



Analysis of *NEW MODEL OF GST RETURNS*

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GST : **G**ood and **S**imple **T**ax

STEPS BY GST COUNCIL



27TH MEETING
held on 04th May
18

- Approved the basic principles of GST return design



28TH MEETING
held on 21th July
18

- Approved the key features and new format of the GST returns

OVERVIEW NEW SYSTEM OF GST RETURN



❖ 1st Phase: Software Preparation

- ✓ GST Council in its 27th meet dated 4th May 18, has taken decision to introduce new simplified system of GST Return.
- ✓ Upto Mar 19, GSTN will design new GST Monthly Return. Till that time, GSTR 3B & GSTR 1 filing will continue.
- ✓ There will be **Single Monthly Return** for everybody Except, For composition dealers/no supply cases, it will be quarterly return

❖ 2nd Phase: Credit allowed on Provisional basis.

- ✓ Sales details is to be furnished in new Return System. Buyer can claim provisional credit, irrespective of whether supplier has uploaded details of it.
- ✓ However GSTIN will give difference of credit claimed vs credit declared by supplier. Buyer should find of reason of difference and should take corrective action accordingly.



❖ **3rd Phase: Credit auto calculated as per details furnished by supplier.**

- ✓ Sales Liability Calculation: It will be as per B 2 B and B 2 C details furnished.
- ✓ Input Tax Credit Calculation: Only way to get credit is if supplier has uploaded the details to system. ITC will be auto computed by GST System.
- ✓ Purchase side details are not required to be punched and same will be auto populated.
- ✓ Ultimately credit will be available only if supplier has uploaded sales details on portal
- ✓ If supplier doesn't pay tax to government, then government will first catch supplier and then buyer

❖ **Important Challenges:**

- ✓ Amendment in Act and Rules
- ✓ Draft Return form is put for comment
- ✓ Credit Reconciliation – Biggest Task which accounts department will be doing

NEW
SYSTEM
OF GST
RETURN

Single Monthly
Return

Quarterly Return In
Case Of
Composition/Nil
Cases

No Need To Upload
Purchase Invoices

Purchase
Reconciliation –
Biggest Issues

For Sales, HSN
Details Required

ITC Will Be Auto
Calculated

Buyer May Suffer, If
Supplier Doesn't
Pay Tax

3 Stage Of
Implementation

NEW SYSTEM OF GST RETURN

❖ Large Tax Payer (Turnover more than 5 Core).

- ✓ **All taxpayers excluding** small taxpayers and a few exceptions like ISD etc. shall file one monthly return
- ✓ The **return is simple** with two main tables
 - One for reporting outward supplies and
 - one for availing input tax credit based on invoices uploaded by the supplier
- ✓ **Invoices can be uploaded continuously** by the seller and can be continuously viewed and locked by the buyer for availing input tax credit
- ✓ Simply put, the process would be “**UPLOAD → LOCK → PAY**” for most tax payers
- ✓ Taxpayers would have **facility to create his profile** based on nature of supplies made and received. The fields of information which a taxpayer would be shown and would be required to fill in the return would depend on his profile



NEW SYSTEM OF GST RETURN

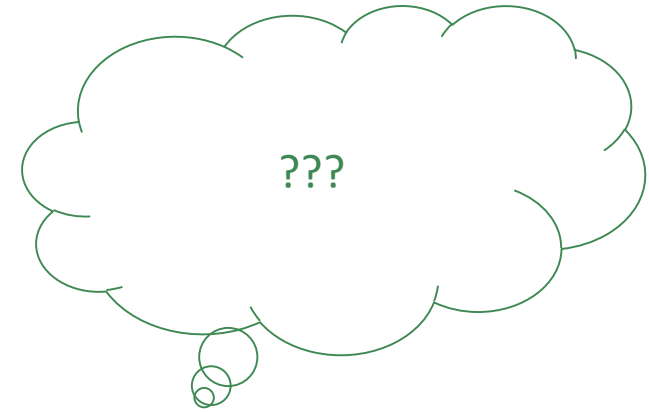
❖ Large Tax Payer (Turnover more than 5 Core).

