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Indirect Tax

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Key GST Compliance Actions for Year-End Closure and New Financial Year – FY 2025–26 / 2026–27

Executive Snapshot

As the financial year transitions, businesses should undertake key GST compliance reviews to ensure smooth closure of FY 2025–26 and readiness for FY 2026–27.

Key areas covered includes as below:

- Renewal of LUT and export compliance
- Review of Composition Scheme and QRMP options
- Validation of e-invoicing and HSN reporting thresholds
- Document numbering and regulatory declarations (GTA, restaurant, ISD)
- GSTAT appeal timelines, IEC update, and RoDTEP compliance
- Reconciliation of Books with GSTR-1 and GSTR-3B
- Invoice-level ITC validation with GSTR-2B
- Review of reversals under Rules 37, 37A, 42, and 43
- Review of credit notes, RCM exposure, and other income taxability
- FAR verification for sale or disposal of capital assets
- Completion of amendments and ITC claims within statutory timelines up to November 2026 and annual return filings by 31 December 2026.

Background

A. Activities Relevant for the Beginning of FY 2026–27

✓ New Document Numbering Series

Every tax invoice and prescribed document must carry a consecutive serial number that is unique to the financial year and does not exceed 16 characters.

At the start of a new financial year, taxpayers may either continue their existing numbering series or use a fresh series of invoice number. In either case, duplication of document numbers used in the previous year must be strictly avoided.

✓ Letter of Undertaking (LUT)

Exporters and suppliers to SEZ units intending to undertake zero-rated supplies without payment of tax must furnish a fresh LUT prior to commencement of FY 2026–27 and before issuing such invoices.

The LUT is valid for one financial year and requires annual renewal.

Taxpayers should ensure timely filing of the LUT at the beginning of the financial year and to ensure that zero-rated supplies are made without payment of tax only after valid LUT acknowledgment on the portal.

✓ Composition Scheme, Opt-In / Opt-Out

Eligible taxpayers within the prescribed turnover limits may opt for the Composition Scheme for FY 2026–27 on or before 31 March 2026.

Upon opting in, input tax credit on stock and capital goods as on 31 March 2026 is required to be reversed.

Conversely, where a taxpayer exits the scheme, eligibility to avail ITC arises subject to statutory conditions.

Taxpayers should review aggregate turnover and carry out a stock reconciliation before exercising the option to ensure informed and compliant decision-makings.

✓ E-Invoicing Applicability

Registered persons whose aggregate turnover in any preceding financial year exceeds Rs. 5 Crores are mandatorily required to generate e-invoices for notified supplies.

An invoice issued without a valid Invoice Reference Number (IRN) is treated as invalid, leading to denial of input tax credit to the recipient and potential penalty exposure.

Taxpayers should review turnover of prior financial years and ensure e-invoicing compliance from 1st April wherever the prescribed threshold is crossed.

✓ HSN Reporting Compliance

HSN reporting is to be determined based on the aggregate turnover of the preceding financial year. The previous year turnover should be reviewed to identify the applicable digit requirement, and correct HSN disclosure must be ensured in invoices and GSTR-1.

The turnover thresholds provided below should be verified and the corresponding HSN digits should be reported accordingly.

Aggregate Turnover (Preceding FY)	HSN Requirement	Applicability
Up to Rs. 5 Crores	4-digit HSN	Mandatory for B2B supplies (B2C generally optional)
Above Rs. 5 Crores	6-digit HSN	Mandatory for all supplies (B2B and B2C)
Specified Notified Goods	8-digit HSN	Mandatory irrespective of turnover

✓ QRMP Scheme Opt-In / Opt-Out

The option to opt in or opt out of the QRMP scheme may be exercised on the GST portal within the prescribed window for the relevant quarter.

The option window opens from the 1st day of the second month of the preceding quarter and closes on the last day of the first month of the quarter for which the option is to be exercised.

For the April–June quarter, the option may be exercised between 1st February and 30th April of the relevant year.

The option can be exercised only where the last due return has been filed. Once selected, the option continues for subsequent periods unless revised, or the registered person becomes ineligible.

✓ GTA Services, Tax Payment Option under FCM / RCM

Goods Transport Agencies intending to pay GST under the FCM are required to file Annexure V on the GST portal between 1st January and 31st March of the preceding financial year.

Once exercised, the option continues for subsequent financial years until it is withdrawn, which can be done by filing Annexure VI during the same window (1 January to 31 March) of the preceding financial year.

