



RETURNS



For the sake of brevity, the term input tax credit has been referred to as ITC in this Chapter. The section numbers referred to in the Chapter pertain to CGST Act, unless otherwise specified.

LEARNING OUTCOMES

This Chapter will equip you to –

- ❑ comprehend the provisions relating to various types of statements and returns to be filed by a registered taxpayer, consequences for default in filing of return, provisions relating to GST practitioner and apply the same in problem solving
- ❑ appreciate and analyse the process flow involved in filing of statements of outward and inward supplies and the consolidated monthly return
- ❑ appreciate and analyse the matching concept

1. INTRODUCTION

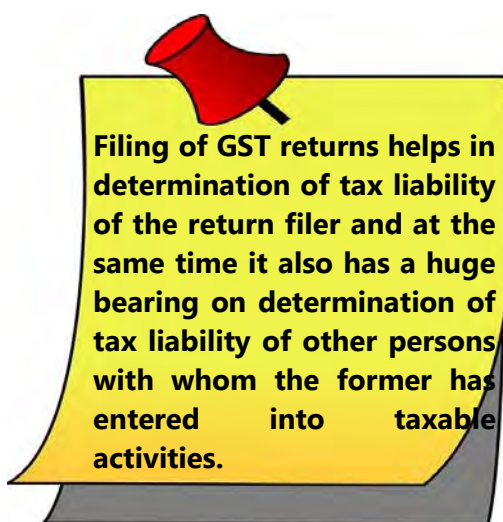
The term "return" ordinarily means statement of information (facts) furnished by the taxpayer, to tax administrators, at regular intervals. The information to be furnished in the return generally comprises of the details pertaining to the nature of activities/business operations forming the subject matter of taxation; the measure of taxation such as sale price, turnover, or value; deductions and exemptions; and determination and discharge of tax liability for a given period.

In any tax law, "filing of returns" constitutes the most important compliance procedure which enables the Government/ tax administrator to estimate the tax collection for a particular period and determine the correctness and completeness of the tax compliance of the taxpayers.

The returns serve the following purposes:

- Mode for transfer of information to tax administration;
- Compliance verification program of tax administration;
- Finalization of the tax liabilities of the taxpayer within stipulated period of limitation;
- Providing necessary inputs for taking policy decision;
- Management of audit and anti-evasion programs of tax administration

The taxpayer is generally required to furnish the return in a specific statutory format. These formats are, therefore, designed to take care of all the provisions of the law that have a bearing on computation of tax liability of a taxpayer. Hence, a study of various fields contained in the form of return *vis-à-vis* the relevant corresponding provisions of the tax law, can facilitate overall understanding of the tax law in a better manner.





Under the GST laws, the correct and timely filing of returns is of utmost importance because of two reasons. Firstly, under GST laws, a taxpayer is required to estimate his tax liability on “self-assessment” basis and deposit the tax amount along with/before the filing of such return. The return, therefore, constitutes a kind of working sheet/supporting document for the tax authorities that can be relied upon as the basis on which the tax has been computed by the taxpayer. Secondly, under

the GST regime, filing of returns not only determines the tax liability of the person filing the same, but it also has a huge bearing on determination of tax liability of other persons with whom the former has entered into taxable activities.

In this Chapter, we will study various provisions concerning filing of returns under the GST laws including types of returns, due dates for filing of returns, particulars contained in the returns, how the returns filed by a taxpayer will be processed by the tax administrators for determining the tax liability of the person filing the return as well as other taxable persons etc.

Chapter IX of the CGST Act [Sections 37 to 48] prescribes the provisions relating to filing of returns as under:

Section 37	Furnishing details of outward supplies
Section 38	Furnishing details of inward supplies
Section 39	Furnishing of returns
Section 40	First return
Section 41	Claim of input tax credit and provisional acceptance thereof
Section 42	Matching, reversal and re-claim of input tax credit
Section 43	Matching, reversal and re-claim of reduction in output tax liability
Section 44	Annual Return
Section 45	Final Return
Section 46	Notice to return defaulters

Section 47	Levy of late fee
Section 48	Goods and services tax practitioners

The provisions relating to form and manner, in which information is to be furnished through returns, are given under Chapter VIII of the CGST Rules [Rules 59-84]. State GST laws also prescribe identical provisions in relation to filing of returns.

Provisions of returns, other than late fee, under CGST Act have also been made applicable to IGST Act vide section 20 of the IGST Act.

In the subsequent pages of this Chapter, provisions of sections 37 to 48 have been extracted, followed by analysis thereof. When studying the statutory provisions, the definitions (extracted first) must also be referred to simultaneously, so as to understand the precise meaning of the terms used.



The basic features of the return mechanism in GST include electronic filing of returns, uploading of invoice level information and auto-population of information relating to ITC from returns of supplier to that of recipient, invoice-level information matching and auto-reversal of ITC in case of mismatch. The returns mechanism is designed to assist the taxpayer to file returns and avail ITC.

All the returns under GST laws are to be filed electronically. Taxpayers can file the statements and returns by various modes. Firstly, they can file their statement and returns directly on the GST common portal online. However, this may be tedious and time consuming for taxpayers with large number of invoices. For such taxpayers, offline utilities have been provided by GSTN that can be used for preparing the statements offline after downloading the auto populated details and uploading them on the common portal. GSTN has also developed an ecosystem of GST Suvidha Providers (GSP) that will integrate with the common portal.

GSP- GST Suvidha Provider

- It is an eco-system of third party service providers, having access to GST system, who can help taxpayers in GST Compliance.
- GSP will develop applications for return filing, reconciliation of purchase register data with auto-populated data for acceptance/rejection/modification, dashboards for taxpayers for quick monitoring.

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The details furnished by the taxpayer in the form of returns shall be consolidated and stored at the common portal which will be common for both, i.e. Central Government and State Governments.

2. RELEVANT DEFINITIONS



- Common portal** means the common goods and services tax electronic portal referred to in section 146 [Section 2(26)].
- Credit note** means a document issued by a registered person under subsection (1) of section 34 [Section 2(37)].
- Debit note** means a document issued by a registered person under subsection (3) of section 34 [Section 2(38)].
- Electronic cash ledger** means the electronic cash ledger referred to in subsection (1) of section 49 [Section 2(43)].
- Electronic commerce** means the supply of goods or services or both, including digital products over digital or electronic network [Section 2(44)].
- Electronic commerce operator** means any person who owns, operates or manages digital or electronic facility or platform for electronic commerce [Section 2(45)].
- Electronic credit ledger** means the electronic credit ledger referred to in subsection (2) of section 49 [Section 2(46)].

- ❑ **Exempt supply** means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax under section 11, or under section 6 of the Integrated Goods and Services Tax Act, and includes non-taxable supply [Section 2(47)].
- ❑ **Goods and services tax practitioner** means any person who has been approved under section 48 to act as such practitioner [Section 2(55)].
- ❑ **Invoice or tax invoice** means the tax invoice referred to in section 31 [Section 66].
- ❑ **Inward supply** in relation to a person, shall mean receipt of goods or services or both whether by purchase, acquisition or any other means with or without consideration [Section 2(67)].
- ❑ **Input service distributor** means an office of the supplier of goods or services or both which receives tax invoices issued under section 31 towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same Permanent Account Number as that of the said office [Section 2(61)].
- ❑ **Non-resident taxable person** means any person who occasionally undertakes transactions involving supply of goods or services or both, whether as principal or agent or in any other capacity, but who has no fixed place of business or residence in India [Section 2(77)].
- ❑ **Outward supply** in relation to a taxable person, means supply of goods or services or both, whether by sale, transfer, barter, exchange, licence, rental, lease or disposal or any other mode, made or agreed to be made by such person in the course or furtherance of business [Section 2(83)].
- ❑ **Prescribed** means prescribed by rules made under this Act on the recommendations of the Council [section 2(87)].
- ❑ **Proper officer** in relation to any function to be performed under this Act, means the Commissioner or the officer of the central tax who is assigned that function by the Commissioner in the Board [Section 2(91)].
- ❑ **Quarter** shall mean a period comprising three consecutive calendar months, ending on the last day of March, June, September and December of a calendar year [Section 2(92)].

- Recipient** of supply of goods or services or both, means—
- where a consideration is payable for the supply of goods or services or both, the person who is liable to pay that consideration;
 - where no consideration is payable for the supply of goods, the person to whom the goods are delivered or made available, or to whom possession or use of the goods is given or made available; and
 - where no consideration is payable for the supply of a service, the person to whom the service is rendered,
- and any reference to a person to whom a supply is made shall be construed as a reference to the recipient of the supply and shall include an agent acting as such on behalf of the recipient in relation to the goods or services or both supplied [Section 2(93)].
- Registered person** means a person who is registered under section 25 but does not include a person having a Unique Identity Number [Section 2(94)].
- Return** means any return prescribed or otherwise required to be furnished by or under this Act or the rules made thereunder [Section 2(97)].
- Reverse charge** means the liability to pay tax by the recipient of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or sub-section (4) of section 5 of the Integrated Goods and Services Tax Act [Section 2(98)].
- Supplier** in relation to any goods or services or both, shall mean the person supplying the said goods or services or both and shall include an agent acting as such on behalf of such supplier in relation to the goods or services or both supplied [Section 2(105)].
- Tax period** means the period for which the return is required to be furnished [Section 106].
- Taxable person** means a person who is registered or liable to be registered under section 22 or section 24 [Section 2(107)].
- Taxable supply** means a supply of goods or services or both which is leviable to tax under this Act [Section 2(108)].
- Valid return** means a return furnished under sub-section (1) of section 39 on which self-assessed tax has been paid in full [Section 2(117)].

- ❑ **Online information and database access or retrieval services** means services whose delivery is mediated by information technology over the internet or an electronic network and the nature of which renders their supply essentially automated and involving minimal human intervention and impossible to ensure in the absence of information technology and includes electronic services such as,—
- (i) advertising on the internet;
 - (ii) providing cloud services;
 - (iii) provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet;
 - (iv) providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;
 - (v) online supplies of digital content (movies, television shows, music and the like);
 - (vi) digital data storage; and
 - (vii) online gaming [Section 2(17) of IGST Act]
- ❑ **Zero rated supply** means any of the following supplies of goods or services or both, namely:—
- (a) export of goods or services or both; or
 - (b) supply of goods or services or both to a Special Economic Zone developer or a Special Economic Zone unit [Section 16 of IGST Act].



3. FURNISHING DETAILS OF OUTWARD SUPPLIES [SECTION 37]

	STATUTORY PROVISIONS	
Section 37	<i>Furnishing details of outward supplies</i>	
Sub-section	Clause	Particulars

(1)	<p><i>Every registered person, other than an Input Service Distributor, a non-resident taxable person and a person paying tax under the provisions of section 10 or section 51 or section 52, shall furnish, electronically, in such form and manner as may be prescribed, the details of outward supplies of goods or services or both effected during a tax period on or before the tenth day of the month succeeding the said tax period and such details shall be communicated to the recipient of the said supplies within such time and in such manner as may be prescribed:</i></p> <p><i>Provided that the registered person shall not be allowed to furnish the details of outward supplies during the period from the eleventh day to the fifteenth day of the month succeeding the tax period:</i></p> <p><i>Provided further that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing such details for such class of taxable persons as may be specified therein:</i></p> <p><i>Provided also that any extension of time limit notified by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.</i></p>
(2)	<p><i>Every registered person who has been communicated the details under sub-section (3) of section 38 or the details pertaining to inward supplies of Input Service Distributor under sub-section (4) of section 38, shall either accept or reject the details so communicated, on or before the seventeenth day, but not before the fifteenth day, of the month succeeding the tax period and the details furnished by him under sub-section (1) shall stand amended accordingly.</i></p>
(3)	<p><i>Any registered person, who has furnished the details under sub-section (1) for any tax period and which have remained unmatched under section 42 or section 43, shall, upon discovery of any error or omission therein, rectify such error or omission in such manner as may be prescribed, and shall pay the tax and interest, if any, in case there is a short payment of tax on account of such error or omission,</i></p>

in the return to be furnished for such tax period:

Provided that no rectification of error or omission in respect of the details furnished under sub-section (1) shall be allowed after furnishing of the return under section 39 for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.

Explanation.—For the purposes of this Chapter, the expression “details of outward supplies” shall include details of invoices, debit notes, credit notes and revised invoices issued in relation to outward supplies made during any tax period.



ANALYSIS

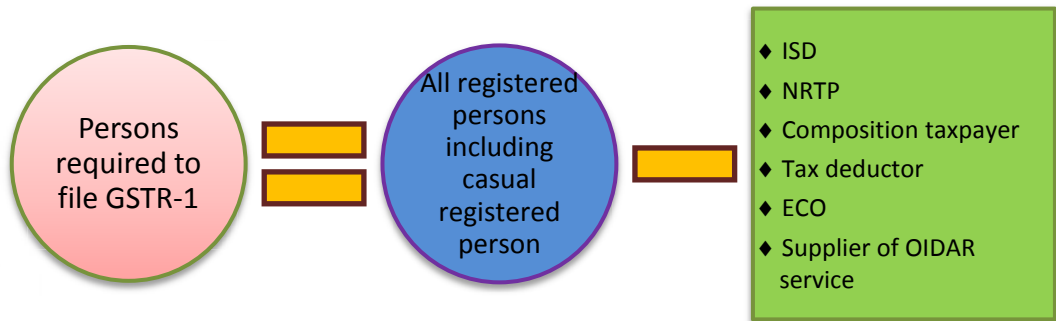
(i) Who is required to furnish details of outward supplies? [Section 37(1) read with rule 59(1) of CGST Rules]

The details of outward supplies (see definition) of both goods and services are required to be furnished by every registered person including casual registered person except the following:

- ❖ input service distributor (ISD)
- ❖ non-resident taxable person (NRTP)
- ❖ person paying tax under composition scheme
- ❖ person deducting tax at source
- ❖ person collecting tax at source i.e., e-commerce operator (ECO), not being an agent
- ❖ a supplier of online information and database access or retrieval services (OIDAR)



The above excluded persons have to file special returns which have been discussed in subsequent pages of this Chapter under Heading No. 6 “Special Returns”.



**(ii) What is the form for submission of details of outward supplies?
[Section 37(1) read with rule 59(1) of CGST Rules]**

The details of outward supplies are required to be furnished, electronically, in **Form GSTR-1**. Such details can be furnished through the common portal, either directly or from a notified Facilitation Centre.

(iii) What is the due date of submission of GSTR-1? [Section 37(1)]

GSTR-1 for a particular month is filed on or before the 10th day of the immediately succeeding month. In other words, GSTR-1 of a month can be filed any time between 1st and 10th day of the succeeding month.

It may be noted that GSTR-1 cannot be filed during the period from 11th day to 15th day of month succeeding the tax period.

The due date of filing GSTR-1 may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.

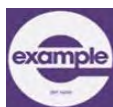


A taxpayer cannot file GSTR-1 before the end of the current tax period.

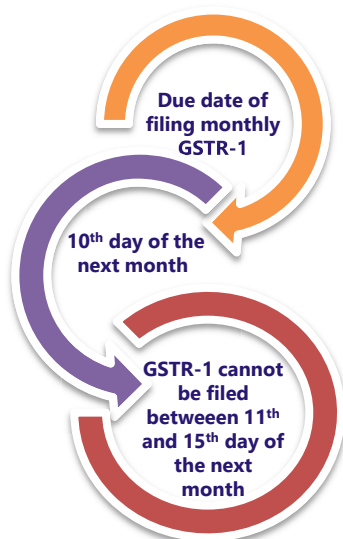
However, following are the exceptions to this rule:

- a. Casual taxpayers, after the closure of their business**
- b. Cancellation of GSTIN of a normal taxpayer**

A taxpayer who has applied for cancellation of registration will be allowed to file GSTR-1 after confirming receipt of the application.



The details of outward supplies pertaining to the month of October will be required to be furnished on or before 10th November and GSTR-1 for October cannot be filed between 11th November to 15th November.



GSTR-1 can be filed on or after 16th of a month, if due date of 10th of the month is missed.

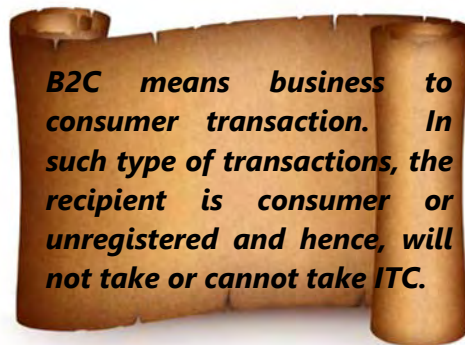
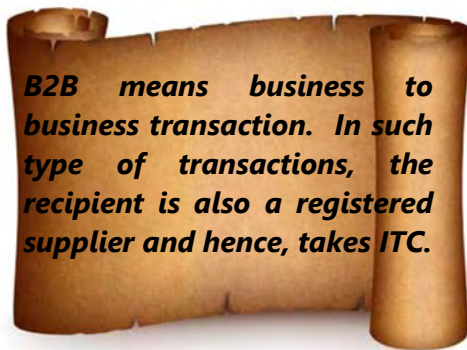
(iv) What kind of details of outward supplies are required to be furnished in GSTR-1? [Explanation to section 37 read with rule 59(2) of CGST Rules]

The registered person is required to furnish details of invoices and revised invoices issued in relation to supplies made by him to registered and unregistered persons during a month and debit notes and credit notes in GSTR-1 in the following manner:

Sl. No.	Invoice-wise* details of ALL	Consolidated details of ALL	Debit and credit notes
(i)	Inter-State and Intra-State supplies made to registered persons	Intra-State supplies made to unregistered persons for each rate of tax	Issued during the month for invoices issued previously
(ii)	Inter-State supplies made to unregistered persons with invoice	Inter-State supplies made to unregistered persons with invoice	

	value exceeding ₹ 2,50,000	value upto ₹ 2,50,000 for each rate of tax separately for each State	
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It can be seen from the above table that uploading of invoices depends on whether the supply is B2B or B2C plus whether the supply is intra-State or inter-State.



For B2B supplies, all invoices will have to be uploaded irrespective of whether they are intra-State or inter-State supplies. This is so because the recipient will take ITC and thus, invoice matching is required to be done.

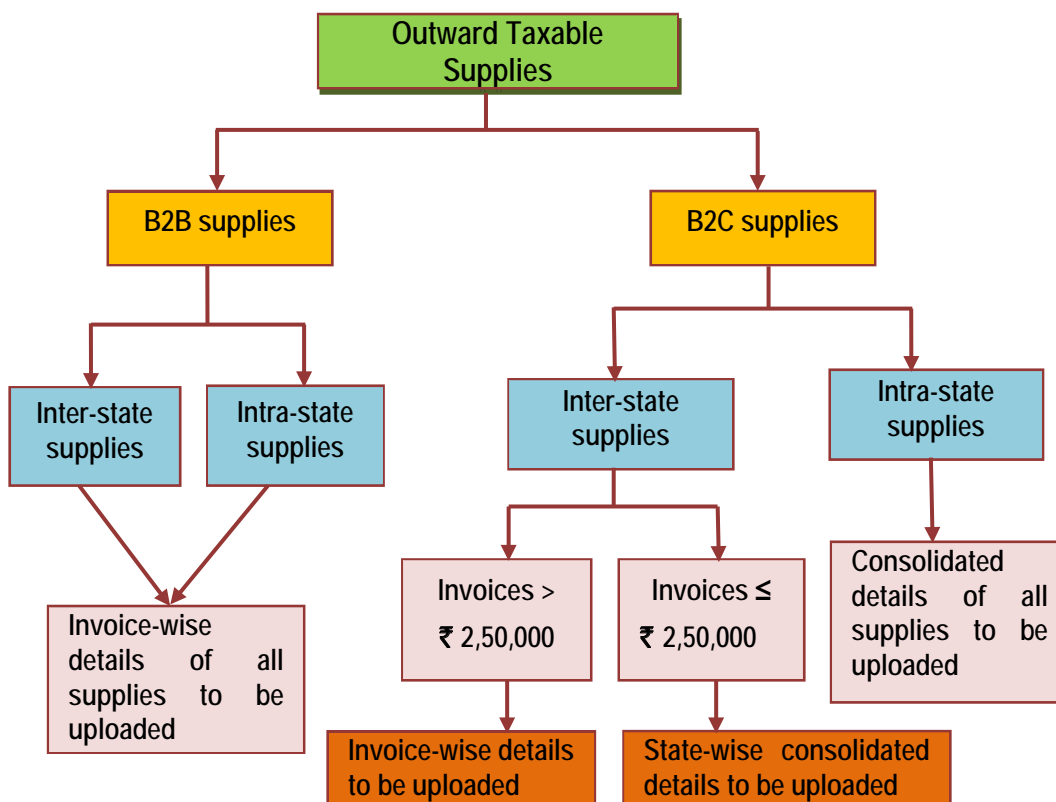
For B2C supplies, uploading in general may not be required as the buyer will not be taking ITC. However, still in order to implement the destination based principle, invoices of value more than ₹ 2.5 lakh in inter-State B2C supplies will have to be uploaded. For inter-State invoices below ₹ 2.5 lakh, State wise summary will be sufficient and for all intra-State invoices, only consolidated details will have to be given.

The provisions relating to uploading of invoices have been explained by way of a diagram given at the next page.

Invoices can be uploaded at any time during the tax period and not just at the time of filing.



For the month of October, the taxpayer can upload invoices from 1st October to 10th November. In case of late filing of GSTR-1, invoices can be uploaded after 15th November.



Invoices can be modified/deleted any number of times till the submission of GSTR-1 of a tax period. The uploaded invoice details are in a draft version till the GSTR-1 is submitted and can be changed irrespective of due date.

- ★ Scanned copies of invoices are not required to be uploaded. Only certain prescribed fields of information from invoices need to be uploaded e.g., invoice no., date, value, taxable value, rate of tax, amount of tax etc. In case there is no consideration, but the activity is a supply by virtue of Schedule 1 of CGST Act, the taxable value will have to be worked out as prescribed and uploaded.
- ★ Description of each item in the invoice will not be uploaded. Only HSN code in respect of supply of goods and accounting code in respect of supply of services will have to be fed.

Indication of HSN details

The minimum number of digits of HSN code that a filer has to upload depend on his turnover in the last year.

Notification No. 12/2017 CT 28.06.2017, which has been issued in this regard, provides as under:

Annual turnover in the preceding financial year	Number of Digits of HSN Code
Upto ₹ 1.5 core	Nil
More than ₹ 1.5 crore and upto ₹ 5 crore	2
More than ₹ 5 crore	4

(v) Communication of details of GSTR-1 to the recipient of supply [Section 37(2) read with sub-rules (3) and (4) of rule 59]

The details of outward supplies for a month furnished by the supplier are communicated and made available electronically (auto populated) to the respective recipient(s) in Part A of Form GSTR- 2A/ Form GSTR-4A (in case of registered person opting for composition levy) and Form GSTR-6A (in case of ISD) through the common portal after the 10th day of the succeeding month (due date of filing of GSTR-1).

The recipient is provided an opportunity to add, correct or delete such details in a two-way communication process. After such modifications, recipient files the details of inward supplies in Form GSTR-2 by 15th day of that month.

The details of inward supplies added, corrected or deleted by the recipient in Form GSTR-2/Form GSTR-4 (quarterly return for registered person opting for composition levy)¹/Form GSTR-6² (in case of ISD) are made available to the supplier electronically in Form GSTR-1A through the common portal. The supplier may either accept or reject the modifications made by the recipient between 15th day and 17th day of that

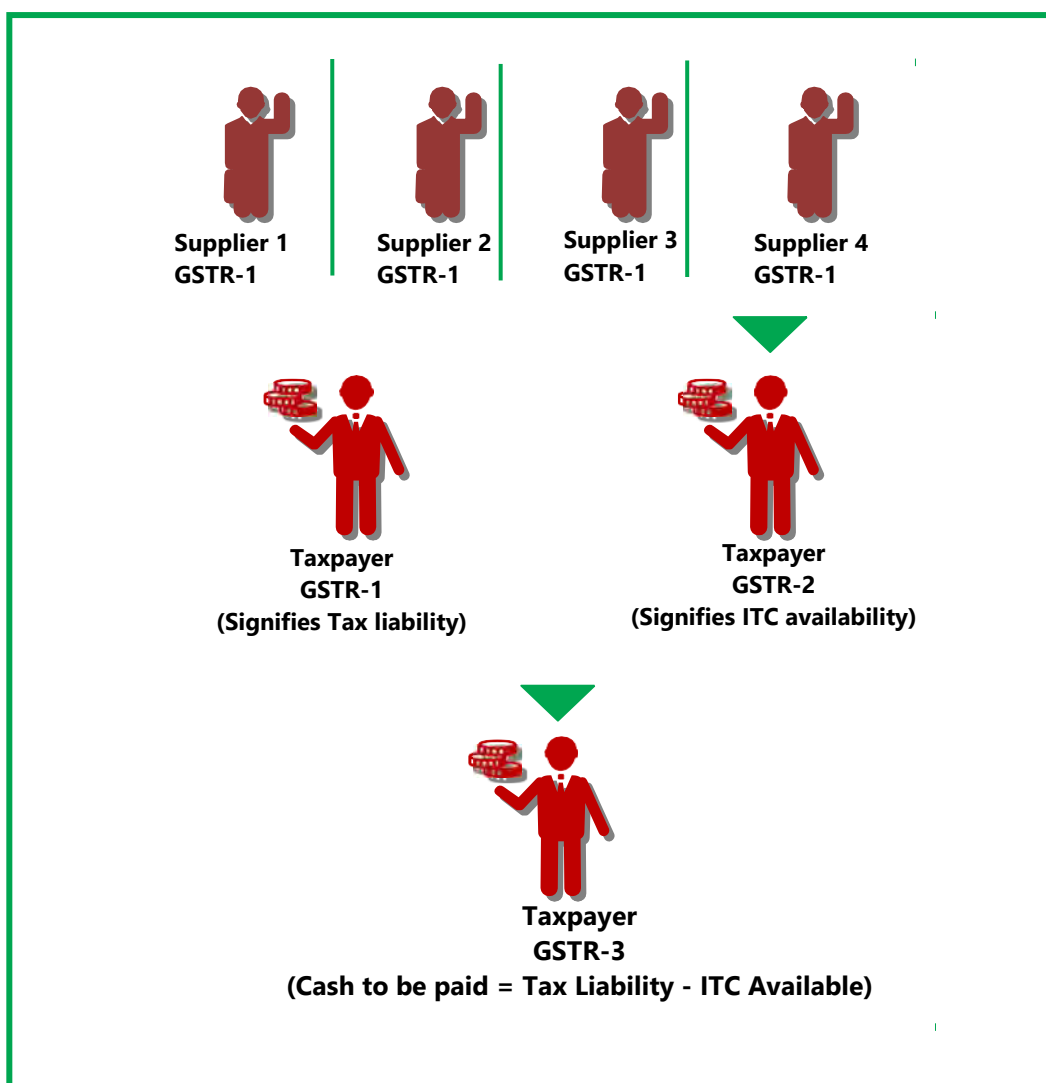
¹ Quarterly return in Form GSTR-4 for a registered person paying tax under composition scheme has been discussed in detail in subsequent pages of this Chapter.

