

Nangia Andersen LLP



**Checklist of important GST activities to complete
prior to starting the next financial year**



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Financial Year end is approaching, and it is important to ensure that required compliances are completed before the start of next Financial Year. We have provided below a gist of key activities required to be undertaken under GST

1. Reset of invoice number series

- GST provisions¹ require every taxpayer to issue a tax Invoice, Credit/ Debit note containing a consecutive serial number not exceeding sixteen characters which shall be unique for a financial year.
- Given the specific requirement, Invoice, Credit/ Debit note series should be reset from 1 April 2022 in order to comply with GST provisions

2. Furnishing of Letter of Undertaking

- A new Letter of Undertaking ('LUT') has to be filed for each financial year for export of goods/ services without payment of GST. LUT is valid for a financial year.
- Thus, an application in Form GST RFD-11 should be made to obtain LUT for FY23 for export of goods/services or supply to SEZ without payment of GST.
- It is pertinent to note that LUT could be applied online on GST portal through Services > User Services > Furnishing LUT. Functionality to obtain online LUT for the FY 2022-23 is effective on GST portal.

3. Inter/Intra Entity Cross-charge

- In case where services are provided by a distinct / related person to another distinct / related person, valuation rules would be triggered.
- Accordingly, companies should identify the common supplies and undertake cross charge in terms of Rule 28

4. Reconciliation, Reversal or Re-claim of Input Tax Credit

Reconciliation of input tax credit (GSTR-3B vs Books)

- The differences (if any) in Input tax credit ('ITC') availed in the books vis-à-vis claimed in GSTR-3B should be reconciled and take appropriate action (if any).

¹Rule 46 and 53 of the CGST Rules, 2017.

Reversal of input tax credit in the case of non-payment of consideration

- Taxpayers should also ensure compliance with Rule 37 of the Central Goods and Services Tax, 2017 ('CGST Rules').
- As per the rules of ITC, after issuance of tax invoice if taxpayer does not make the full payment of amount within 180 days, then the credit taken on that invoice should be reversed.
- Once the payment is made, the taxpayer can re-claim the ITC amount.

Annual reversal ratio impact

- As per Rule 42, supplier is required to recalculate the eligible ITC for the financial year. The same is required to be computed and reported before furnishing return for the month of September following the end of financial year.
- In case, post computation of final reversal of ITC, excess ITC was availed, the same is required to be reversed with interest for the period starting from 01 April till the date of payment / reversal.
- However, if the aggregate amount of ITC availed is lower than the amount eligible to be availed, supplier can claim such differential ITC.

Reversal of ITC on Capital Goods

- Supply of capital goods or plant and machinery, on which ITC has been taken

Calculate and pay an amount equal to ITC availed on the said capital goods or plant and machinery reduced by percentage points (at the rate of five percentage points for every quarter or part thereof from the date of the issue of the invoice for such goods) or the tax on the transaction value of such capital goods or plant and machinery as determined under section 15, whichever is higher

- Taxpayer involved in both taxable and exempt supply

Calculate and pay an amount (either by way of debit in the electronic credit ledger or electronic cash ledger), equivalent to ITC availed on capital goods reduced by such percentage points (at the rate of five percentage points for every quarter or part thereof)



5. Calculating Aggregate Turnover

- Aggregate Turnover is deciding factor in case of determining applicability of quarterly return filing, number of digits to be used in HSN code, QRMP Scheme and availing option of Composition scheme.
- Aggregate turnover as per GST will be different from turnover derived in the books of accounts since the definition of aggregate turnover shall include income (like stock transfer, cross charge, etc.) which otherwise will not form part of Financials.
- Taxpayers should calculate the aggregate turnover for each state and ensure that there is no difference in the system generated² and self-assessed aggregate turnover.

6. Number of digits of HSN Code

The requirement for displaying number of digits of HSN code on tax invoices based on the sales turnover has been tabulated below:

Sr. No	Aggregate Turnover in the preceding Financial Year	Type of transaction	Mandatory/ Optional	Number of Digits
1	More than INR 5 Crores	All Tax invoices (i.e. both B2B and B2C tax invoices)	Mandatory	Six
2	Up to INR 5 Crores	B2B	Mandatory	Four
		B2C	Optional	Four
3	49 Chemical based Product ³	Export Invoices	Mandatory	Eight

It is mandatory to report minimum number of digits of HSN Code as stated above in Table 12 of GSTR-1.

7. Implementing E-invoicing for taxpayer having turnover exceeding INR 20 Crores

- Government has notified⁴ to mandate e-invoicing for all the registered taxpayers having turnover exceeding INR 20 Crores in any of the previous Financial Years starting from FY 2017-18. The Notification would be effective from 01 April 2022.

²Aggregate Turnover is computed by GST system based on the returns filed in Form GSTR-3B by all registrations on the common PAN

³Notification 90/2020- Central tax date 01 December 2020 specified product classified Under Chapter 28, 29, 38 and 39 of Customs Tariff Act. However, under Foreign Trade Policy it is mandatory to mention 8-digit Indian Trade Classification based on Harmonized System Coding ('ITC-HS') on all export invoices.

⁴Notification No.01/2022-Central Tax dated 24-02-2022



8. Export Proceeds

- As per Rule 96A, where services are exported without payment of IGST under LUT. Consideration for the export needs to be received in convertible foreign exchange within 1 year from the date of export invoice.
- Taxpayer is required to maintain a track of export proceeds from the date of invoice to avoid any tax liability and interest.

9. Reconciliation

- Taxpayers should reconcile the cash ledger, credit ledger and liability ledger balance as per the GSTN/IRN/E-way-Bill portal with their books of accounts. All the entries should be done before the close of the year. Also debit note, credit note, rate difference, discount, etc. is to be reconciled.
- Reconciliation of Purchase register and GSTR-2A (GSTR2B from January 2022) should be carried out and adjustments/ reversals/ extra availment of credit should be done. Further follow-ups with the vendor to upload the missing invoices should be done on priority.
- Amendment (if any) required in the invoices already uploaded by vendors in GSTR-1 should be intimated.

10. Validation of reverse charge liability

- Ensure if the liability is being paid in respect of all input supplies notified for reverse charge and all the amendments have been taken care of.
- Check if the tax paid under RCM matches with ITC under RCM. RCM liability should be more than or equal to ITC under RCM.
- Ensure timely payment of RCM liability, interest liability need to be discharged in respect of any delay in tax payment.

11. Updating of Import Export Code ('IEC')

- All IEC holders are required to update and validate their IEC Details, even if there are no changes, from April to June once every year through the online system, failing which their IEC shall be de-activated and no import or export activity will be possible.
- The list of changes includes updating following details on the DGFT portal:
 - Change in registered address
 - Change/add/delete - branch address
 - Change of - Mobile number & email ID
 - Change of - Bank details
 - Change/add/delete - Directors/ Partners
 - Change of business nature



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