- ✓ **NIL return** filers (no purchase and no sale) shall be given facility to file return **by sending SMS**.
- ✓ The new return design provides **facility for amendment of invoice** and also other details filed in the return.
Amendment shall be carried out by filing of a return called **amendment return**. Payment would be allowed to be made through the amendment return as it will help save interest liability for the taxpayers
- ✓ large taxpayers would find the design of new return quite user friendly.

NEW SYSTEM OF GST RETURN

❖ Small Tax Payer (Turnover less than 5 Core).

- ✓ Council approved **quarterly filing of return for the small taxpayers having turnover below Rs. 5 Cr** (in last financial year) as an optional facility. Small Tax payer is required to file quarterly return **with monthly payment** of tax on self declaration basis, in a simplified return format.
- ✓ Quarterly return shall be **similar to main return** with monthly payment facility but for two kinds of registered persons – small traders making only B2C supply or making B2B + B2C supply. For such taxpayers, simplified returns have been designed called *Sahaj and Sugam*. In these returns details of information required to be filled is lesser than that in the regular return.
- ✓ **93% of the taxpayers have a turnover of less than Rs 5 Cr** and these taxpayers would benefit substantially from the simplification measures proposed improving their ease of doing business.
- ✓ However, the facility would be **optional and small taxpayer can also file monthly return like a large taxpayer**



Key Features of Monthly Returns

Applicability of Monthly Return

ALL TAX PAYER, EXCEPT:

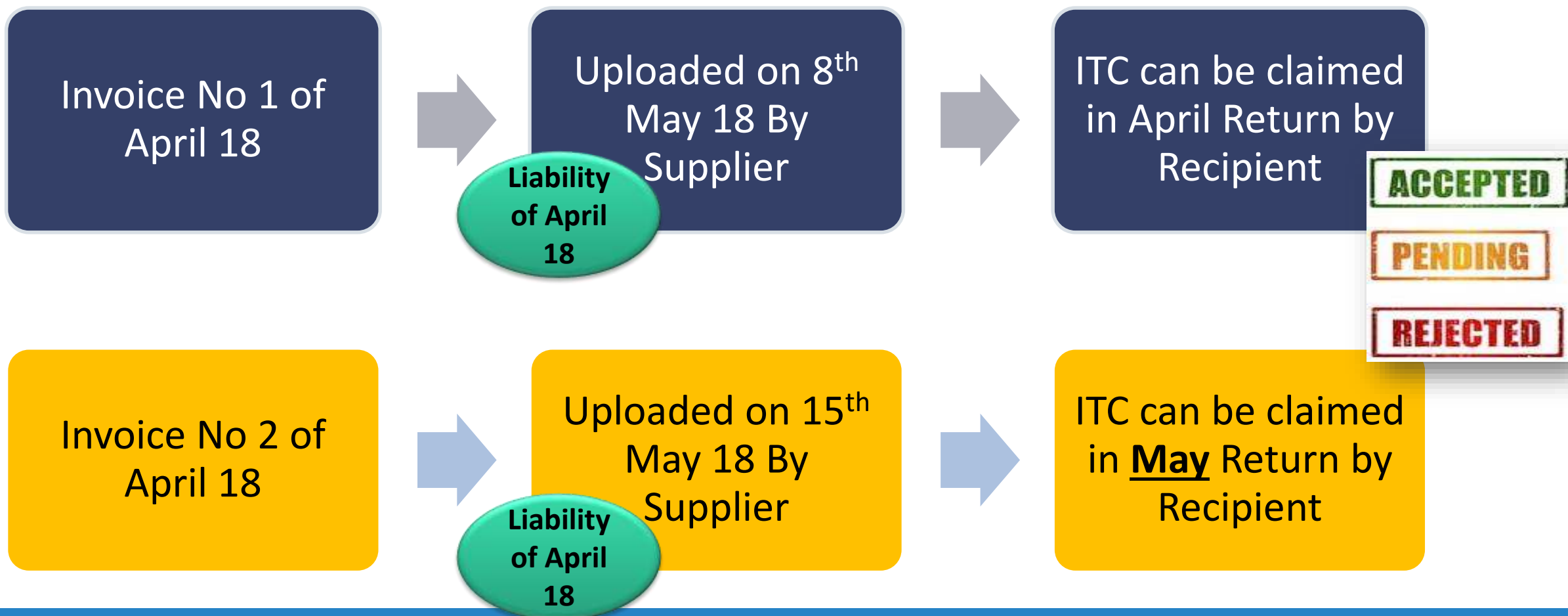
- Small Taxpayers,
- Composition Dealer,
- ISD,
- Non resident registered person,
- Persons liable to deduct tax at source under section 51
- Persons liable to collect tax at source under section 52