In the absence of such declaration, GST on GTA services shall be payable by the recipient under the Reverse Charge Mechanism (RCM).

Where FCM is opted, every tax invoice issued by the GTA must contain the prescribed declaration confirming that GST is being paid under forward charge

✓ **Restaurant Services — Specified Premises Option (Annexure VII & IX)**

Service providers operating restaurant services within accommodation premises must evaluate whether they fall under the 'specified premises' category for FY 2026–27 and, where applicable, file Annexure VII and Annexure IX on the GST portal on or before 31st March 2026.

Entities should review room tariff thresholds, assess the applicable tax rate and input tax credit eligibility, and complete the required declaration within the prescribed timeline to ensure correct classification and reporting for the financial year.

✓ **GSTAT Appeals — Filing Deadline**

Appeals before the GST Appellate Tribunal in respect of eligible orders received on or before 31st March 2026 are required to be filed by 30th June 2026.

Taxpayers having the adverse orders from the First Appellate Authority for earlier periods should review such orders and, where appropriate, file appeals before the said deadline.

Pre-deposit liability should be computed in advance and all relevant documents compiled, to ensure timely and procedurally compliant filing within the prescribed period.

✓ **Rule 86B — Restriction on Utilisation of ITC**

Where monthly taxable turnover exceeds Rs. 50 Lakhs, utilisation of ITC is restricted to 99% of output tax liability, requiring at least 1% of the liability to be discharged in cash, subject to prescribed exceptions.

The restriction does not apply, where, based on the preceding financial year records, income tax exceeding Rs. 1 Lakh has been paid in each of the last two financial years or refund exceeding Rs. 1 Lakh has been received in the preceding financial year on account of exports or inverted duty structure.

Accordingly, applicability of Rule 86B should be verified while preparing the April GST return and any future month return after reviewing the previous year income tax payments and refund details.

✓ **Importer Exporter Code (IEC) — Annual Update**

All IEC holders are required to electronically update or confirm their IEC particulars on the DGFT portal during the period April to June 2026.

This requirement applies even where there is no change in details, and an online confirmation is mandatory.

IEC holders should complete the update or confirmation on or before 30th June 2026 and retain acknowledgement records to ensure continuity of import and export operations.

✓ **RoDTEP Annual Returns — FY 2023–24 and FY 2024–25**

The Annual RoDTEP Returns for FY 2023–24 and FY 2024–25 is required to be filed by 31 March 2026.

For FY 2023–24, filing is permitted upon payment of a composition fee of Rs. 15,000. If the return for FY 2024–25 is not filed by the due date, filing may be allowed subject to payment of the applicable composition fee as prescribed under DGFT provisions.

Exporters who have availed RoDTEP benefits are advised to complete the filing within the stipulated timeline to avoid restriction of RoDTEP benefits and compliance issues on the DGFT portal.

B. Activities Relevant for the Closing of FY 2025–26

✓ **Outward Supply Reconciliation — Books vs. GSTR-1 vs. GSTR-3B**

A detailed reconciliation of outward supplies for FY 2025–26 should be undertaken to ensure consistency of turnover and tax disclosures between the books of accounts and GST returns. The review may be carried out as follows:

- Reconcile total turnover and tax liability (including RCM) between Books of Accounts, GSTR-1, and GSTR-3B.
- Review rate-wise reporting to ensure correct tax application, especially for transactions post the September 2025 rate changes.
- Match invoice-level data, including credit and debit notes, with e-invoice and e-way bill records and corresponding disclosures in GSTR-1 and GSTR-3B.
- Reconcile HSN-wise turnover as per books with Table 12 of GSTR-1, ensuring accurate

HSN selection and correct B2B/B2C bifurcation.

- Complete all amendments relating to FY 2025–26 in returns up to October 2026 (filed by November 20, 2026).
 - Wherever practicable, incorporate necessary corrections in the March 2026 return to minimise inter-year timing differences.
- #### ✓ **ITC Reconciliation — Review of Inward Register, GSTR-2B vs. ITC Register vs. GSTR-3B**

A thorough reconciliation of input tax credit for FY 2025–26 should be carried out to confirm eligibility, accuracy of claims, and alignment between books and statutory returns. Special attention should be given to vendor reporting compliance, timing gaps in reflection of invoices in GSTR-2B, import credits, and system-based validations on the GST portal. The review may be undertaken as follows:

- Perform an invoice-level reconciliation between the Inward Register, GSTR-2B, ITC Register in books, and ITC claimed in GSTR-3B.
- Identify ineligible or blocked credits and ensure timely reversals, including adjustments relating to RCM transactions.
- Track spillover invoices pertaining to earlier financial years within the prescribed eligibility timelines.
- Reconcile import ITC separately by matching Bill of Entry details, ICEGATE data, and GSTR-2B entries.
- Review and update the Electronic Credit Reversal and Re-credit Statement (ECRRS) and verify RCM ledger balances.
- Reconcile closing balances of the Electronic Cash Ledger and Electronic

Credit Ledger with the general ledger in books.