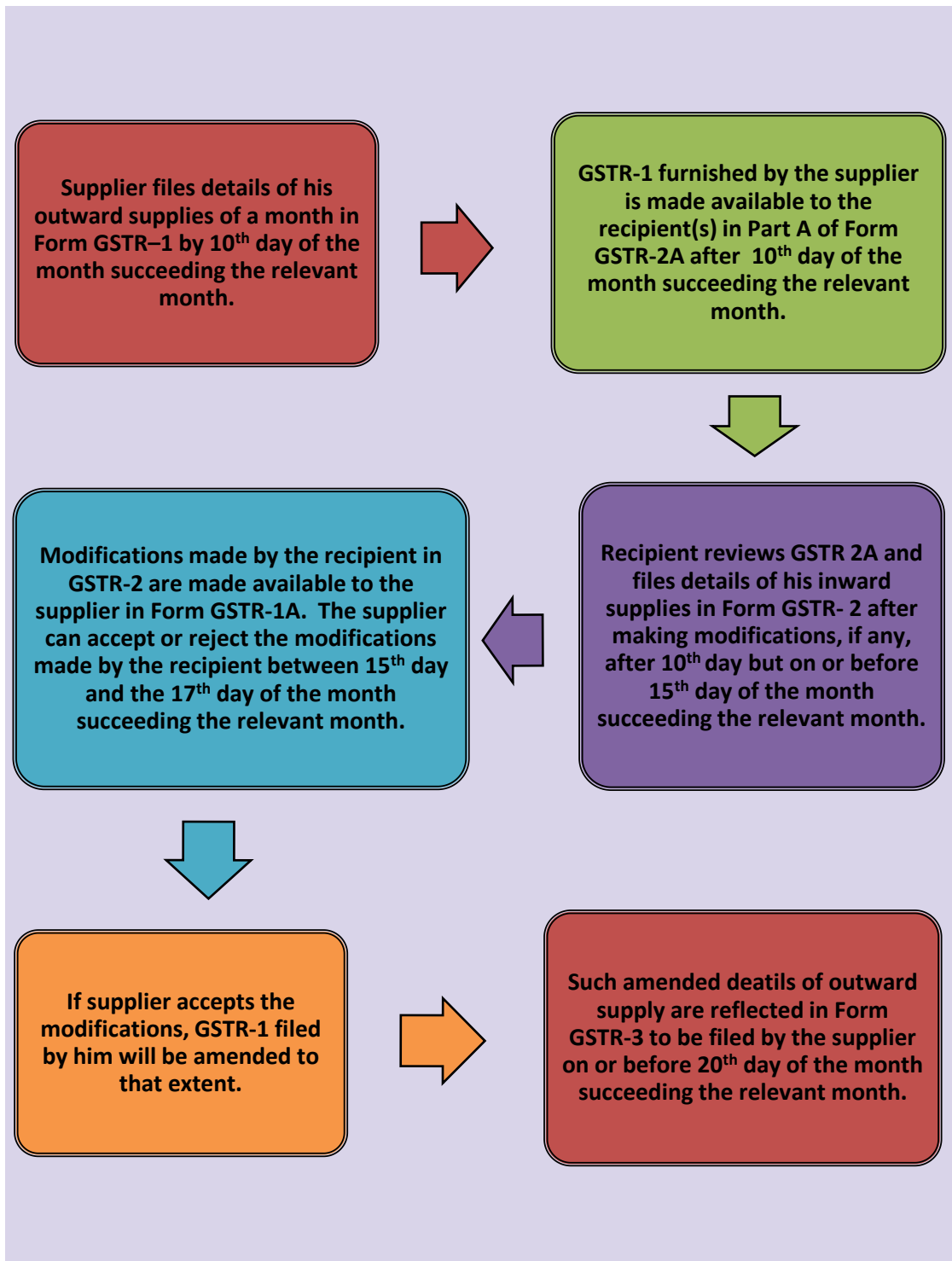
² Monthly return in Form GSTR-6 for a ISD paying tax under composition scheme has been discussed in detail in subsequent pages of this Chapter.

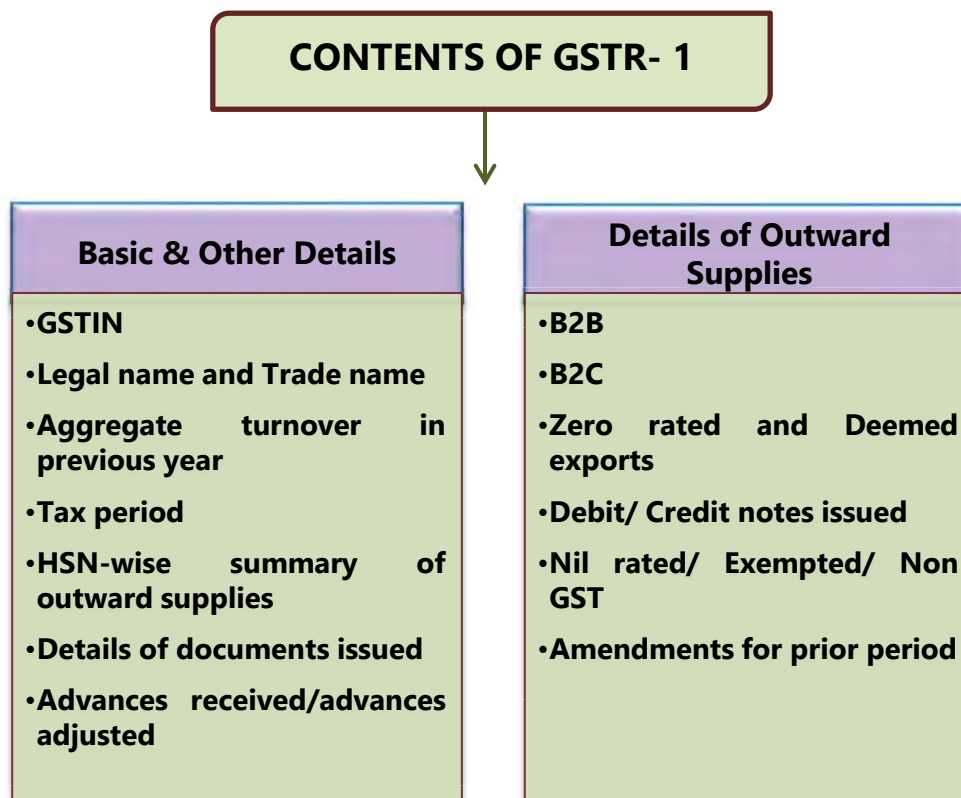
month. If supplier accepts the modifications made by the recipient, GSTR-1 furnished earlier by him gets amended accordingly.

The process flow involved in filing of GSTR-1, auto population of GSTR-2 and filing of GSTR-3 thereafter can be better understood with the help of the diagram given below and at the next page.

GSTR-2 and GSTR-3 have been explained exhaustively in the subsequent pages of this chapter.





(vi) What are the contents of GSTR-1?**Information to be given in tables**


GSTR-1 first requires the general details of the registered person like GSTIN, legal name, trade name, aggregate turnover in the preceding financial year, relevant financial year and the month for which the GSTR-1 is being filed.

The other specific contents of GSTR-1 are to be given in tables. The broad contents of such tables are given below.

Table 4	Invoice-wise details of taxable outward supplies made to registered persons excluding supplies covered by Table 6
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Table 5	Invoice-wise details of taxable outward inter-State supplies to unregistered persons where the invoice value is more than ₹ 2.5 lakh
Table 6	Invoice-wise details of zero rated supplies and deemed exports
Table 7	Consolidated details of taxable supplies (intra-state supplies and inter-state supplies of invoice value up to ₹ 2.5 lakh, net of debit notes and credit notes) to unregistered persons
Table 8	Nil rated, exempted and non GST outward supplies
Table 9	Amendments to taxable outward supply details furnished in returns for earlier tax periods in Tables 4, 5 & 6
Table 10	Amendments to taxable outward supply to unregistered persons furnished in returns for earlier tax periods in Table 7
Table 11	<p>Consolidated statement of advances received/advance adjusted in the current tax period/Amendments of information furnished in earlier tax period.</p> <p>In cases, where assessee has received advance in one tax period and invoice is issued in subsequent tax period, the liability on account of such advances and adjustment thereof against subsequent tax period is required to be shown separately in the return.</p>
Table 12	HSN-wise summary of outward supplies
Table 13	<p>Documents issued during the tax period</p> <p>Serial no. of invoices for outward supply and inward supply from unregistered persons, revised invoices, debit and credit notes, receipt, payment and refund vouchers, delivery challans for job work, supply on approval etc.</p>

issued during the period including the cancelled ones need to be given under this point.

 **GST is a destination based consumption tax, hence the tax revenue is transferred to the State which is the place of supply of the particular transaction. Since, the place of supply is crucial for determining the share of every State in the tax revenue, GSTR-1 also captures information relating to place of supply in almost all the tables.**

Supplier should fill the information carefully especially as the common portal verifies the correctness of the information, by matching the same with the information furnished by the registered persons to whom the outward supplies are made.



The details like (a) GSTIN of supplier and receiver, (b) Invoice or Debit Note No., Date of Invoice/ debit note, and (c) Tax Amount are matched with the corresponding details furnished by the registered receiver in Form GSTR-2³.



The details relating to outward supplies which are liable to tax under reverse charge basis, are used in matching the inward supplies shown by the recipient in GSTR-2 against inward supplies attracting reverse charge.

(vii) How are the details of outward supply furnished in prior periods amended? [Section 37(3)]

(a) Scope of amendment/ correction entries

Tables 9, 10 and 11(II) provide for amendments in details of taxable outward supplies furnished in earlier periods (hereinafter referred to as "Amendment Table"). The supplier can make amendments in the particulars furnished in GSTR-1 filed by him **for the prior periods** if he agrees to the mismatch report communicated to him by the system every month, after the processing of the return.

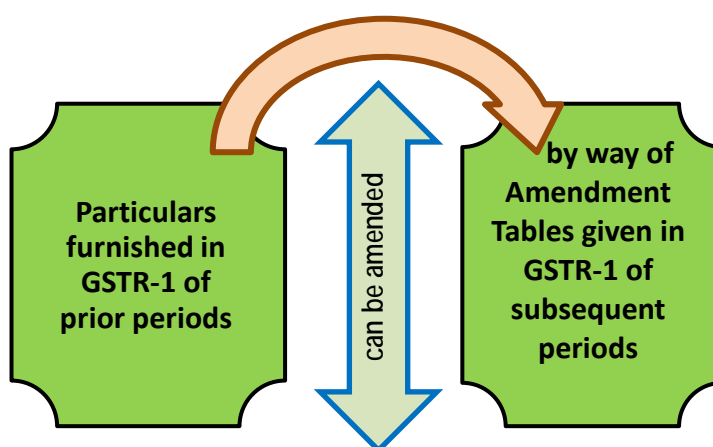
The details of original debit notes/ credit notes / refund vouchers issued by the tax-payer in the current tax period as also the revision in the debit notes/ credit

³ Form GSTR-2 has been discussed in detail in subsequent pages of this Chapter.

notes / refund vouchers issued in the earlier tax periods are required to be shown in Table 9 of the GSTR-1.

Ordinarily in Amendment Table the supplier is required to give details of original invoice (No and Date), the particulars of which have been wrongly entered in GSTR-1 of the earlier months and are now sought to be amended. However, it may happen that, a supplier altogether forgets to include the entire original invoice while furnishing the GSTR-1 for a particular month.

In such cases also, he would be required to show the details of the said missing invoice which was issued in earlier month in the Amendment Table only, as such type of errors would also be regarded as data entry error.



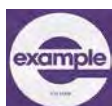
(b) Rectification of errors

Consequent to the mismatch report communicated to the supplier u/s 42 or 43⁴, if he discovers any error or omission, he shall rectify the same in the tax period during which such error or omission is noticed, and pay the tax and interest, if any, in case there is short payment, in the return to be furnished for such tax period.



GSTR-1 for the month of August, 2017 was filed on 10th September, 2017 and the consolidated return u/s 39 pertaining to the month of August, 2017 was filed on 20th September, 2017. The said return is processed in the month of October, 2017 and errors discovered during matching are communicated to the supplier in the mismatch report in the month of October, 2017.

⁴ Concept of matching and mismatch reports etc. have been dealt in detail in subsequent pages of this Chapter.





The supplier has to rectify the said errors in GSTR-1 for the month of October, 2017 (due date of submission of which is 10th November, 2017). If there is any tax liability because of the said amendment/rectification, it will be automatically calculated in his return u/s 39 for the month of October, 2017.

(c) Time limit for rectification

Suppose for some reason, supplier could not make correction at the time of filing of GSTR-1 for the month of October, 2017 then he can make such amendments in the subsequent periods.

However, the maximum time limit within which such amendments are permissible is earlier of the following dates:

-  Date of filing of monthly return u/s 39 for the month of September following the end of the financial year to which such details pertain or
-  Date of filing of the relevant annual return



In the above example, the last return in which a supplier can make amendments/ corrections pertaining to financial year 2017-18 will be GSTR-1 for the month of September, 2018 or the annual return for the financial year 2017-18 if the same is filed before 20th October, 2018.

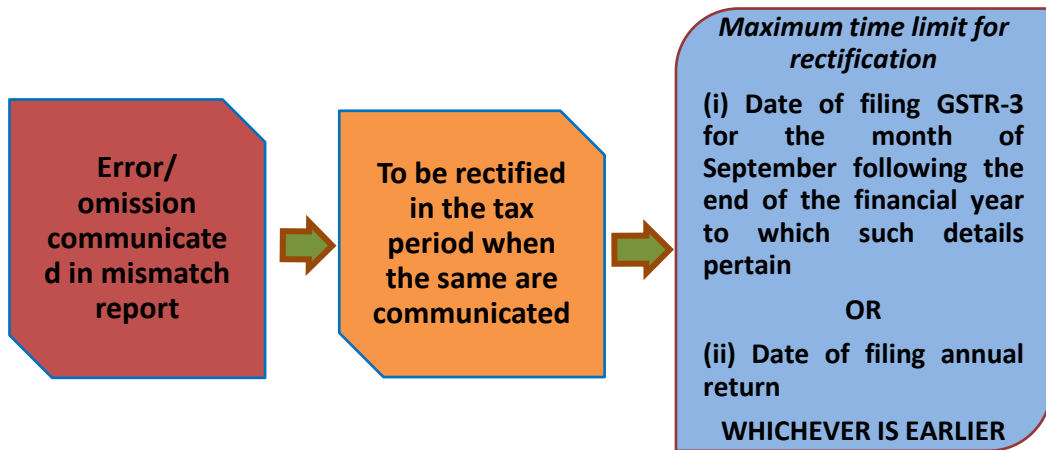
Thus, if the supplier, files his return for September, 2018 on 20th October, 2018 (and annual return for financial year 2017-2018 after 20th October, 2018), he can rectify errors discovered in the month of October, 2017 in any of the GSTR-1s till the month of September, 2018.

However, if the supplier files his annual return for the year 2017-18, before filing of GSTR-1 for September 2018, (say on 4th October, 2018), he cannot make any amendment relating to financial year 2017-18 in his GSTR-1 for the month of September, 2018.

In other words, once annual return for financial year 2017-18 is filed before the filing of return for the month of September, 2018, no amendments relating to financial year 2017-18 will be permitted thereafter and in such case, mismatch will become permanent and liability to that extent will be fastened on the receiver.



An entity has furnished the annual return for the year 2017-18 on August 15, 2018. An error is discovered in respect of a transaction pertaining to November, 2017. The entity has filed the returns for the month of September, 2018 on October 20, 2018. In this case, the rectification of the error pertaining to the transaction in November, 2017 cannot be rectified beyond August 15, 2018.



★ GSTR 1 needs to be filed even if there is no business activity (Nil Return) in the tax period.

★ Filing of GSTR-1 for current month is possible only when GSTR-1 for the previous month has been filed.


★ All values like invoice value, taxable value and tax amounts in GSTR-1 are to be declared up to 2 decimal digits. The rounding off of the self-declared tax liability to the nearest rupee will be done in GSTR 3.

★ Taxpayer opting for voluntary cancellation of GSTIN will have to file GSTR-1 for active period.

★ In cases where a taxpayer has been converted from a normal taxpayer to composition taxpayer, GSTR 1 will be available for filing only for the period during which the taxpayer was registered as normal taxpayer. The GSTR 1 for the said period, even if filed with delay would accept invoices for the period prior to conversion.



4. FURNISHING DETAILS OF INWARD SUPPLIES [SECTION 38]

		STATUTORY PROVISIONS
Section 38	<i>Furnishing details of inward supplies</i>	
Sub-section	Clause	Particulars
(1)		<p><i>Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10, section 51 or section 52, shall verify, validate, modify or delete, if required, the details relating to outward supplies and credit or debit notes communicated under sub-section (1) of section 37 to prepare the details of his inward supplies and credit or debit notes and may include therein, the details of inward supplies and credit or debit notes received by him in respect of such supplies that have not been declared by the supplier under sub-section (1) of section 37.</i></p>
(2)		<p><i>Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10 or section 51 or section 52, shall furnish, electronically, the details of inward supplies of taxable goods or services or both, including inward supplies of goods or services or both on which the tax is payable on reverse charge basis under this Act and inward supplies of goods or services or both taxable under the Integrated Goods and Services Tax Act or on which integrated goods and services tax is payable under section 3 of the Customs Tariff Act, 1975, and credit or debit notes received in respect of such supplies during a tax period after the tenth day but on or before the fifteenth day of the month succeeding the tax period in such form and manner as may be prescribed:</i></p> <p><i>Provided that the Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing such</i></p>

	<p><i>details for such class of taxable persons as may be specified therein:</i></p> <p><i>Provided further that any extension of time limit notified by the Commissioner of State tax or Commissioner of Union territory tax shall be deemed to be notified by the Commissioner.</i></p>
(3)	<i>The details of supplies modified, deleted or included by the recipient and furnished under sub-section (2) shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.</i>
(4)	<i>The details of supplies modified, deleted or included by the recipient in the return furnished under sub-section (2) or sub-section (4) of section 39 shall be communicated to the supplier concerned in such manner and within such time as may be prescribed.</i>
(5)	<p><i>Any registered person, who has furnished the details under sub-section (2) for any tax period and which have remained unmatched under section 42 or section 43, shall, upon discovery of any error or omission therein, rectify such error or omission in the tax period during which such error or omission is noticed in such manner as may be prescribed, and shall pay the tax and interest, if any, in case there is a short payment of tax on account of such error or omission, in the return to be furnished for such tax period:</i></p> <p><i>Provided that no rectification of error or omission in respect of the details furnished under sub-section (2) shall be allowed after furnishing of the return under section 39 for the month of September following the end of the financial year to which such details pertain, or furnishing of the relevant annual return, whichever is earlier.</i></p>



ANALYSIS

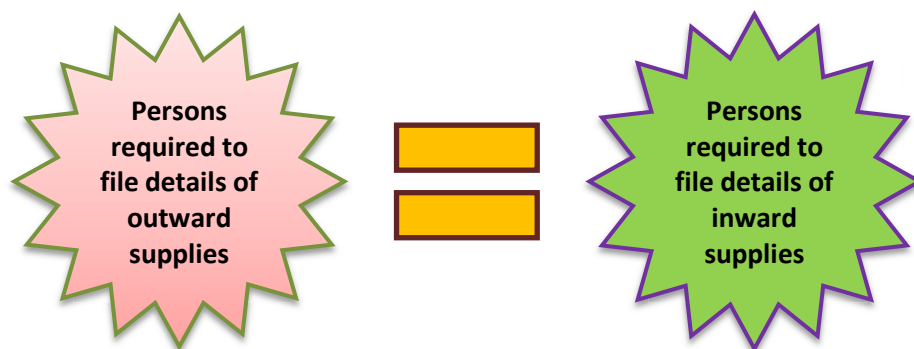
(i) Who is required to furnish details of inward supplies? [Section 38(2) read with rule 60(1) of CGST Rules]

The details of inward supplies (see definition) of both goods and services and credit or debit notes received are required to be furnished by every registered person except the following:

- ❖ ISD

- ❖ N RTP
- ❖ composition taxpayer
- ❖ person deducting tax at source
- ❖ ECO (not being an agent)
- ❖ supplier of OIDAR services

Thus, the registered persons who file details of outward supplies are also required to file the details of inward supplies.



(ii) What is the form for submission of details of inward supplies? [Section 38(2) read with rule 60(1) of CGST Rules]

The details of inward supplies are required to be furnished, electronically, in **Form GSTR-2**. Such details can be furnished through the Common Portal, either directly or from a notified Facilitation Centre.



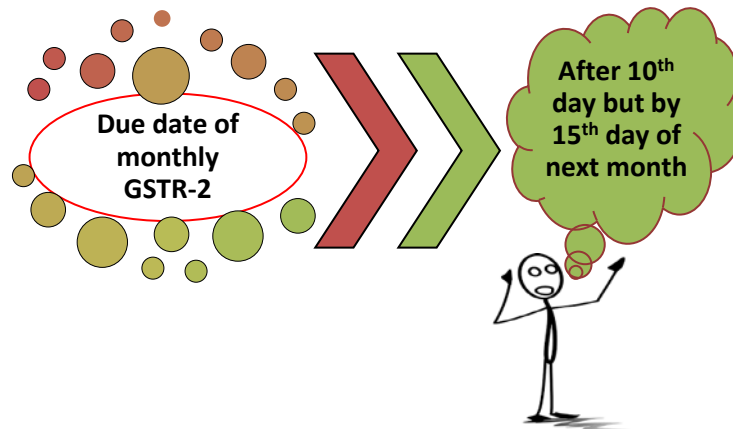
(iii) What is the due date of submission of GSTR-2? [Section 38(2)]

GSTR-2 for a particular month is filed after the 10th day but on or before the 15th day of the immediately succeeding month.



The details of inward supplies pertaining to the month of October will be required to be furnished between 11th November and 15th November.

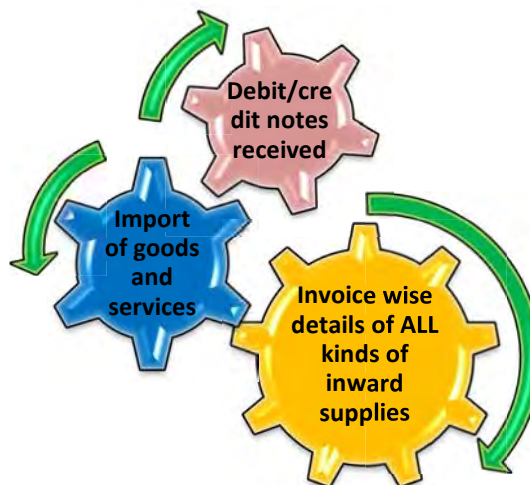
The due date of filing GSTR-2 may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.



(iv) What kind of details of inward supplies are required to be furnished in GSTR-2? [Section 38(2) read with rule 60(8) of CGST Rules]

The details of inward supplies of goods or services or both furnished in GSTR-2 include the -

- invoice wise details of all inter-State and intra-State supplies received from registered persons or unregistered persons including inward supplies taxable under reverse charge;
- import of goods and services made; and
- debit and credit notes, if any, received by the registered person from suppliers in respect of above supplies



(v) Communication of details of GSTR-1 to the recipient of supply

(a) Auto-population of details of outward supplies filed by supplier as inward supplies of recipient in GSTR-2A [Sub-rules (1), (4A), (5), (6) and (7) of rule 60 of CGST Rules]

After the supplier files GSTR-1, the details of outward supply of such supplier are auto populated in Part A of **Form GSTR 2A** of the recipient(s) of said supplies, after 10th day of the month succeeding the month for which the details are being filed.



Details of outward supply of a supplier pertaining to the month of October shall be available to the recipients after 10th November. Thus, all the entries which are appearing in GSTR-1 of the said supplier against GSTIN of a particular recipient, will be made available to the recipient in an auto-populated manner in Part A of GSTR-2A.

The details of invoices furnished by a NRTP in Form GSTR-5 are also made available to the recipient in auto populated manner in Part A of GSTR-2A.

The details of credit furnished by an ISD in GSTR-6 is made available to the recipient of credit in Part B of GSTR-2A. The details of tax deducted at source furnished by a deductor in GSTR-7 and tax collected at source furnished by an e-commerce operator in GSTR-8 are made available to the deductee and concerned person in Part C of Form GSTR-2A.

Thus, various fields in GSTR-2A are auto-populated from GSTR-1 & GSTR – 5 filed by the suppliers and GSTR-6, GSTR-7 and GSTR-8 filed by other taxable persons.

GSTR-1	GSTR-5	GSTR-6	GSTR-7	GSTR-8	GSTR-2A
Regular tax payer	NRTP	ISD	TDS	TCS	Auto-populated
Table 4	Table 5				Table 3 & 4 – Inward supplies received

Table 9	Table 8				Table 5 – Details of Debit /Credit Notes received including amendments for earlier period
		Table 5, 8 & 9			Table 6 – ISD credit received
			Table 3 & 4	Table 3 & 4	Table 7 – TDS/TCS Credit received

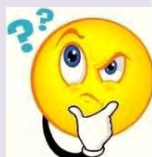


The special feature of GSTR-2 is that the details of supplies received by a recipient can be auto populated on the basis of the details furnished by the counterparty supplier in his GSTR-1/5.

(b) Verification/ validation/ modification/ deletion of details by recipient in GSTR-2A [Section 38(1) read with rule 60(1)]

The recipient then verifies, validates, modifies or if required, deletes the details relating to outward supplies, debit and credit notes communicated to him in GSTR 2A, and prepares details of his inward supplies, credit notes, debit notes (including therein even those details which have not been declared by the supplier in his GSTR-1) in GSTR-2. In fact, the auto-populated particulars mentioned in GSTR-2A to the extent they are accepted/modified automatically become part of GSTR-2. GSTR-2 also contains various Tables.

Can a recipient feed information in his GSTR-2 which has been missed by the supplier?



Yes, the recipient can himself feed the invoices not uploaded by his supplier. The credit on such invoices will also be given provisionally but will be subject to matching. On matching, if the invoice is not uploaded by the supplier, both of them will be intimated. If the mismatch is rectified, provisional credit will be confirmed. But if the mismatch continues, the amount will be added to the output tax liability of the recipient in the returns for the month subsequent to the month in which such discrepancy was communicated. *[The concept of matching has been discussed in detail in subsequent pages of this Chapter.]*

(c) Acceptance/rejection of modifications made by recipient by supplier in GSTR-1A [Sub-sections (3) & (4) of section 38]

The details of supplies modified, deleted or included by recipient in his GSTR-2 are auto populated in Form GSTR-1A of the supplier concerned through common portal and the supplier may accept the modifications made by the recipient between the 15th day and 17th day of the month succeeding the relevant month. In such case, details furnished by him in GSTR-1 earlier get amended accordingly.

A recipient paying tax under composition scheme and an ISD modifies, deletes or includes a supply in GSTR-4 and GSTR-6 respectively and such changes are auto populated in GSTR-1A of the supplier concerned.



A supplier is required to file GSTR-1 of a month (say November) by 10th of next month i.e., by 10th December. The details of GSTR-1 are then made available to recipient in GSTR-2A. The recipient can then accept, reject or modify or add details of such inward supplies which are not reflected in GSTR-2A and file return of inward supplies for the month of November in GSTR-2 by 15th December.

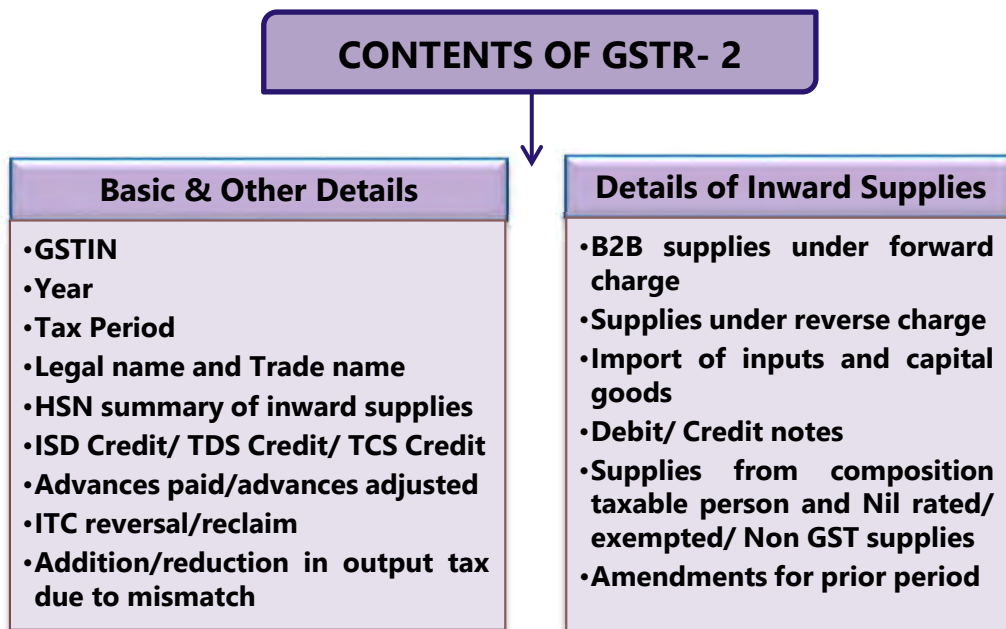
Thereafter, details of inward supplies added, corrected, or deleted by the

recipient are made available to supplier in GSTR-1A. If such additional / modified/deleted information is accepted by the supplier between 15th December and 17th December, then GSTR-1 filed by him for the month of November gets amended accordingly, and GSTR-3 for the month of November is generated based on amended information.

All entries added by the recipient which are not accepted by the supplier in GSTR-1A remain in mismatched category and are reflected in mismatch report.