Key Features of Monthly Returns

- **Due Date of Return**: The due date for filing of return by a large taxpayer shall be **20th of the next month**.
- **Continuous Uploading**:
 - There would be facility for **continuous uploading of invoices by the supplier** anytime during the month and such uploaded invoice shall be **continuously visible to the recipient**
 - **##Only uploaded invoice would be a valid document for availing input tax credit ##**
 - After the due date for the filing of return is over, the **recipient shall also be able to see the return filing status of the supplier** and thus be aware whether the tax liability on purchases made by him has been discharged by the supplier or not.
- **Due date for uploading invoices**:
 - Invoices uploaded by the supplier **by 10th of the next month shall be posted continuously in the viewing facility of the recipient** and the taxes thereon which can be availed as input tax credit, shall be posted in the relevant field of the input tax credit table of the return of the recipient by 11th of the next month

Key Features of Monthly Returns

- Due date for uploading invoices:
 - However, **invoices uploaded after 10th of next month** by the supplier shall get posted in the relevant field of the return of the subsequent month of the recipient though viewing shall be continuous.



Key Features of Monthly Returns

- **Transitional Phase:** In the transition phase of six months after the new system of return is implemented, the **recipient would be able to avail input tax credit on self-declaration basis** even on the invoices not uploaded by the supplier by 10th of the next month or thereafter, **using the facility of** availing input tax credit on **missing invoices**.
- **Invoice uploaded but return not filed:** In cases where no return is filed after uploading of the invoices by the supplier, it shall be treated as **self-admitted liability** by the supplier and recovery proceedings shall be initiated against him after allowing for a reasonable time for filing of the return and payment of tax.
- **Viewing facility / Inward Annexure:**
 - The screen where ITC shall be visible to the recipient is called “viewing facility” (shown as “inward annexure” in the return document)
 - Viewing facility shall also show the trade name of the supplier

Key Features of Monthly Returns

▪ Valid Documents to avail credit:

- Only the invoices or debit notes uploaded by the supplier on the common portal shall be the valid document for availing input tax credit by the recipient.
- Invoices or debit notes which have not been uploaded by the supplier and on which recipient has availed input tax credit shall be hereafter called “**missing invoices**”.
- Where credit is availed on missing invoices by the recipient and such missing invoices are not uploaded by the supplier within the prescribed time period, input tax credit availed in relation to such invoices or debit notes shall be recovered from the recipient.
- Thus, input tax credit shall inter-alia be dependent on uploading of invoices or debit notes by the supplier either before or after filing of the return, within the prescribed time limit.



Key Features of Monthly Returns

- **Missing Invoice Reporting:**
 - **Missing invoices shall be reported by the supplier in the main return** for any tax period with interest or penalty as applicable.
 - Reporting of missing invoices by recipient can be delayed up to **two tax periods** to allow recipient to follow up and get the missing invoice uploaded from the supplier.
 - For example, purchase invoices received by recipient in April on which input tax credit has been availed but not uploaded by the supplier, shall be reported by the recipient not later than the return of June filed in July. Information about missing invoice uploaded by the recipient shall be made available to the supplier.
 - Taxpayers filing quarterly returns shall report missing invoices in the next quarter.
- **Offline IT Tool:** An IT tool/facility for matching of the invoices downloaded in XL format from the viewing facility, with the invoices stored in the accounting software by the taxpayer (recipient), shall be provided.
- **Payment of tax:** Liability declared in the return shall be discharged in full at the time of filing of the return by the supplier

Key Features of Monthly Returns

■ **Recovery of input tax credit:**

- There shall not be any automatic reversal of input tax credit at the recipient's end where tax has not been paid by the supplier.
- In case of default in payment of tax by the supplier, recovery shall be first made from the supplier and in some exceptional circumstances like missing taxpayer, closure of business by the supplier or supplier not having adequate assets or in cases of connivance between recipient and the supplier, etc. recovery of input tax credit from the recipient shall be made through a due process of service of notice and issue of order.

