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## **GST Compliances Landscape - Recent changes**

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*October 23, 2020*

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## 1. Auto population of outward liability in GSTR-3B basis filed GSTR-1

The Goods and Services Tax Network ('GSTN') has issued Press Release on **September 5, 2020** introducing facility of providing pdf report containing system computed values of Table 3 of GSTR-3B. The important clarifications issued are as follows:

- This facility is introduced for taxpayers (normal, casual and SEZ developer / unit) who file their GSTR-1 on monthly basis. This facility will be subsequently extended to quarterly filers.
- Taxpayers who have filed GSTR-1 for August 2020 on or after September 4, 2020, can view statement in PDF format on GSTR-3B dashboard and this information will be auto populated in Table 3 of GSTR-3B. These details are:

Details	Column in GSTR-3B
Outward taxable supplies	3.1(a)
Zero rated supplies	3.1(b)
Nil rated, exempted supplies	3.1(c)
Non-GST outward supplies	3.1(e)
Supplies made to unregistered persons, composition taxable persons	3.2

- Turnover and tax values would be computed after considering Credit Note, Debit Note, amendments and advances (if any). If computed value is negative, then it would be reflected as zero and will not reflect in next month's GSTR-3B.
- The auto-populated figures would only be for reference purpose. Taxpayers need to verify and fill correct data in GSTR-3B.

## 2. New features in GSTR-2A

- From April 2020 onwards, GSTR-2A has been updated to provide status of filed returns of supplier. Now, taxpayer can view filed status of supplier's GSTR-1 and GSTR-3B.
- In addition, details of Bills of Entries filed through EDI port upto August 6, 2020 are getting reflected in GSTR-2A. Bills of entries filed through non-EDI ports are not yet being reflected in GSTR-2A.

**NITYA Comments:** Notably, Section 16 of the CGST Act prescribes one of conditions for availing ITC is payment of tax to Government. Till now, recipient did not have facility to know whether supplier has paid tax or filed return or not. After introduction of this new feature, recipient will have reasonable assurance that if supplier has filed return and paid tax to Government.

(Refer Notification No. 79/2020-Central Tax dated October 15, 2020)

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### 3. Introduction of GSTR-2B for indicating Input Tax Credit available to taxpayers

GSTN has issued Press Release dated August 29, 2020 and introduced GSTR-2B which indicates Input Tax Credit ('ITC') available to taxpayer for relevant tax period. The important clarifications issued are as follows:

- GSTR-2B is static statement reflecting details of outward supplies furnished by suppliers in GSTR-1 (Outward Supply details), GSTR-5 (Non-residents' return) and GSTR-6 (ISD return).
- GSTR-2B will be available to taxpayer on 12<sup>th</sup> of month succeeding relevant tax period. For example, taxpayer can view GSTR-2B for **July 2020** on **August 12, 2020**.
- Taxpayer can view and download details of all B2B invoices, Credit Notes, Debit Notes etc. and can avail ITC basis information reflected in GSTR-2B.
- GSTR-2B will provide details of available and non-available ITC. Non-available ITC will cover following scenarios:
  - ITC beyond due dates under Section 16(4) of the Central Goods and Services Tax Act, 2017 ('CGST Act'); and
  - ITC where supplier's GSTIN and place of supply are in same State while recipient is in another State
- GSTR-2B will also contain details of import of goods and supplies received from Special Economic Zone ('SEZ') unit / developers.
- Details of import of service will not be reflected in GSTR-2B and taxpayer needs to claim ITC as per existing process.
- Taxpayer needs to reconcile details reflected in GSTR-2B with its books of accounts.
- Instructions to GSTR-2B specifically provides that taxpayer must refer to GSTR-2A for additional details.

### 4. Launch of Matching Offline Tool to compare ITC auto drafted in GSTR-2B

- GST portal has launched an offline tool to match ITC auto populated in GSTR-2B with purchase register of taxpayer.
- Taxpayer needs to undertake following to use Matching Offline Tool ('MOT'):
  - Download and install MOT
  - Download GSTR-2B JSON file from GST portal
  - Prepare purchase register in template provided with MOT

*(Matching should be done for less than 3000 documents at a time)*

- Following are the steps to use MOT:
  - Import GSTR-2B JSON file from GST portal into MOT
  - Import purchase register maintained in template provided with MOT
  - Click on 'Match' button to match GSTR-2B and purchase data
- MOT will do matching on the basis of following 7 parameters:
  - (i) GSTIN
  - (ii) Document type
  - (iii) Document number
  - (iv) Document date
  - (v) Total taxable value
  - (vi) Total tax amount (IGST+CGST+SGST+Cess)
  - (vii) Tax amount head wise
- Matching result will be available in following six categories:
  - (i) Exact match
  - (ii) Partial match
  - (iii) Probable match
  - (iv) Unmatched
  - (v) Detail in GSTR-2B but not in purchase register
  - (vi) Detail in purchase register but not in GSTR-2B
- Other salient features of MOT are as under:
  - Purchase register must be maintained in format as provided with MOT
  - Taxpayer can set tolerance value from 0 to 10 for individual tax amount
  - Matching can be done only for a month
  - Taxpayer can export data / details from MOT for further actions