- Where ITC claimed exceeds GSTR-2B, ensure appropriate rectifications with interest (if any).

C. Other considerations

Outward Supplies and Tax Liability

- ✓ **Review of credit notes to ensure issuance within the prescribed time limit and proper reporting in the return**

Taxpayers should review the sales register for FY 2025–26 and identify transactions requiring issuance of GST Credit Notes on account of value revisions or sales returns.

Such credit notes must be issued within the prescribed time limit, i.e., up to 31st October 2026 (subject to filing of the annual return).

The issued credit notes should be appropriately reported in the relevant GST return not later than 30th November 2026 to ensure correct adjustment of output tax liability.

Where Credit Notes are issued, corresponding ITC reversal by the recipient must be monitored i.e. confirmations of ITC reversal from recipients are to be obtained and kept on records for audit and departmental verification purposes.

- ✓ **Review of CGST/SGST vs. IGST for verification of the correct nature of supply**

A review of outward supplies for FY 2025–26 should be undertaken to identify cases where tax has been discharged under the incorrect head (CGST/SGST instead of IGST or vice versa) due to misclassification of place of supply.

Where such instances are identified, corrective action should be initiated within the

prescribed timelines to adjust the tax under the appropriate head and align corresponding ITC positions

- ✓ **Review of Other Income and Miscellaneous Receipts**

A year-end review of other income and miscellaneous receipts for FY 2025–26 should be undertaken to evaluate GST applicability on amounts not forming part of regular outward supplies.

All such credits appearing in the books should be examined for taxability, ITC reversal implications, and correct classification. Necessary tax payment, reversals, and return-level disclosures should be affected within the prescribed timelines to ensure complete compliance.

- ✓ **Review of Fixed Asset Register (FAR) in respect of Sale, Transfer, Write-off or Disposal of Capital Assets**

The entire Fixed Asset Register (FAR) should be reviewed to identify any plant and machinery or other capital assets sold, transferred, written off, or deleted during FY 2025–26. For such transactions, the amount payable should be computed and the applicable GST discharged, or the proportionate ITC attributable to the remaining useful life should be reversed, as required.

Appropriate adjustments should be made in the relevant GST return and corresponding entries should be aligned in the books of accounts.

Input Tax Credit — Review and Reversal

- ✓ **ITC Reversal on Non-Payment Within 180 Days**

Vendor outstanding balances should be reviewed to identify invoices where payment

has not been made within 180 days from the date of invoice and on which ITC has been availed.

ITC relating to such invoices must be reversed in GSTR-3B and re-availed upon subsequent payment to the vendor.

✓ **Review of vendor GSTR-3B returns for ITC compliance verification.**

A review should be undertaken to verify whether vendors, in respect of whom ITC has been availed for FY 2025–26, have filed their GSTR-3B returns.

Where the vendor has not filed the return, the corresponding ITC should be reversed in the recipient's GSTR-3B in accordance with Rule 37A.

Reversed ITC may be re-availed upon subsequent filing of GSTR-3B by the vendor. Necessary verification and corrective action should be completed on or before 30th November 2026 to ensure compliance.

✓ **Annual Reversal of Common ITC under Rules 42 and 43**

Taxpayers engaged in both taxable and exempt supplies should undertake the annual re-computation of common input tax credit for FY 2025–26 in accordance with the prescribed formula under Rules 42 (inputs and input services) and 43 (capital goods).

The scope of "exempt supply" should be carefully determined to ensure correct inclusion or exclusion of relevant items for computation purposes.

The differential between the annual re-computation and the cumulative monthly reversals should be adjusted in the September

2026 GST return. Where excess ITC has been availed, applicable interest should be paid from 1st April 2026 till the date of such reversal.

✓ **ITC Reversal on Write-Offs, Destruction, and Obsolescence of Goods**

A year-end review of inventory and asset records should be undertaken to identify goods written off, destroyed, lost, or rendered obsolete during FY 2025–26.