■ **Locking of invoices:**

- Locking of invoices means a **handshake** between the recipient and supplier indicating acceptance of entering into the transaction reported in the invoice.
- Facility for locking of invoice by the recipient before filing of the return by him shall be available.
- On filing of the return by recipient, all invoices shall deemed to be accepted except invoices kept pending or rejected.



Key Features of Monthly Returns

- **Rejected Invoices:** Where the GSTIN of the recipient is wrongly filled by the supplier, the invoice would appear on the viewing facility of a taxpayer who is not the recipient of such supplies and therefore input tax credit is not admissible to him. Recipient shall report such invoices as rejected invoices.
- **Pending invoices:**
 - Pending invoices means such invoices which have been uploaded by the supplier, but recipient wants to mark it as pending for which one of the three situations exist –
 - 1) the supply has not been received by the recipient,
 - 2) where the recipient is of the view that the invoice needs amendment,
 - 3) where recipient is not able to decide whether to take input tax credit for the time being.
 - Pending invoices shall be reported by the recipient and no ITC shall be availed by the recipient on such pending invoices
 - A pending invoice can be accepted/rejected by the recipient at a later date when he is able to decide.

Key Features of Monthly Returns

- **Credit where Supply received after month end but Invoice is for earlier month:**
 - Where invoice relates to 1st month, but goods/services is received in 2nd month before return filing, then ITC can be availed in 1st month.
 - **For example,** ITC can be availed by the recipient on invoice issued in April & uploaded by the supplier by 10th May, even if the goods or services have been received by the recipient before 20th May i.e. the date on which he is filing his return for the month of April
 - (presently he is eligible for input tax credit only if goods or services have been received by 30th April).
 - This facility will also reduce no of pending invoices.

Key Features of Monthly Returns

- **Deemed locking of invoices:**
 - Invoices which have been uploaded by the supplier and made available in the viewing facility to the recipient, but have not been rejected or have not been kept pending by the recipient shall be deemed to be locked after return for the relevant tax period has been filed by the recipient.
 - Invoices on which credit has been availed by the recipient (i.e. **locked invoices**) **will not be allowed to be amended by the supplier** and in order to amend the reported particular of such invoices, a credit or a debit note will have to be issued by the supplier.
- **Unlocking of invoices:** A wrongly locked invoice shall be unlocked online by the recipient himself subject to reversal of the input tax credit by him and online confirmation thereof.



Key Features of Monthly Returns

- **Amendment of invoices:**

- Amendment of an invoice may be carried out by the supplier where input tax credit has not been availed and the invoice has not been reported as locked by the recipient.
- **Once an invoice is locked by the recipient, no amendment of the same shall be allowed.** However, credit note or debit note for the same can still be issued by the supplier to change value, rate of tax, quantity or the tax payable

- **HSN Reporting:**

- The table for reporting supplies with the tax liability at various tax rates shall not capture HSN but would continue to capture supplies at different tax rates as is the present practice.
- The details of HSN shall be captured at four digit or more in a separate table in the regular monthly return.
- HSN code for services shall be reported at six digit level or more irrespective of the turnover during the preceding financial

Key Features of Monthly Returns

- **Return format:** The main return shall have two main tables, one for reporting supplies on which tax liability arises and one for availing input tax credit.
- **Payment of multiple liability:**
 - Liability in the return arising out of invoices of different dates shall be summarized period wise. However, one payment for the total tax liability on all tax invoices shall be allowed to be made.
 - Example:
 - ✓ Missing invoice of April if needed reporting in September, would be reported in the regular return of September. However, the liability for the month of September and April shall be shown separately on the common portal to the taxpayer in the regular return of September, but one consolidated payment would be required to be made.
 - ✓ Interest shall be calculated on invoices reported late i.e. in the present example on the invoice of April. After filing of the return, information relating to April invoice shall be clubbed with the information relating to April information

Key Features of Monthly Returns

- **Amendment return:**

- To address the problem of human error i.e. wrong entries being made in the return, there would be a facility for filing of amendment return. Amendment return is different than a regular return.
- There would be a **facility to file two amendment returns** for each tax period within the time period specified in section 39(9) of the CGST Act, 2017.

