



New GST return filing mechanism - A snapshot



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New GST Return Filing Mechanism – A snapshot

The GST Council headed by Finance Minister Arun Jaitley finalised the crucial and the most-awaited single monthly return filing system. The Council, in its 27th meeting, approved the new model for filing GST returns on the recommendations of the Group of Ministers on IT simplification. Such model of filing single monthly return has been finalized with the expectation to reduce the compliance burden significantly from the multiple filings currently required in a month. The new return will be implemented in a phased manner which has been discussed below. Some of the highlights being a single return with staggered due dates basis turnover, real time credit eligibility basis invoices uploaded by suppliers, no reversal or recoveries in most scenarios from buyer on non- payment of tax, among others. The detailed elements of the new return design are as follows:

- **All Taxpayers** shall file only **one return** on a **monthly** basis **excluding** a few taxpayers.
- These **taxpayers**, who may file their return **quarterly** are **composite dealers** and **dealers** having **nil transaction**.
- Based on **turnover** of the registered person, return **filing dates** shall be **staggered** throughout the period.
- **Only the supplier** will be able to **upload invoices** and no uploading of invoices can be made by the recipient.
- This **document** will be **valid** for **availing input tax credit** by the **recipient**.
- The **input tax credit** will be calculated **automatically** by the system based on the invoice uploaded by the supplier.
- **Recipients** will also be able to **see** those **uploaded invoices** during the month and are not required to upload purchase invoice separately.

- There shall **not** be **automatic reversal** of credit from buyer **on non-payment** of tax by the supplier.
- In case of **default in payment** of tax by supplier, revenue authority **at first** will **recover** the amount **from supplier**.
- **Subsequently**, Revenue authority may **recover** that **amount from recipient** in the situations like missing dealer, closure of business by supplier or supplier not having adequate assets etc.
- **Recovery** of tax or **reversal** of input tax credit shall be **through** a **due process** of **issuing notice** and **order** and the process will be automated to reduce the human interface.
- Uploading of **invoices** by the seller to pass input tax credit who has **defaulted** in payment of tax **above** a **threshold amount** shall be **blocked** to control misuse of input tax credit.
- For the **prevention** of loss of revenue and the **identification** of such default at the earliest, **analytical tools** will be **used**. **Similar safeguards** will be used for **newly registered dealers** also.
- For **B2B** transaction, **invoices** shall contain **four digit or more HSN** to achieve uniformity in the reporting system.
- The **B2B dealers** are required to **fill invoice wise details** of the outward supply made by them, accordingly the **system** will **calculate his tax liability**.
- Apart from that, the **return form** will also be **simplified** by reducing the information required to be filled in the return.
- There will be **three stage** transition to the new system:
 - **Stage I**: This stage **consists** of present system of filing of return **GSTR 3B** and **GSTR 1**. GSTR 2 and GSTR 3 will remain suspended. This stage will **continue** for a period not exceeding **6 months**.
 - **Stage II**: In this stage, the **tax payer** will have facility to **upload data, invoice wise** for filing return. They will also get **facility** for **claiming** input tax credit on **self-declaration basis** as in case of GSTR 3B. If there will be

any gap between the **credit** available to them **as per invoices** uploaded by their sellers **and** the **provisional credit** being claimed by them, then in this stage the **dealer** will be **constantly fed** with **this information**.

- **Stage III**: Six months or a further extended period after the 2nd stage, **provisional credit** will get **withdrawn** and **input tax credit** will be **available** for that amount only which is **mentioned** in the **invoices** uploaded by the supplier.

Decision on introduction of a single return after six months with provisional credit has been made with an intent to allow sufficient window to GSTN and the buyers to reconcile the credit.

Conclusion

This has been a long-awaited simplification of returns process which has been finalized by the Government. Even though the uploading of invoices by recipient is not required, a reconciliation at their end to match with the supplier's data cannot be dispensed with. Only difference is that this process will be carried out offline. It is hoped that this process will not be implemented in haste like the time when the GST was first implemented. Proper testing and pilot runs should be carried out at the end of the users before the complete implementation of the new return filing mechanism. Whether this marks a new dawn in the GST return filing process or simply old wine in new bottle is something which we are yet to see. Interesting times await us!!

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