



Key 21 suggestions on Draft GST Return Formats

The GST Council in its 28th GST Council Meeting held on July 21, 2018 under the Chairmanship of Shri Piyush Goyal, Union Minister for Railways, Coal, Finance & Corporate Affairs had approved the new return formats. The Council had earlier approved the basic principles of GST return design and directed the law committee to finalize the return formats and changes in law. In pursuance thereof, the CBIC has placed Note on draft GST simplified returns and return formats in public domain on July 30, 2018 for perusal and feedback of stakeholders.

Following suggestions were compiled by Mr. Bimal Jain, Chairman, Indirect Tax Committee, PHD Chamber of Commerce towards making Return system and formats simplified for all taxpayers, which have been submitted to the Government for their kind consideration:

I Date of implementation and mock drill

We understand that the government is expected to roll out the revised return frameworks from the beginning of the next calendar year i.e. January 2019. Implementing the new framework in the mid of the financial year is likely to create hassles for the taxpayers in terms of performing reconciliations.

Suggestion(s):

- Implementation from next financial year - It is therefore humbly requested to kindly consider roll out of the new system from the beginning next financial year i.e. with effect from April 1, 2019. Further, new system of return may be introduced as trial option for 3 months if the Govt. is willing to introduce the new framework effective from January 2019.
- API for system configuration - Please release the Return API by October 2018 so that sufficient time is available for system configuration and sync with ASP/GSP.
- Selected companies for mock return filing - Further, it is requested to kindly consider for providing opportunities to certain selected companies to undertake a mock return filing under this new framework, sufficiently before being implemented. This would give an opportunity for industries to practically experience the practical aspects in the

framework and to understand the finer aspects in the whole process and also give an opportunity to the GSTN to have a check over various technical and validation issues and take necessary rectifying measures well before the new return filing framework is getting implemented.

- Offline Utility of New Return format to be released by September for practical training of the tax payers on new return formats with SOP and guidance note of its usage.

II Non-editable tax amount field

The new formats provide for system-based auto-computation of tax amount basis the taxable value and tax rate. It is also provided that that tax amount so computed will not be editable except in case of credit/debit notes issued.

Attention is drawn towards the fact that there can be genuine mistakes on the invoices where the multiple of taxable value and taxes have not been charged on the invoice and debit/credit notes have been issued for the differential. If the tax amount is auto-calculated by the portal, there would exist mis-matches in the invoices issued by the suppliers and the information uploaded on the portal.

Further, depending upon the rounding off logic of various IT Systems, the auto calculated figure may not be equal to the amount considered in books of accounts of dealers and therefore, can lead to infinite validation errors in data upload through ASP – GSP. In past, this issue has already been experienced which caused a huge unrest amongst the dealers and GSTN.

Suggestion(s):

- Tax amount field to be made editable - It is humbly submitted that this field should be made editable so as to allow actual invoice reporting and no validation/tolerance limit be imposed on the assesseees.

III Quarterly return by small suppliers may result in block of working capital at recipient's end

In the new return filing mechanism an exemption has been given to dealers having turnover upto Rs. 5 crores in last financial year to file quarterly returns with a facility to upload invoices in the normal course.

Apprehensions are being raised that if only an option is provided, hardly any such suppliers will rigorously upload the invoices on a continuous basis which will actually lead to a delay in credit realization in the hands of the recipients and blockage of working capital.

Suggestion(s):

- Uniform monthly invoice uploading by all suppliers - It is requested that whilst these dealers can be allowed to file their returns quarterly, let there be one uniform statutory frequency of invoice uploading i.e. monthly for all dealers without any facility for cancellation / revoking at the supplier's end.

IV Missing invoice reporting in monthly return

"Monthly return" allows the taxpayer to claim credits of any supplies which have not been uploaded by suppliers in Row 7, Part A of Table 4 wherein the user is required to furnish the amount of input tax credit and value. Further, "The Annexure of Supplies to main return" provides a table for reporting details of missing invoices on which credit had already been claimed, but the same have not been uploaded by the supplier in the next two tax periods.

Suggestion(s):

- No table to furnish document level details of missing invoices of the relevant tax period
- However, the return framework document does not clarify as to where the impact of such document level details of missing invoices of particular tax period would be taken in the monthly return.

V Facility of missing and pending invoices should also be given to small taxpayers

Para 3 on Page No. 10 states that Quarterly return shall be akin to the monthly except that it has been simplified and shall, *inter alia*, not have the compliance requirement in relation to missing and pending invoices as small taxpayers do not use these procedures in their inventory management.