- **Amendment of missing invoices:**

- Amendment of missing invoices reported later by the supplier shall be carried out through the amendment return of the relevant tax period to which the invoice pertains. Therefore, it would be advisable to report all the invoices and then avail the facility for amending return so that invoices reported late can also be amended through the amendment return.
- For example, Invoice of April if uploaded in September shall get amended with the amendment of return for the month of April only.

Key Features of Monthly Returns

- **Amendment of details other than that of invoice:**
 - All user entries of input tax credit table in the main return would be allowed to be amended.
 - Supplier can make corrections through amendment return for rejected invoices.

- **Payment due to amended liability:**
 - Payment would be allowed to be made through the amendment return as it will help save interest liability for the taxpayer. Input tax credit, if available in the electronic credit ledger can also be used for payment of the liability in the amendment return

- **Negative Liability:** Negative liability arising from the amendment return shall be carried forward as negative liability in the regular return of the next tax period.

Key Features of Monthly Returns

- **Higher late fee for amendment return:** For change in liability of more than 10% through an amendment return, a higher late fee may be prescribed to ensure that reporting is appropriate in the regular return.
- **Monthly Accounting:** All reported liabilities for a month in regular return for a tax period, liabilities from missing invoices uploaded/reported later and liability flowing from the amendment return shall be shown to the taxpayer and the tax officer at one screen on the common portal to assist tax period wise accounting and assessment

Key Features of Monthly Returns

■ **Exports:**

- The table for export of goods in return would contain details of the Shipping Bill also.
- The registered person can either fill this information at the time of filing the return or after filing the return at his option.
- Filing the details of the Shipping bill in the return at a later date shall not be considered as filing of an amendment return.
- A separate facility for uploading shipping bill details at a later date shall be provided to the exporters
- Once the information of S/B is completed, the entire data shall be transmitted to the ICEGATE
- Subsequent amendments in export/Shipping Bill table shall also be carried out through a separate facility on the common portal and not through the process of filing of amendment return

- ## ■ **Credits of Import:**
- Till data starts flowing online from ICEGATE or SEZ online in the input tax credit of the return, credit on imports and supplies from SEZ shall be availed on self-declaration basis

Key Features of Monthly Returns

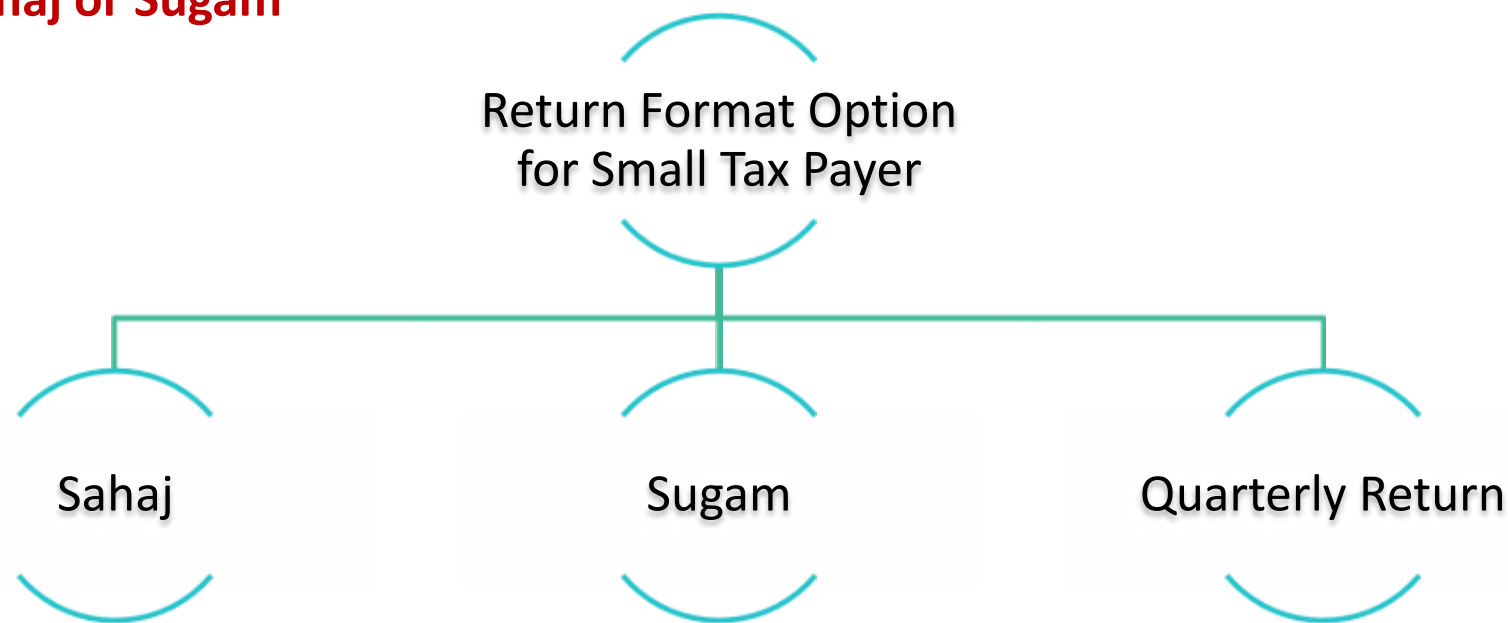
- **Profile based return:**
 - There are many kinds of supplies which can be made under GST and also there are many types of inputs using which input tax credit can be availed. Most of the taxpayers have only a few types of supplies to make and few types of inputs to report. Therefore, a questionnaire shall be used to profile the taxpayer and only such part of return shall be shown to him which are relevant to his profile.
 - For example, a small manufacturer or trader, buying and selling locally may need to file a return consisting of only a few lines. Profiling would allow fields like export, supplies to and from SEZ to be blocked from return and make return adequate for his purpose
- **Suspension of registration:** Concept of suspension of registration would be introduced when a registered person has applied for cancellation of registration or when the conditions in law for cancellation of registration are satisfied. From the date of suspension to the date of cancellation of registration, **return would not be required to be filed and also invoice uploading shall not be allowed** for the period beyond the date of suspension.



