

INDEX

- **Checklist of important GST activities to complete prior to starting the next financial year**
- **Standard Operating Procedure (SOP) for scrutiny of returns for FY 2017-18 and FY 2018-19**

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

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 provisions 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. 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 generated and self-assessed aggregate turnover.

5. 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.

6. Reconciliation

- Taxpayers should reconcile the cash ledger, credit ledger and liability ledger balances 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.

7. 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.

8. 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 deactivated 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

9. 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.

10. 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).
- **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 reclaim 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)

11. 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 | 6 |
| 2 | Up to INR 5 Crore | B2B | Mandatory | 4 |
| | | B2C | Optional | 8 |

Standard Operating Procedure (SOP) for scrutiny of returns for FY 2017-18 and FY 2018-19

Till the time a Scrutiny Module for online scrutiny of returns is made available on the CBIC-GST application, as an interim measure, Board has issued the following SOP to ensure uniformity in selection/ identification of returns for scrutiny, methodology of scrutiny of such returns and other related procedures:

1. Selection of returns for scrutiny:

Selection of returns for scrutiny is to be based on specific risk parameters. The Directorate General of Analytics and Risk Management (DGARM) has been assigned the task to select the GSTINs registered with Central tax authorities, whose returns are to be scrutinized, and to communicate the same to the field formations from time to time through the DDM portal (to the nodal officer of the Commissionerate concerned) for further action.

DGARM would also provide some relevant data (along with likely revenue implication) pertaining to the returns to be scrutinized through the DDM portal. It may be noted that the data provided by the DGARM is generated at a particular point of time which may undergo change at the time of scrutiny of returns by the proper officer due to subsequent compliances carried out by the taxpayer or by the suppliers of the taxpayer. The proper officer shall, therefore, rely upon the latest available data.

2. Proper officer for scrutiny of returns

Scrutiny of returns of a taxpayer may be conducted by Superintendent of Central Tax in-charge of the jurisdictional range of the said taxpayer [*Circular No. 3/3/2017 - GST dated 05.07.2017*].

3. Scrutiny Schedule

The proper officer, with the approval of the divisional Assistant / Deputy Commissioner, shall finalize a month-wise scrutiny schedule as provided in Annexure A, in respect of GSTINs selected for scrutiny, prioritizing those GSTINs which appear to be riskier based on the likely revenue implication indicated by DGARM. The proper officer shall conduct scrutiny of returns pertaining to minimum of 3 GSTINs per month. Scrutiny of returns of one GSTIN shall mean scrutiny of all returns pertaining to a financial year for which the said GSTIN has been identified for scrutiny.

4. Process of scrutiny by the proper officer

- The Proper Officer shall scrutinize the returns and related particulars furnished by the registered person with the help of various returns and statements furnished by the registered person and data/details made available through various sources like DGARM, ADVAIT, GSTN, E-Way Bill Portal, etc. An indicative list of parameters to be verified is enclosed as **Annexure B**. The proper officer may also consider any other parameter, as he may deem fit, for the purpose of scrutiny.
- At this stage, the proper officer is expected to rely upon the information available with him or with the department. As far as possible, scrutiny of returns should have minimal interface between the proper officer and the registered person and, there

should normally not be any need for seeking documents/ records from the taxpayers before issuance of FORM GST ASMT-10.

- The proper officer shall issue a notice to the registered person in FORM GST ASMT-10 informing him of the discrepancies noticed and seeking his explanation thereto. As far as possible, the proper officer may quantify the amount of tax, interest and any other amount payable in relation to such discrepancies after considering payment, if any, already made by the registered person in Form DRC-03. A single compiled notice in FORM GST ASMT-10 may be issued to the taxpayer for all returns pertaining to the financial year under scrutiny.
- The registered person may accept the discrepancy communicated to him in ASMT-10 and pay the tax, interest and any other amount arising from such discrepancy through FORM GST DRC-03 and inform the same or may furnish an explanation for the discrepancy in FORM GST ASMT-11 to the proper officer.
- If the explanation furnished by the registered person or the information submitted in respect of acceptance of discrepancy and payment of dues is found to be acceptable by the proper officer, he shall conclude the proceedings by informing the registered person in FORM GST ASMT-12.
- In case no satisfactory explanation is furnished by the registered person in FORM GST ASMT-11 within a period of thirty days of being informed by the proper officer or such further period as may be permitted by him or where the registered person, after accepting the discrepancies, fails to pay the tax, interest and any other amount arising from such discrepancies, the proper officer, may proceed to determine the tax and other dues under section 73 or section 74.

