide whether to take input tax credit for the time being.
  - Invoices should be marked pending by recipient and no ITC will be available on such invoices for the time being.
  - These invoices can be accepted on later dates and credit can be taken in future tax periods.
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## INPUT TAX CREDIT – GOODS NOT RECD

- If invoices are raised in a particular month and issued in the same month, same has been uploaded on portal before 10<sup>th</sup> of next month but goods/services are not received in that month but are received before 20<sup>th</sup> of next month (i.e. before the filing of return) then even such inputs will be available for taking input tax credits.
- For example: The invoice was raised on say 25<sup>th</sup> of June and was uploaded by supplier before 10<sup>th</sup> of July but the actual goods are received on 15<sup>th</sup> of July. Even such invoices will be allowed for claiming ITC in the month of June.
- *Section 16 (2) (b) clearly says that the recipient has RECEIVED the goods/services for him to be eligible for claiming ITC. We need to see what view govt. will take regarding the provision of act VS the procedure of return filing.*

# AMENDMENT RETURNS

- There would be a facility to file 2 amendment returns for each tax period within time specified in sec 39 (9) of CGST act.
  - As per sec 39 (9) no amendments can be done after
    - September of next year OR
    - Date of filing of annual returnWhichever earlier
  - It can be safely assumed that returns can be amended before filing the annual return.
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## AMENDMENT IN “MISSING INVOICES”

- When “missing invoices” are updated on a later date but some defect has been observed by us then amending such “missing invoice” is also allowed.
  - To amend the “missing invoice” we need to amend the return to which that invoice originally relates to.
  - For ex: If an invoice of April is uploaded through the return of month of July, then to amend such “missing invoice”, return of April has to be amended.
  - **Therefore it is advised to firstly upload all the missing invoices and only after that we should use the amendment facility to amend invoices if any as one return can be amended only twice.**
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## AMENDMENTS –LOCKED INVOICES

- So no amendment is possible for locked invoices. So Suppose if the supplier uploads the invoice in the month of May and recipient accepts the same. Our opinion is that the same cannot be amended. Or if the invoice can be unlocked even after filing of return the same can be amended. But no clarity on the same.
- All user entry fields in the Amendment to Annexure to Supplies- input tax credit table are amendable by amendment return.

## LIABILITY ARISING DUE TO AMENDMENTS & LATE FEES THERE ON – NEGATIVE LIABILITY CONCEPT

- If there is increase in any liability due to amendment returns, such liability can be settled by paying amounts via amendment return, this will help saving interest cost as interest till the date of amendment will be chargeable.
- If ITC credit is available in the credit ledger then even such inputs can be used to settle the amended liability.
- If due to amending such return, liability gets **negative** (say because of more payment for lesser liability) then such negative liability will be carried forward as is and will be brought forward in regular return of next tax period.
- If liability, due to amendment, changes more than 10% then, a higher late fees **MAY** be prescribed to ensure that reporting is appropriate in regular returns. This will also ensure that only genuine entries will get amended.

## MONTHLY ACCOUNTING & ASSESSMENT

- All reported details related to a particular month, missing liabilities uploaded later and amendments made for that certain period will be shown to taxpayer and tax officer at one screen on the common portal to assist tax period wise accounting and assessment.
- *From above it can be said that in the future assessments officer will have detailed first hand information on records and hence it will difficult for assessess to adjust their books of accounts. Here in the document, tax period refers to a “month/ quarter”*

## EXPORTS

- The table of Exports will contain details of Shipping Bill also
  - It is at the option of supplier to file details of shipping bill, before or after the filing of return.
  - A separate facility for uploading shipping bill details at later date is going to be provided for exporters
  - After uploading of Shipping Bill details, the entire data shall be transmitted to ICEGATE.
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## **REVERSE LINKAGE – ICEGATE TO GST PORTAL**

- Subsequent amendments in export/shipping bills will be carried out through a separate facility on common portal and not through the process of filing amendment return.
  - The changes made on common portals will also be transferred to ICEGATE
  - Till data starts flowing online from ICEGATE or SEZ online in the input tax credit, credit on imports and SEZ shall be taken on self declaration basis.
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## CONTROL ON SUPPLIERS

- Problem in Earlier 3B and GSTR-1 now resolved.
  - For a newly registered taxpayer and a taxpayer who has defaulted in payment of tax beyond a time period and/or above a threshold, he'll be allowed to upload invoices up to only a threshold or only after making good of defaults in the tax payments.
  - This will protect recipient from actions of supplier as supplier himself will be stopped from making new entries in the common portal.
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## QUARTERLY RETURNS

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- Every taxpayer whose turnover in preceding is less than 5 Cr has an option to opt for a quarterly return under GST.
  - Option of filing quarterly return must be exercised in the beginning of every year.
  - We have an option to change the periodicity of such return which can be exercised once a year at the beginning of any quarter.
  - Quarterly returns do not have facility of reporting missing/pending invoices
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## QUARTERLY RETURNS

- If small taxpayers wishes to have facility to report missing/pending invoices then he may choose monthly return filing.
  - Even if we are filing quarterly returns, the taxes **must be paid monthly through a “payment of self-assessed tax form”**
  - *Due to monthly payment of taxes, there does not seem much change in the quarterly scheme of return filing as compared to current scenario.*
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## **SELF DECLARATION FORM FOR PAYMENTS**

- As shown in the slide before, liabilities as well as the inputs of the entity have to self declared.
  - Remaining payable, if any, has to be settled in cash by paying a challan.
  - Only full settlement of liability is allowed in the payment form.
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# INTRODUCTION OF SAHAJ & SUGAM RETURNS

- Govt realized that it is not a feasible for a small taxpayer to file a lengthy “monthly/quarterly” every time when most of the fields for him are irrelevant.
- Keeping that in mind Govt announced 2 new return types viz.
  1. Sahaj: People having only B2Cs customer base
  2. Sugam: Allows both, B2B and B2Cs customer base
- These returns will be helpful for small taxpayers who are only concerned with their local markets.
- Number of such taxpayers is very large and hence it can be said that this will truly bring ease in return filing for small tax payers
- **But even in these formats tax needs to be paid on a monthly basis.**
- **No concept of Missing/ pending invoices and no amendment return.**
- **So not feasible and suggestable as no amendment possible.**

## CONCLUSION

- Originally GSTR1 ,2 AND 3 were made for a real ideal situation, which in the present day was not possible.
  - GSTR-1 and 3B which was continuing had defeated the very purpose of GST of matching the invoices
  - Clearly the current amendments are aimed to mitigate the shortcomings of earlier system but clarity is needed on a lot of points.
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# THANK YOU

QUESTIONS & SUGGESTIONS ARE HEARTILY WELCOME