Key Features of Quarterly Returns

Key Features of Quarterly Returns

- **Tax Monthly – Return Quarterly:** Small Tax payer (having turnover less than 5 crore in last F.Y.) will have facility file return quarterly but would still need to pay their taxes on monthly basis and avail input tax credit on self-declaration basis to pay the monthly taxes
- **Format of Return:**
 - Small taxpayers having turnover upto Rs. 5 Cr. would have **option to file one of three forms**, namely - **Quarterly return, Sahaj or Sugam**



Key Features of Quarterly Returns

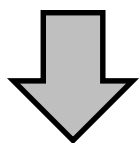
- **Quarterly Return Format:**

- Quarterly return shall be akin to the monthly Except that it has been simplified and shall not have the compliance requirement in relation to –
 - a) Missing/ pending invoices, as small taxpayers do not use these procedures in their inventory management.
 - b) Supplies such as non-GST supply, exempted supply etc as they do not create any liability.
 - c) The details of input tax credit on capital goods credit shall also not be required to be filled.
(This information shall be required to be filled in the Annual Return)
- Small taxpayers who would like to facility of missing and pending invoice may file monthly return
- Option to create profile in the quarterly return shall also be available. Sahaj and Sugam are predetermined profiles of the quarterly return.

Key Features of Quarterly Returns

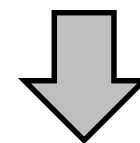
- **Sahaj and Sugam Return:** Many of small tax payer will have only B2C sales or B2C+B2B sales. Said tax payer constitute very large part of tax base and therefore two simplified quarterly returns are proposed for them. They have been named as “Sahaj” (only B2C outward supplies) and “Sugam” (both B2B and B2C outward supplies). In effect, these returns are pre-determined profiles for small taxpayers using quarterly return