For proceeding under section 73 or section 74, monetary limits as specified in Circular No. 31/05/2018-GST dated 9th February 2018 shall be adhered to. However, if the proper officer is of the opinion that the matter needs to be pursued further through audit or investigation to determine the correct liability of the said registered person, then he may refer the matter to the jurisdictional Principal Commissioner / Commissioner through the divisional Assistant / Deputy Commissioner, for the decision whether the matter needs to be referred to Audit Commissionerate or Anti-evasion Wing of the Commissionerate, as the case may be.

5. Timelines for scrutiny of returns

| S. No. | Process | Timelines/ Frequency |
|--------|--|---|
| 1. | Communication of list of GSTINs selected for scrutiny (by DGARM to the nodal officer of the Commissionerate concerned) | From time to time. |
| 2. | Distribution of the list of GSTINs selected for scrutiny by the nodal officer to the proper officers concerned | Within three working days of receipt of the list from DGARM. |
| 3. | Finalization of scrutiny schedule with the approval of the concerned | Within seven working days of receipt of the details of the concerned GSTINs from the nodal officer. |

| | | |
|-----|---|---|
| | Assistant/Deputy Commissioner | |
| 4. | Sharing the scrutiny schedule by the zone with DGGST | Within thirty days of receipt of the details of the concerned GSTINs from DGARM. |
| 5. | Issuance of notice by the proper officer for intimating discrepancies in FORM GST ASMT-10, where required | Within the month, as mentioned in scrutiny schedule for scrutiny of the returns of the said GSTIN. |
| 6. | Reply by the registered person in FORM GST ASMT-11 | Within a period of thirty days of being informed by the proper officer in FORM GST ASMT-10 or such further period as may be permitted by the proper officer |
| 7. | Issuance of order in FORM GST ASMT12 for acceptance of reply furnished by the registered person, where applicable | Within thirty days from receipt of reply from the registered person in FORM GST ASMT-11. |
| 8. | Initiation of appropriate action for determination of the tax and other dues under section 73 or section 74, in cases where no reply is furnished by the registered person | Within a period of fifteen days after completion of the period of thirty days of issuance of notice in FORM GST ASMT-10 or such further period as permitted by the proper officer. |
| 9. | Initiation of appropriate action for determination of the tax and other dues under section 73 or section 74, in cases where reply is furnished by the registered person, but the same is not found acceptable by the proper officer | Within thirty days from receipt of reply from the registered person in FORM GST ASMT-11. |
| 10. | Reference, if any, to the Commissioner for decision regarding appropriate action under section 65 or section 66 or section 67 | Within thirty days from receipt of reply from the registered person in FORM GST ASMT-11 or within a period of forty-five days of issuance of FORM GST ASMT-10 in case no explanation is furnished by the registered person. |

6. Reporting and Monitoring

A Scrutiny Register shall be maintained by the proper officer in respect of the GSTINs allotted for scrutiny, in the format detailed in Annexure C. The progress of the scrutiny exercise as per the scrutiny schedule shall be monitored by the jurisdictional Principal Commissioner/ Commissioner on monthly basis. Further, a Scrutiny Progress Report, in the format detailed in Annexure D, shall be prepared by the proper officer at the end of every month. The monthly Scrutiny Progress Report for each Commissionerate of the CGST Zone shall be compiled for each month and forwarded to the Director General of

Goods and Service Tax (DGGST) by the Principal Chief Commissioner/Chief Commissioner of the concerned Zone by 10th day of the succeeding month. The DGGST, in turn, would present the progress report to the Board, through the GST Policy Wing, by the 20th day of the corresponding month.

Any communication with the taxpayer for the purpose of scrutiny shall be made with the use of DIN as per the guidelines mentioned in the *Circular No. 122/41/2019-GST dated 5th November 2019*.