(vi) Contents of GSTR-2

The contents of GSTR-2 have been presented in the diagram given below:



(a) Auto-populated and non-auto populated information

The information in GSTR-2 with respect to inward supply is broadly divided into 2 Parts. The first part deals with particulars which are auto-populated (to the extent they are accepted/modified in GSTR-2A) namely,

- (i) Inward supplies received from registered persons including inward supplies taxable under reverse charge,
- (ii) Amendments to details of inward supplies received in earlier tax periods,

- (iii) Details of credit/debit notes
- (iv) Amendment to details of credit/debit notes of earlier tax periods

The second part deals with particulars which are not auto-populated. Few examples of such type of particulars are:

- (i) Outward supplies which are not entered by the supplier in his GSTR-1
- (ii) Details relating to claim of ITC, which the recipient has to decide on the basis of his self-assessment
- (iii) Goods/services imported from out of India which attract IGST. These details are to be entered by the importer manually.

(b) Information to be given in tables

Like GSTR-1, the information in GSTR-2 is also to be furnished in tables. The broad contents of the various tables are given below.

Table 3	Inward supplies received from a registered person other than the supplies attracting reverse charge (invoice-wise details)
Table 4	Inward supplies on which tax is to be paid on reverse charge (invoice-wise details)
Table 5	Inputs/capital goods received from overseas or from SEZ units on a bill of entry (bill of entry-wise details)
Table 6	Amendments to details of inward supplies furnished in returns for earlier tax periods in Tables 3, 4 and 5 [including debit notes/credit notes issued and their subsequent amendments]
Table 7	Supplies received from composition taxable person and other exempt/Nil rated/Non GST supplies received [Information pertaining to such inward supplies can be given in a consolidated manner (i.e., not invoice wise)]
Table 8	ISD credit received

Table 9	TDS and TCS Credit received
Table 10	Consolidated statement of advances paid/advance adjusted on account of receipt of supply
Table 11	Input tax credit reversal / reclaim
Table 12	Addition and reduction of amount in output tax for mismatch and other reasons
Table 13	HSN summary of inward supplies

Advances paid/adjusted

As per sections 12 and 13, in case of supplies taxable under reverse charge, if the date on which the recipient makes the payment precedes the date of actual receipt of goods or as the case may be 30 days (in case of goods)/ 60 days (in case of services) from the date of issue of invoice by the supplier, the time of supply is the date of payment.

In such cases, even if the invoice is not received, the recipient is required to pay tax. The details of tax paid on such advance payments are required to be entered in Table 10A. When the invoice for inward supplies against such advance payments is received in subsequent tax period, the same is shown in Table 10B of GSTR-2 of that tax period. The tax paid on advance in earlier tax period is adjusted with tax on supplies made in current tax period and shown in Table 12.

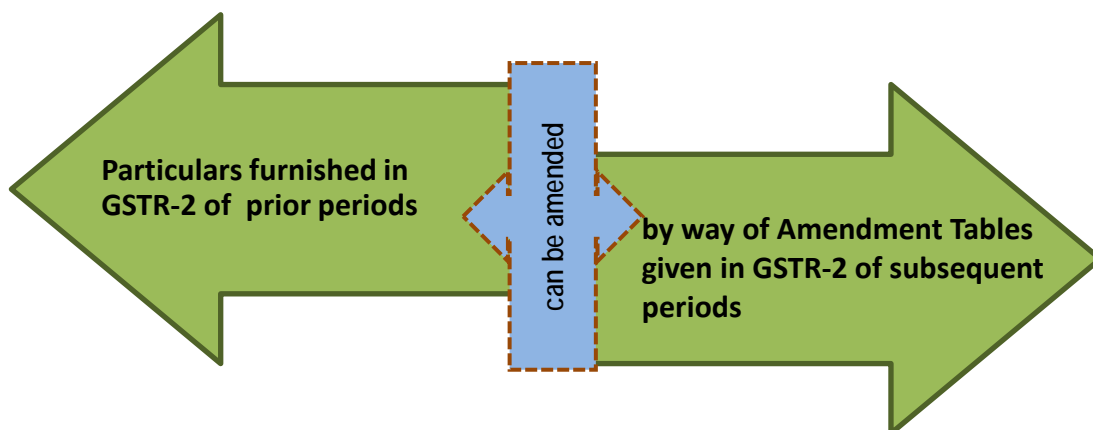
Ineligible ITC

As per section 16, ITC is required to be reversed to the extent it is attributable to exempt and non-business supplies. As per rule 60(3), the recipient of goods/services shall specify the inward supply in respect of which he is not eligible either fully or partly, for ITC in GSTR-2 where such eligibility can be determined at invoice level. Hence, the inward supplies which are directly linked with exempt or non-business supplies and that can be identified invoice wise, should be marked as ineligible for ITC credit by selecting "Yes" against "Whether input or input service/capital goods (incl. plant and machinery)/ineligible for ITC" column in Table 3, 4, 5 & 6. However, where such amount cannot

be identified *qua* invoice wise, one consolidated amount for reversal of ITC can be reported in Table 11, as per rule 60(4).

(vii) How are the details of inward supply furnished in prior periods amended? [Section 38(5)]



In case any error or omission is discovered in GSTR-2 during matching under sections 42 and 43, rectification of the same will be effected in the GSTR-2 of the month in which such error/omission is discovered. Like GSTR-1, in GSTR-2 also, there are Amendment Tables viz., Table 6, Table 10(II) & Table 11B which entitle the recipient to make amendments/rectification in the particulars furnished in GSTR-2 filed by him for the prior periods.

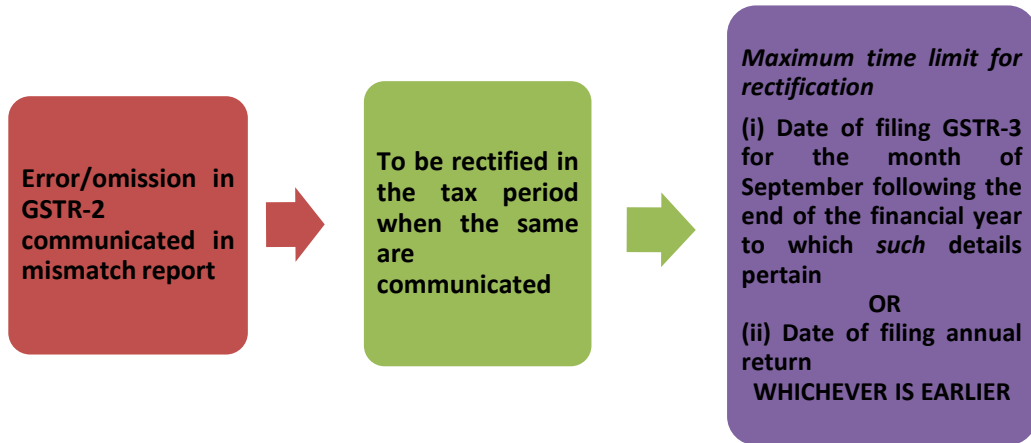


These amendments are to be made by the recipient only if he agrees to the mismatch report communicated to him by the system every month, after the processing of the return. Tax and interest, if any, arising out of such rectification will be paid by the person responsible for filing the return of inward supplies.

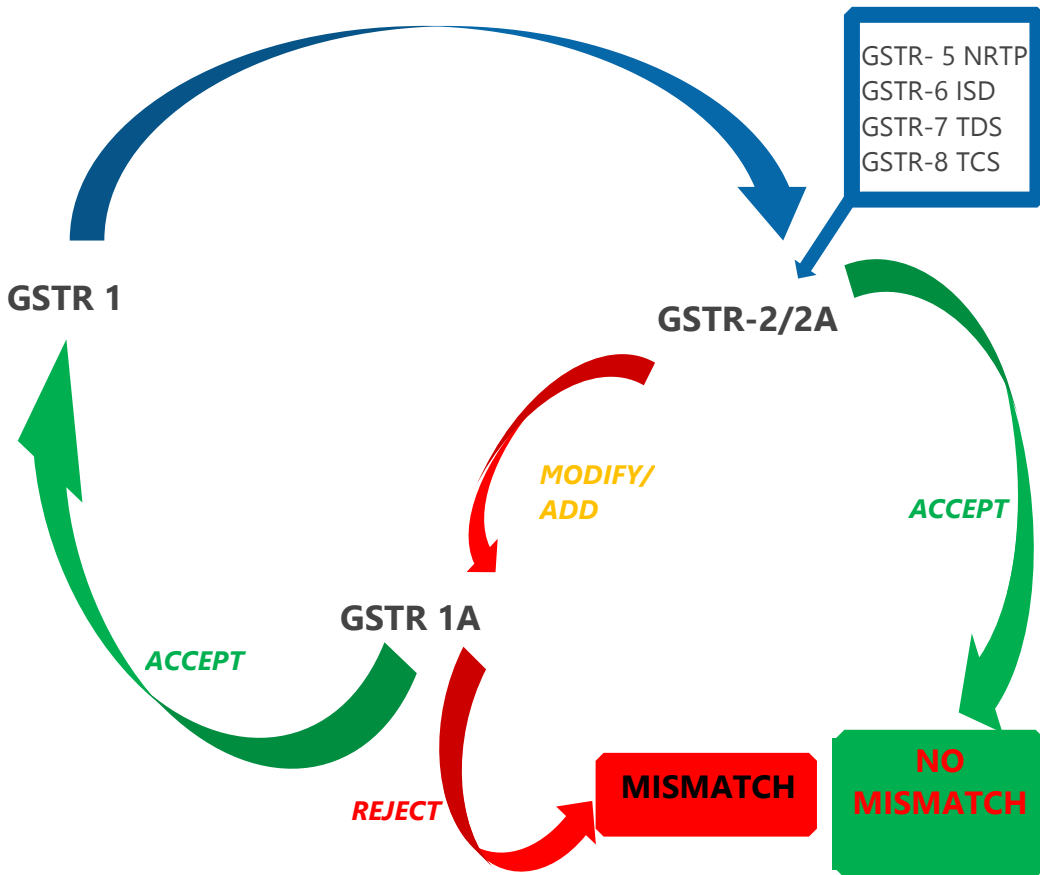
Time limit for amendment

The maximum time limit within which such rectification is permissible is earlier of the following dates:

-  Date of filing of monthly return u/s 39 for the month of September following the end of the financial year to which such details pertain or
-  Date of filing of the relevant annual return.




Monthly Returns : Data Flow





5. FURNISHING OF RETURNS [SECTION 39]

		
STATUTORY PROVISIONS		
Section 39	<i>Furnishing of returns</i>	
Sub-section	Clause	Particulars
(1)		<p><i>Every registered person, other than an Input Service Distributor or a non-resident taxable person or a person paying tax under the provisions of section 10, section 51 or section 52 shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid and such other particulars as may be prescribed, on or before the twentieth day of the month succeeding such calendar month or part thereof.</i></p>
(2)		<p><i>A registered person paying tax under the provisions of section 10 shall, for each quarter or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, of turnover in the State or Union territory, inward supplies of goods or services or both, tax payable and tax paid within eighteen days after the end of such quarter.</i></p>
(3)		<p><i>Every taxable person registered as an Input Service Distributor shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, within thirteen days after the end of such month.</i></p>
(4)		<p><i>Every registered non-resident taxable person shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, within twenty days after the end of a calendar month or within seven days after the last day of the period of registration specified under sub-section (1) of</i></p>

	<i>section 27, whichever is earlier.</i>
(5)	<i>Every registered non-resident taxable person shall, for every calendar month or part thereof, furnish, in such form and manner as may be prescribed, a return, electronically, within twenty days after the end of a calendar month or within seven days after the last day of the period of registration specified under sub-section (1) of section 27, whichever is earlier.</i>
(6)	<i>The Commissioner may, for reasons to be recorded in writing, by notification, extend the time limit for furnishing the returns under this section for such class of registered persons as may be specified therein:</i> <i>Provided that any extension of time limit notified by the Commissioner of State tax or Union territory tax shall be deemed to be notified by the Commissioner.</i>
(7)	<i>Every registered person, who is required to furnish a return under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (5), shall pay to the Government the tax due as per such return not later than the last date on which he is required to furnish such return.</i>
(8)	<i>Every registered person who is required to furnish a return under sub-section (1) or sub-section (2) shall furnish a return for every tax period whether or not any supplies of goods or services or both have been made during such tax period.</i>
(9)	<i>Subject to the provisions of sections 37 and 38, if any registered person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in the return to be furnished for the month or quarter during which such omission or incorrect particulars are noticed, subject to</i>

	<p><i>payment of interest under this Act:</i></p> <p><i>Provided that no such rectification of any omission or incorrect particulars shall be allowed after the due date for furnishing of return for the month of September or second quarter following the end of the financial year, or the actual date of furnishing of relevant annual return, whichever is earlier.</i></p>
(10)	<p><i>A registered person shall not be allowed to furnish a return for a tax period if the return for any of the previous tax periods has not been furnished by him.</i></p>



ANALYSIS

(i) Persons liable to file returns, forms, periodicity and due dates of furnishing returns [Section 39 read with rules 61-66 and section 52(4) read with rule 67 CGST Rules]

Section 39 read with rules 61-66 and section 52(4) read with rule 67 provides for form, periodicity and due dates of filing of returns by various categories of persons as under:

S. No	Section & Rule	Type of taxable person	Form No.	Periodicity	Due date*
1.	Section 39(1) read with rule 61(1)	Every registered person other than (a) Supplier of OIDAR services (b) Composition taxpayer (c) NRTP (d) ISD	GSTR-3	Monthly (or a part of month) ☆ <u>Even if no supplies have been effected during a month, a nil return is required to</u>	20 th of the next month

		(e) Person deducting tax at source (f) ECO		<u>be filed mandatorily.</u>	
2.	Section 39(2) read with rule 62	Composition taxpayer	GSTR-4	Quarterly (or a part of quarter) ⊛ <u>Even if no supplies have been effected during a quarter, a nil return is required to be filed mandatorily.</u>	18 th of the month next to the relevant quarter
3.	Section 39(5) read with rule 63	Registered NRTP	GSTR-5	Monthly (or a part of month)	20 th of the next month or 7 th day after the last day of the validity of registration, whichever is earlier.
4.	Rule 64	OIDAR	GSTR-5A	Monthly (or a part of month)	20 th of the next month
5.	Section 39(4) read with rule 65	ISD	GSTR-6	Monthly (or a part of month)	13 th of the next month

6.	Section 39(3) read with rule 66	Registered person deducting tax at source	GSTR-7	Monthly	10 th of the next month
7.	Section 52(4) read with rule 67	E-Commerce operator (not being an agent)	GSTR-8	Monthly	10 th of the next month

Note: Returns under S. Nos. 2-7 have been discussed in detail under Heading No. 5 "Special Returns".

***Extension of due date**

The due date of filing of the returns under section 39 (Sl. nos. 1-6 in the table mentioned above) may be extended by the Commissioner/Commissioner of State GST/Commissioner of UTGST for a class of taxable persons by way of a notification.



(ii) Due date for payment of tax [Section 39(7)]

Due dates for payment of tax in respect of the persons required to file GSTR-3, GSTR-4, GSTR-5 and GSTR-7 are linked with the due dates for filing of such returns i.e., the last dates (due dates) of filing such returns are also the due dates for payment of tax in respect of persons required to file such returns.



In respect of taxpayers filing GSTR-3, due date of payment of tax for the month of October is 20th November. Similarly, for composition taxpayers, due date for payment of tax for the quarter ended September is 18th October.

However, NRTPs or casual taxable persons are required to make advance deposit of tax of an amount equivalent to the estimated tax liability of such person for a period for which registration is sought or extension of registration is sought in terms of section 27(2).



GSTR-3 filed without payment of self-assessed tax disclosed therein, is not be regarded as a valid return in terms of section 2(117).

(iii) Rectification of errors/omissions [Section 39(9)]

If a return has been filed, how can it be revised if some changes are required to be made?



In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1/2 in the tables specifically provided for the purposes of amending previously declared details.

Omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed.

Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering

appropriate particulars in "Amendment Tables" contained in GSTRs-1, 2, 4, 5, 6, 7 and 8.



Exception

It is important to note that section 39(9) does not permit rectification of error or omission discovered on account of scrutiny, audit, inspection or enforcement activities by tax authorities.


Hence, assessee may not be able to pass on the ITC to the receiver in respect of tax payments made by him in pursuance of account of any of the aforementioned situations.

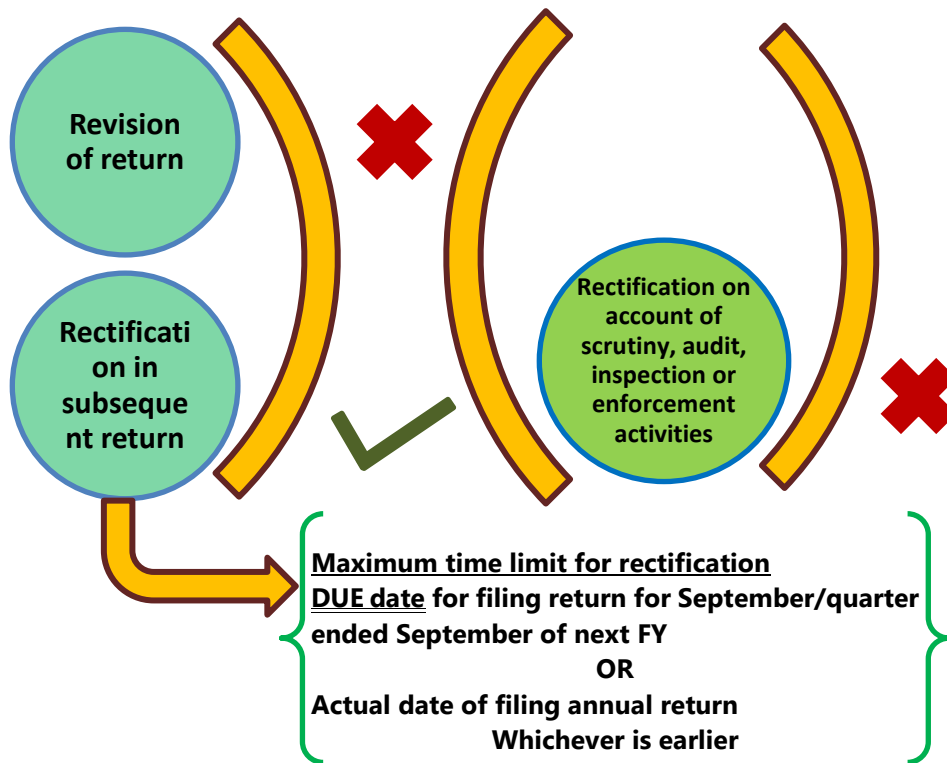
Time limit for making rectification

The maximum time limit within which the rectification of errors/omissions is permissible is earlier of the following dates:

-  Due date of filing of return for the month of September/ quarter ending September following the end of the financial year [i.e., 20th October of next financial year] or
-  Actual date of filing of the relevant annual return

The last date of filing of annual return is 31st December of next financial year. Hence, if annual return for the year 2017-18 is filed before 20th October 2018, then no rectification of errors/omissions in returns pertaining to FY 2017-18 would be permitted thereafter.

 **It may be noted that, the expression 'due date' is missing in time limits prescribed for making amendments u/s 37(3) [GSTR-1] and u/s 38(5) [GSTR-2]. Therefore, dates mentioned in these sections apparently mean actual date of filing and not the due date.**



(iv) Contents of GSTR-3

GSTR-3 is generated only when GSTR-1 and GSTR-2 for the same tax period is filed. Electronic liability register, electronic cash ledger and electronic credit ledger are updated on generation of GSTR-3. The return is divided into 2 parts, namely Part A and Part B.



As per rule 61(2), Part A shall be auto populated on the basis of information furnished through returns in GSTR-1, GSTR-2 and based on other tax liabilities of preceding tax periods.

(a) Part A of GSTR-3 comprises of the following tables:

Table No.	Particulars
PART A	
1	GSTIN
2	Legal name & Trade name
3	Turnover
4	Outward supplies
4.1	Inter-state supplies (Net supply for the month)
4.2	Intra-state supplies (Net supply for the month)
4.3	Tax effect of amendments made in respect of outward supplies
5	Inward supplies attracting reverse charge including import of services (Net of advance adjustments)
5A	Inward supplies on which tax is payable on reverse charge basis
I	Inter-state inward supplies
II	Intra-state inward supplies
5B	Tax effect of amendments in respect of supplies attracting reverse charge
I	Inter-state inward supplies
II	Intra-state inward supplies
6	Input tax credit

	ITC on inward taxable supplies, including imports and ITC received from ISD [Net of debit/credit notes]
I	On account of supplies received and debit notes/credit notes received during current tax period
II	On account of amendments made (of the details furnished in earlier tax periods)
7	Addition and reduction of amount in output tax for mismatch and other reasons
8	Total tax liability
8A	On outward supplies
8B	On inward supplies attracting reverse charge
8C	On account of input tax credit reversal/reclaim
8D	On account of mismatch/ rectification /other reasons
9	Credit of TDS and TCS
10	Interest liability
11	Late fee

(b) Part B of GSTR-3 comprises of the following tables:

Table No.	Particulars
PART B	
12	Tax payable and paid
13	Interest, late fee and any other amount (other than tax) payable and paid

14	Refund claimed from electronic cash ledger
15	Debit entries in electronic cash/credit ledger for tax/interest payment [to be populated after payment of tax and submissions of return]

Payment of tax

- The registered person will discharge his liability towards tax, interest, penalty, fees and other amounts by debiting electronic cash ledger and/or electronic credit ledger and include the details in Part B of GSTR-3 in terms of rule 61(3).
- GSTR-3 filed without discharging complete liability will not be treated as valid return.
- If taxpayer has filed a return which was not valid earlier and later on, he intends to discharge the remaining liability, then he has to file the Part B of GSTR-3 again.

Refund

- Refund of any balance in the electronic cash ledger can be claimed in Part B of GSTR-3.
- Such return will be deemed to be an application filed under section 54. 12.
- Such refund can be claimed only when all the return related liabilities for that tax period have been discharged.
- Electronic cash ledger will be debited on filing of valid GSTR-3 as a result of such refund.

(v) GSTR-3B [Sub rules (5) and (6) of rule 61 of CGST Rules]

FORM GSTR-3B is notified as the form for return by the Commissioner when the due dates for furnishing GSTR-1 and GSTR-2 get extended.

GSTR-3B is a simple return containing summary of outward and inward supplies liable to reverse charge, eligible ITC, payment of tax etc. Thus, GSTR-3B does not require invoice-wise data of outward supplies.

GSTR-3B can be submitted electronically through the common portal, either directly or through a notified Facilitation Centre.



Where GSTR-3B is furnished, after the due date for furnishing GSTR-2—

- (a) Part A of GSTR-3 is auto populated on the basis of information furnished through GSTR-1, GSTR-2 and based on other liabilities of preceding tax periods. Part B of the GSTR-3 is electronically generated on the basis of the return in GSTR-3B furnished in respect of the tax period;
- (b) the registered person can modify Part B of GSTR-3 based on the discrepancies, if any, between GSTR-3B and GSTR-3 and discharge his tax and other liabilities, if any;
- (c) where the amount of ITC in GSTR-3 exceeds the amount of ITC in terms of GSTR-3B, the additional amount gets credited to the electronic credit ledger of the registered person.



- ★ **A taxpayer needs to electronically sign the submitted returns otherwise it will be considered not-filed.**
- ★ **Taxpayers can electronically sign their returns using a DSC (mandatory for all types of companies and LLPs), E-sign (Aadhaar-based OTP verification), or EVC (Electronic Verification Code sent to the registered mobile number of the authorized signatory).**

Steps for Return Filing

Step 1: Filing of GSTR-1

The taxpayer will upload the final GSTR-1 either directly through data entry at the common portal or by uploading the file containing the details through an offline utility/tool or through third party applications or software by 10th day of the month succeeding the month during which the supplies have been made.

The increase / decrease in supply invoices would be allowed from 15th day to the 17th day of the month only on the basis of the details uploaded by the counterparty purchaser in GSTR-2. In other words, the supplier would not be allowed to include any missing invoices on his own after 10th day of the month.

Invoices should be uploaded periodically (may be daily, weekly etc.) to minimize last minute load on the system.



Key Benefits of Offline Tool

- ★ The GSTR 1 Excel worksheet can be used to prepare data for GSTR 1 without connecting to Internet in offline mode.
- ★ Taxpayer can upload invoices in GSTR 1, more than once, at any time during the day/week/month.
- ★ Offline tool also performs certain computations and validation to minimize errors in return preparation.
- ★ Can fill in invoices data up to 19,000 line items using excel utility in offline mode.

Step 2: Auto-population of GSTR-2A

GST common portal will auto-populate GSTR-2A of taxpayer based on the invoice details reported by the counter-party taxpayers (suppliers) on a near real-time basis. While every taxpayer will be able to see the invoices uploaded by their suppliers, they will be able to finalise their GSTR-2 only after the last date of filing GSTR-1. After filing of GSTR-1, the taxpayers will be able to view/download their GSTR-2A for further steps.

Step 3: Finalisation and filing of GSTR-2

The invoices auto-populated in GSTR-2A will be accepted/rejected/modified by the purchasing taxpayers in GSTR-2. Purchasing taxpayer will also be able to add additional purchase invoice details in his GSTR-2 which have not been uploaded by counter-party taxpayer (supplier) as described above, provided he is in possession of valid invoice issued by counter-party taxpayer and he has actually received such supplies.

GSTR-2A is a read only document; no changes can be effected therein.

The taxpayer would, indicate the eligibility/ partial eligibility for ITC in those cases where either he is not entitled or he is entitled for partial ITC. The taxpayers can then file their GSTR-2 either online or through offline utility or through third party applications or software between 10th and 15th day of the month succeeding the month during which the supplies have been received.

Step 4: Reconciliation of outward and inward supplies

Taxpayers will have the option to reconcile their inward supplies with their counter-party taxpayers (suppliers) for any missing supply invoices in the GSTR-1 of the counter-party taxpayers during the period of 7 days from filing of GSTR-1. The purchasing taxpayers can prompt the counter-party taxpayers to accept the inward supplies as uploaded by them. The counter-party taxpayers can accept/reject the modifications made by the purchasing taxpayer between 15th day and the 17th day. Where a purchasing taxpayer has added an invoice and the corresponding supplying taxpayer accepts the addition, it will amend his GSTR-1 accordingly.

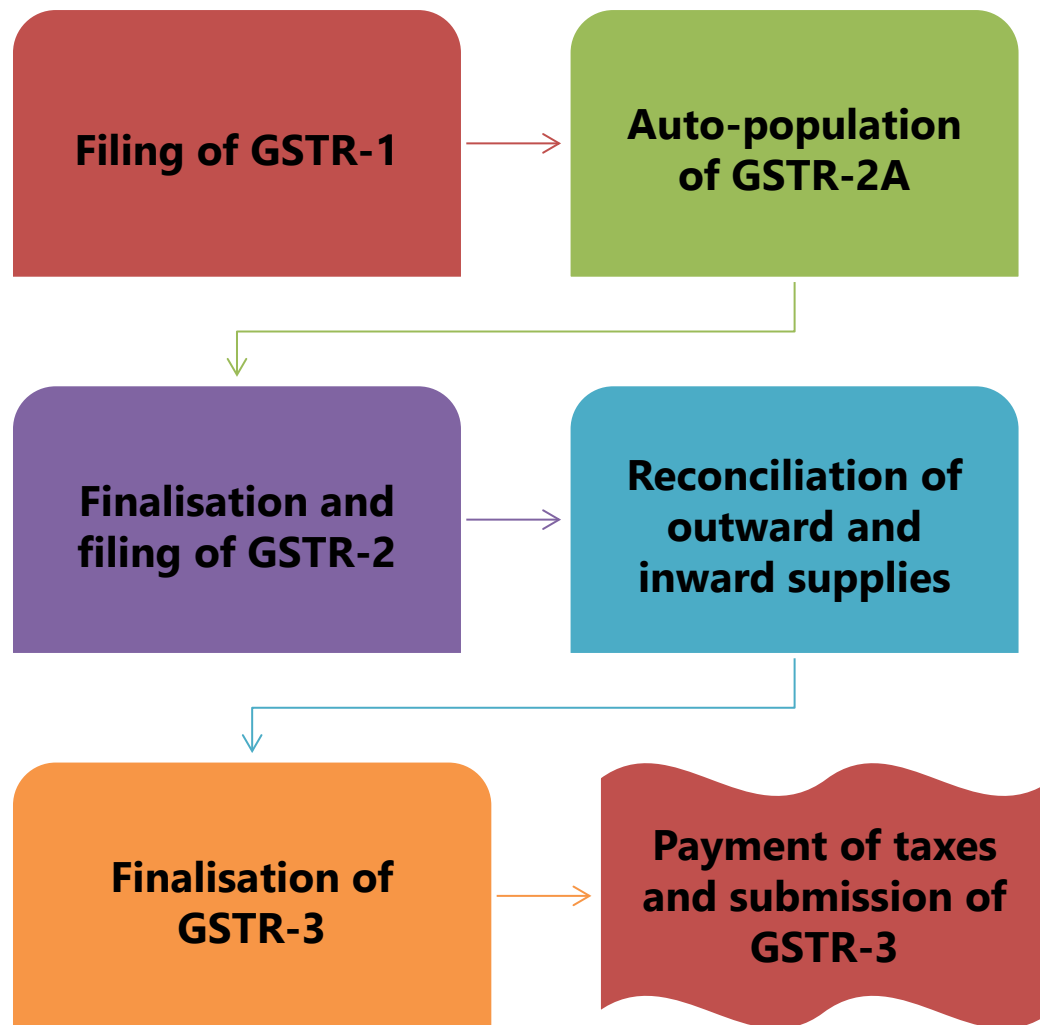
Step 5: Finalisation of GSTR-3

Finalisation of GSTR-1 and GSTR-2 would enable taxpayers in finalizing their GSTR-3. The GST common portal would auto-generate Part A of GSTR-3 for the taxpayer. GSTR-3 would show the amount that will be credited/debited to the ITC ledger of the taxpayer. The taxpayer will fill in the details of ITC that he intends to utilise for payment of taxes. Any balance amount will have to be paid by the taxpayer as cash. The return would also show the late fee and interest payable, if any.

