

## GST considerations for the closing and start of new Financial Year

### Snapshot

- Obtain LUT where exports are being made without payment of taxes.
- New requirement to mention minimum 4 and 6 digits of HSN based on the turnover.
- New document series for issuance of tax invoices, credit notes etc.
- E-Invoicing for taxpayers having turnover more than 50 Crores in any preceding year from FY 2017-18
- Filing of Annual return for F.Y. 2019-20
- Reconciliations of ITC as per books and 2A
- Reconciliation of Turnover as per books and GSTR 1 and 3B
- Reversal of ITC in case of nonpayment to vendors within 180 days
- Reversal of ITC in case of exempted and taxable supplies

### Activities relevant for the start of F.Y. 2021-22

#### New document series

- If a taxpayer wishes to change the series for invoicing or other documents issued under the GST law in the F.Y. 2021-22, it can be done from 1st April.
- The taxpayer may continue with old invoice series.
- It is to be ensured that the invoice series is not started with a series which has already been used in any previous year.

#### Letter of Undertaking (LUT)

- Letter of Undertaking (RFD -11) for FY 2021-22 must be obtained for exporting goods or service or supply to SEZ unit/ developer without payment of Tax.
- The LUT is required to be obtained before issuance of export invoice.

#### Reporting of HSN with effect from 1 April 2021

- W.e.f. 1 April 2021, the minimum number of digits of HSN required to be mentioned on a tax invoice issued by any taxpayer shall be as follows:

Aggregate Turnover in Preceding FY	Existing HSN requirement	HSN requirement w.e.f. 1 <sup>st</sup> April 2021
Up to INR 1.5 Crores	Nil	4*
1.5 Crores to INR 5 Crs.	2	
More than INR 5 Crores	4	6

\* In case of B2C supplies mentioning HSN is not required if the turnover of the supplier does not exceed 5 crores in the previous year.

### **Mandatory E-Invoicing from April 01, 2021 for taxpayers having turnover exceeding Rs. 50 Crores**

- The E-Invoicing is being made applicable to taxpayers having aggregate turnover above Rs. 50 crores, with effect from 1<sup>st</sup> April 2021.
- It is also to be noted the turnover of more than Rs. 50 Cr shall have to be seen for any of years from F.Y. 2017-18 to F.Y. 2020-21.
- Earlier, E-Invoicing was made applicable from 1<sup>st</sup> October 2020 to taxpayers having aggregate turnover more than Rs. 500 Crores and from 1<sup>st</sup> January 2021 to taxpayers having aggregate turnover more than Rs. 100 Crores.

### **Requirement of having QR code on B2C invoices**

- Taxpayers having turnover more than 500 Crores are required to have a Dynamic Quick Response ('QR') code in the supplies made to unregistered (B2C) customers.

### **Activities relevant for the closing of F.Y. 2020-21**

#### **Input Tax Credit ('ITC')**

#### Reversal of ITC (Section 16(4))

If recipient of goods/services does not make payment to supplier within 180 days from the date of invoice, the ITC in respect of such invoices shall have to be reversed in proportion to the payment outstanding. However, ITC of such transactions can be re-availed upon payment to the vendors.

Ideally, this activity of reversal of ITC is to be carried out on a monthly basis, however, since the books are being closed in the month of March, this can be given effect in case not done on a monthly basis.

#### Reversal of ITC as per Rule 42

In case taxpayer is dealing into exempted & taxable supplies, the annual calculation for reversal of common ITC (after considering monthly reversal) on account of exempted supplies as per rule 42 of the CGST Rules, 2017 is required to be done and effect of any excess reversal or short reversal should be duly accounted for in GST returns for March 2021.

#### **Reconciliations**

Following reconciliations should be made to ensure that details as per returns are matching with the books of accounts:

- Reconciliation of closing balance of Electronic Cash Ledger & and Electronic Credit Ledger and the books
- Reconciliation of ITC claimed as per Books vs GSTR 3B Vs GSTR 2A (Consolidated for the year). All adjustments (claim or reversals) can be reported in GST returns of March 2021 (although the taxpayer has time upto September 2021 to make most adjustments).

#### **Composition scheme**

- If a taxpayer wishes to opt in for the composition scheme, then he can apply via Form GST CMP – 02 on or before 31st March 2021.
- Similarly, taxpayers who wish to opt out from the composition scheme, can apply via Form GST CMP – 04 on or before 7th April 2021 and ITC claimed on inputs lying in form of Inputs, WIP, finished goods stock & capital goods as on 31st March 2021 shall have to be reversed.

#### **Annual Return Compliance for FY 2019-20**

Due date for filing GST annual Return (GSTR 9) & Reconciliation statement (GSTR 9C) for FY 2019-20 has been extended to 31st March 2021. GSTR 9 &

GSTR 9C needs to be filed on or before 31st March 2021.

### Consideration of Aggregate Turnover as per F.Y. 2020-21 for F.Y. 2021-22 compliances

- Various decision making and compliances under GST are dependent upon the Aggregate Turnover during the previous year such as GST registration, opting for Composition and QRMP Schemes, applicability of E-Invoicing and Rule 86B etc.
- Ascertaining the turnover for the F.Y. 2020-21 would help in determining the relevant provisions applicable.

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For further analysis and discussion, you may please reach out to us.

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