Wherever input tax credit has been availed on such goods, appropriate reversal should be made in the relevant GST return.

✓ **ISD Compliance — Distinct Persons and Related Registrations**

Detailed review of common expenses attributable to multiple GSTNs under the same PAN should be carried out to ensure / revisit identification of common and distributable ITC.

Wherever such services are identified, vendors should be instructed to issue invoices to ISD registration to facilitate proper distribution of ITC through the ISD mechanism.

All eligible credits should thereafter be distributed through the ISD return within the prescribed timelines, ensuring accurate allocation, proper documentation, and corresponding reflection in the GST returns of the recipient registrations.

Other Compliance

✓ **Review of GST Registration Certificate**

The GST Registration Certificate should be reviewed to ensure that particulars such as Directors, Place of Business, Additional Place of Business, and Authorized Signatory are correctly reflected on the GST portal.

Where any change has occurred during the year or any additional place of business has not been reported, the registration details should be updated on the GST portal.

✓ **Self-Invoice and Payment Voucher for RCM Transactions**

A review should be undertaken to ensure that self-invoices and payment vouchers have been issued for supplies received from unregistered persons where tax is payable under the Reverse Charge Mechanism (RCM).

Such documents should be verified and maintained to ensure proper documentation and reporting of RCM transactions in the relevant GST returns.

✓ **GST TDS Compliances**

For entities holding GST TDS registration, a review of contracts and payments for FY 2025–26 should be undertaken to ensure correct deduction and deposit of GST TDS and invoice-wise reporting in GSTR-7. Any pending GST TDS liabilities should be discharged, and the corresponding GSTR-7A TDS certificates should be issued to the deductees.

From 1st April 2026, vendor and contract details should be reviewed to ensure correct applicability and deduction of GST TDS for transactions in the new financial year.

D. Key due dates for compliance for FY 2026–27 and year ending FY 2025–26

The above discussed compliance requirements involve several critical statutory deadlines. A consolidated summary of the key due dates is provided below for the year 2026-27.

Due Date	Compliance Requirement
31 March 2026	Filing / Renewal of LUT (Form GST RFD-11) for zero-rated supplies without payment of IGST.
31 March 2026	Opt-in for Composition Scheme for FY 2026–27 (Form CMP-02).
31 March 2026	Filing of Annexure V & VI for opting FCM/RCM for GTA supplies.
31 March 2026	Filing of Annexure VII & IX for opting in/out of "Specified Premises".
31 March 2026	Filing of RoDTEP Annual Return for FY 2023–24 and FY 2024–25.
11 April 2026	Filing of March 2026 GSTR-1.
20 April 2026	Filing of March 2026 GSTR-3B.
25 April 2026	Filing of ITC-04 (job work reporting, as applicable).
30 April 2026	Opt-in / Opt-out under QRMP Scheme for FY 2026–27.
30 June 2026	Filing of GSTR-4 (Annual Return for Composition Dealers).
30 June 2026	Filing of GSTAT appeals for eligible past orders.
30 June 2026	Annual updation / confirmation of IEC on DGFT portal.
September 2026 return	Annual ITC reversal adjustment under Rules 42 & 43 to be given effect.
30 November 2026	Last date for ITC availment / rectification for FY 2025–26 (Section 16(4)); compliance under Rule 37A.
31 December 2026	Filing of Annual Return (GSTR-9) and Reconciliation Statement (GSTR-9C, where applicable).

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Locations

Ahmedabad Arpit Jain

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

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

Bengaluru Dhaval Trivedi

4/1, Rudra Chambers, First
Floor, 4th Main, B/W 8th & 9th
Cross Road, Malleshwaram,
Bengaluru - 560 003

Phone: +91 80 2356 1880
dhaval.trivedi@kcmehta.com

Mumbai Bhadresh Vyas

315, The Summit Business
Park, Opp. Max Cinema, Nr.
WEH Metro Station,
Gundavali, Andheri East,
Mumbai - 400 069

Phone: +91 22 2612 5834
bhadrsh.vyas@kcmehta.com

Vadodara Milin Mehta

Meghdhanush,
Race Course,
Vadodara - 390 007

Phone: +91 265 2440 400
milin.mehta@kcmehta.com

Dubai Suril Mehta

Dubai, UAE

Phone: +971 55 509 2621
suril.mehta@kcmehta.com