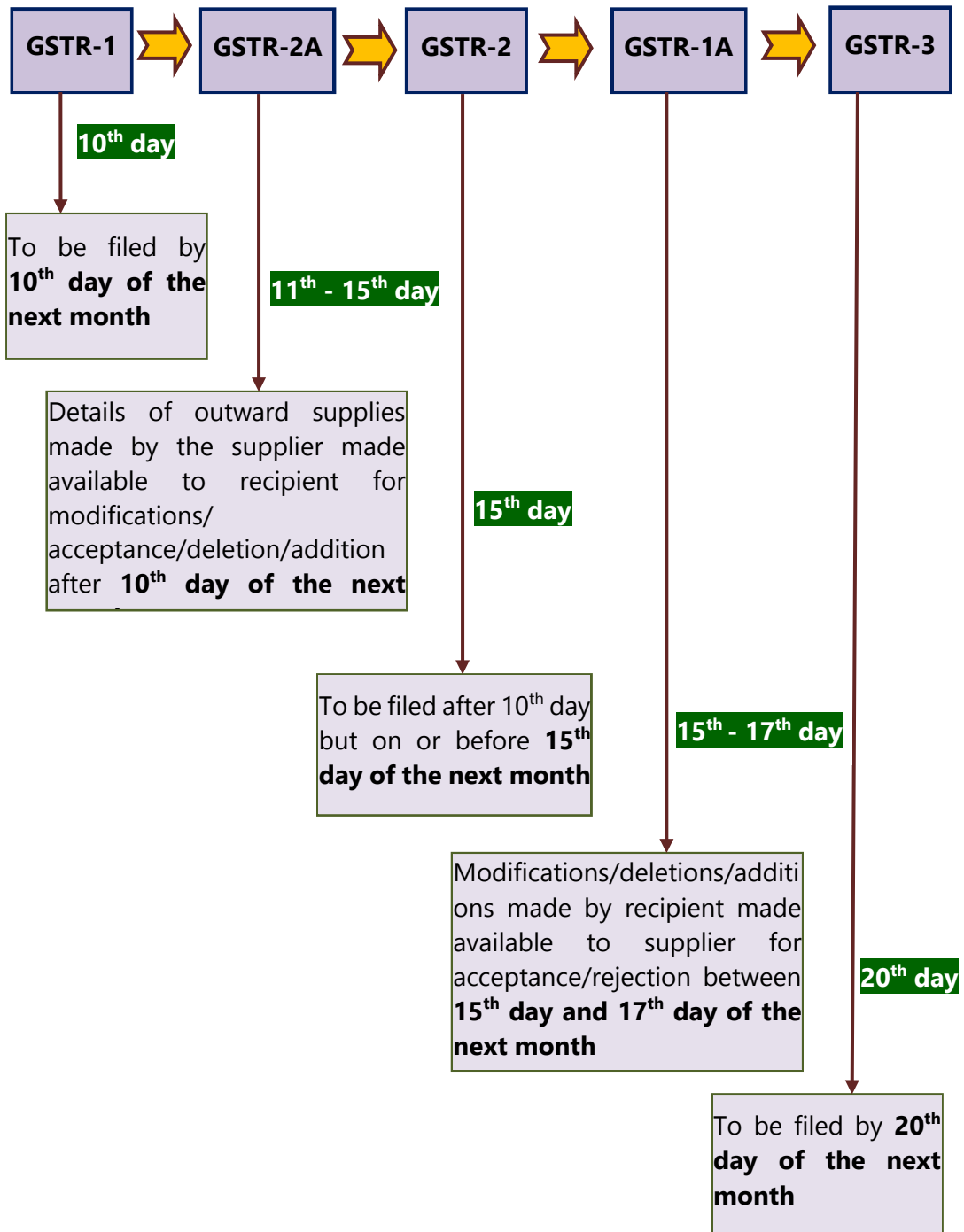
Step 6: Payment of taxes and submission of GSTR-3

Any payment made through challan gets credited to the electronic cash ledger and does not automatically get offset against any tax liability. Payment of taxes has to be done by debiting the electronic cash ledger and the taxpayer can opt to debit the electronic cash ledger while submitting the return.

The taxpayer will submit the return with the payment of the amount of cash payable as per the return. The two activities can also be done separately and the taxpayer can make the payment in advance and credit his electronic cash ledger.




★ The various dates involved in filing of statements of outward and inward supplies and consolidated return have been depicted by way of the diagram given at next page.




What are the precautions that a taxpayer is required to take for a hassle free compliance under GST?

One of the most important things under GST is the timely uploading of the details of outward supplies in GSTR-1 by 10th of next month. How best this can be ensured will depend on the number of B2B invoices that the taxpayer issues. If the number is small, the taxpayer can upload all the information in one go. However, if the number of invoices is large, the invoices (or debit/ credit notes) should be uploaded on a regular basis.




Timely uploading of the details of outward supplies in Form GSTR-1

GST common portal allows regular uploading of invoices even on a real time basis. Till the statement is actually submitted, the system also allows the taxpayer to modify the uploaded invoices. Therefore, it would always be beneficial for the taxpayers to regularly upload the invoices. Last minute rush makes uploading difficult and comes with higher risk of possible failure and default.



Regular uploading of invoices

The second thing would be to ensure that taxpayers follow up on uploading the invoices of their inward supplies by their suppliers. This would be helpful in ensuring that the ITC is available without any hassle and delay. Recipients can also encourage their suppliers to upload their invoices on a regular basis instead of doing it on or close to the due date. The system would allow recipients to see if their suppliers have uploaded invoices pertaining to them.



Follow up with suppliers to upload the invoices of inward supplies

6. SPECIAL RETURNS

As discussed above, a regular taxpayer has to file GSTR-1, GSTR-2 and GSTR-3. However, there are certain specified category of taxpayers for whom a simplified return is specified owing to the nature of their activities namely, composition taxpayer, NRTP, ISD, person deducting tax at source, person collecting tax at source, supplier of OIDAR services.



These **Special Returns** are discussed below.

(i) Filing of returns by composition supplier [Section 39(2) read with rule 62 of CGST Rules]

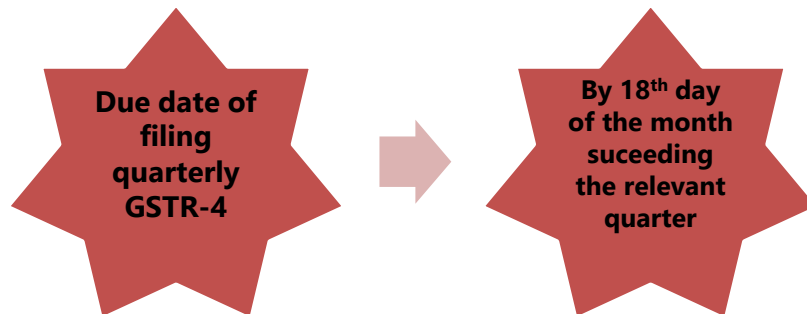
(a) Person eligible to file return, periodicity and form of return

Every registered person paying tax under section 10 i.e., composition supplier will file a quarterly return in **FORM GSTR-4** electronically through the common portal either directly or through a notified Facilitation Centre.



(b) Due date for filing GSTR-4

GSTR-4 should be furnished by 18th of the month succeeding the relevant quarter.



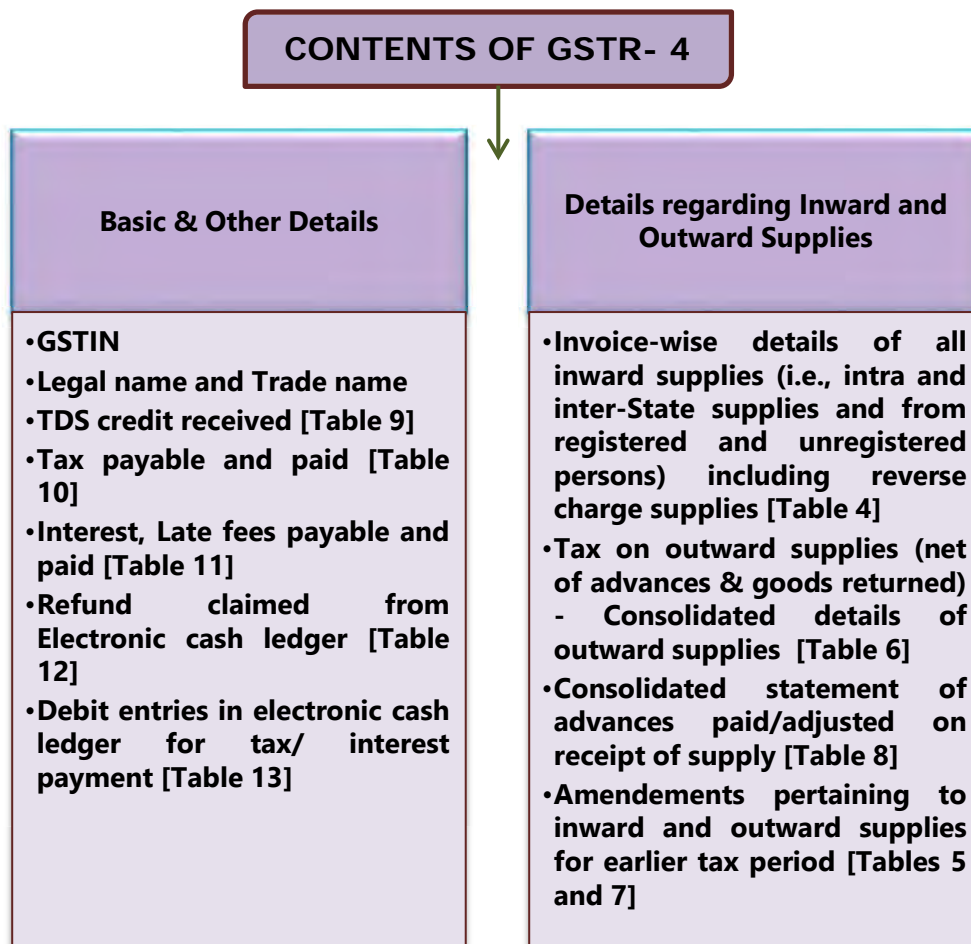
(c) Auto-population of inward supplies

The inward supplies of a composition supplier received from registered persons filing GSTR-1 will be auto populated in **FORM GSTR-4A**.

The composition supplier can view the auto-populated details of inward supplies in GSTR-4A and, where required, after adding, correcting or deleting the details, furnish GSTR-4.

(d) Contents of GSTR-4

The broad contents of GSTR-4 are given below:



▣ **Consolidated details of outward supplies**

Composition taxpayers are neither entitled for any ITC nor entitled to pass on any credit of composition levy to its customers (registered / unregistered). Therefore, composition taxpayers are required to provide consolidated details of outward supplies in GSTR-4 and not invoice-wise details of outward supplies.

▣ **Details of only intra-state and non-GST outward supplies**

As per section 10, any person who makes inter- State outward supply of goods or any person who is engaged in supply of service (except supply

of food articles) is not eligible for composition scheme. Therefore, outward supplies details required to be furnished under Table 6 of the return are only pertaining to intra-state and non-GST supplies. The composition amount payable on 'outward supply' will therefore, comprise of CGST and SGST and can never consists of IGST amount.

▣ **Amendments in outward supplies not to be reported invoice-wise**

It is also necessary to note that, correction entries pertaining to details of outward supplies furnished in past period are required to be reported in Amendment Table (Table 7) without reference to any invoice. However, it would be necessary to mention the relevant past quarter in which the error had occurred and sought to be rectified.

▣ **No matching of outward composition supplies**

It may also be noted that in GSTR-2 there is no need for a registered person to report inward supplies received from composition supplier, whether invoice-wise or supplier-wise. There is, thus, no mechanism for matching, outward supplies made by the composition taxpayer.

▣ **Auto population of inward supplies received from a registered person**

The details of inward supplies received by the composition taxpayer get auto-populated from various returns (GSTR-1 and GSTR-5) filed by taxable persons supplying goods/services to such composition taxpayer. There is, thus, adequate mechanism for matching outward supplies made by any registered person to composition taxpayer.

▣ **Auto population of inward reverse charge supplies received from a registered person**

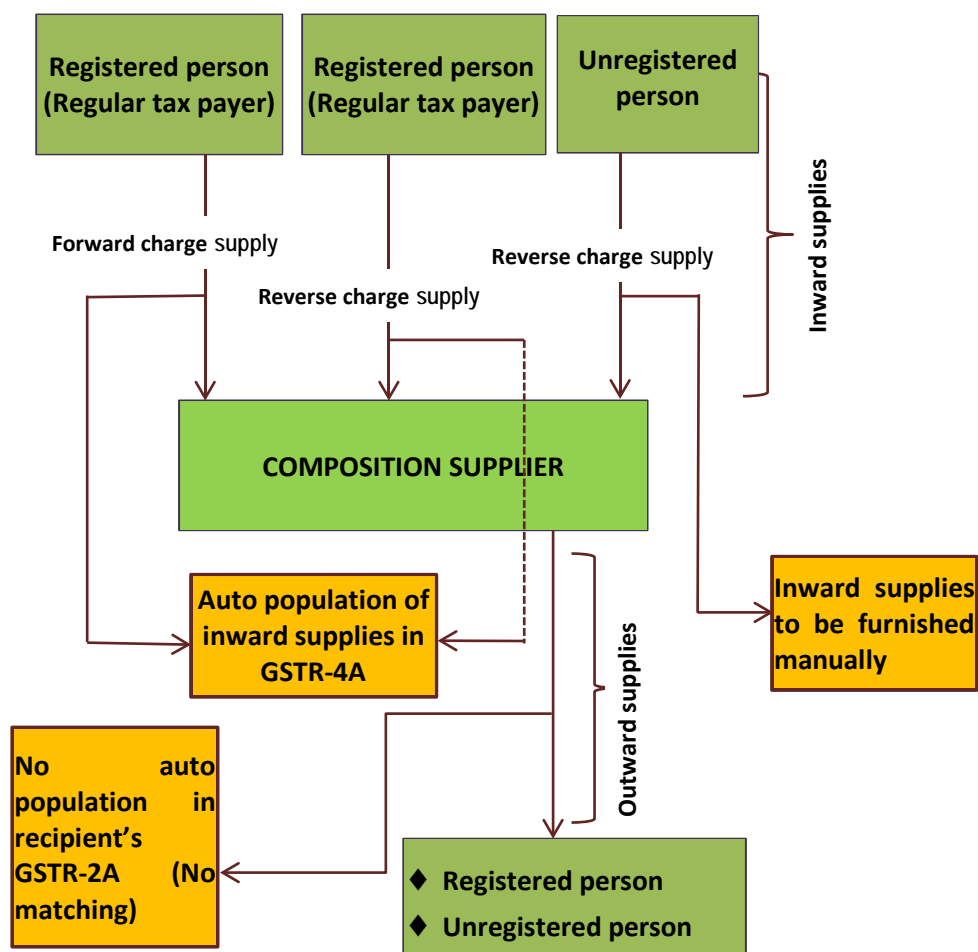
Composition taxpayer is also required to report cases of inward supplies where, he is liable to pay tax under reverse charge mechanism. This will include inward supplies received from registered persons as well as un-registered persons. This is because, composition taxpayer is required to pay tax under reverse charge mechanism at normal rate in respect of inward supplies received from un-registered persons. These details are required to be reported in Table 4 of GSTR-4.

There is a process of matching outward supplies declared by registered person in his GSTR-1 as reverse charge supplies against the composition

taxpayer, with the details furnished by composition taxpayer in GSTR-4. In other words, such supplies get auto-populated in GSTR-4. However, as the supplies received from un-registered persons do not get auto-populated, such details are required to be furnished manually.

The tax payable by a composition taxpayer under reverse charge mechanism can either comprise of CGST and SGST (in case of intra-state inward supply) or it can consist of IGST in case of (inter-state inward supply).

The auto population of inward supplies received by a composition supplier from various persons and outward supplies made by a composition supplier to various persons is depicted by way of the following diagram:




▣ Tax liability


The tax liability of the composition supplier is broadly divided into 2 parts, namely tax payable for previous tax periods and tax payable as per current tax period. Tax payable under the previous tax period is on account of amendment tables (in case of outward supplies) or mismatch errors in cases involving reverse charge mechanism. Since a composition supplier is not eligible to take ITC, he will discharge his liability only by debiting electronic cash ledger.

The form also provides for furnishing details like TDS credit received, tax paid and refund claimed.

(e) Statements/returns for the period prior to opting for composition scheme

If a registered person opts for composition scheme from the beginning of a financial year, he will, where required, furnish GSTRs-1, 2 and 3 relating to the period prior to opting for composition levy till the

 due date of furnishing the return for the month of September of the succeeding financial year, or


 furnishing of annual return of the preceding financial year,


whichever is earlier.

The composition supplier will not be eligible to avail of ITC on receipt of invoices or debit notes from the supplier for the period prior to his opting for the composition scheme.

(f) GSTR-4 for the period prior to exiting from composition scheme

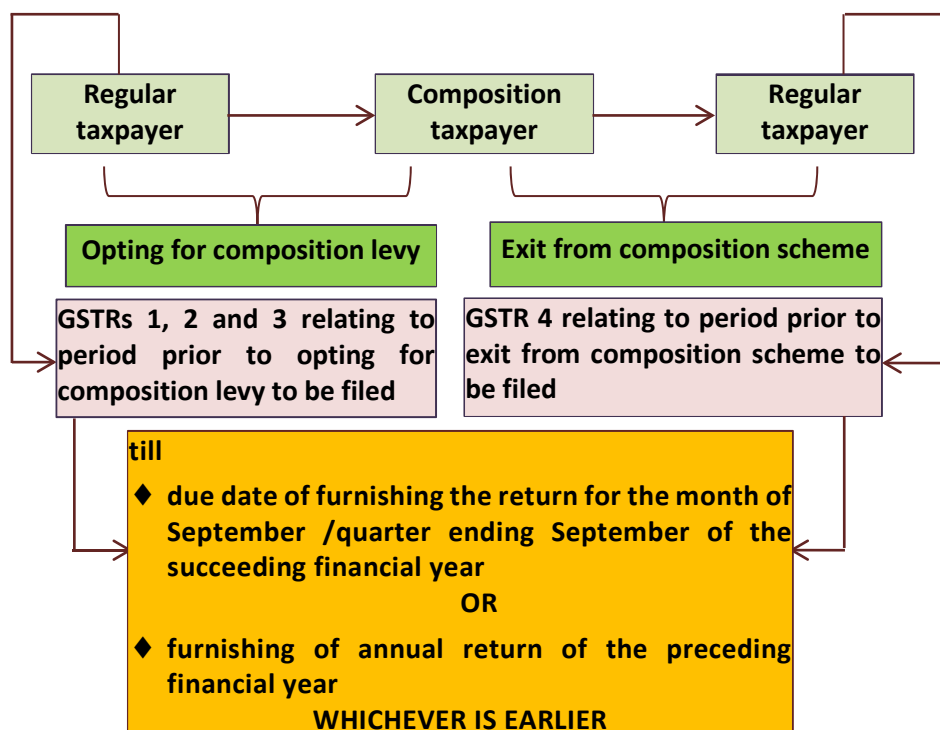
A registered person opting to withdraw from the composition scheme at his own motion or where option is withdrawn at the instance of the proper officer will, where required, furnish GSTR-4 relating to the period prior to his exiting from composition levy till the

 due date of furnishing the return for the quarter ending September of the succeeding financial year, or

 furnishing of annual return of the preceding financial year,

whichever is earlier.

The provisions explained in points (e) and (f) above have been explained by way of the diagram given at the next page.

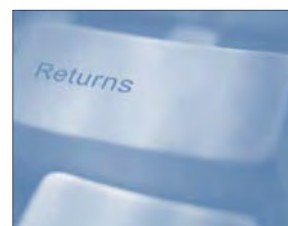


As per section 29(2), a proper officer is empowered to cancel registration of a registered person if:

- (a) a person paying tax under composition scheme has not furnished his GSTR-4 for 3 consecutive tax periods (i.e., 3 consecutive quarters)
- (b) any other registered person has not furnished returns for consecutive period of 6 months.

(ii) Filing of Returns by Non-Resident Taxable Persons [Section 39(5) read with rule 63 of CGST Rules]

Non-Resident Taxable Persons (NRTPs) are those suppliers who do not have a business establishment in India and have come for a short period to make supplies in India. They would normally import their products into India and make local supplies. The concept of Non-Resident Taxable Person has been discussed in detail in Chapter 7 – Registration.



A. Monthly return

A registered NRTP is not required to file separately the Statement of Outward Supplies, Statement of Inward Supplies and Return for a normal tax payer. In place of the same, a simplified monthly tax return has been prescribed in **Form GSTR-5** for a NRTP for every calendar month or part thereof. NRTP shall incorporate the details of outward supplies and inward supplies in GSTR-5.



B. Last date of filing return

The details in GSTR-5 should be furnished within **20 days after the end of the calendar month** or **within 7 days after the last day of validity period of the registration**, whichever is earlier.

C. Payment of interest, penalty, fees or any other amount payable

NRTP shall pay the tax, interest, penalty, fees or any other amount payable under the CGST Act or the provisions of the Returns Chapter under CGST Rules, 2017 till the last date of filing return.

(iii) Details of inward supplies of persons having UIN [Rule 82 of CGST Rules, 2017]

A. UIN issued for claiming refund of taxes paid on his inward supplies of a person

Such person shall furnish the details of those inward supplies of taxable goods and/or services on which refund of taxes has been claimed in Form GSTR-11, **along with application for such refund claim.**



B. UIN issued for purposes other than refund of taxes paid

Such person shall furnish the details of inward supplies of taxable goods and/or services as may be required by the proper officer in Form GSTR-11.

(iv) Filing of Returns by person required to deduct tax at source [Section 39(3) read with section 51 and rule 60(6) and rule 66 of CGST Rules, 2017]

Whenever taxable goods or services or both are supplied to a Central/ State Government's Department/ establishment or, local authority, or Governmental agencies, recipient is required to deduct tax at source under section 51.

Such deductor [person deducting TDS] is required to be compulsorily registered and deduct tax @1% of the payment made to the supplier (the deductee) of taxable goods or services or both, where the total value of such supply, under a contract, exceeds ₹ 2,50,000 (excluding the amount of CGST, SGST, IGST, UTGST and cess indicated in the invoice).



Tax Deducted at Source (TDS) refers to the tax which is deducted when the above specified recipient of goods or services makes some payments under a contract etc. *Provisions relating to 'Tax Deduction at Source' contained under section 51 have been discussed in detail in Chapter-12: Payment of Tax.*

A. Monthly return

Deductor shall furnish a monthly return in **Form GSTR-7** electronically through the common portal.

B. Last date of filing return

The details in GSTR-7 should be furnished **on/before 10th of the month succeeding the calendar month** in which tax has been deducted at source.



C. TDS details made available in GSTR-2A/4A

The details of TDS furnished by the deductor in GSTR-7 shall be made available electronically to each of the suppliers in Part C of Form GSTR-2A/ Form GSTR- 4A (in case of registered person opting for composition levy) on the common portal after the due date of filing of Form GSTR-7. The said supplier may include the same in its Form GSTR-2/GSTR-4, as the case may be.

Thus, the amounts deducted by the deductor get reflected in the Form GSTR-2 of the supplier (deductee). The supplier can take this amount as credit in his Electronic Cash Register and use the same for payment of tax or any other liability.

D. Tax Deduction at Source (TDS) Certificate

A TDS certificate is required to be issued by deductor (the person who is deducting tax) in Form GSTR-7A to the deductee (the supplier from whose payment, TDS is deducted), within 5 days of crediting the amount to the Government. It contains the details pertaining to value on which tax has been deducted, rate of deduction, amount of tax deducted at source and amount paid to the Government.



(v) Filing of Statement of Supplies effected through an e-commerce operator (TCS Statement) [Section 52(4) read with rule 60(7) and rule 67 of CGST Rules, 2017]

When a supplier supplies some goods or services to the consumer through the portal of an electronic commerce operator (ECO), the consideration for the product/ service is collected by the ECO from the consumer and passed on to the actual supplier after the deduction of its commission.



The Government has placed the responsibility on ECO to collect the 'tax' at @ 1% from the supplier under section 52.

This shall be done by the ECO by paying the supplier, the consideration of the product/services, less the tax, calculated at the rate of 1%.

The amount so collected by ECO [while making the payment to the supplier] is referred as **Tax Collected at Source (TCS)**. TCS will be calculated on the net value of the goods/services supplied through the portal of ECO.

A. Monthly return

ECO shall furnish a monthly return in **Form GSTR-8** electronically through the common portal. **Form GSTR-8** contains the details of supplies of goods or services or both effected through ECO, including the supplies of goods or services or both returned through it and the amount of tax collected at source.

B. Last date of filing return

The details in GSTR-8 should be furnished **on/before 10th of the month succeeding the calendar month** in which tax has been collected at source.

Further, the amount of tax collected by ECO (TCS amount) is required to be deposited by the 10th of the month succeeding the calendar month in which tax has been collected at source.



C. TCS details made available in GSTR-2A

The details of TCS furnished by the ECO in Form GSTR-8 shall be made available electronically to each of the suppliers in Part C of Form GSTR-2A on the common portal after the due date of filing of Form GSTR-8. Such suppliers may include the same in their Form GSTR-2.

(vi) Filing of return by an Input Service Distributor [Section 39(4) read with rule 60(5) and rule 65 of CGST Rules, 2017]

Input Service Distributor (ISD) means an office of the supplier of goods or services or both which receives tax invoices issued towards the receipt of input services and issues a prescribed document for the purposes of distributing the credit of central tax, State tax, integrated tax or Union territory tax paid on the said services to a supplier of taxable goods or services or both having the same PAN as that of ISD.

Many times, the Head Office procures certain services which are for common utilization of all units across the country. The bills for such expenses are raised on the Head Office. However, the Head Office itself does not provide any output supply so as to utilize the credit which gets accumulated on account of such input services. Since the common expenditure is meant for the business of all units, it is but natural that the credit of input services in respect of such common invoices should be apportioned between all the

consuming units. ISD mechanism enables such proportionate distribution of credit of input services amongst all the consuming units.

Thus, ISD can distribute the credit of "input services" (and not of inputs or capital goods) on common invoices pertaining to input services to various units belonging to the entities having same PAN (recipient of credit) in the prescribed manner, by issuing the ISD invoices.

An ISD is required to distribute both eligible as well as ineligible credit as per rule 39 of the CGST Rules, 2017.

A. Monthly Return

ISD is not required to file separate statements of outward and inward supplies with its return. It needs to file only a monthly return in **Form GSTR-6** electronically through the common portal.



Form GSTR-6 contains the details of input tax credit received for distribution, total ITC/ eligible/ ineligible ITC to be distributed for the tax period, distribution of ITC, details of debit/ credit notes, etc.

B. Last date of filing return

The details in GSTR-6 should be furnished **on/before 13th of the month succeeding the calendar month**. GSTR-6 can only be filed after 10th of the month and before 13th of the month succeeding the tax period.

