

GOODS AND SERVICES TAX UPDATES

FEBRUARY 2021

I. Amendment in CGST Rules – Notification No 94/2020-CT dated 22nd December, 2020 and Notification No 01/2021-CT dated 01st January, 2021

Amendment in Registration provisions – Application for registration

- i. The time limit for system-based registration has been increased to 7 days from the present limit of 3 days. Now the department has extra time limit for review and grant registration. – **Rule 9(1)**
- ii. Where the applicant does not opt for adhaar authentication or where the department proposes to carry out physical verification the time limit for grant of registration shall be 30 days from the present time limit of 21 days. – **Proviso to Rule 9(1)**

Amendment in Registration provisions – Cancellation of Registration

Now the proper officer may initiate cancellation of GST RC in the following circumstances

- i. Where the tax payer avails input tax credit in violation of provisions of section 16 of the Act or rules made there under;
- ii. Where the liability declared in statement of outward supplies GSTR 1 is more than the liability declared in GSTR 3B return.
- iii. Where a tax payer discharges his output tax liability entirely from his electronic credit ledger in case he is liable to make mandatory cash payment of 1% of his output tax liability through electronic cash ledger in terms of Rule 86B.

Rule 21 (e, f & g)

Amendment in Registration provisions – Suspension of Registration

- i. No opportunity of being heard shall be given to a tax payer for suspension of GSTIN, where the proper officer has reason to believe that the registration is liable to be cancelled. The words “opportunity of being heard” have been omitted.

- ii. Where there are significant deviation / anomalies between details of outward supply between GSTR 3B and GSTR1 or inward supplies (ITC) between GSTR 3B and GSTR 2B which indicate contravention of Act, department shall now serve a notice in FORM GST REG 31 to call explanation as to why GSTIN should not be cancelled. Tax payer has to reply within 30 days of such notice being served on him.
- iii. Where registration is suspended as above, no refund under section 54 can be availed by the tax payer. Hence, suspension proceedings need to be closed before applying for the refund.

Rule 21A (1) and (2A)

Amendment in Returns filing provisions – Blocking of filing GSTR 1

- i. A tax payer shall not be allowed to file his GSTR 1 in case he has failed to file his GSTR 3B for preceding two months.
- ii. Similarly, for quarterly return filers, the tax payer failing to file GSTR 3B for the preceding quarter shall not be permitted to file GSTR 1 of subsequent quarter.

Rule 59(6)

Restrictions on use of amount available in electronic credit ledger

New rule has been inserted with effect from 01st January, 2021 wherein restriction has been placed on setting off more than 99% of tax liability from input tax credit where the value of taxable supplies other than exempt supply and zero-rated supply exceeds Rs. 50 lakhs in a month.

However following exceptions have been provided in the rule:

- i. Where the tax payer or the proprietor or karta or the managing director or any of its two partners, whole time directors, members of managing committee of associations or board of trustees, as the case may be, have paid more than one lakh rupees as income tax in each of the last two financial years for which the time limit to file return of income under section 139(1) has expired or
- ii. Where the tax payer has received refund of more than Rs. 1 lakhs in the preceding financial year on account of zero rated supplies made without payment of tax under clause (i) of first proviso to section 54(3) or on account of inverted tax structure under clause (ii) of first proviso to section 54(3). Or

- iii. Where the tax payer has used electronic cash ledger to discharge output tax which cumulatively makes 1% of the total output tax liability up to the said month.
- iv. Where the tax payer is a Government department, Public Sector undertaking (PSU), local authority or a statutory body.

Rule 86B

Restriction on claim of ITC as per Rule 36(4)

- i. Earlier, a tax payer can claim ITC up to 10% of credit available in GSTR 2B in respect of invoices not auto populated in GSTR 2B i.e. invoices not furnished by the suppliers in their GSTR 1. This limit is restricted to 5% of the credit available in GSTR 2B.
- ii. In other words, any claim in excess of 105% of credits available in GSTR 2B shall cause violation of section 16 of the Act and which may in turn result into suspension of registration in terms of Rule 21A.

Validity of E-Way Bill:

- i. Presently the time limit for validity of e-way bill is one day for 100 kilometers. This has been extended to 200 kilometers.

- ii. This means that only one day validity shall be granted to cover distance up to 200 kilometers which was earlier 100 kms.

II. GSTIN PORTAL UPDATES

1. Auto population of E-Invoice details into GSTR-1/2A/2B/4A/6A

- i. For those taxpayers who had started e-invoicing from 1-10-2020, the auto-population of e-invoice data into GSTR-1 (of December 2020) had started from December 3rd, 2020.
- ii. The data in GSTR-1 is now available on T+3 day basis, i.e. for example, the data from e-invoices uploaded on 18-12-2020 would be visible in GSTR-1 on 21-12-2020
- iii. The corresponding reflection of such e-invoice details in GSTR2A/2B/4A/6A has also started.
- iv. The auto-population of e-invoice data into GSTR-1 is based on date of document (as reported to IRP).
- v. The auto-population of details from e-invoices into GSTR-1 is only a facility for the taxpayers. After viewing the auto

populated data, the taxpayer shall verify the propriety and accuracy of the amounts and all other data in each field, especially from the perspective of GSTR-1 and file the same, in the light of relevant legal provisions.

2. Invoice Furnishing Facility (IFF) for Taxpayers under QRMP

Scheme:

- i. An Invoice Furnishing Facility (IFF) facility has been provided to taxpayers under QRMP Scheme (Quarterly filers of Form GSTR1 and also of Form GSTR-3B returns), as per Rule-59(2) of the CGST Rules, 2017.
- ii. Taxpayers who have opted for quarterly filing frequency under the scheme can file their details of outward supplies (B2B invoices only) for first two months of a quarter (M1 and M2 respectively of a Quarter) in IFF. For e.g. for Apr-June qtr., B2B invoices only for the months of April (M1) and May (M2) can be filed in IFF by a taxpayer.
- iii. The IFF is a facility similar to Form GSTR-1, and it allows filing of details of B2B invoices in following tables only:
 - a. 4A, 4B, 4C, 6B, 6C - B2B Invoices.
 - b. 9B - Credit / Debit Notes (Registered) – CDNR

- c. 9A - Amended B2B Invoice - B2BA
 - d. 9C - Amended Credit/ Debit Notes (Registered) – CDNRA.
- iv. The option to upload details in IFF can be availed till 13th of the subsequent month. Any invoices remaining to be furnished, can be filed using the IFF in the subsequent month IFF or in the quarterly Form GSTR-1. For e.g. for Apr-June qtr., B2B invoices for the month of April (M1) can be filed in IFF by a taxpayer till 13th May. Any IFF which is not filed till the due date of 13th of the subsequent month will expire.
- v. IFF is an optional facility provided to taxpayers under QRMP scheme to pass on Input Tax Credit (ITC) to their recipients for M1 and M2 months of a quarter. However, filing of Form GSTR-1 for M3 month of a quarter is mandatory.

Source – <https://www.cbic.gov.in/htdocs-cbec/gst/index-english>

<https://www.gst.gov.in/help/helpmodules/>

Notifications issued under CGST Acts.