सहज Return



This form can be used by Small Tax Payer having only B2C outward Supplies

सुगम Return

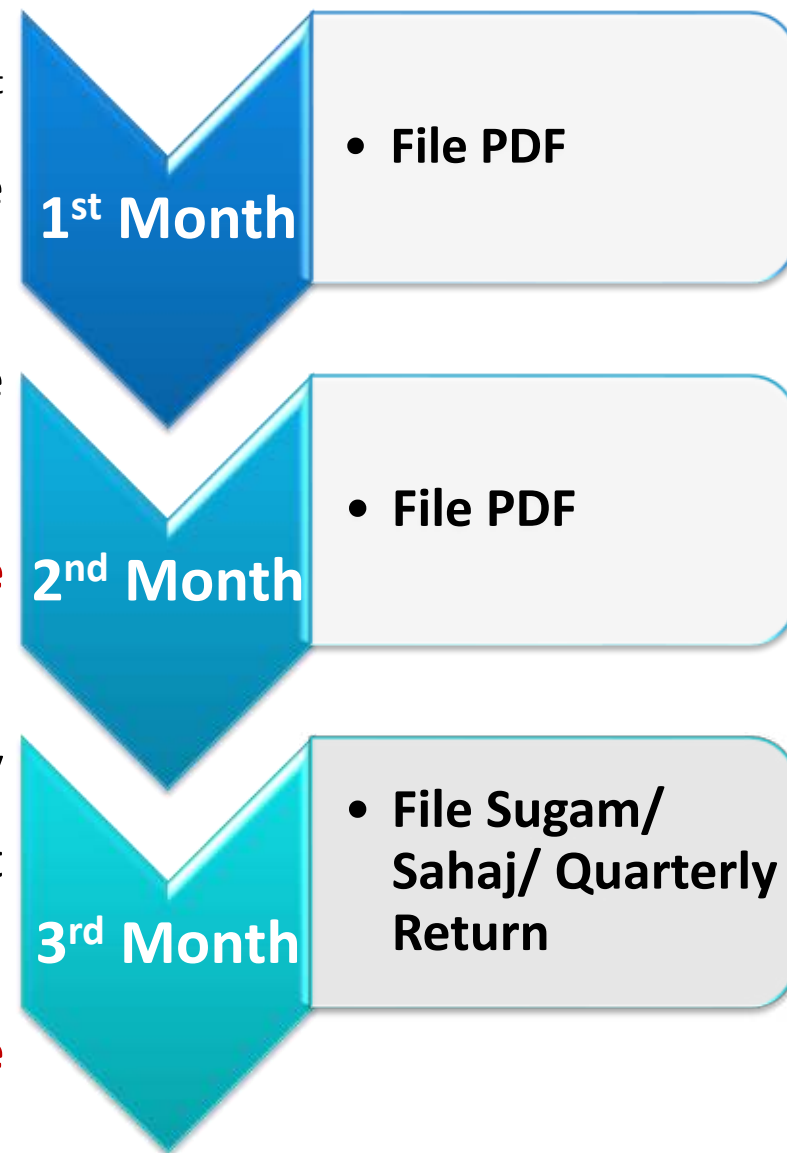


This form can be used by Small Tax Payer having only B2C + B2B outward Supplies

Key Features of Quarterly Returns

▪ **Payment Declaration Form (PDF):**

- These small taxpayers would continue to pay taxes on monthly basis. In 1st & 2nd month of every quarter, they would use a PDF to make the payment. **Due date of PDF is 20th of succeeding month.**
- In PDF, self-assessed liability and ITC on self-declared basis shall be declared. **PDF is to be filed even in case of no supplies.**
- **Late payment of tax liability including that in 1st & 2nd month of the quarter shall attract interest.**
- To assist in tax payment and availing input tax credit, necessary liability arising out of uploaded invoices of outward liability and input tax credit flowing from viewing facility would be shown to the taxpayer
- **Payment declaration form is not a return and minor errors in the same would not lead to initiation of any legal action**



Key Features of Quarterly Returns

- **Shifting from Quarterly to/from monthly :**

- Option for filing monthly or quarterly return shall be taken from small taxpayers **at the beginning of the year** and generally thereafter they would continue to file the return during the year as per the option selected.
- During the course of the year option to change from monthly to quarterly or vice-versa shall be allowed **only once and at the beginning of any quarter**. This is necessary to avoid confusion for the taxpayer and also to avoid complex validations in the IT system