Due date of filing
monthly GSTR-6



By 13th day of the
month succeeding the
calendar month

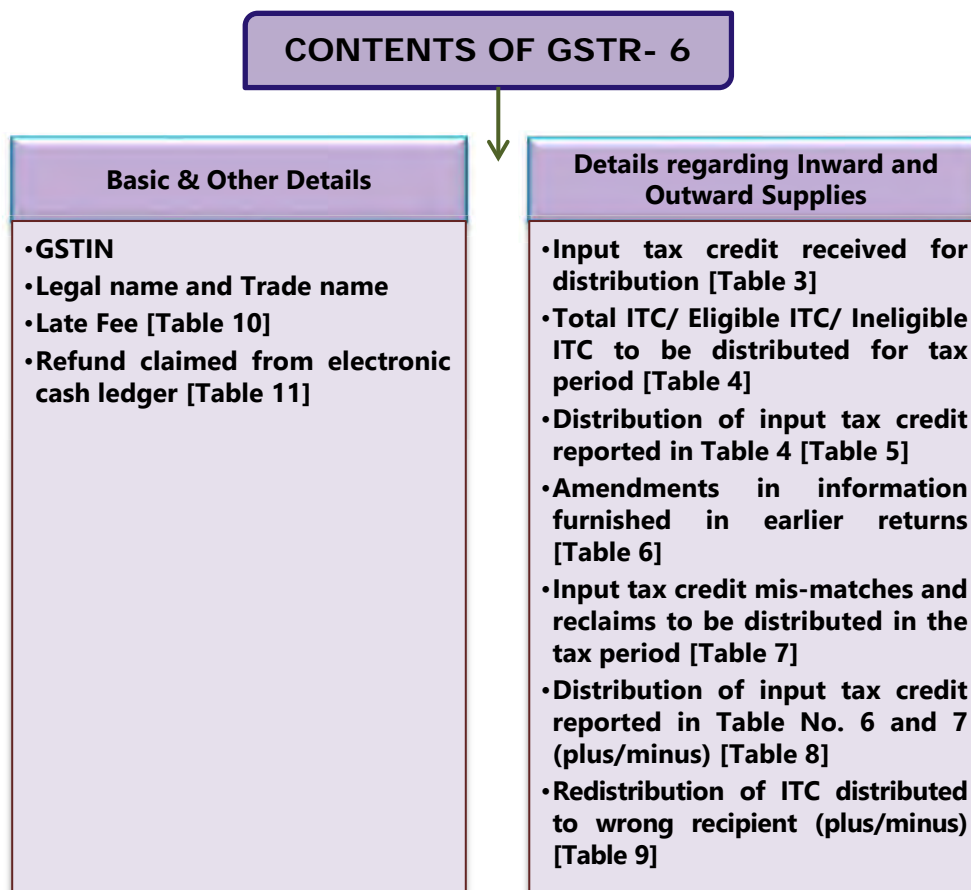
C. Auto-population of input tax credit received for distribution

The details of input tax credit received for distribution by an ISD will be auto populated in **Form GSTR-6A**. Such details are auto-populated in Form GSTR-6A when the registered suppliers file their GSTR-1.

ISD can view the auto-populated details of ITC received for distribution in GSTR-6A and, where required, after adding, correcting or deleting the details, furnish GSTR-6.

D. Contents of GSTR-6

The broad contents of GSTR-6 are given below:



E. ISD will not have reverse charge supplies

An ISD cannot accept any invoices on which tax is to be discharged under reverse charge mechanism. If ISD wants to take reverse charge supplies, in that case it has to separately register as a Normal taxpayer. This is because the ISD mechanism is only to facilitate distribution of credit of taxes paid. The ISD itself cannot discharge any tax liability (as person liable to pay tax) and remit tax to Government account. ISD will have late fee and any other liability only.

F. Details of GSTR-6 to be available in GSTR-2A of the recipients

The details of invoices furnished by an ISD in his return will be made available to the respective registered recipients of credit in their GSTR 2A (Form GSTR 4A in case of composition supplier). The recipients may include these in their GSTR-2 (Form GSTR 4 in case of composition supplier) and take credit.



ISD has to distribute both eligible and ineligible ITC to its Units in the same tax period in which the inward supplies have been received.



7. FIRST RETURN [SECTION 40]



STATUTORY PROVISIONS

Section 40

First Return

Sub-section

Particulars

Every registered person who has made outward supplies in the period between the date on which he became liable to registration till the date on which registration has been granted shall declare the same in the first return furnished by him after grant of registration.



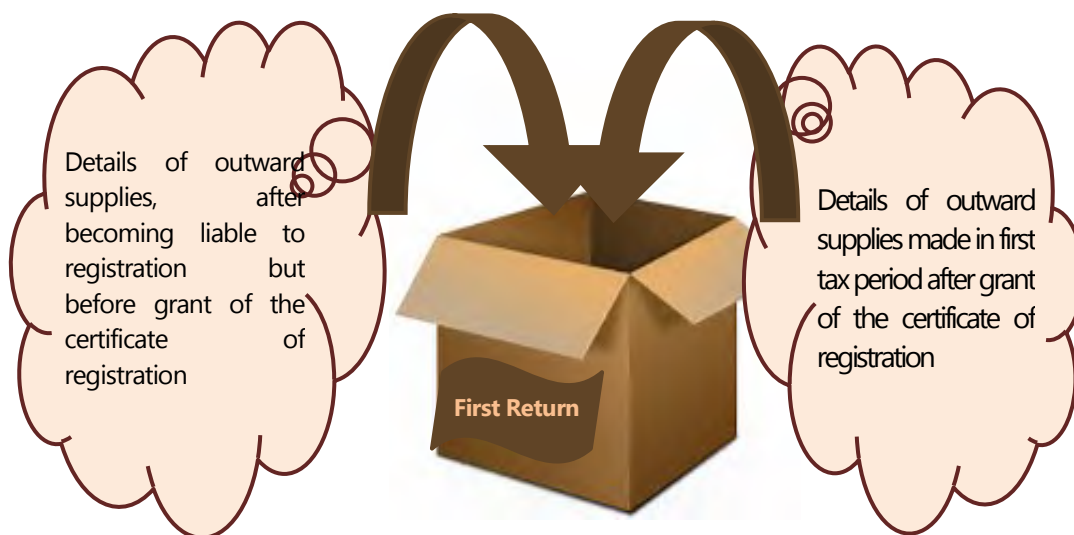
ANALYSIS

When a person becomes liable to registration after his turnover crossing the threshold limit of ₹ 20 lakh (₹ 10 lakh in case of Special Category States), he may

apply for registration within 30 days of so becoming liable. Thus, there might be a time lag between a person becoming liable to registration and grant of registration certificate.

During the intervening period, such person might have made the outward supplies, i.e. after becoming liable to registration but before grant of the certificate of registration.

Now, in order to enable such registered person to declare the taxable supplies made by him for the period between the date on which he became liable to registration till the date on which registration has been granted so that ITC can be availed by the recipient on such supplies, firstly, the registered person may issue Revised Tax Invoices against the invoices already issued during said period within 1 month from the date of issuance of certificate of registration [Section 31(3)(a) read with rule 53 of CGST Rules, 2017 – Discussed in detail in Chapter-8: Tax Invoice, Credit and Debit Notes]. Further, section 40 provides that registered person shall declare his out ward supplies made during said period in the first return furnished by him after grant of registration. The format for this return is the same as that for regular return.





8. CLAIM OF INPUT TAX CREDIT AND PROVISIONAL ACCEPTANCE THEREOF [SECTION 41]



STATUTORY PROVISIONS

Section 41	<i>Claim of input tax credit and provisional acceptance thereof</i>
Sub-section	<i>Particulars</i>
(1)	<i>Every registered person shall, subject to such conditions and restrictions as may be prescribed, be entitled to take the credit of eligible input tax, as self-assessed, in his return and such amount shall be credited on a provisional basis to his electronic credit ledger.</i>
(2)	<i>The credit referred to in sub-section (1) shall be utilised only for payment of self-assessed output tax as per the return referred to in the said sub-section.</i>



ANALYSIS

- ❑ Every registered person is entitled to take credit of the input taxes self-assessed in his Return. ITC shall be credited provisionally in the Electronic Credit Ledger of the registered person.
- ❑ One of the conditions for taking ITC by the recipient of the supply is that “*the tax charged in respect of such supply has actually been paid to the Government, either in cash or through utilization of ITC admissible in respect of the said supply*” [Section 16(2)(c)].
- ❑ For this reason, the statute provides that the ITC will first be taken provisionally in the electronic credit ledger, then after filing of GSTR 3, ITC be matched with the available information of tax payment in respect of that supply.
- ❑ ITC taken on provisional basis can be utilised for payment of self-assessed output tax declared in his return. Therefore, even before the ITC claim of the

taxpayer is matched and finally allowed, it can be availed for payment of taxes in the return. However, the taxpayer cannot utilize such provisional credit for payment of any other liability like demand created as a result of audit, payment of interest, penalties etc.



9. MATCHING, REVERSAL AND RECLAIM OF INPUT TAX CREDIT [SECTION 42]



STATUTORY PROVISIONS

Section 42	<i>Matching, reversal and reclaim of input tax credit</i>						
Sub-section	<i>Particulars</i>						
(1)	<p><i>The details of every inward supply furnished by a registered person (hereafter in this section referred to as the "recipient") for a tax period shall, in such manner and within such time as may be prescribed, be matched—</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; vertical-align: top;">(a)</td> <td><i>with the corresponding details of outward supply furnished by the corresponding registered person (hereafter in this section referred to as the "supplier") in his valid return for the same tax period or any preceding tax period</i></td> </tr> <tr> <td style="text-align: center; vertical-align: top;">(b)</td> <td><i>with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him; and</i></td> </tr> <tr> <td style="text-align: center; vertical-align: top;">(c)</td> <td><i>for duplication of claims of input tax credit.</i></td> </tr> </table>	(a)	<i>with the corresponding details of outward supply furnished by the corresponding registered person (hereafter in this section referred to as the "supplier") in his valid return for the same tax period or any preceding tax period</i>	(b)	<i>with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him; and</i>	(c)	<i>for duplication of claims of input tax credit.</i>
(a)	<i>with the corresponding details of outward supply furnished by the corresponding registered person (hereafter in this section referred to as the "supplier") in his valid return for the same tax period or any preceding tax period</i>						
(b)	<i>with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him; and</i>						
(c)	<i>for duplication of claims of input tax credit.</i>						
(2)	<i>The claim of input tax credit in respect of invoices or debit notes relating to inward supply that match with the details of corresponding outward supply or with the integrated goods and services tax paid under section 3 of the Customs Tariff Act, 1975 in respect of goods imported by him shall be finally accepted and such acceptance shall be communicated, in such manner as may be prescribed, to the recipient.</i>						

(3)	<i>Where the input tax credit claimed by a recipient in respect of an inward supply is in excess of the tax declared by the supplier for the same supply or the outward supply is not declared by the supplier in his valid returns, the discrepancy shall be communicated to both such persons in such manner as may be prescribed.</i>
(4)	<i>The duplication of claims of input tax credit shall be communicated to the recipient in such manner as may be prescribed.</i>
(5)	<i>The amount in respect of which any discrepancy is communicated under sub- section (3) and which is not rectified by the supplier in his valid return for the month in which discrepancy is communicated shall be added to the output tax liability of the recipient, in such manner as may be prescribed, in his return for the month succeeding the month in which the discrepancy is communicated.</i>
(6)	<i>The amount claimed as input tax credit that is found to be in excess on account of duplication of claims shall be added to the output tax liability of the recipient in his return for the month in which the duplication is communicated.</i>
(7)	<i>The recipient shall be eligible to reduce, from his output tax liability, the amount added under sub-section (5), if the supplier declares the details of the invoice or debit note in his valid return within the time specified in sub-section (9) of section 39.</i>
(8)	<i>A recipient in whose output tax liability any amount has been added under sub- section (5) or sub-section (6), shall be liable to pay interest at the rate specified under sub- section (1) of section 50 on the amount so added from the date of availing of credit till the corresponding additions are made under the said sub-sections.</i>
(9)	<i>Where any reduction in output tax liability is accepted under sub-section (7), the interest paid under sub-section (8) shall be refunded to the recipient by crediting the amount in the</i>

	<p><i>corresponding head of his electronic cash ledger in such manner as may be prescribed.</i></p> <p><i>Provided that the amount of interest to be credited in any case shall not exceed the amount of interest paid by the supplier.</i></p>
(10)	<p><i>The amount reduced from the output tax liability in contravention of the provisions of sub-section (7) shall be added to the output tax liability of the recipient in his return for the month in which such contravention takes place and such recipient shall be liable to pay interest on the amount so added at the rate specified in sub-section (3) of section 50.</i></p>



ANALYSIS

Matching of ITC

Matching of ITC is one of the core features of GST. The primary reason for having this feature arises from the fact that one of the most important design specification of GST is that it should allow full credit of taxes paid across State boundaries, making it a truly national tax while keeping the federal structure intact.

In the first place, the ITC claimed by a taxpayer is allowed to the taxpayer on provisional basis and he is allowed to utilise it for payment of tax declared in his return. This aspect has already been discussed in the previous paras.

Therefore, even before the ITC claim of the taxpayer is matched and finally allowed, it can be availed for payment of taxes in the return. However, the taxpayer cannot utilise the credit for payment of any other liability like demand created as a result of audit.

The process of ITC Matching begins after the due date for filing of the return – GSTR-3 (20th of every month). Matching process is carried out by GSTN.

The details of every inward supply furnished by the recipient of goods and/or services in Form GSTR-2 shall be matched with the corresponding details of outward supply furnished by the corresponding supplier of goods and/or services in his valid return. **A return may be considered to be a valid return only when**

the appropriate GST has been paid in full by the taxable person, as shown in such return for a given tax period.

Details to be matched: The invoices for ITC claims will be matched for duplicates, with the tax paid on the invoices of corresponding outward supplies and with the IGST paid in respect of goods imported by him. For the purpose of matching, GSTIN of supplier and GSTIN of recipient, invoice number, invoice date and tax amount is matched.

Cases where ITC claim is accepted:

1. If the recipient has claimed ITC based on the details auto-populated in his GSTR-2 without any modifications,

it is presumed that the ITC has been matched provided the return filed by the corresponding supplier is a valid return [i.e. has such supplier has discharged his tax liability]. Consequently, ITC claimed by the recipient in his valid returns shall be considered as finally accepted and such acceptance shall be communicated to the recipient. Failure to file valid return by the supplier may lead to denial of ITC in hands of the recipient.



2. If the details, except tax amount, match, and the tax amount in the **ITC claim is less than or equal to the tax amount** declared by the corresponding supplier, the ITC claim will be finally accepted and final acceptance of the credit will be communicated to the recipient.

Cases where there is discrepancy in ITC claim:

1. **Duplication of invoices:** Where there is duplication of ITC claimed by the recipient, the recipient shall be intimated. If the claim of ITC is found to be duplicate, an amount equal to the ITC claimed on account of the duplicate claim will be added to the output liability of the recipient in the return of month in which such discrepancy is communicated and shall become payable with interest.
2. **Mismatch of ITC claim:** In case the ITC claimed by the recipient is in excess of the tax declared by the supplier or where the details of outward supply are

not declared by the supplier in his valid returns, the discrepancy shall be communicated to both the supplier and the recipient.

This might happen in a case where the recipient has furnished the details of an invoice [inward supply] that has not been declared by the corresponding supplier in his GSTR-1 for the month or if he has modified the details of an inward supply auto-populated in his GSTR-2 to claim more credit than the tax declared by the corresponding supplier.

If supplier accepts the liability in his next return, in such a case, in the next cycle, the ITC claim shall match with the invoice for corresponding outward supply and the ITC claim of the recipient shall get accepted. However, in case the supplier has not rectified the discrepancy communicated in his valid returns for the month in which the discrepancy is communicated, then such excess ITC as claimed by the recipient shall be added to the output tax liability of the recipient in succeeding month and shall become payable with interest.

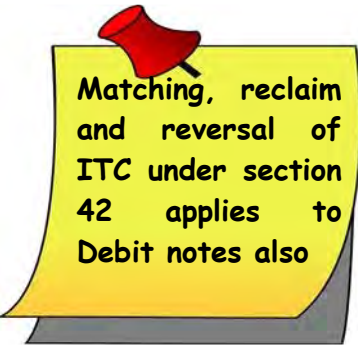
Reclaim of reversal:

Once claim of ITC on an invoice has been reversed, the recipient cannot claim it again unless the supplier uploads details of that invoice in his return after reversal at any stage, but before the due date of filing of the return for the month of September of the succeeding financial year or the actual filing of the relevant annual return, whichever is earlier.

Once the supplier uploads the details of invoice for corresponding outward supply, the invoice shall automatically appear in the return of the recipient and the recipient shall be eligible to claim ITC on that invoice.

The interest paid by the recipient on reversal shall also be credited back to his cash ledger. However, if any taxpayer claims ITC on an invoice that has been auto-reversed in the past without the corresponding supplier uploading details of that invoice, such ITC shall be auto-reversed in the next month itself and a higher interest shall be payable on such auto-reversal.

In the above paras, the process of matching, reversal and reclaim of ITC for invoices is outlined. The same process would apply for debit notes as well. Debit



**Matching, reclaim
and reversal of
ITC under section
42 applies to
Debit notes also**

notes are in the nature of increase in value of supply and therefore increase the tax payable for supplies and increase the ITC available with the recipient which, in effect, is same as that in case of invoices. Therefore, wherever there is a mismatch, in both cases, the ITC of recipient is subjected to auto-reversal.

The process of matching, reversal and reclaim of input tax credit has been elaborated in detail in subsequent paras:

(i) Time of matching [Section 42(1) read with rule 69]

The details relating to claim of ITC which has been taken provisionally under section 41 shall be matched under section 42.

Such matching will be done after the due date for furnishing the return in Form GSTR-3 [i.e. after 20th of the month following the month to which return relates].



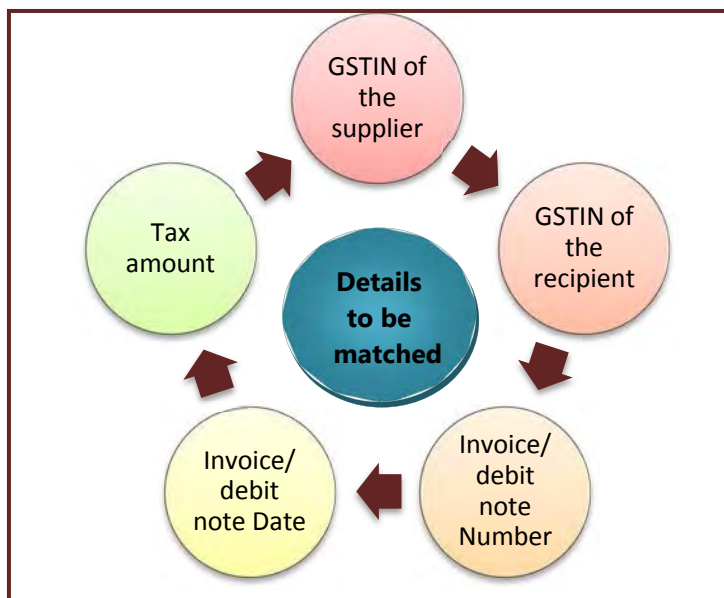
However, where the time limit for furnishing Form GSTR-1 and Form GSTR-2 has been extended, the date of matching of ITC claim shall also be extended accordingly.

Further, the Commissioner may, on the recommendations of the Council, by order, extend the date of matching of ITC to such date as may be specified therein.

(ii) Details to be matched [Section 42(1) read with rule 69]

Under ITC matching, details of inward supplies including imports, furnished by the recipient is matched with:

- Corresponding details of outward supply furnished by the supplier in his valid return for the same tax period or any preceding tax period.
- IGST paid under section 3 of the Customs Tariff Act, 1975 (CTA) in respect of goods imported by him.
- for duplication of claims of input tax credit.



(iii) ITC claim matched, accepted and communicated [Section 42(2) read with rules 69, 70(1) and 78]

A. When the claim of ITC be considered as matched?

The claim of ITC be considered as matched provided:

- Invoices and debit notes in FORM GSTR-2 were accepted by the recipient on the basis of FORM GSTR-2A without amendment provided the corresponding supplier has furnished a valid return.
- Where the amount of input tax credit claimed \leq Output tax paid on such tax invoice/debit note by the corresponding supplier.



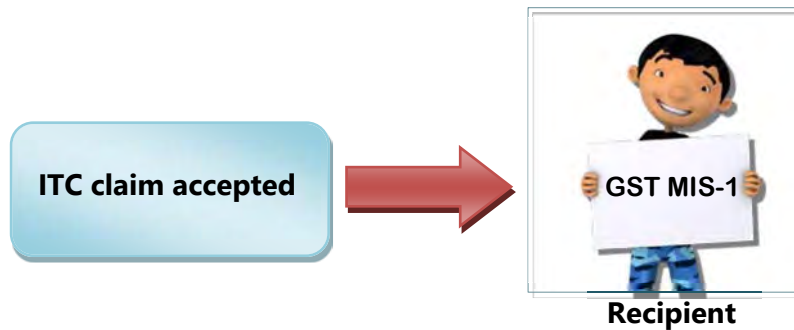
Shri Fabrics supplied readymade clothes to Manavi Garments. Shri Fabrics has shown GST paid on his outward supply of ₹1,000 in his GSTR-1 for July. If Manavi Garments has claimed an ITC of ₹1,000 or less (say ₹990) in his GSTR-2 for July, ITC shall be treated as **“MATCHED”**.

B. Final acceptance of ITC claim and communication to recipient thereof

The claim of input tax credit in respect of invoices/debit notes relating to

inward supply that match with the details of corresponding outward supply or with IGST paid under section 3 of Customs Tariff Act, 1975 in respect of goods imported by him, shall be finally accepted.

Such acceptance in respect of any tax period be made available electronically to the recipient making such claim in **FORM GST MIS-1** through the GST common portal.



(iv) Discrepancy in ITC claim [Section 42(3), (5) read with rules 70(2) and 71]

A. Discrepancy in ITC claim [Section 42(3)]

Discrepancy in ITC claim implies mismatch of ITC claim in respect of any tax period.

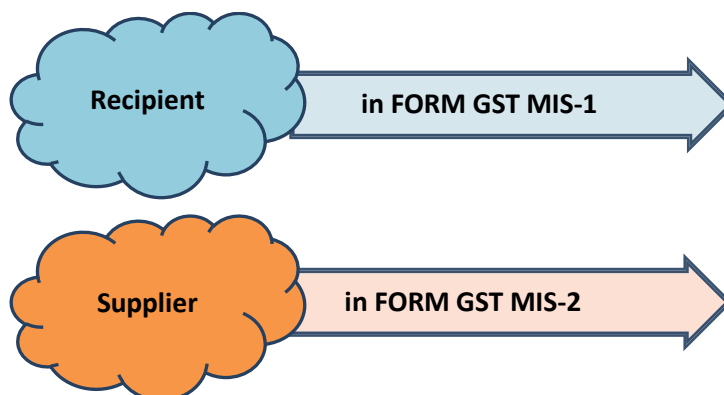
ITC claim is considered as mismatched in the following two cases:

- Where ITC claimed by a recipient in respect of an inward supply > Tax declared by the supplier for the same supply by the supplier in his valid returns or
- Where the outward supply is not declared by the supplier in his valid returns.

B. Communication of discrepancy to supplier and recipient [Rule 71(1)]

Any discrepancy in ITC claim shall be communicated to recipient and supplier electronically through the common portal on/before the last date of the month in which the matching has been carried out.

Forms in which **recipient and supplier** shall be communicated:



C. Suitable rectification of discrepancy [Rule 71(2), (3) and Explanation to rule 71]

Rectification by Supplier	Rectification by Recipient
Supplier may make suitable rectifications in the <u>Statement of Outward Supplies</u> to be furnished for the month in which the discrepancy is made available.	Recipient may make suitable rectifications in the <u>Statement of Inward Supplies</u> to be furnished for the month in which the discrepancy is made available.
<p>Rectification by supplier means:</p> <ul style="list-style-type: none"> ✓ <u>adding or correcting</u> the details of an outward supply in his valid return* ✓ so as to match the details of corresponding inward supply declared by the recipient. 	<p>Rectification by recipient means:</p> <ul style="list-style-type: none"> ✓ <u>deleting or correcting</u> the details of an inward supply** ✓ so as to match the details of corresponding outward supply declared by the supplier.

Note:

***Supplier** shall pay tax and interest on such rectification of error/omission, if any, in case there is a short payment of tax on account of such error/omission, in the return to be furnished for such tax period [Section 37(3)].

****Recipient** shall pay tax and interest on such rectification of error/omission, if any, in case there is a short payment of tax on account of

such error/omission, in the return to be furnished for such tax period [Section 38(5)].



Ramnath supplies goods to Harikishan for on which GST paid is ₹5,680 available as ITC to Harikishan. Ramnath – the supplier - furnishes Form GSTR-1 pertaining to July on 10th August. Harikishan – the recipient - furnishes Form GSTR-2 pertaining to July on 15th August and mistakenly claims the ITC of ₹ 5,700. Both the parties furnish their return GSTR-3 pertaining to July on 20th August. The mismatch report is generated and discrepancy to the effect that Harikishan has claimed excess tax credit of ₹ 20 is communicated to Ramnath and Harikishan in Form GST MIS-2 and Form GST MIS-1 respectively in August end.

In this case, since discrepancy is communicated in the month of August, same has to be rectified by the recipient – Harikishan - in his Statement of Inward Supplies GSTR-2 to be furnished for the month of August.

D. Communication of ITC matched after rectification of discrepancy [Rule 70(2)]

Where the discrepancy in ITC claim has been rectified by the supplier or recipient and resultantly ITC claim matches, ITC claim shall be finally accepted. Recipient shall be communicated electronically in Form GST MIS-1 through GST common portal.

E. Non-rectification of discrepancy, addition of amount of discrepancy to output tax liability of recipient and communication thereof [Section 42(5) read with rule 71(1) and (4)]

However, where the discrepancy in ITC claim is not so rectified as mentioned in the preceding paras, an amount to the extent of discrepancy shall be added to the output tax liability of the recipient in his return to be furnished in FORM GSTR-3 for the month succeeding the month in which the discrepancy is made available/communicated.

The details of output tax liability to be added on account of continuation of such discrepancy, shall be made available to the recipient making such claim electronically in FORM GST MIS-1 and to the supplier electronically in FORM GST MIS-2 through the common portal on/before the last date of the month in which such matching has been carried out.



In the above example, if Harikishan has not made the rectification in his return filed for August, the amount of excess tax credit claimed by him (mismatched amount of ₹20) shall be added to the output tax liability of Harikishan in his return for the month of September (20th October is due date of filing of GSTR-3 for the month of September).

(v) Duplication of ITC claims [Section 42(4) and (6) read with rule 72]

A. Claim of ITC on the same invoice more than once and communication thereof [Section 42(4) read with rule 72]

The recipient might have wrongly claimed ITC more than once on the same invoice. The duplication of ITC claims in the details of inward supplies shall be communicated to the recipient in FORM GST MIS-1 electronically through the common portal.

B. Addition of excess ITC claimed on account of duplication of ITC claims [Section 42(6)]

The amount claimed as ITC that is found to be in excess on account of duplication of claims shall be added to the output tax liability of the recipient in his return for the month in which the duplication is communicated.



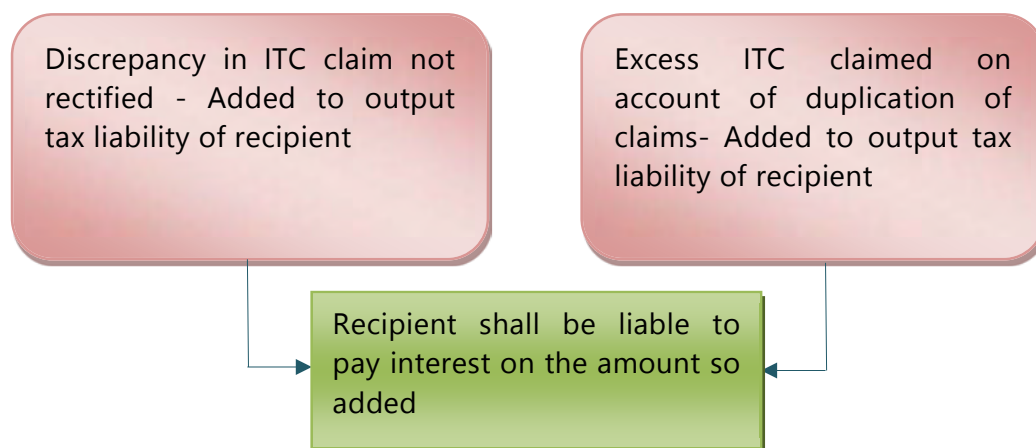
Gangwal is the supplier of services received by Raghu on which GST paid is ₹9,700 available as ITC to Raghu. Gangwal – the supplier - furnishes Form GSTR-1 pertaining to July on 10th August. Raghu – the recipient - furnishes Form GSTR-2 pertaining to July on 15th August and wrongly claims the ITC claim of ₹9,700 twice. Both the parties furnish their return GSTR-3 pertaining to July on 20th August. The mismatch report is generated and discrepancy to the effect that Raghu has claimed excess tax credit of ₹9,700 is communicated to Raghu in Form GST MIS-1 in August end.