**NITYA Comments:** *With linking of data of GSTR-1 and GSTR-2B with GSTR-3B, taxpayers need to be more diligent for filling reconciled data of output supply and ITC in GSTR-1 and GSTR-3B.*

*MOT will function based on GSTR-2B of the relevant month. CBIC enforced matching and provisional availment of ITC [as per Rule 36(4) of the Central Goods and Services Tax Rules, 2017 ('CGST Rules')] vide **Circular No. 123/42/2019-GST dated November 11, 2019** wherein it prescribed to refer auto populated GSTR-2A to avail provisional ITC. **Notably, there is no legal provision mandating availment / matching ITC basis either GSTR-2B or GSTR-2A.***

*Introduction of a new form i.e. GSTR-2B will increase compliance burden of taxpayers. Now, taxpayers will be required to match both GSTR-2B with GSTR-2A with books of accounts. Government could have added additional features in GSTR-2A itself to reduce multiple forms.*

*Additionally, GSTR-2B contains various aspects which are under dispute. For example: eligibility of ITC where place of supply is in different State, validity of time limit for availing ITC etc.*

## **5. Credit / Debit Note related changes on GST Portal**

- Section 34 of the CGST Act was amended w.e.f. **February 1, 2019** to allow issuance of single Credit / Debit Note against one or more tax invoices. However, GST portal did not provide such facility until now.
- New facility has been introduced on GST portal for delinking Credit / Debit Note with original tax invoice. Now, taxpayers can issue single Credit / Debit Note for one or more tax invoices.
- In addition, Credit / Debit Note can be declared with only tax amount and taxable value as 'zero'.
- Similar changes have been made for reporting amendments to Credit / Debit Note.

## **6. Changes relating to Annual Return (GSTR-9) and Reconciliation Statement (GSTR-9C)**

- (i) The Government has notified forms for GSTR-9 and GSTR-9C for Financial Year ('FY') 2019-20. Notably, details required to be reported in GSTR-9 and GSTR-9C are same as were required for FY 2018-19 except for following:
- Taxpayer needs to report details of ITC availed on capital goods separately in Table 6A to 6C of GSTR-9. With respect to inputs and input services, taxpayer can still report entire ITC under 'Inputs' row only.
  - Taxpayer needs to bifurcate details of imported goods between capital goods and inputs in Table 6D of GSTR-9.
  - Taxpayer needs to report Table 8A to 8D (details of GSTR-2A reconciliation) in GSTR-9 only. Earlier, taxpayer had option to report these details separately in signed pdf while filing GSTR-9C.

**NITYA Comments:** *The continuation of simplified forms for FY 2019-20 will be helpful for the industry since industry is still not geared up for capturing all information required under GSTR-9 and GSTR-9C.*

*Notably, taxpayers will also need to perform ITC reconciliation October 2019 onwards to ensure compliance to Rule 36(4) of the CGST Rules. This will also increase auditors' work for FY 2019-20 onwards.*

- (ii) Taxpayers whose aggregate turnover is less than ₹ 5 crores, are not required to file GSTR-9C for FY 2019-20.

*(Refer Notification No. 79/2020-Central Tax dated October 15, 2020)*

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## 7. Other portal related changes

- E-way bill generation facility will be blocked if:
  - Aggregate annual turnover (PAN based) exceeds Rs. 5 crores; and
  - GSTR-3B is not filed for 2 or more consecutive months
- This restriction shall not apply for the period from **March 20, 2020** to **October 15, 2020** where taxpayers did not furnish returns for the period **February 2020** to **August 2020**.

(Refer Notification No. 79/2020-Central Tax dated October 15, 2020)

## 8. Proposed compliance scenario

- GST Council in its 42<sup>nd</sup> meeting took following key decisions:
  - (i) **Requirement for declaring HSN / SAC for goods and services**
    - With effect from **April 1, 2021**, taxpayers will be required to declare HSN / SAC for goods and services in invoices and GSTR-1 as under:

Aggregate annual turnover of Taxpayer	Present	Proposed
Up to ₹ 1.5 crores	-	4 digits (Only for B2B supply)
Above ₹ 1.5 crores and below ₹ 5 crores	2 digits	4 digits (Only for B2B supply)
Above ₹ 5 crores	4 digits	6 digits

- This change will not apply to taxpayers having turnover upto ₹ 5 crores and who make B2C supplies.
- Government will be empowered to notify goods / class of supplies for which 8-digits HSN will be required.

**NITYA Comments:** This change makes it imperative for taxpayers to determine classification of goods and services upto 6-digits or 8-digits. Further, the Government is empowered to bring mandatory 8-digits HSN on notified goods or supplies.

(Refer Notification No. 78/2020-Central Tax dated October 15, 2020)

### (ii) Changes in return filing for small taxpayers

- Small taxpayers having turnover upto ₹ 5 crores will have option to file quarterly return by 13th of month succeeding relevant quarter. This change will be applicable from January 1, 2021.

*(Refer Notification No.74/2020-Central Tax dated October 15, 2020)*

- Such taxpayers will need to pay tax on monthly basis. These taxpayers can pay 35% of net cash tax liability of last quarter for first two months using auto-generated challans. *(Not yet notified)*

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