Suggestion(s):

Facility of adding missing invoices should be allowed to small taxpayers – The impact of input tax credit from missing invoice can be substantial even for small taxpayers even if they have fewer transactions. Thus, this facility must be allowed.

VI Missing clarity on period up to which supplier can upload missing invoices

As regards reporting of Missing Invoices, Sr. No. 10 at page 17 gives an example. In this example it has been clarified that if the credit has been availed by the recipient in April but the corresponding invoices have not been uploaded by the supplier till filing of return for the month of May (i.e. **latest by 20th June**), recipient will have to report all such invoices while filing the return for the month of June. While Table 3L at page 14 requires the recipient to report in current month's return i.e. June all invoices on which credit was availed in T-2 tax period i.e. April but the same have not been reported by the supplier till filing of current tax period return (i.e. **latest by 20th July**).

Thus, there seems contradiction on same thing mentioned at two places.

Suggestion(s):

- Guidance document on treatment of missing invoices - It is submitted that a separate guidance document should be created addressing to such concerns specifically with respect to the concept of missing invoices. It is also requested to clarify as to how the concept of missing invoices would work in subsequent phase including the impact of cutover transactions (i.e. input tax credit already claimed during this phase but invoices not uploaded by supplier in the current phase).

VII Recovery from recipient for credit taken on missing invoices

Para 6 on Page No. 4 states that the Invoices or debit notes which have not been uploaded by the supplier and the recipient has availed input tax credit shall be considered as "missing invoices". If such missing invoices are not uploaded by the supplier within prescribed time period, then ITC on such invoices or debit notes shall be recovered from the recipient.

Suggestion(s):

- Adverse impact on recipient - If recipient has taken credit on the basis of invoice called as "missing invoice" and recipient has uploaded complete data of the invoice on the portal, then it should be good enough to avail input tax credit by recipient and action should be taken against supplier not uploading the invoice and recipient should not be asked to reverse input tax credit.

Moreover, if, above procedure is not possible and even after due follow up with the supplier, invoices are not being uploaded by the supplier, credit should not be get reversed at recipient end because it will block the working capital of the company and it will take huge time to search & account missing invoices & reporting them in the return which results wastage of manpower, time & money in following up with the suppliers.

It is suggested to allow input tax credit on self-declaration basis as is in transitional period of six months or if it is not possible, then, in case of missing invoice, only after uploading supplier's data on the portal, credit should be allowed to the recipient.

VIII Supply side control

Para 30 on Page No. 8 states that for a newly registered taxpayer and a taxpayer who has defaulted in payment of tax beyond a time period and/or above a threshold, uploading of invoices shall be allowed only upto a threshold amount or only after the default in payment of tax is made good respectively.

Suggestion(s):

- Fixing threshold limit for uploading invoices by newly registered taxpayer is unjust - Restricting a newly registered user to upload invoices up to a certain threshold is not proper without any grounds of default made by him. It is merely based on presumption that newly registered taxpayer may be incapable of discharging the tax liability. New registration does not necessarily mean a new assessee, it could also be a new registration of an existing large solvent taxpayer.
- Adverse effect on recipients – Fixing threshold for defaulting supplier would mean that those buyers whose invoices were uploaded before reaching threshold will get credit and the rest will suffer. Further, there is no clarity as to how will a buyer get visibility of defaulter status of supplier and thus be cautious in making purchases from such suppliers.

IX Reporting of shipping bill/ bill of entry details

It is submitted that no separate field has been provided for reporting bill of entry/ shipping bill number and date in the revised return formats. In this regard, there is lack of clarity as to whether these details would be required at a later date for performing invoice matching with the data available on ICEGATE. (Section 3J of Table 3 Annexure of Supplies to main return).

Suggestion:

- It is thus humbly submitted to issue clarification with respect to reporting of bill of entry details while filing monthly returns.

X Separate reporting of transactions covered under Schedule III

This is an additional reporting requirement of activities, which are neither a supply of goods nor supply of services, which has been incorporated in the new formats.