In this case, amount of excess credit shall be added to the output tax liability of Raghu in his return for the month of August (Due date for the same is 20th September).

(vi) Interest payable on amount added to the output tax liability of the recipient [Section 42(8)]

- ❑ Where any discrepancy (ITC mismatch) communicated in ITC claim is not rectified, an amount to the extent of discrepancy is added to the output tax liability of the recipient in his GSTR-3 return to be furnished for the month succeeding the month in which the discrepancy is made available [Sub-section (5)] [Refer point (iv).E.].
- ❑ Further, amount claimed as ITC which is in excess on account of duplication of claims shall be added to the output tax liability of the recipient in his return for the month in which the duplication is communicated [Sub-section (6)] [Refer point (v).B.].

In both the above cases, the **recipient shall be liable to pay interest on the amount so added.**



Rate of interest: Rate specified under section 50(1). **Notification No. 13/2017 CT dated 28.06.2017** has notified 18% per annum as the rate of interest for the purpose of section 50(1).



Time period: Interest shall be computed from the date of availing of credit till the corresponding additions are made under the aforesaid sub-sections.

Resultantly, in case of non-rectification of discrepancy of ITC claim, interest is payable by recipient for a minimum period of approximately 2 months while in case of duplication of claims, interest is payable for a minimum period of approximately 1 month by the recipient.

(vii) Subsequent reduction in the output tax liability [Section 42(7), (9) and (10) read with rule 77]

A. Reduction of output tax liability [Section 42(7) read with section 39(9)]

As we have seen earlier, where any discrepancy in ITC claim is not rectified, an amount to the extent of discrepancy is added to the output tax liability of the recipient in his GSTR-3 return to be furnished for the month succeeding the month in which the discrepancy is made available/communicated.

**Amount to be reduced
from output tax liability**

However, subsequently, the supplier may declare the details of the invoice/ debit note in his valid return within the specified time. In that case, the recipient shall be eligible to reduce, from his output tax liability, the amount to the extent of discrepancy [earlier added under sub-section (5) of section 42].

The supplier needs to declare the details of the invoice/ debit note in his valid return** within the time specified in sub-section (9) of section 39.

**Time period within which
supplier may declare
the details of invoice
or debit notes**

Time stipulated under section 39(9) is as follows:

- (i) Due date of filing return for the month of September/second quarter following the end of the financial year to which such details pertain
- (ii) Actual date of furnishing of relevant annual return

whichever is earlier.

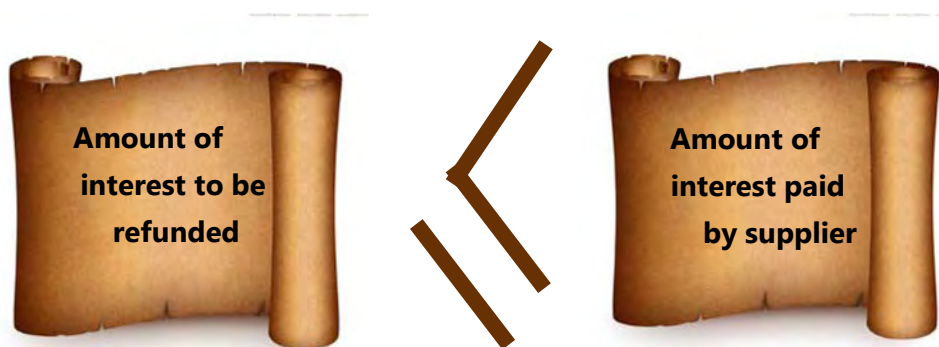
****Note: Supplier** shall pay tax and interest on such rectification of error/omission, if any, in case there is a short payment of tax on account of such error/omission, in the return to be furnished for such tax period [Section 37(3)].

B. Refund of interest [Section 42(9) read with rule 77]

Where any reduction in output tax liability is accepted under sub-section (7), the interest paid under sub-section (8) shall be refunded.

Such amount shall be refunded to the recipient by crediting the amount in the corresponding head of his Electronic Cash Ledger. The interest to be so refunded shall be claimed by the recipient in his return in Form GSTR-3

However, the amount of interest to be credited in any case shall not exceed the amount of interest paid by the supplier.



The amount so credited shall be available for payment of any future liability towards interest or the taxable person may claim refund of such amount under section 54.



(i) A's GSTR 2 for October includes an Invoice no. 47 from supplier 'B' on which 'A' has taken ₹3,600 as ITC, but B's GSTR 1 for October does not show this invoice.

On matching of credit after filing of GSTR 3 (for the month of October) on 20th November, this discrepancy is communicated on the GST Common Portal to 'B' in the month of November itself, who rectifies his omission and includes Invoice no. 47 in his GSTR-1 [Statement of Outward Supplies] thereby reflecting the same in his GSTR 3 filed for the month November and pays tax on it alongwith interest. This confirms the credit taken by 'A'.

(ii) In an alternate scenario, B does not add the Invoice in his GSTR-1 Statement of Outward Supplies for November due to his accountant being on leave.

'A' finds ₹3,600 added to his output tax liability for the month of December, and pays it with interest @ 18% p.a. as required on 20th January (next year).

He communicates the problem to 'B', who looks into the issue and rectifies the discrepancy and includes Invoice no. 47 in his GSTR-1 [Statement of Outward Supplies] thereby reflecting the same in his GSTR-3 for March and pays tax on it alongwith interest.

Under section 42(7), 'A' can reduce the said amount from his output tax liability, and the interest paid will be refunded to his electronic cash ledger subject to a maximum of amount of interest paid by the supplier 'B'.

C. Reduction of output tax liability in contravention of provisions [Section 42(10)]

However, where any reduction in output tax liability is in contravention of the provisions of section 42(7), such amount shall again be added to the output tax liability of the recipient in his return for the month in which such contravention takes place.

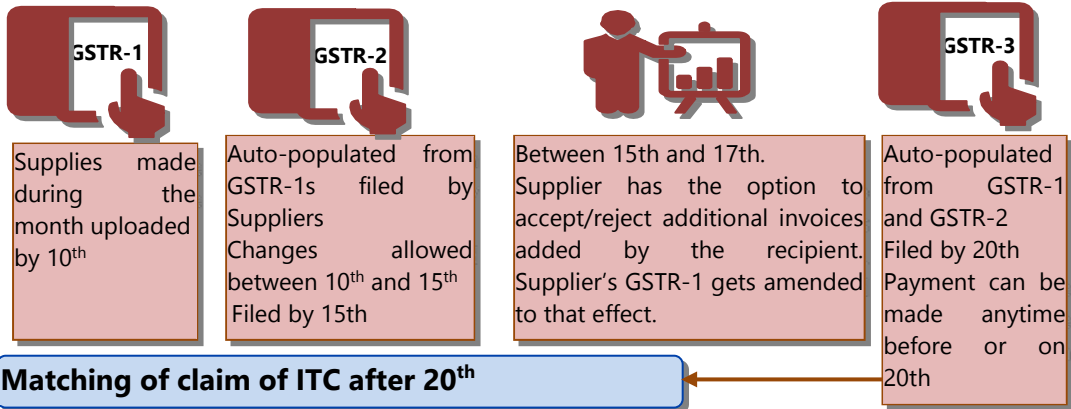
Interest: Further, such recipient shall be liable to pay interest on the amount so added.

Rate of interest: Rate specified under section 50(3).

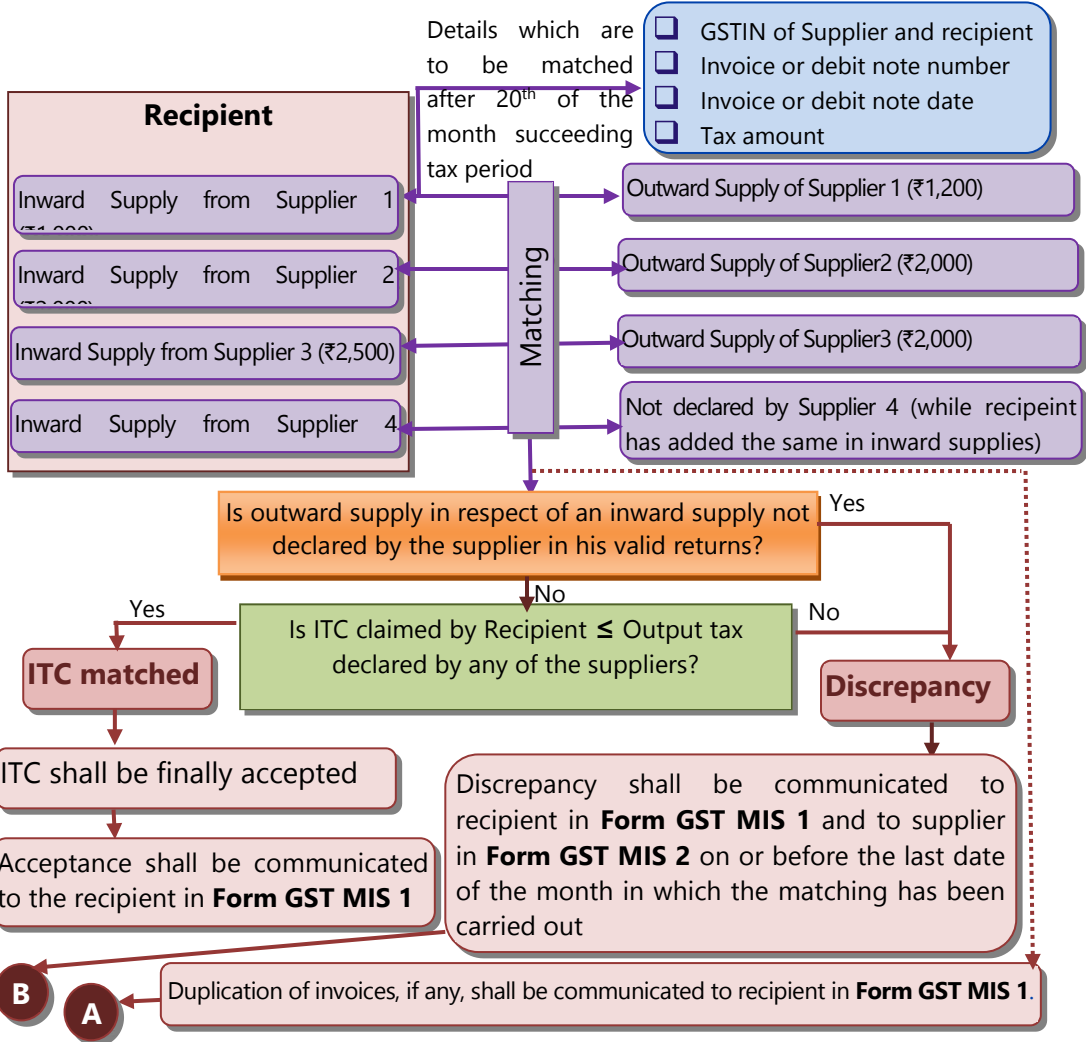
Notification No. 13/2017 CT dated 28.06.2017 has notified 24% as the rate of interest for the purpose of section 50(3).

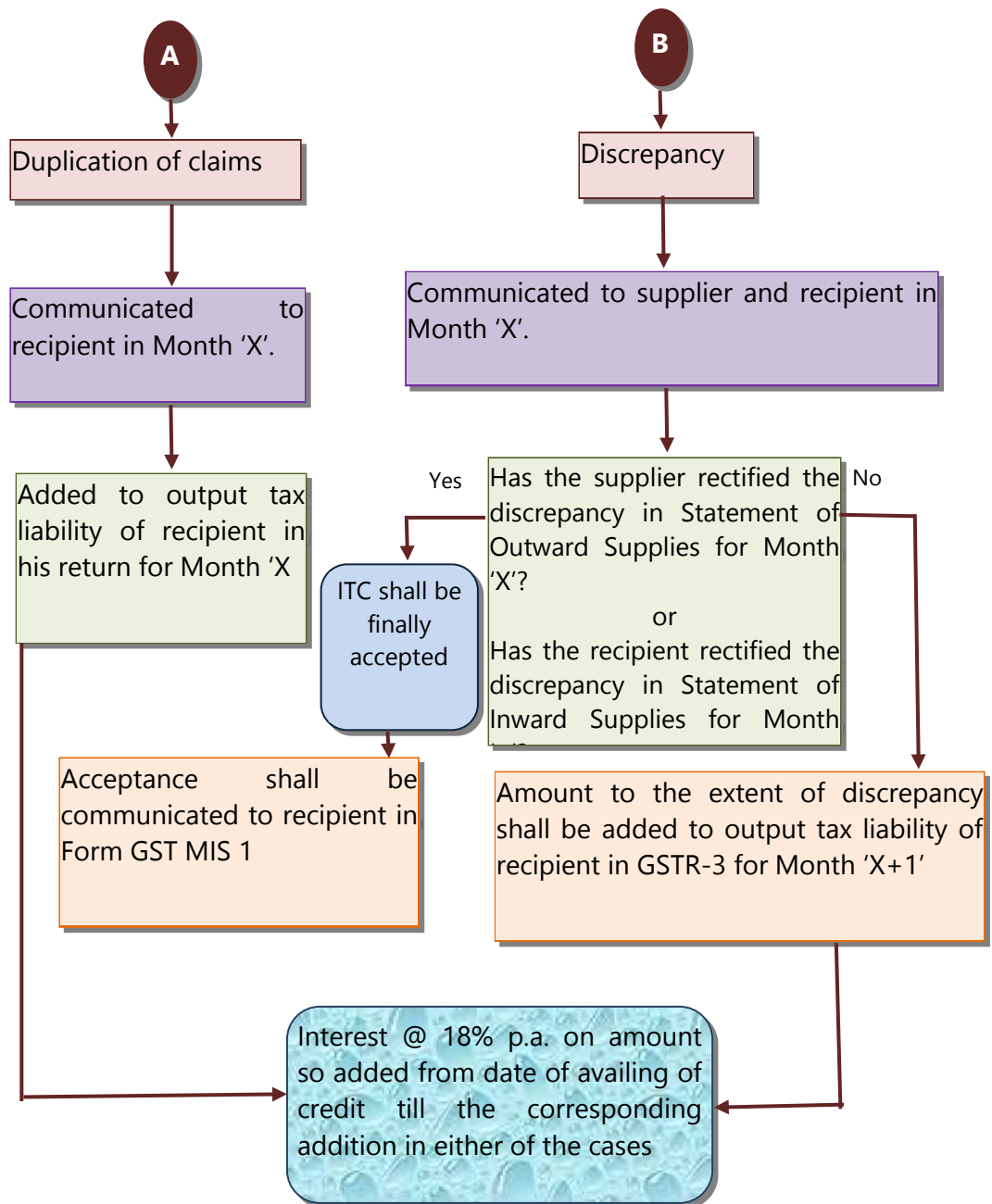


The above discussion with respect to matching, reversal and reclaim of ITC claim has been summarized in a diagram on the subsequent page.



Matching of claim of ITC after 20th







10. MATCHING AND REVERSAL OF CREDIT OF THE AMOUNT COLLECTED AND REFLECTED IN TCS STATEMENT [SECTION 52(7) TO 52(11)]



STATUTORY PROVISIONS

Section 52	Collection of tax at source
Sub-section	Particulars
(7)	The supplier who has supplied the goods or services or both through the operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in the statement of the operator furnished under sub-section (4), in such manner as may be prescribed.
(8)	The details of supplies furnished by every operator under sub-section (4) shall be matched with the corresponding details of outward supplies furnished by the concerned supplier registered under this Act in such manner and within such time as may be prescribed.
(9)	Where the details of outward supplies furnished by the operator under sub-section (4) do not match with the corresponding details furnished by the supplier under section 37, the discrepancy shall be communicated to both persons in such manner and within such time as may be prescribed.
(10)	The amount in respect of which any discrepancy is communicated under sub-section (9) and which is not rectified by the supplier in his valid return or the operator in his statement for the month in which discrepancy is communicated, shall be added to the output tax liability of the said supplier, where the value of outward supplies furnished by the operator is more than the value of outward supplies furnished by the supplier, in his return for the month succeeding the month in which the discrepancy is

	<i>communicated in such manner as may be prescribed.</i>
(11)	<i>The concerned supplier, in whose output tax liability any amount has been added under sub-section (10), shall pay the tax payable in respect of such supply along with interest, at the rate specified under sub-section (1) of section 50 on the amount so added from the date such tax was due till the date of its payment.</i>



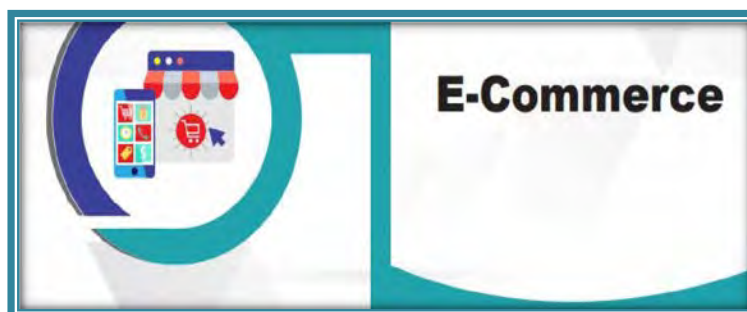
ANALYSIS

As discussed earlier in this chapter, every electronic commerce operator, required to collect TCS under section 52, would furnish TCS Statement in Form GSTR-8 containing the details

of outward supplies of goods or services effected through it, including the supplies of goods or services returned through it, and the amount of tax collected during a month, within 10 days after the end of such month.

In return, the supplier is also required to furnish the details of outward supplies made though e-commerce operator in Table 4C as also in Table 10 of GSTR-1 (which is also required to be filed within 10 days of the next month).

The details of supplies furnished by every e-commerce operator in his statement for the month will be



matched with the corresponding details of outward supplies furnished by the concerned supplier in his valid return for the same month or any preceding month.

Where the details of outward supplies declared by the operator in his statement do not match with the corresponding details declared by the supplier, the discrepancy shall be communicated to both persons.

The amount in respect of which any discrepancy is communicated and which is not rectified by the supplier in his valid return or the operator in his statement for the month in which discrepancy is communicated shall be added to the output liability of the said supplier in his return for the month succeeding the month in which the discrepancy is communicated.

The concerned supplier in whose output tax liability any amount has been added, shall be liable to pay the tax payable in respect of such supply along with interest on the amount so added from the date such tax was due till the date of its payment.

(i) Matching of details furnished by the e-commerce operator with the details furnished by the supplier [Section 52(7) and (8) read with rule 78]

A. TCS amount claimed by the supplier: The supplier who has supplied the goods or services or both through the e-commerce operator shall claim credit, in his electronic cash ledger, of the amount collected and reflected in TCS Statement (viz. the TCS amount) furnished in GSTR-8 by such operator.

B. Matching: The details of supplies furnished by every operator in TCS Statement (Form GSTR-8) shall be matched with the corresponding details of outward supplies furnished by the concerned registered supplier in Form GSTR-1.

C. Details to be matched: The following details shall be matched:

- (a) State of place of supply; and
- (b) Net taxable value

However, where the time limit for furnishing Form GSTR-1 under section 37 has been extended, the date of matching of the above mentioned details shall be extended accordingly.

Further that the Commissioner may, on the recommendations of the Council, by order, extend the date of matching to such date as may be specified therein.

(ii) Communication and rectification of discrepancy in details furnished by the e-commerce operator and the supplier [Section 52(9), (10) and (11) read with rule 79]

A. Communication of discrepancy: Where the details of outward supplies furnished by the operator do not match with the corresponding details furnished by the supplier, the discrepancy shall be communicated to the supplier electronically in Form GST MIS-3 and to the e-commerce operator electronically in Form GST MIS-4.

Discrepancy shall be communicated on the common portal **on or before the last date of the month in which the matching has been carried out.**

B. Suitable rectification of discrepancy:

Rectification by Supplier	Rectification by e-commerce operator
Supplier may make suitable rectifications in the <u>Statement of Outward Supplies</u> to be furnished for the month in which the discrepancy is made available.	E-commerce operator may make suitable rectifications in the <u>TCS Statement</u> to be furnished for the month in which the discrepancy is made available.


C. Non-rectification of discrepancy, addition of amount of discrepancy to output tax liability of supplier: The amount in respect of which any discrepancy is communicated and which is not rectified by the supplier in his valid return or the operator in his TCS statement for the month in which discrepancy is communicated, shall be added to the output tax liability of the said supplier in his return in Form GSTR-3, where the value of outward supplies furnished by the operator is more than the value of outward supplies furnished by the supplier, in his return for the month succeeding the month in which the discrepancy is communicated.

Such addition to the output tax liability and interest payable thereon shall be made available to the supplier electronically on the common portal in Form GST MIS-3.

D. Interest payable on amount added to the output tax liability of the supplier: The concerned supplier, in whose output tax liability any amount has been added, shall pay the tax payable in respect of such supply along with interest, @ 18% per annum [rate specified under sub-section (1) of section 50] on the amount so added from the date such tax was due till the date of its payment.



11. MATCHING, REVERSAL AND RECLAIM OF REDUCTION IN OUTPUT TAX LIABILITY [SECTION 43]

 STATUTORY PROVISIONS					
Section 43	<i>Matching, reversal and reclaim of reduction in output tax liability</i>				
Sub-section	<i>Particulars</i>				
(1)	<i>The details of every credit note relating to outward supply furnished by a registered person (hereafter in this section referred to as the "supplier") for a tax period shall, in such manner and within such time as may be prescribed, be matched—</i>				
	<table border="1"> <tr> <td><i>(a)</i></td> <td><i>with the corresponding reduction in the claim for input tax credit by the corresponding registered person (hereafter in this section referred to as the "recipient") in his valid return for the same tax period or any subsequent tax period; and</i></td> </tr> <tr> <td><i>(b)</i></td> <td><i>for duplication of claims for reduction in output tax liability</i></td> </tr> </table>	<i>(a)</i>	<i>with the corresponding reduction in the claim for input tax credit by the corresponding registered person (hereafter in this section referred to as the "recipient") in his valid return for the same tax period or any subsequent tax period; and</i>	<i>(b)</i>	<i>for duplication of claims for reduction in output tax liability</i>
<i>(a)</i>	<i>with the corresponding reduction in the claim for input tax credit by the corresponding registered person (hereafter in this section referred to as the "recipient") in his valid return for the same tax period or any subsequent tax period; and</i>				
<i>(b)</i>	<i>for duplication of claims for reduction in output tax liability</i>				
(2)	<i>The claim for reduction in output tax liability by the supplier that</i>				

	<i>matches with the corresponding reduction in the claim for input tax credit by the recipient shall be finally accepted and communicated, in such manner as may be prescribed, to the supplier.</i>
(3)	<i>Where the reduction of output tax liability in respect of outward supplies exceeds the corresponding reduction in the claim for input tax credit or the corresponding credit note is not declared by the recipient in his valid returns, the discrepancy shall be communicated to both such persons in such manner as may be prescribed.</i>
(4)	<i>The duplication of claims for reduction in output tax liability shall be communicated to the supplier in such manner as may be prescribed.</i>
(5)	<i>The amount in respect of which any discrepancy is communicated under sub- section (3) and which is not rectified by the recipient in his valid return for the month in which discrepancy is communicated shall be added to the output tax liability of the supplier, in such manner as may be prescribed, in his return for the month succeeding the month in which the discrepancy is communicated.</i>
(6)	<i>The amount in respect of any reduction in output tax liability that is found to be on account of duplication of claims shall be added to the output tax liability of the supplier in his return for the month in which such duplication is communicated.</i>
(7)	<i>The supplier shall be eligible to reduce, from his output tax liability, the amount added under sub-section (5) if the recipient declares the details of the credit note in his valid return within the time specified in sub-section (9) of section 39.</i>
(8)	<i>A supplier in whose output tax liability any amount has been added under sub-section (5) or sub-section (6), shall be liable to pay interest at the rate specified under sub- section (1) of section 50 in respect of the amount so added from the date of such claim</i>

	<i>for reduction in the output tax liability till the corresponding additions are made under the said sub-sections.</i>
(9)	<i>Where any reduction in output tax liability is accepted under sub-section (7), the interest paid under sub-section (8) shall be refunded to the supplier by crediting the amount in the corresponding head of his electronic cash ledger in such manner as may be prescribed. Provided that the amount of interest to be credited in any case shall not exceed the amount of interest paid by the recipient.</i>
(10)	<i>The amount reduced from output tax liability in contravention of the provisions of sub-section (7) shall be added to the output tax liability of the supplier in his return for the month in which such contravention takes place and such supplier shall be liable to pay interest on the amount so added at the rate specified in sub-section (3) of section 50.</i>



ANALYSIS

Where a tax invoice has been issued for supply of any goods and/or services and the taxable value/tax charged in that tax invoice is found to exceed the taxable value/tax payable in respect of such supply, or where the goods supplied are returned by the recipient, or where goods or services or both supplied are found to be deficient, supplier may issue to the recipient a credit note. The output tax liability of the supplier would reduce due to issuance of credit notes.

Supplier issuing a credit note shall declare the details of such credit note in the return for the month during which such credit note has been issued, but not later than September following the end of the financial year in which such supply was made, or the date of furnishing of the relevant annual return, whichever is earlier, and the tax liability shall be adjusted.

However, no reduction in output tax liability of the supplier shall be permitted, if the incidence of tax and interest on such supply has been passed on to any other person.

This section elaborates **matching, reversal and reclaim of reduction in output tax liability of the supplier.** The detailed provisions are contained hereunder:

(i) Time of matching [Section 43(1) read with rule 73]

The details relating to claim of reduction in output tax liability shall be matched under section 43. Such matching will be done after the due date for furnishing the return in Form GSTR-3 [i.e. 20th of the month following the month to which return relates].

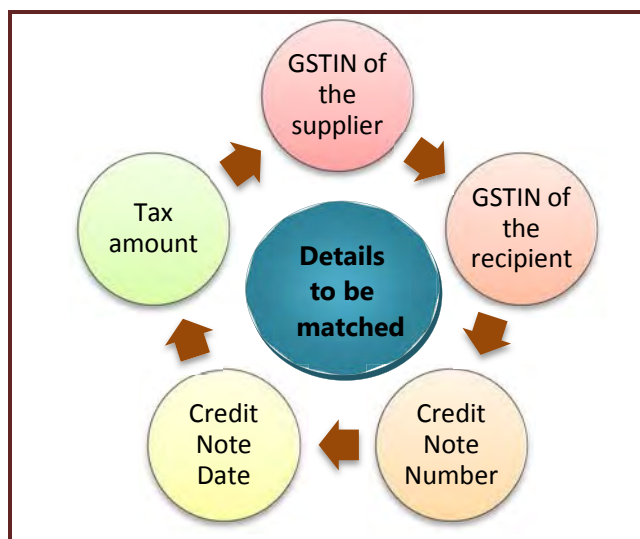
However, where the time limit for furnishing Form GSTR-1 and Form GSTR-2 has been extended, the date of matching of claim of reduction in the output tax liability shall also be extended accordingly.

Further, the Commissioner may, on the recommendations of the Council, by order, extend the date of matching relating to claim of reduction in output tax liability to such date as may be specified therein.

(ii) Details to be matched [Section 43(1) read with rule 73]

Under matching of details relating to claim of reduction in output tax liability, details of every credit note relating to outward supply furnished by the supplier for a tax period is matched with:

- Corresponding reduction in ITC claim by the corresponding recipient in his valid return for the same tax period or any subsequent tax period.
- for duplication of claims for reduction in output tax liability.



(iii) Reduction in output tax liability claim matched, accepted and communicated [Section 43(2) read with rules 73 and 74(1)]

A. When the claim for reduction in output tax liability be considered as matched?

The claim for reduction in output tax liability of the supplier shall be considered as matched provided:

- (a) Credit notes in Form GSTR-1 were accepted by the corresponding recipient in Form GSTR-2 without amendment provided said recipient has furnished a valid return.
- (b) Where the amount of output tax liability after taking into account the reduction claimed \geq ITC claim after taking into account the reduction admitted and discharged on such credit note by the corresponding recipient in his valid return.