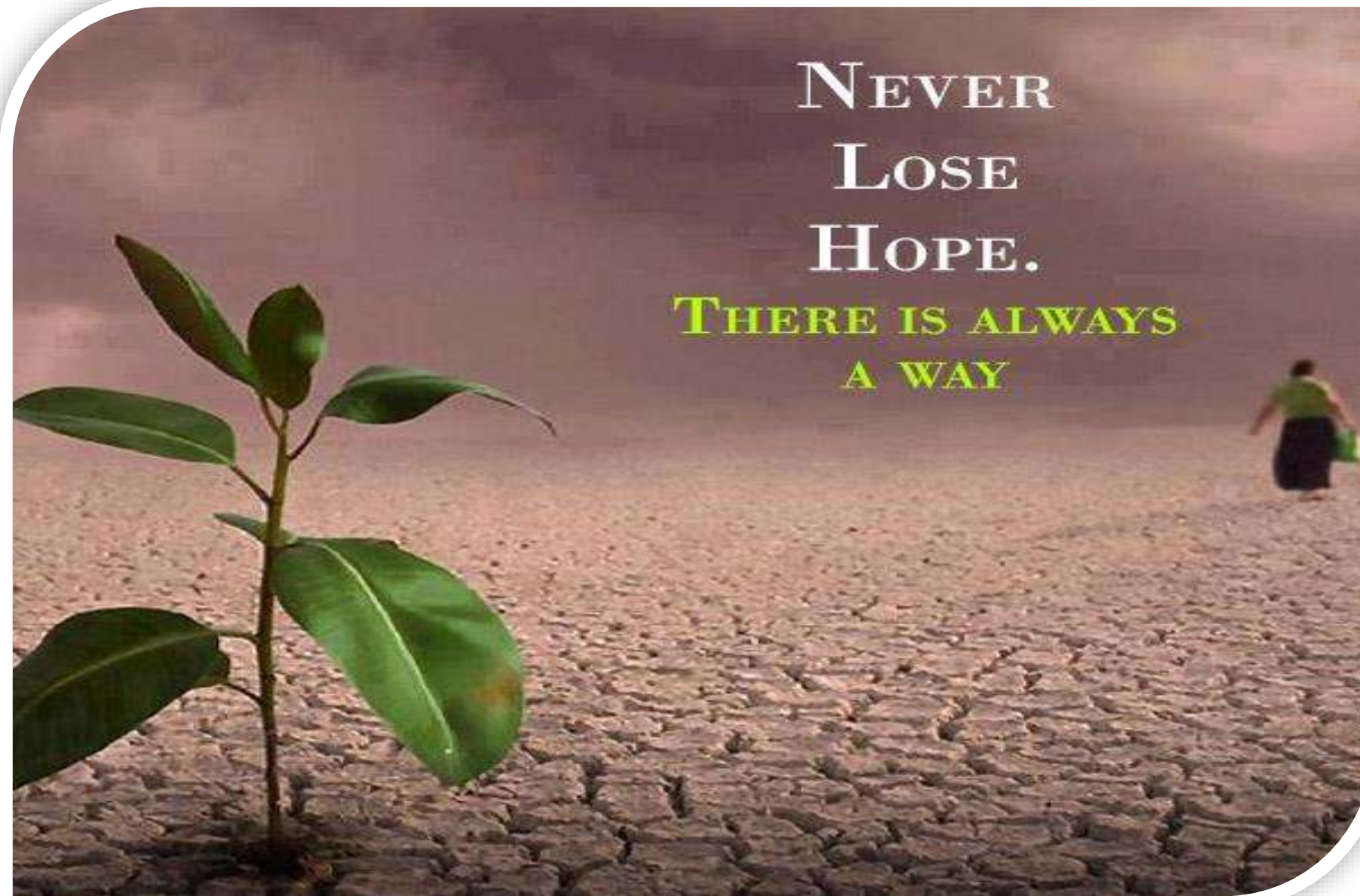
- **Pending and missing invoices:**

- Small businesses have only a few supplies to receive and therefore they track their purchases well and may not need credit on missing invoices. As the inventory size of these businesses is small they also do not need to keep invoices pending and generally avail credit forthwith.
- Therefore **quarterly return shall not have the compliance requirement of missing and pending** invoices as small businesses do not use these procedures in their inventory management

Key Features of Quarterly Returns

- **HSN:** HSN wise details would need to be provided at 4 digit level or more in the quarterly return.
- **Uploading of invoices:**
 - The recipients from these small taxpayers would need uploaded invoice for availing input tax credit and therefore the small taxpayers would be given facility to continuously upload invoices in the normal course.
 - The invoices uploaded by 10th of the following month would be available as input tax credit to the recipient in the next month as is the case in case of purchases from large taxpayers.

NEW SYSTEM OF GST RETURN



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GST on
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Thank You.

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