Suggestion(s):

- Additional compliance burden - Reporting of such transactions would require taxpayers to make changes in their IT systems for identification of the same. Further, reporting of these transactions would create additional compliance burden on the tax payers. Therefore, it is requested to provide abundant clarity for reporting of transactions under the said Schedule

XI 'Non-GST supply' Vs. 'No supply'

Part D of Table No. 3 i.e. 'Details of supplies having no liability' in the monthly rerun, *inter alia*, requires separate disclosure as to the following:

1. Exempt and Nil rated supplies;

2. **Non-GST supplies;**
3. **No supply** (Schedule III, Section 7)

Suggestion(s):

- Exempt supplies already include Nil-rated supplies – Definition of ‘exempt supply’ under Section 2(47) of the CGST Act, 2017 is given as under:

“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”

Thus, when definition of exempt supply itself includes Nil rated supplies, separate mention of the same under Row 1 above will add to confusions.

- Clarity on meaning of non-GST supply – As seen supra that definition of exempt supply includes non-taxable supply i.e. a supply of goods or services or both which is not leviable to tax under this Act [Section 2(78) of the CGST Act, 2017], hence, scope of non-GST supplies is not understood. This confusion persists in current format of GSTR-3B as well which requires separate reporting of non-GST outward supplies apart from exempted outward supply, which includes non-taxable supplies, Nil rated supplies and exempted supply. Thus, clarity on items included in non-GST supplies is required.
- Difference in ‘non-GST supply’ and ‘no supply’ – If schedule III items are to be treated as no supply for which separate reporting is required in Row 3 above, then items to be treated as ‘non-GST supply’ requires more clarity viz-a-viz non-taxable supplies and Schedule III items.

XII Linking of Credit Notes with corresponding invoice

Para 16 at page no. 6 talks about a situation where a credit note has been issued on an invoice which has been kept pending by recipient. In such situation, it says that both the credit note and the original invoice shall be linked in the system so that excess credit is not taken by the recipient. However, there is lack of clarity as regards to below points:

Suggestion(s):

- Clarity on establishing linkage between credit note and corresponding invoice no - Supplier is required to provide the details of credit notes in Table 3 of ‘Annexure of Supplies to Main Return’. But, the format of this table nowhere requires a supplier to give reference of original invoice no. on which credit note has been issued. In absence

of this detail, it is not clear how the system will be able to establish linkage between credit note and corresponding invoice no.

- Clarity on handling multiple invoices against single credit note - The proposed amendments in GST Law allow a supplier to issue single credit note against multiple invoices. Therefore, going forward there may certainly be a situation where a single credit note has been issued on multiple invoices out of which some invoices have been locked by recipient and some invoices have been kept pending. It is not clear, how the system will take care of such situation.

Therefore, it is requested to provide abundant clarity in this connection by setting out in details the process of linking credit notes with the original invoices.

XIII HSN wise summary

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 as well as quarterly return.

Suggestion(s):

- Generating HSN summary thus becomes an additional work.
- For small taxpayer's requirement to report HSN details can be done away with.
- Preparing invoice data by grouping values tax rate-wise is not the general practice adopted. If invoice is grouped tax rate-wise it becomes difficult for buyer to reconcile with his physical invoice which has item-wise details. Thus, taxpayer should be allowed to upload invoice 'as is'.

XIV Switching from quarterly to monthly return in middle of quarter

As per Para 2 on Page No. 10, option for filing monthly or quarterly return shall be taken from these 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.

Suggestion(s):

Switching in between may be permitted in exceptional cases – In exceptional scenarios like executing bulk order in middle of the quarter, small taxpayers would need the flexibility to change return type in between the the applicable quarter and comply with return type as applicable to him for the relevant and subsequent quarter.

XIV Complexity in reporting requirements for input tax credits (Table 4 of Monthly Return)

- Inward supplies not received during previous tax periods on which ITC was kept pending: Manner of populating the information during the first month is not clear and clarity is also needed whether numbers will be auto-captured in the subsequent months from Annexure of Inward Supplies of previous month and will capture all pending invoices as on start of the month.
- Inward supplies received (other than those attracting reverse charge): Whether the field will capture all documents issued during the tax period i.e. irrespective of action taken by taxpayer in the Annexure to inward supplies.

Example:

Total Invoices uploaded by various suppliers in May – 500

Accepted by Recipient – 300

Rejected – 150

Kept Pending – 50

Previous month's pending Invoices shown in Last Month's B5 – 200

Accepted during current month out of these 200 invoices – 100

Queries:

- How many invoices will be captured in Table 4A – Sr. No. 1 [Inward supplies not received during previous tax periods on which ITC was kept pending] - will it be 200 reported in B5 during previous month?
- Whether Sr. No. 2 of 4A [Inward supplies received (other than those attracting reverse charge)] will include all invoices issued during current month i.e. 500 or it will include only 300 accepted during current month?
- Whether Sr. No. 2 of 4A will also include previous month's pending invoice accepted during current month i.e. 100?
- How many invoices will be shown in B5 of current month - will it be 150 invoices viz. 50 invoices pending out of current months' and 100 invoices pending out of previous month's pending invoices?

