

GST considerations for the closing and start of new Financial Year

Snapshot

- New document series for issuance of tax invoices, credit notes, etc.
- Obtain LUT where exports are being made without payment of taxes
- E-Invoicing for taxpayers having turnover of more than Rs. 20 Crores in any of the preceding year from FY 2017-18
- Updating details for Importer Exporter Code (IEC)
- Application for Merchandise Exports from India Scheme (MEIS)
- Application for Registration Cum Membership Certificate (RCMC)
- Reconciliation of Turnover as per books and GSTR 1 and 3B
- Reconciliations of ITC as per books and 2A/2B
- Reversal of ITC in case of nonpayment to vendors within 180 days
- Reversal of ITC in case of exempted and taxable supplies
- Application for Composition Scheme
- Opting for quarterly / monthly GST filing, wherever applicable

Activities relevant for the start of F.Y. 2022-23

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. 2022-23, the same can be done from 1st April 2022.
- While the taxpayer may continue with old invoice series, it is to be ensured that the invoice numbers of an old series are not repeated.

Letter of Undertaking (LUT)

- Letter of Undertaking (in form GST RFD -11) for FY 2022-23 must be obtained for exporting goods or service or for supply made to SEZ unit/ developer without payment of Tax.
- The LUT is required to be obtained before issuance of invoice for such zero-rated supplies.

Mandatory E-Invoicing from April 01, 2022, for taxpayers having turnover exceeding Rs. 20 Crores

- The E-Invoicing is being made applicable to taxpayers having aggregate turnover above Rs. 20 crores, with effect from 1st April 2022.
- It is also to be noted the turnover of more than Rs. 20 Cr shall have to be seen for any of the years from F.Y. 2017-18 to F.Y. 2021-22.
- It is relevant to note that ITC shall not be available to the recipient in case of failure of supplier to issue E-invoice, wherever applicable. Hence, review/ updation of vendor master shall be required.

Updating details of Importer Exporter Code

- An IEC holder shall be required to update details of IEC electronically between April to June 2022. In case, there is no change in details, the same shall also need to be confirmed online.
- An IEC shall be de-activated if it not updated within the prescribed time frame.

Application for Merchandise Exports from India Scheme

- The last date for submitting online application for Merchandise Exports from India Scheme ('MEIS') for the exports made in the period 1 April 2020 to 31 December 2020 is 30th April 2022.
- Application shall not be allowed to be submitted after the above date as they would become time barred. Further, the provisions of Late cut will also not be available thereafter.

Application for Registration Cum Membership Certificate

The application for Registration Cum Membership Certificate ('RCMC') shall have to be mandatorily filed online from 1st April 2022 on DGFT portal.

Activities relevant for the closing of F.Y. 2021-22

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 monthly basis. Nevertheless, 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 in 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 2022.

Reconciliations

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

- a. Reconciliation between closing balance of Electronic Cash Ledger & and Electronic Credit Ledger and the relevant ledgers in the books of account
- b. Reconciliation of ITC claimed as per Books vs GSTR 3B Vs GSTR 2A/2B (Consolidated for the year). All adjustments (claim or reversals) can be reported in GST returns of March 2022 (although the taxpayer has time up to September 2022 to give effect of such 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 2022.

- Similarly, taxpayers who wish to opt out from the composition scheme, can apply via Form GST CMP – 04 on or before 7th April 2022 and ITC claimed on inputs lying in form of Raw materials, WIP, finished goods stock & capital goods as on 31st March 2022 shall have to be reversed.

Consideration of Aggregate Turnover of F.Y. 2021-22 for compliances of F.Y. 2022-23

- 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. 2021-22 would help in determining the relevant provisions applicable.

Selection of frequency of Return Filing

- Taxpayers having a turnover upto 5 crores have an option of filing return under the QRMP scheme. In case the taxpayer wants to change the frequency of default filing or the frequency selected in the previous quarter, Time limit for opting OUT of the QRMP Scheme for Quarter 1 ending June 2022 is 30th April, 2022

This document is prepared exclusively for the benefit and use of the clients of K. C. Mehta & Co. This should not be used as a substitute for professional advice. Reasonable care has been taken for ensuring the accuracy and the authenticity of the contents of this alert. However, we do not take any responsibility for any error or omission contained therein on any account. It is recommended that the readers should take professional advice before acting on the same.

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

Locations

Ahmedabad

Arpit Jain

Level 11, Tower B,
Ratnaakar Nine Square,
Vastrapur,
Ahmedabad - 380 015

Phone: +91 79 4910 2200
arpit.jain@kcmehtha.com

Independent Member of

B K R
INTERNATIONAL

Bengaluru

Payal Shah

19/4, Between 7th & 8th Cross,
Mallewaram,
Bengaluru - 560 003

Phone: +91 80 2356 1880
payal.shah@kcmehtha.com

Mumbai

Vishal Doshi

508, The Summit Business Bay,
Nr. WEH Metro Station,
Gundavali, Andheri East,
Mumbai - 400069

Phone: +91 22 2612 5834
vishal.doshi@kcmehtha.com

Vadodara

Milin Mehta

Meghdhanush,
Race Course,
Vadodara - 390 007

Phone: +91 265 2440400
milin.mehta@kcmehtha.com