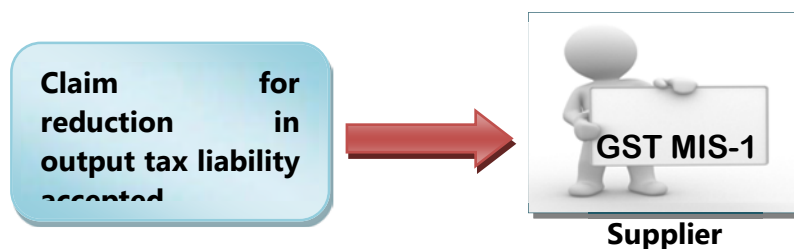
Bhushan Leathers supplied 1,000 bags to Rashmi Enterprises. GST paid on such supply was ₹1,00,000. Subsequently, Rashmi Enterprises returned 400 bags. Resultantly, Bhushan Leathers issued a credit note to Rashmi Enterprises and disclosed it in GSTR-1.

Accordingly, Bhushan Leathers claimed reduction in output tax liability of ₹40,000 based on such credit note. Thus, there must be a corresponding reduction of ITC claim by Rashmi Enterprises also. In this case, if Rashmi Enterprises has claimed an ITC in respect of purchases from Bhushan Leathers of (₹1,00,000 - ₹40,000) ₹60,000 or less (say ₹59,900) in his GSTR-2 for the said month, claim for reduction in output tax liability of Bhushan Leathers shall be considered as **"MATCHED"**.

B. Final acceptance of reduction in output tax liability and communication to supplier thereof

The claim for reduction in output tax liability by the supplier that matches with the corresponding reduction in ITC claim by the recipient shall be finally accepted.

Such acceptance in respect of any tax period be made available electronically, to the supplier making such claim, in **FORM GST MIS-1** through the GST common portal.



(iv) Discrepancy in reduction in output tax liability [Section 43(3), (5) read with rules 74(2) and 75]

A. Discrepancy in reduction in claim for output tax liability [Section 43(3)]

Discrepancy in claim for reduction in output tax liability implies mismatch of claim for reduction in output tax liability in respect of any tax period.

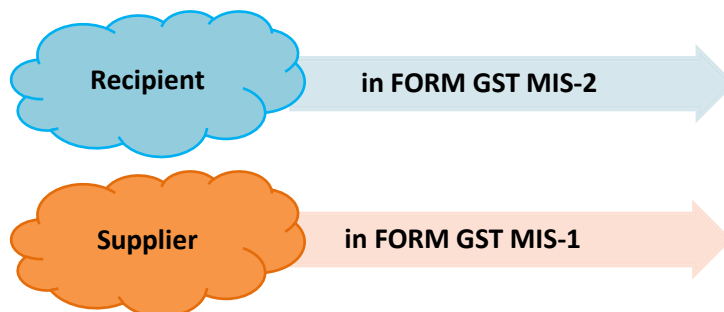
Claim for reduction in output tax liability is considered as mismatched in the following two cases:

- Where reduction in output tax liability in respect of outward supplies > Corresponding reduction in ITC claim by recipient in his valid return or
- Where the corresponding credit note is not declared by the recipient in his valid returns.

B. Communication of discrepancy to supplier and recipient [Rule 75(1)]

Any discrepancy in claim for reduction in output tax liability shall be communicated to recipient and supplier electronically through the common portal on/before the last date of the month in which the matching has been carried out.

Forms in which **recipient and supplier** shall be communicated:



C. Suitable rectification of discrepancy [Rule 75(2), (3) and Explanation to rule 75]

Rectification by Supplier	Rectification by Recipient
Supplier may make suitable rectifications in the <u>Statement of Outward Supplies</u> to be furnished for the month in which the discrepancy is made available.	Recipient may make suitable rectifications in the <u>Statement of Inward Supplies</u> to be furnished for the month in which the discrepancy is made available.
<p>Rectification by a supplier means:</p> <ul style="list-style-type: none"> ✓ <u>deleting or correcting</u> the details of an outward supply in his valid return* ✓ so as to match the details of corresponding inward supply declared by the recipient. 	<p>Rectification by recipient means:</p> <ul style="list-style-type: none"> ✓ <u>adding or correcting</u> the details of an inward supply** ✓ so as to match the details of corresponding outward supply declared by the supplier.

**Supplier shall pay tax and interest on such rectification of error/omission, if any, in case there is a short payment of tax on account of such error/omission, in the return to be furnished for such tax period [Section 37(3)].*

***Recipient shall pay tax and interest on such rectification of error/omission, if any, in case there is a short payment of tax on account of such error/omission, in the return to be furnished for such tax period [Section 38(5)].*



Harikishan returns the goods supplied by Ramnath on which GST of ₹5,680 is paid. Ramnath – the supplier – issues a credit note and furnishes the same in his Form GSTR-1. Harikishan – the recipient – reduces the corresponding ITC claim in his GSTR-2 by ₹5,600. Both the parties furnish their return GSTR-3 after which the mismatch report is generated and discrepancy to the effect that Harikishan has claimed excess tax credit of ₹80 is communicated to Ramnath and Harikishan in Form GST MIS-1 and Form GST MIS-2 respectively.

In this case, discrepancy has to be rectified by the recipient – Harikishan - in his return for the month in which said discrepancy is made available.

D. Communication of claim for reduction in output liability matched after rectification of discrepancy [Rule 74(2)]

Where the discrepancy in claim for reduction in output liability has been rectified by the supplier or recipient and resultantly claim for reduction in output liability matches, claim for reduction in output liability shall be finally accepted. Supplier shall be communicated electronically in Form GST MIS-1 through GST common portal.

E. Non-rectification of discrepancy, addition of amount of discrepancy to output tax liability of the supplier and communication thereof [Section 43(5) read with rule 75(1) and (4)]

However, where the discrepancy is not so rectified as mentioned in the preceding paras, an amount to the extent of discrepancy shall be added to the output tax liability of the supplier, debited to the Electronic Liability Register and also shown in his return to be furnished in FORM GSTR-3 for the month succeeding the month in which the discrepancy is made available/communicated.

The details of output tax liability to be added on account of continuation of such discrepancy, shall be made available to the supplier making such claim electronically in Form GST MIS-1 and to the recipient electronically in Form GST MIS-2 through the common portal on/before the last date of the month in which the matching has been carried out



In the above example, if Harikishan has not made the rectification in his return filed for month in which discrepancy was made available, the amount of excess tax credit claimed by him (mismatched amount of ₹80) shall be added to the output tax liability of Ramnath in his return for the month succeeding the month in which the discrepancy is made available/communicated.

(v) Duplication of claims for reduction in output tax liability [Section 43(4) and (6) read with rule 76]

A. Claim of reduction in output tax liability more than once and communication thereof [Section 43(4) read with rule 76]

The duplication of claims for reduction in output tax liability in the details of outward supplies shall be communicated to the supplier in Form GST MIS-1 electronically through the common portal.

B. Addition of excess reduction in output tax liability claimed on account of duplication of claims [Section 43(6)]

The amount in respect of any reduction in output tax liability that is found to be on account of duplication of claims shall be added to the output tax liability of the supplier in his return for the month in which such duplication is communicated.

(vi) Interest payable on amount added to the output tax liability of the supplier [Section 43(8)]

- Where any discrepancy communicated in reduction in output tax liability claim is not rectified, an amount to the extent of discrepancy is added to the output tax liability of the supplier in his GSTR-3 return to be furnished for the month succeeding the month in which the discrepancy is made available [Sub-section (5)].
- Further, amount claimed as reduction in output tax liability which is in excess on account of duplication of claims shall be added to the output tax liability of the supplier in his return for the month in which the duplication is communicated [Sub-section (6)].

In both the above cases, the **supplier shall be liable to pay interest on the amount so added.**

Rate of interest: Rate specified under section 50(1). **Notification No. 13/2017 CT dated 28.06.2017** has notified 18% per annum as the rate of interest for the purpose of section 50(1).

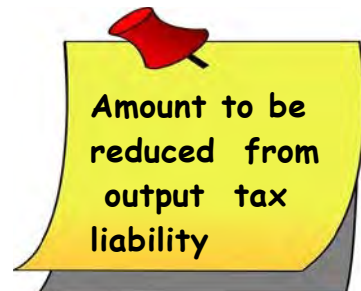


Time period: Interest shall be computed from the date of availing such claim for reduction in the output tax liability till the corresponding additions are made under the aforesaid sub-sections.

(vii) Reduction in the output tax liability [Section 43(7), (9) and (10) read with rule 77]

A. Reduction of output tax liability [Section 43(7) read with section 39(9)]

As we have seen earlier, where any discrepancy in claim for reduction in output tax liability is not rectified, an amount to the extent of discrepancy is added to the output



tax liability of the supplier in his GSTR-3 return to be furnished for the month succeeding the month in which the discrepancy is made available/communicated.

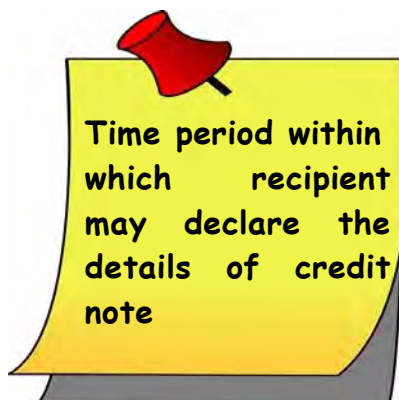
However, subsequently, the recipient may declare the details of the credit note in his valid return within the specified time. In that case, the supplier shall be eligible to reduce, from his output tax liability, the amount to the extent of discrepancy [earlier added under sub-section (5) of section 43].

The recipient needs to declare the details of the credit note in his valid return** within the time specified in section 39(9). Time stipulated under section 39(9) is as follows:

- (i) Due date of filing return for the month of September/second quarter following the end of the financial year to which such details pertain
- (ii) actual date of furnishing of relevant annual return

whichever is earlier.

****Note:** *Recipient shall pay tax and interest on such rectification of error/omission, if any, in case there is a short payment of tax on account of such error/omission, in the return to be furnished for such tax period [Section 38(5)].*



B. Refund of interest [Section 43(9) read with rule 77]

Where any reduction in output tax liability is accepted under sub-section (7), the interest paid under sub-section (8) shall be refunded. Such amount shall be refunded to the supplier by crediting the amount in the corresponding head of his Electronic Cash Ledger in such manner as may be prescribed. The interest to be so refunded shall be claimed by the supplier in his return in Form GSTR-3.

However, the amount of interest to be credited in any case shall not exceed the amount of interest paid by the recipient.



The amount so credited shall be available for payment of any future liability towards interest or the taxable person may claim refund of such amount under section 54.

C. Reduction of output tax liability in contravention of provisions [Section 43(10)]

However, where any reduction in output tax liability is in contravention of the provisions of section 43(7), such amount shall again be added to the output tax liability of the supplier in his return for the month in which such contravention takes place.

Interest: Further, such supplier shall be liable to pay interest on the amount so added.

Rate of interest: Rate specified under section 50(3).
Notification No. 13/2017 CT dated 28.06.2017 has notified 24% as the rate of interest for the purpose of section 50(3).



12. ANNUAL RETURN [SECTION 44]



STATUTORY PROVISIONS

Section 44	Annual Return
Sub-section	Particulars
(1)	<i>Every registered person, other than an Input Service Distributor,</i>

	<i>a person paying tax under section 51 or section 52, a casual taxable person and a non-resident taxable person, shall furnish an annual return for every financial year electronically in such form and manner as may be prescribed on or before the thirty-first day of December following the end of such financial year.</i>
(2)	<i>Every registered person who is required to get his accounts audited in accordance with the provisions of sub-section (5) of section 35 shall furnish, electronically, the annual return under sub-section (1) along with a copy of the audited annual accounts and a reconciliation statement, reconciling the value of supplies declared in the return furnished for the financial year with the audited annual financial statement, and such other particulars as may be prescribed.</i>



ANALYSIS

(i) Who are required to furnish Annual Return and what is the due date? [Section 44(1) read with rule 80]

All taxpayers filing return in GSTR-1 to GSTR-3, are required to file an annual return. However, following persons are not required to file annual return:

- (i) Casual Taxable Persons.
- (ii) Non- resident taxable person
- (iii) Input Service Distributors and
- (iv) Persons authorized to deduct/collect tax at source under section 51/52.

This return needs to be filed by 31st December of the next Financial Year.

(ii) What is the prescribed form for Annual Return? [Section 44(1) read with rule 80(1)]

Annual Return is to be filed electronically in **Form GSTR-9** through the common portal.



Composition scheme supplier: A person paying tax under composition scheme is required to file the Annual Return in **Form GSTR-9A**.

(iii) Who is required to furnish a Reconciliation Statement? [Section 44(2) read with section 35(5) and rule 80(3)]

Section 35 contains the provisions relating to Accounts and Records. The same has been discussed in detail in *Chapter 11 – Accounts and Records*.

Sub-section (5) of section 35 read alongwith section 44(2) and rule 80 of the CGST Rules, 2017 stipulates as follows:

- (i) Every registered person must get his accounts audited by a Chartered Accountant or a Cost Accountant if his aggregate turnover during a FY exceeds ₹2 crores.
- (ii) Such registered person is required to furnish electronically through the common portal alongwith Annual Return a copy of
 - Audited annual accounts
 - A **Reconciliation Statement**, duly certified, in prescribed form

Reconciliation Statement will reconcile the value of supplies declared in the return furnished for the financial year with the audited annual financial statement and such other particulars, as may be prescribed





13. FINAL RETURN [SECTION 45]



STATUTORY PROVISIONS

Section 45

Final Return

Every registered person who is required to furnish a return under sub-section (1) of section 39 and whose registration has been cancelled shall furnish a final return within three months of the date of cancellation or date of order of cancellation, whichever is later, in such form and manner as may be prescribed.



ANALYSIS

(i) Who are required to furnish Final Return? [Section 45 read with rule 81]

Every registered person who is required to furnish return u/s 39(1) and whose registration has been surrendered or cancelled shall file a **Final Return** electronically in **Form GSTR-10** through the common portal.



(ii) What is the time-limit for furnishing Final Return? [Section 45]

Final Return has to be filed within 3 months of the:

- (i) date of cancellation
 - or
 - (ii) date of order of cancellation
- whichever is **later**.



14. DEFAULT IN FURNISHING RETURN [SECTIONS 46 & 47]



STATUTORY PROVISIONS

Section 46	<i>Notice to return defaulters</i>
Sub-section	Particulars
<i>Where a registered person fails to furnish a return under section 39 or section 44 or section 45, a notice shall be issued requiring him to furnish such return within fifteen days in such form and manner as may be prescribed.</i>	
Section 47	<i>Levy of late fee</i>
Sub-section	Particulars
(1)	<i>Any registered person who fails to furnish the details of outward or inward supplies required under section 37 or section 38 or returns required under section 39 or section 45 by the due date shall pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum amount of five thousand rupees.</i>
(2)	<i>Any registered person who fails to furnish the return required under section 44 by the due date shall be liable to pay a late fee of one hundred rupees for every day during which such failure continues subject to a maximum of an amount calculated at a quarter per cent. of his turnover in the State or Union territory.</i>



ANALYSIS

- (i) Notice to return defaulters [Section 46 read with section 52 and rule 68]



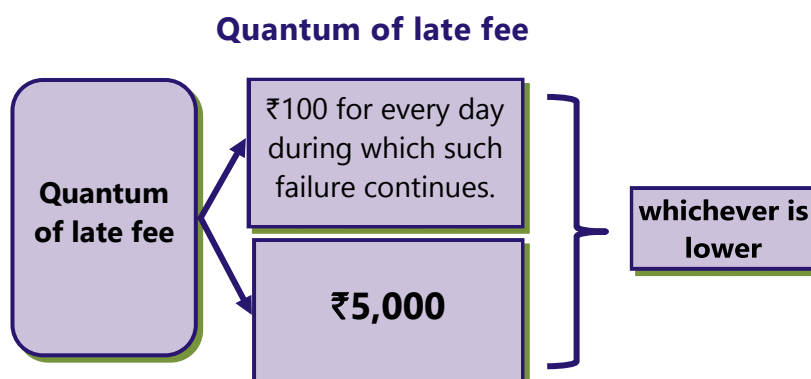
A notice in prescribed form shall be issued, electronically, to a registered person who fails to furnish return under section 39 [Normal Return] or section 44 [Annual Return] or section 45 [Final Return] or section 52 [TCS Statement]. Such notice shall require such registered person him to furnish such return within 15 days.

(ii) Late fees levied for delay in filing return [Section 47(1)]

Any registered person who fails to furnish following by the due date:

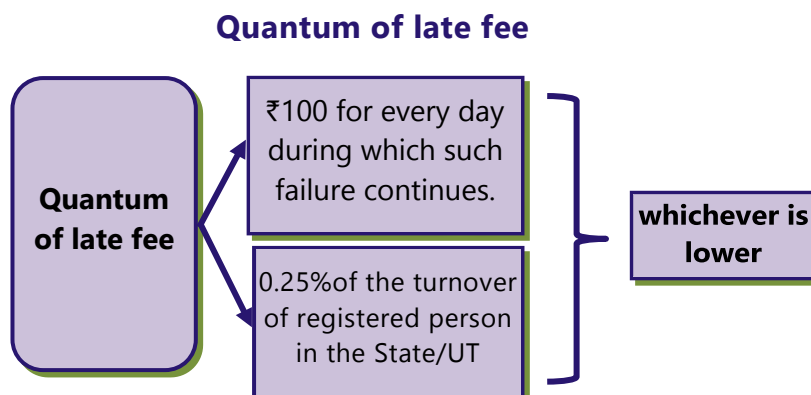
- (A) Statement of Outward Supplies [Section 37]
- (B) Statement of Inward Supplies [Section 38]
- (C) Returns [Section 39]
- (D) Final Return [Section 45],

shall pay a late fee.



(ii) Late fees levied for delay in filing annual return [Section 47(2)]

Any registered person who fails to furnish the Annual Return by the due date shall be liable to pay a late fee.





15. GOODS AND SERVICES TAX PRACTITIONERS [SECTION 48]



STATUTORY PROVISIONS

Section 48	GST Practitioners
Sub-section	Particulars
(1)	<i>The manner of approval of goods and services tax practitioners, their eligibility conditions, duties and obligations, manner of removal and other conditions relevant for their functioning shall be such as may be prescribed.</i>
(2)	<i>A registered person may authorise an approved goods and services tax practitioner to furnish the details of outward supplies under section 37, the details of inward supplies under section 38 and the return under section 39 or section 44 or section 45 in such manner as may be prescribed.</i>
(3)	<i>Notwithstanding anything contained in sub-section (2), the responsibility for correctness of any particulars furnished in the return or other details filed by the goods and services tax practitioners shall continue to rest with the registered person on whose behalf such return and details are furnished.</i>



ANALYSIS

Section 48 provides for the authorisation of an eligible person to act as approved Goods and Services Tax Practitioner (GSTP).



A registered person may authorise an approved GSTP to furnish information, on his behalf, to the Government.

The manner of approval of GSTPs, their eligibility conditions, duties and obligations, manner of removal and other conditions relevant for their functioning have been prescribed in the rules 83 and 84 of the CGST Rules, 2017.

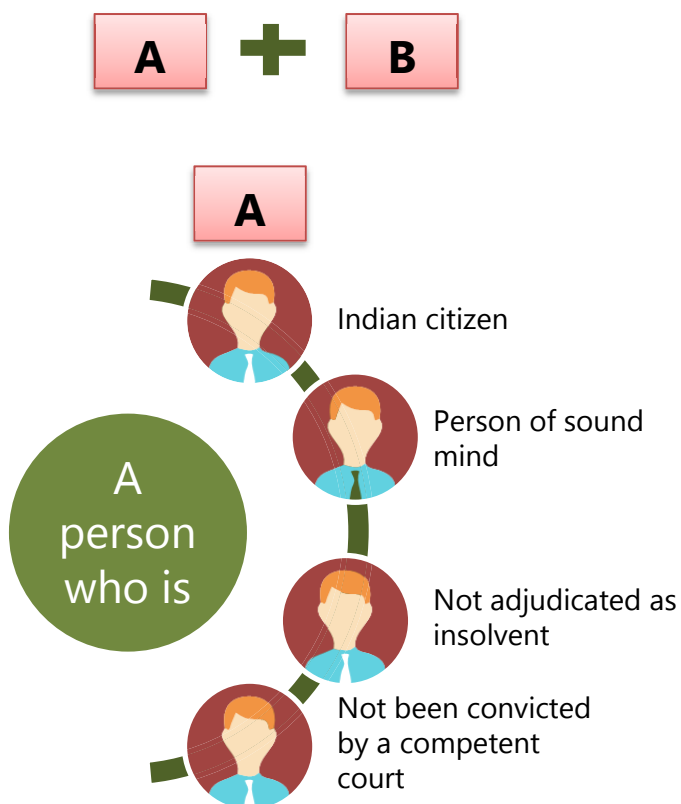
GSTN will provide separate user ID and Password to GSTP to enable him to work on behalf of his clients without asking for their user ID and passwords. They can do all the work on behalf of taxpayers as allowed under GST Law.

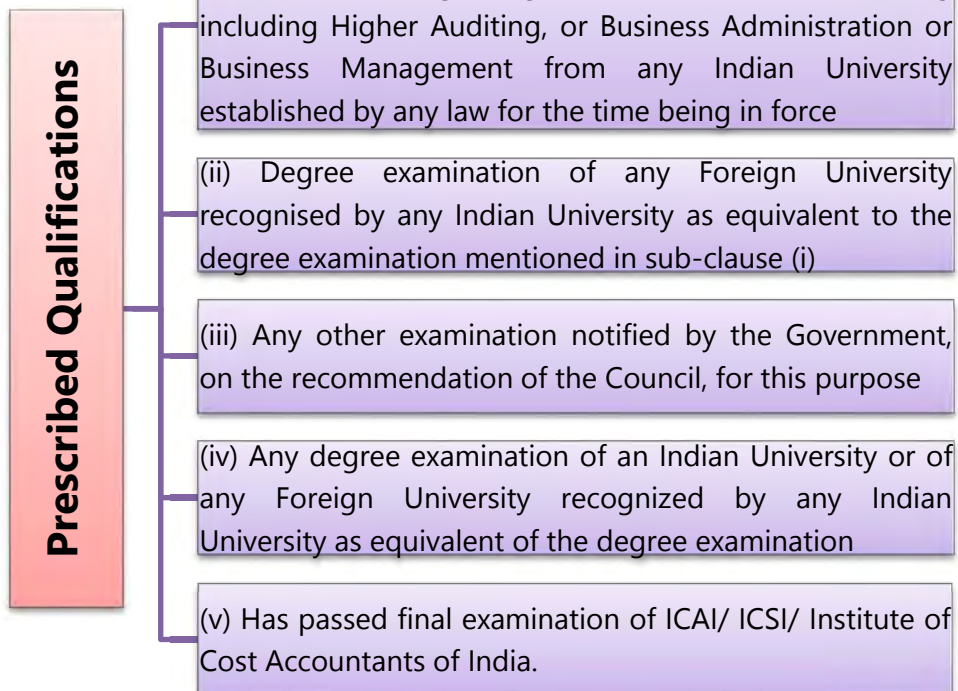
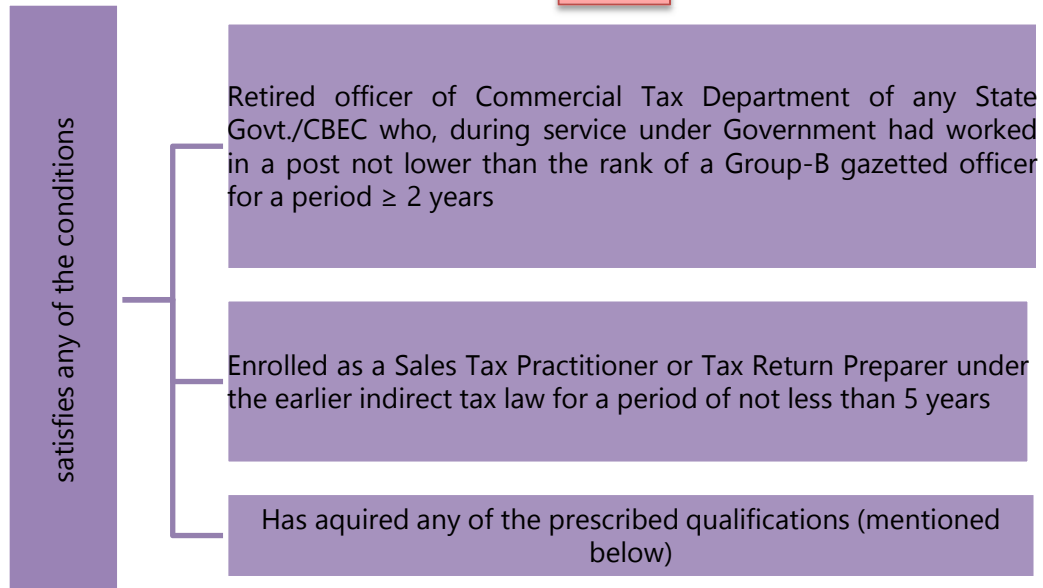
A taxpayer may choose a different GSTP by simply unselecting the previous one and then choosing a new GSTP on the GST portal.

Standardised formats from GST PCT-1 to GST PCT-5 have been prescribed for making application for enrolment as GSTP, certificate of enrolment, show cause notice for disqualification, order of rejection of application of enrolment, list of approved GSTPs, authorisation letter and withdrawal of authorisation.

A GSTP enrolled in any State or Union Territory shall be treated as enrolled in the other States/Union territories.

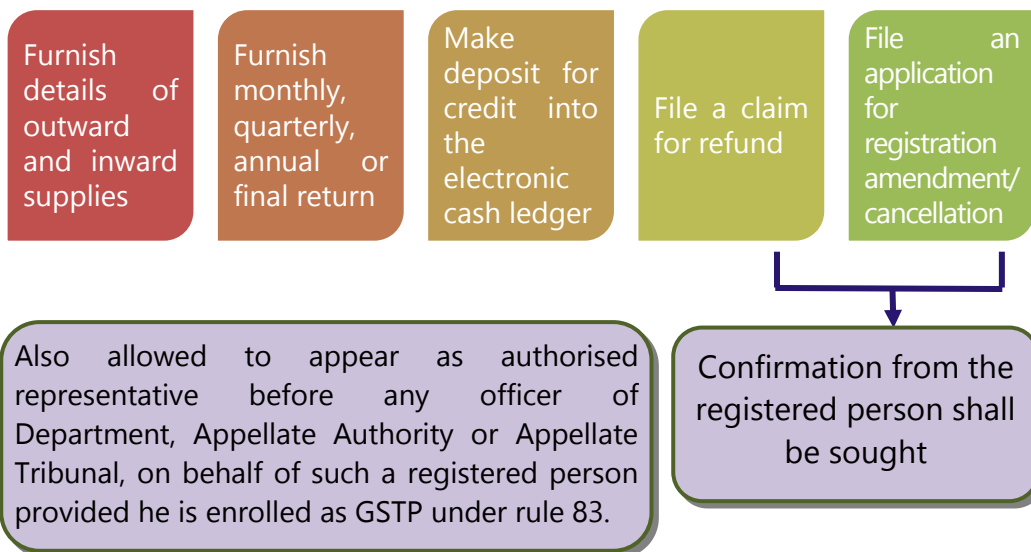
(i) What is the eligibility criteria for GSTP?



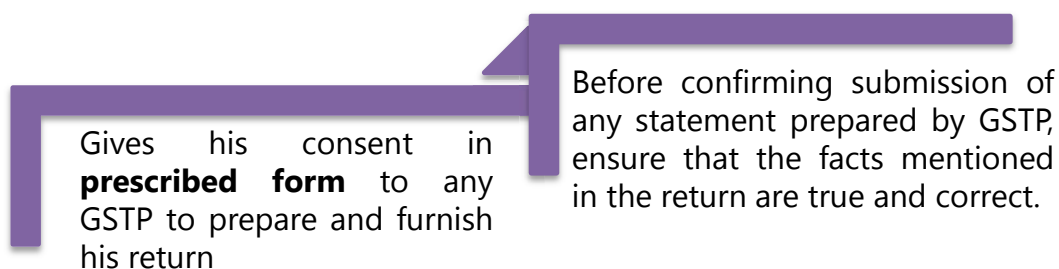
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(ii) What are the activities which can be undertaken by a GSTP?

A GSTP can undertake any/ all of the following activities on behalf of a registered person, if so authorised by him:



Furnishing returns through GSTP: When a registered person opts to furnish his return through GSTP, such registered person:



Thus, the responsibility for correctness of any particulars furnished in the return or other details filed by the GST practitioners shall continue to rest with the registered person on whose behalf such return and details are furnished.