Suggestion - It is requested to clarify with examples how the data will flow into various rows of this table to avoid any ambiguity.

Further, the clarity also needed for capturing the details of ITC for import of goods, import of services and other reverse charge transactions – Please note that the Annexure of outward supplies, inward supplies attracting reverse charge and imports only requires us to furnish the details of taxes charged and not input tax credit eligible on the same.

XVI Input tax credit claimed earlier (Row 7, Table 4 Part B)

The specific row captures auto-population of input tax credits claimed earlier. Please note that the framework document or the notes to the monthly return do not capture any information on the manner of capturing details in this particular row.

Suggestion(s):

- Specific guidelines required for such reversal - It is requested to provide specific guidelines for various scenarios where any of such input tax credit which was claimed earlier would be subject to an auto-reversal as part of the monthly return.

XVIII Credit in respect of goods or services received in next month

Para 13.2 of Note on Returns (Page No. 6) explains that recipient will be eligible to avail input tax credit in respect of goods or services received after 1st of Next month but before 20th where the supplier has uploaded the invoices up to 10th of next month. This implies that even for the supplies received in the subsequent month, credit can be availed by buyer in the previous month itself depending on the data upload by the supplier.

Suggestion(s):

- Mis-match with law provisions - In this regard, it is requested to please clarify if the same is in line with the provisions of the GST Law under Section 16(2) of the CGST Act, 2017, wherein receipt of goods & services is the primary condition for availing credit or necessary amendments in Law will be made to take care of this modality of availing input tax credit in such situation.

XVIII Effect on input tax credit if invoices are uploaded but no Return filed by supplier

Table 3 Column 9 of 'Annexure of Inward Supplies' (Page 24) captures the date of data upload as well as date of return filing by the supplier. However, industry is not clear on consequences if the supplier has uploaded the invoice by due date i.e. 10th of next month but not filed the monthly return by 20th on next month.

Suggestion(s):

- Clarity on flow of credit in Table 4 where return is not filed by supplier - It is requested to please clarify whether in such cases also, where return has not been filed by the

supplier, input tax credit will automatically flow into Table 4 of Monthly Return and thus credit will be available to the recipient.

XIX Amendment Return

Para 20 on Page No. 7 states that there would be facility to file two amendment returns.

Suggestion(s):

- No restriction on number of amendments - It is requested to allow multiple amendments in the monthly return irrespective of the number of amendments keeping in mind that the initial challenges which would be faced during the implementation. Since taxpayer would be paying higher rate of interest (in case of liability) there should not be any restrictions on number of amendments possible. Filing of annual return will indicate closure of books for a given FY.
Also, a detailed guideline for use of the functionality should be provided.

XX Transitional mechanism required to handle cut over transactions on transition to new framework

Please note that once the new framework is implemented, any changes/ amendments for the transactions reported during the ongoing return process may also be required. Further, any ITC claimed earlier for which invoices have not been uploaded by vendor or vice versa (i.e. invoices uploaded but credit claimed during the new framework) would also require to be reported.

Suggestion(s):

- Detailed mechanism required - In this regard, it is requested to provide details of all such scenarios along with necessary reporting framework for cut over transactions or transactions pertaining to past period (i.e. pre-implementation of new return framework).
- It is suggested to make arrangement on GST Portal to generate annual summary of GSTR 3B and GSTR 1. It will be helpful to the taxpayer to find out mistakes made during the filling of above said returns.

XXI Others:

- For supply of goods, taxable event does not arise at the time of advance payment and hence user need not be asked to provide advance received/adjusted information as part of the return.

- System should assist user to calculate interest & payment amount on account of reversal of credit by taking all the relevant information.
- E-Sign of return (Aadhaar OTP based) to be provided. It is simpler and more affordable than DSC based signing.
- Format of GST Return should be based on Excel sheet like Income tax Return (Auto calculated).
- Cash ledger on GST portal to be treated as wallet with freedom for cross utilization (across major and minor heads of tax/interest/penalty for IGST/CGST/SGST).

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