Debit and Credit Note under GST

Debit and credit note has been clarified under GST but from the practical point of view it is hardly in practice as there is ambiguity. We hereby understand the concept of debit and credit note.

Plain reading w.r.t the provision for debit and credit note GST Act are as follows:

Under CGST Act, Sec 34(1) states the three position in which supplier may issue the credit note to the recipient which are as follows:

- Where taxable value or tax payable exceeds
- Where the goods returned by the recipient
- Where the supplies found to be deficient.

From the above it is clear that credit note shall be issued by the supplier.

Further, **Sec 34(2)** clears when the registered person who issues a credit note shall declare

- the details of credit note in his monthly return
- but not later than September following the end of financial year in which supplies made or date of furnishing of relevant annual return whichever is earlier and
- Consequently tax liability reduced.

Above provision indicates that it is not mandatory to issue the credit note on monthly basis. It can be issued later and mandatory to declare the annual return otherwise tax liability can't be reduced.

Sec 34(3) specify the condition when supplier issues the debit note which is as follows:

- Where taxable value or tax charged in tax invoice founds to be less than the taxable value or tax payable in respect of supply

From the above it is clear that credit note shall be issued by the supplier.

Sec. 34(4) states that the registered person who issues a debit note shall declare

- the details of such debit note in the return for the month during which such debit note has been issued and
- The tax liability shall be adjusted accordingly.

***Explanation.*—For the purposes of this Act, the expression "debit note" shall include a supplementary invoice.**

From the above, in GST regime, it is clear that debit & credit note can be issued only by the supplier. There is no concept of issue of debit note by the recipient of supplies.

Now the question arises what recipient will do if he needs to raise the debit note.

For accounting purpose, he can do so. But for the purpose of GST, such a debit note will be of no consequence.

Later on supplier will raise the credit note and reduce their liability than it will match with the ITC taken by the recipient. This is procedural issue. In my opinion, on monthly basis, reconciliation should be made between the supplier and recipient for nullify the debit and credit note issue for matching the GST. And the same also is settled up to the filing of annual return.

Please feel free to contact me in case of any query.

Regards,

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