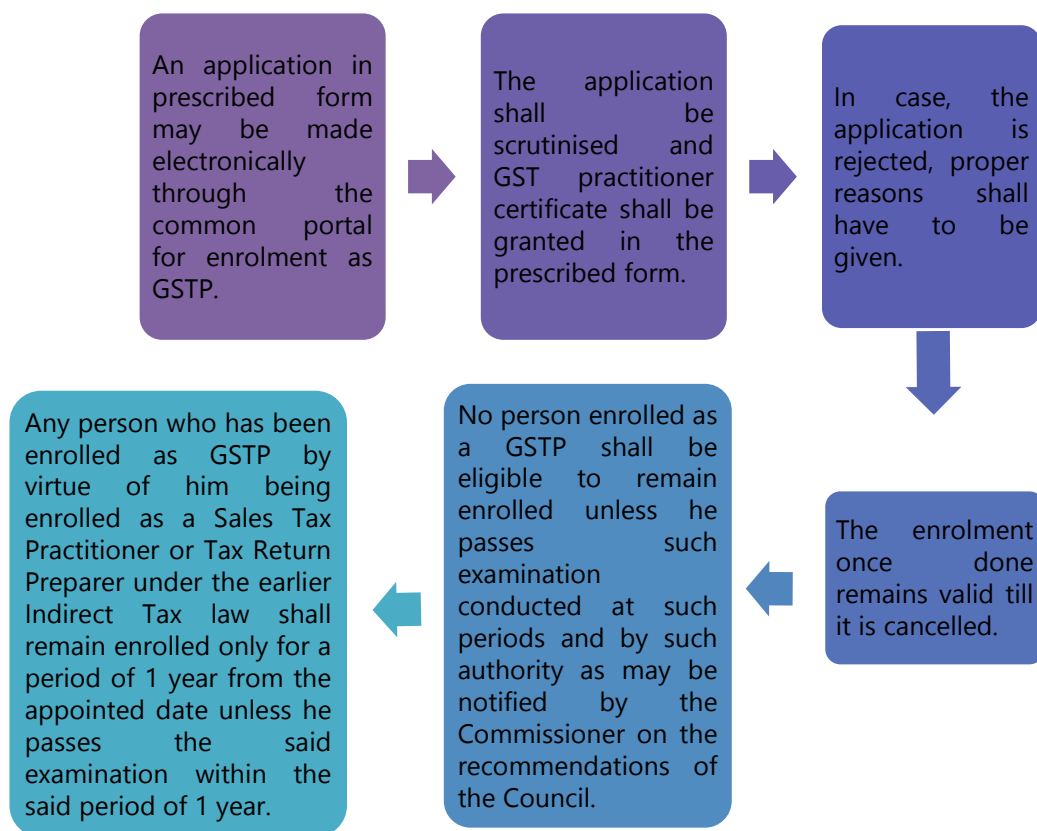
The registered person before confirming, should ensure that the facts mentioned in the return are true and correct before signature. However, failure to respond to request for confirmation shall be treated as deemed confirmation.

(iii) Other points

- ❑ Any registered person may give consent and authorise a GST practitioner in the prescribed form by listing the authorised activities in which he intends to authorise the GST practitioner.
- ❑ The registered person authorising a GSTP shall have to authorise in the prescribed form and the GST practitioner will have to accept the authorisation in Part B of the same form.
- ❑ The GST practitioner shall be allowed to undertake only such tasks as indicated in the prescribed form. The registered person may, at any time, withdraw such authorisation in the prescribed form.
- ❑ Any statement furnished by the GST practitioner shall be made available to the registered person on the GST Common Portal. For every statement furnished by the GST practitioner, a confirmation shall be sought from the registered person over email or SMS.
- ❑ The GST practitioner shall prepare all statements with due diligence and affix his digital signature on the statements prepared by him or electronically verify using his credentials.
- ❑ If the GST practitioner is found guilty of misconduct, his enrolment will be liable to be cancelled. A show cause notice would be issued to him in the prescribed form.

(iv) What is the procedure for enrolment as GSTP?

The procedure for enrolment of GSTP has been depicted in the following diagram:



16. INFORMATION RETURN [SECTIONS 150 & 123]

1. Who shall furnish the information return? [Section 150(1)]

Information return is based on the idea of verifying the compliance levels of registered persons through information procured from independent third party sources.

Many authorities who is responsible for maintaining record of registration or statement of accounts or any periodic return or document containing details of payment of tax and other details of transaction of goods or services or both or transactions related to a bank account or consumption of electricity or transaction of purchase, sale or exchange of goods or property or right or interest in a property under any law for the time being in force, shall furnish an Information Return of the same in respect of such periods, within such time, in such form and manner and to such authority/agency as may be prescribed.

The authorities required to furnish Information Return are as follows:

Taxable person

State Government 's authority responsible for the collectiof VAT/sales tax/ State excise duty or Central Government's authority responsible for the collection of excise duty or customs duty

Income tax authority

Banking company within the meaning of section 45A(a) of the RBI Act, 1934

State Electricity Board or an electricity distribution or transmission licensee under the Electricity Act, 2003 or any other entity entrusted with such functions by the Central Government or the State Government

Local authority /other public body/association

Registrar/Sub-Registrar appointed under section 6 of the Registration Act, 1908

Registrar within the meaning of the Companies Act, 2013

Registering Authority empowered to register motor vehicles under the Motor Vehicles Act, 1988

Collector referred to in clause (c) of section 3 of the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013

Recognised stock exchange

Depository

Officer of the RBI

GSTN

UIN holder

Any other specified person

2. Defective Information Return [Section 150(2)]

Where the Commissioner, or an officer authorised by him in this behalf, considers that the information furnished in the information return is defective, he may intimate the defect to the person who has furnished such information return.

He shall give such person an opportunity of rectifying the defect within a period of 30 days from the date of such intimation [or within such further period which, on an application made in this behalf, the said authority may allow].

However, if the defect is not rectified within the said period of 30 days [or, the further period so allowed], then, notwithstanding anything contained in any other provisions of this Act, such information return shall be treated as not furnished and the provisions of this Act shall apply.

3. Issuance of notice for failure to furnish the information return within stipulated time [Section 150(3)]

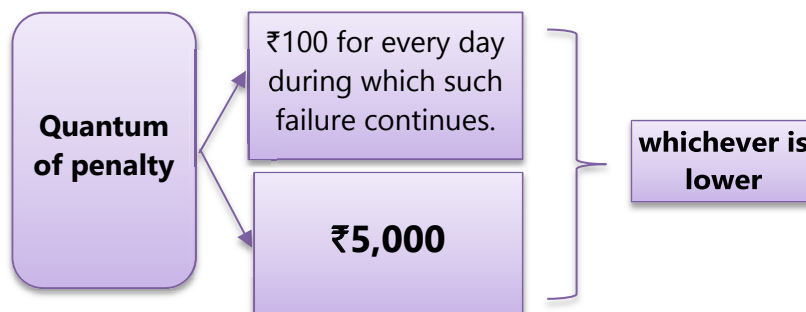
Where a person who is required to furnish information return has not furnished the same within the specified time*, the said authority may serve upon him a notice requiring furnishing of such information return within a period not exceeding 90 days from the date of service of the notice and such person shall furnish the information return.

**time specified in sub-section (1) or sub-section (2) of section 150*

4. Penalty for failure to furnish information return [Section 123]

If the person to whom the notice has been issued under section 150(3) fails to furnish the information return within the period specified in said notice, the proper officer may direct that such person shall be liable to pay a penalty.

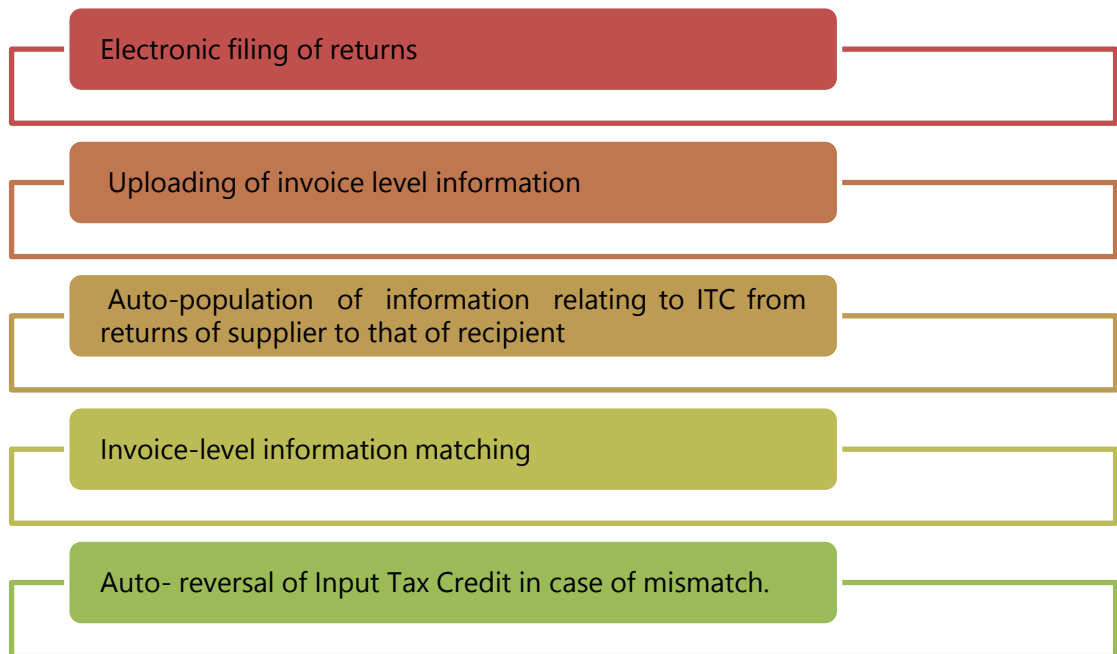
Quantum of penalty



LET US RECAPITULATE

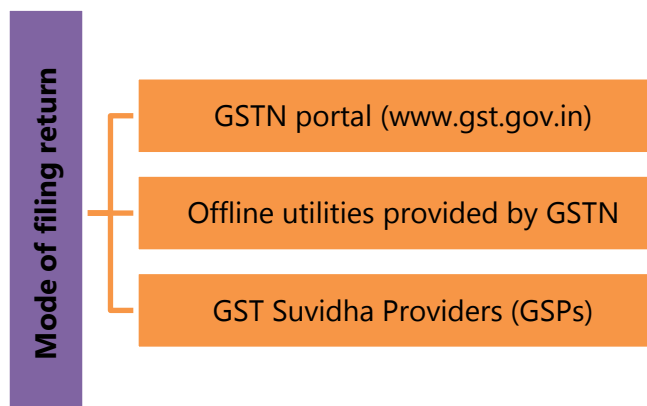
The provisions relating to returns have been summarised by way of table and diagrams to help students remember and retain the provisions in a better and effective manner:

1. Basic features of return mechanism



2. Modes of filing return

All the returns are to be filed online.

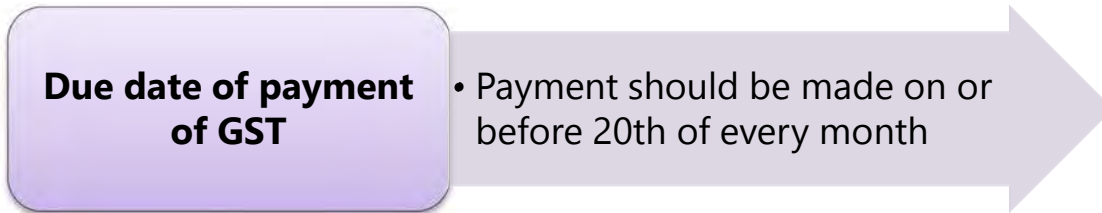


3. List of returns under GST

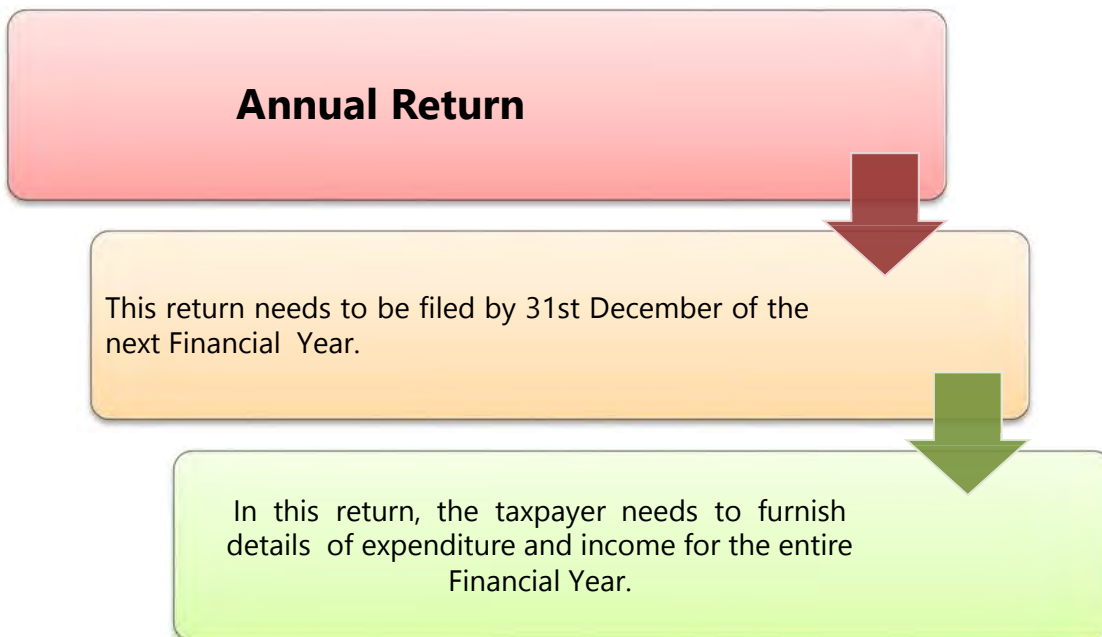
Return	Description	Who Files?	Date for filing
GSTR-1	Monthly Statement of Outward supplies of Goods or Services	Registered Person	10 th of the next month
GSTR-2	Monthly Statement of Inward supplies of Goods or Services	Registered Person	15 th of the next month
GSTR-3	Monthly Return for a normal taxpayer	Registered Person	20 th of the next month
GSTR-4	Quarterly Return	Taxable Person opting for Composition Levy	18 th of the month succeeding the quarter
GSTR-5	Monthly Return for a non-resident taxpayer	Non-resident Taxpayer	20 th of the month succeeding the tax period or within 7 days after expiry of registration, whichever is earlier
GSTR-6	Monthly Return for an Input Service Distributor (ISD)	Input Service Distributor	13 th of the next month
GSTR-7	Monthly Return for authorities deducting tax at source	Tax Deductor	10 th of the next month
GSTR-8	Monthly Statement for E-Commerce Operator depicting supplies effecting through it	E-Commerce Operator	10 th of the next month
GSTR-9	Annual Return	Registered Person other than an ISD, TDS/TCS Taxpayer, Casual Taxable	31 st December of next Financial Year

		Person and Non-resident Taxpayer	
GSTR-10	Final Return	Taxable Person whose registration has been surrendered or cancelled	Within three months of the date of cancellation or date of order of cancellation, whichever is later.

4. Due date of payment



5. Annual Return



6. Returns to be filed by a normal taxpayer

GSTR-1 Statement of Outward Supplies

- This Statement signifies the tax liability of the supplier for the supplies effected during the previous month.
- It needs to be filed by the 10th of every month in relation to supplies effected during the previous month.
- For example, a statement of all the outward supplies made during the month of July, needs to be filed by 10th August.

GSTR-2 Statement of Inward Supplies

- This Statement signifies accrual of ITC (Input Tax Credit) from the inputs received during the previous month.
- It is auto-populated from the GSTR-1s filed by the corresponding suppliers of the Taxpayer except for a few fields like imports, and purchases from unregistered suppliers.
- It needs to be filed by the 15th of every month in relation to supplies received during the previous month.
- For example, a statement of all the inward supplies received during the month of July needs to be filed by 15th August.

GSTR-3- Return

- This is a consolidated return. It needs to be filed by the 20th of every month. It consolidates the following details
- a. Outward Supplies (Auto-Populated from GSTR-1)
- b. Inward Supplies (Auto-Populated from GSTR-2)
- c. ITC availed
- d. Tax Payable
- e. Tax Paid (Using both Cash and ITC)

7. Return filing milestones



GSTR-1

- Signifies Tax Liability
- File via GSTN/Easy upload tools provided by GSTN/GSPs
- Periodical uploading allowed
- Filed by 10th

GSTR-2

- Signifies ITC availability
- Auto-populated from GSTR-1s filed by a Tax Payer's Suppliers
- Changes allowed between 10th and 15th
- Filed by 15th

Between 15th and 17th

- Supplier has the option to accept/reject additional invoices added by the tax payer (recipient)
- Supplier's GSTR-1 gets amended to that effect.

GSTR-3

- Auto-populated from GSTR-1 and GSTR-2
- Filed by 20th
- Payment can be made anytime before or on 20th.

8. Revision of Returns

The mechanism of filing revised returns for any correction of errors/omissions has been done away with.

The rectification of errors/omissions is allowed in the subsequent returns.

However, no rectification is allowed after furnishing the return for the month of September following the end of the financial year to which such details pertain **or** furnishing of the relevant annual return, **whichever is earlier.**

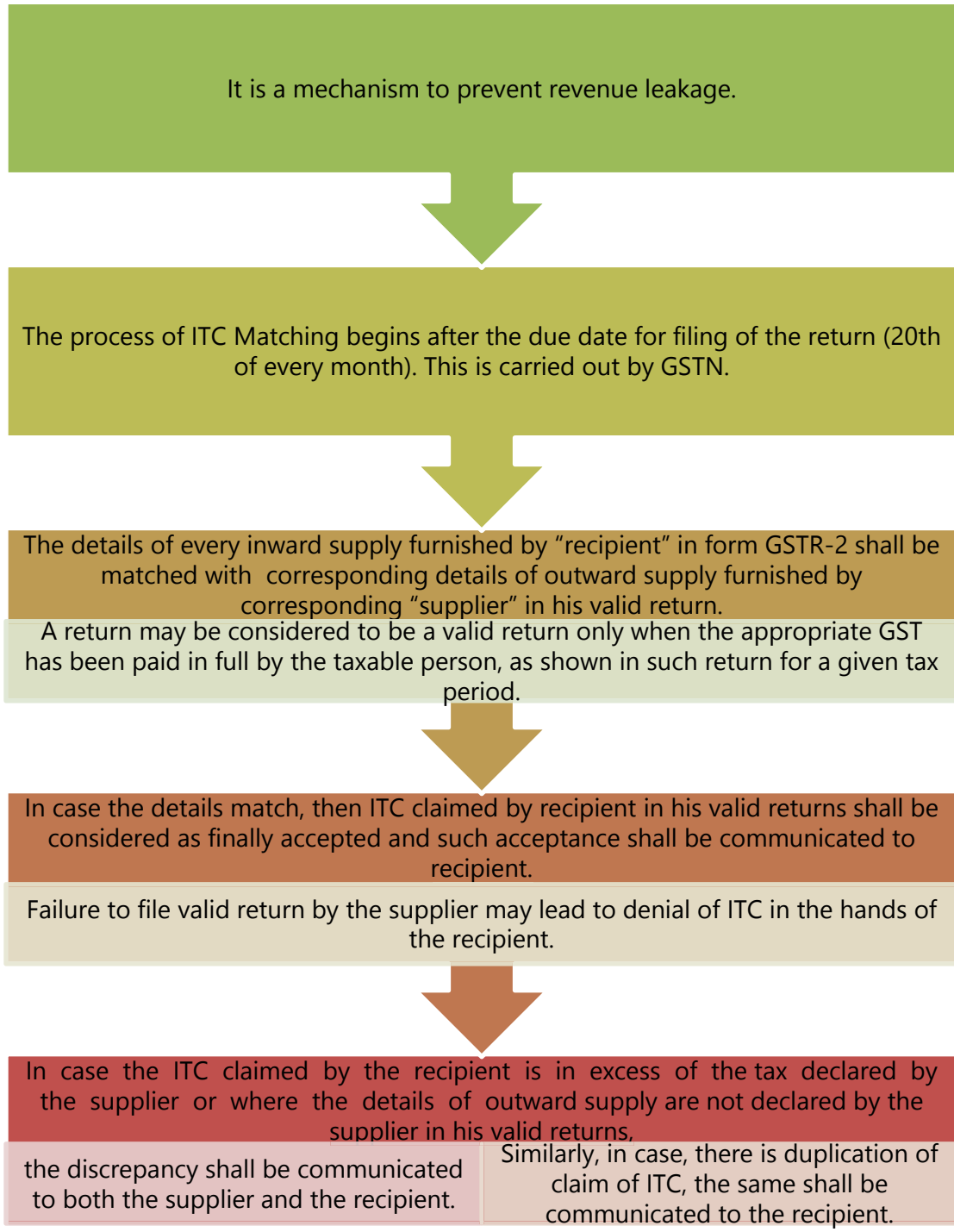
9. Penal provisions relating to returns

Any registered person who fails to furnish Form GSTR-1, GSTR-2, GSTR-3 or Final Return within the due dates,

shall be liable to pay a late fee of ₹ 100 per day,

subject to a maximum of ₹5,000

10. ITC Matching and auto-reversal



The recipient will be asked to rectify the discrepancy of excess claim of ITC and in case the supplier has not rectified the discrepancy communicated in his valid returns for the month in which the discrepancy is communicated then such excess ITC as claimed by the recipient shall be added to output tax liability of recipient in the succeeding month.

Similarly, duplication of ITC claimed by the recipient shall be added to output tax liability of recipient in the month in which such duplication is communicated.

The recipient shall be liable to pay interest on the excess ITC or duplicate ITC added back to output tax liability of recipient from the date of availing of ITC till the corresponding additions are made in their returns.

Re-claim of ITC refers to taking back the ITC reversed in the Electronic Credit Ledger of the recipient by way of reducing the output tax liability.

Such re-claim can be made by recipient only if supplier declares details of the Invoice and/or Debit Notes in his valid return within prescribed timeframe.

In such case, interest paid by recipient shall be refunded to him by way of crediting the amount to his Electronic Cash Ledger.

TEST YOUR KNOWLEDGE

1. *What are the key features of return mechanism in GST?*
2. *What kind of inward supplies are required to be furnished in GSTR-2?*
3. *Can a recipient feed information in his GSTR-2 which has been missed by the supplier?*
4. *Mr. X, a composition tax payer, did not render any taxable supply during the quarter July-September. Is he required to file any goods and service tax return?*
5. *If a return has been filed, how can it be revised if some changes are required to be made?*
6. *Mr. A, a regular taxpayer, files his GSTR-1, GSTR-2 and GSTR-3 for the month of August, 2017 by the respective due dates. Mr. A receives a communication from the GST common portal on 28th September, 2017 that ITC of ₹ 15,000 claimed by him is in excess of the tax declared by Mr. B (supplier concerned) in his valid tax return. Mr. B has filed his Annual Return for financial year 2017-18 on 10th November, 2018.*

Answer the following questions:

- (i) *When is Mr. B required to rectify the discrepancy? Is there any maximum time limit beyond which the discrepancy cannot be rectified?*
- (ii) *What will happen if Mr. B does not rectify the discrepancy?*
7. *Mr. Y, a registered person, has filed its GSTR-3 for the month of September on 19th November. Determine the amount of late fee payable, if any, by Mr. Y.*
8. *Which type of taxpayers need to file Annual Return?*
9. *Is an Annual Return and a Final Return one and the same?*
10. *Do Input Service Distributors (ISDs) need to file separate statement of outward and inward supplies with their return?*
11. *How does a taxpayer get the credit of the tax deducted at source on his behalf? Does he need to produce TDS certificate from the deductee to get the credit?*
12. *Is it compulsory for a taxpayer to file return by himself?*

ANSWERS/HINTS

1. The basic features of the return mechanism in GST include electronic filing of returns, uploading of invoice level information and auto-population of information relating to ITC from returns of supplier to that of recipient, invoice-level information matching and auto-reversal of ITC in case of mismatch. The returns mechanism is designed to assist the taxpayer to file returns and avail ITC.
2. The details of inward supplies of goods or services or both furnished in GSTR-2 include the -
 - (a) invoice wise details of all inter-State and intra-State supplies received from registered persons or unregistered persons including supplies taxable under reverse charge;
 - (b) import of goods and services made; and
 - (c) debit and credit notes, if any, received by the registered person from suppliers in respect of above supplies
3. Yes, the recipient can himself feed the invoices not uploaded by his supplier. The credit on such invoices will also be given provisionally but will be subject to matching. On matching, if the invoice is not uploaded by the supplier, both of them will be intimated. If the mismatch is rectified, provisional credit will be confirmed. But if the mismatch continues, the amount will be added to the output tax liability of the recipient in the returns for the month subsequent to the month in which such discrepancy was communicated.
4. Composition tax payer is required to furnish return u/s 39 for every quarter even if no supplies have been effected during such period. In other words, filing of Nil return is also mandatory.

Therefore, Mr. X is required to file quarterly return even if he did not render any taxable supply during the quarter July-September.
5. In GST since the returns are built from details of individual transactions, there is no requirement for having a revised return. Any need to revise a return may arise due to the need to change a set of invoices or debit/ credit notes. Instead of revising the return already submitted, the system allows changing the details of those transactions (invoices or debit/credit notes) that are required to be amended. They can be amended in any of the future GSTR- 1/2 in the tables specifically provided for the purposes of amending previously declared details.

As per section 39(9), omission or incorrect particulars discovered in the returns filed u/s 39 can be rectified in the return to be filed for the month/quarter during which such omission or incorrect particulars are noticed. Any tax payable as a result of such error or omission will be required to be paid along with interest. The rectification of errors/omissions is carried out by entering appropriate particulars in "Amendment Tables" contained in GSTR-1 and GSTR-2.

6. (i) Mr. B can rectify the discrepancy in valid GSTR-3 for the month of September, 2017 in terms of section 42(5).

As per section 39(9), the maximum time limit for the rectification of the discrepancy is the earlier of the following two dates:

- (a) Due date of filing of return for the month of September following the end of the financial year 2017-18 [i.e., 20th October, 2018]

or

- (b) Actual date of filing of the relevant annual return i.e., 10th November, 2018.

Thus, Mr. B cannot rectify the discrepancy beyond 20th October, 2018.

- (ii) If Mr. B does not rectify the discrepancy in his valid return for September, 2017, the excess ITC claimed by Mr. A will be added in the output tax liability of Mr. A in his GSTR-3 for the month of October, 2017. If Mr. B does not rectify the discrepancy by 20th October, 2018, Mr. A will never be able to reclaim ITC of ₹ 15,000.
7. As per section 47, any registered person who fails to furnish, *inter alia*, the returns required under section 39 by the due date is required to pay a late fee of ₹ 100 for every day during which such failure continues subject to a maximum amount ₹ 5,000.
- Due date of filing GSTR-3 for a month is 20th day of the succeeding month. Thus, there is a delay of 30 days [11 + 19] by Mr. Y in filing of GSTR-3 for the month of September. Hence, late fee of ₹ 3,000 (₹ 100 x 30) will be payable by Mr. Y.
8. All taxpayers filing return in GSTR-1 to GSTR-3, other than ISD's, casual/non-resident taxpayers, taxpayers under composition scheme, TDS/TCS deductors, are required to file an annual return. Casual tax payers, non-resident

taxpayers, ISDs and persons authorized to deduct/collect tax at source are not required to file annual return.

9. No. Annual Return has to be filed by every registered person paying tax as a normal taxpayer. Final Return has to be filed only by those registered persons who have applied for cancellation of registration. The Final return has to be filed within three months of the date of cancellation or the date of cancellation order.
10. No, the ISDs need to file only a return in Form GSTR-6 and the return has the details of credit received by them from the service provider and the credit distributed by them to the recipient units. Since their return itself covers these aspects, there is no requirement to file separate statement of inward and outward supplies.
11. Under GST, the deductor will be submitting the deductee wise details of all the deductions made by him in his return in Form GSTR-7 to be filed by 10th of the month next to the month in which deductions were made. The details of the deductions as uploaded by the deductor shall be auto populated in the GSTR-2 of the deductee.

The taxpayer shall be required to confirm these details in his GSTR-2 to avail the credit for deductions made on his behalf. To avail this credit, he does not require to produce any certificate in physical or electronic form. The certificate will only be for record keeping of the taxpayer and can be downloaded from the Common Portal.

12. No. A registered taxpayer can also get his return filed through a Goods and Services Tax Practitioner.