Annexure B

INDICATIVE LIST OF PARAMETERS FOR SCRUTINY

1. Tax liability on account of “Outward taxable supplies (other than zero rated, nil rated and exempted)” and “Outward taxable supplies (zero rated)” as declared in table 3.1(a) and table 3.1(b) respectively of FORM GSTR-3B may be verified with corresponding tax liability in respect of outward taxable supplies declared in table 4 (other than table 4B), table 5, table 6, table 7A(1), table 7B(1), table 11A and table 11B (along with the net effect of amendments thereof in Table 9, 10 and 11(II)) of FORM GSTR-1.

Where the tax liability in respect of supplies declared in the aforementioned tables of FORM GSTR-1 exceeds the liability declared in table 3.1(a) and table 3.1(b) of FORM GSTR-3B, it may indicate short payment of tax.

It may be noted that table 11B of FORM GSTR-1 captures details of advance amount received in earlier tax periods and adjusted against the supplies shown in the current tax period in table 4, 5, 6 and 7 of FORM GSTR-1. As such, the impact of such details in table 11B is reduction in liability for the tax period under consideration, as the tax should have already been paid upon receipt of such advance amount.

2. Tax liability on account of “Inward supplies (liable to reverse charge)” as declared in Table 3.1(d) of FORM GSTR-3B may be verified with the following:

(i) ITC availed in Table 4(A)(2) and Table 4(A)(3) of FORM GSTR-3B.

Availment of ITC in excess of the liability discharged on account of reverse charge supplies may indicate either short payment of tax liability on account of RCM supplies or excess availment of input tax credit in respect of RCM supplies.

(ii) ITC in respect of inward supplies attracting reverse charge as available in Table 3 and Table 5 (along with the net effect of amendments thereof in Table 4 and Table 6 respectively) of FORM GSTR-2A.

In respect of inward supplies attracting reverse charge received from a registered person, the details of corresponding invoices and debit/credit notes are communicated in table 3 and table 5 of FORM GSTR2A. Further, in case of amendment of such details by the corresponding supplies in their FORM GSTR-1, the details of such amendments are communicated in table 4 and table 5 respectively.

However, the details of such inward supplies from unregistered persons are not communicated in FORM GSTR-2A, as only registered persons furnish FORM GSTR-1.

Moreover, details of ITC on account of import of services also are not communicated in FORM GSTR-2A. As such, the reverse charge supplies declared in table 3.1(d) of FORM GSTR-3B cannot be less than the inward supplies attracting reverse charge as available in the above mentioned tables of FORM GSTR-2A.

Where the RCM supplies declared in table 3.1(d) of FORM GSTR-3B are less than the inward supplies attracting reverse charge as per details available in FORM GSTR-2A, it may indicate short payment of tax liability on account of RCM supplies.

It may be noted that the said tables in FORM GSTR-2A contain details of supplies attracting forward as well as reverse charge. Therefore, only the supplies against which there is "Yes" or "Y" in column 14 of Table 3, column 16 of Table 4, column 15 of Table 5 and column 18 of Table 6 may be considered.

(iii) Tax/Cess paid in cash as per column 8 of Table 6.1 of FORM GSTR-3B.

In respect of inward supplies liable to reverse charge, tax/cess is to be paid in cash. Besides such RCM payments in cash, there may also be other payments in cash by the registered person. In any case, tax liability off-set in cash should not be less than the liability arising on account of reverse charge as per table 3.1(d) of FORM GSTR-3B. Where the tax liability off-set in cash is less than the liability arising on account of reverse charge, it may indicate short payment of tax.

3. ITC availed in respect of "Inward supplies from ISD" in Table 4(A)(4) of FORM GSTR-3B may be verified with Table 7 (along with the net effect of amendments thereof in Table 8) of FORM GSTR2A.

4. ITC availed in respect of "All other ITC" in Table 4(A)(5) of FORM GSTR-3B may be verified with Table 3 and Table 5 (along with the net effect of amendments thereof in Table 4 and Table 6 respectively) of FORM GSTR-2A.

It may be noted that the said tables in FORM GSTR-2A contain details of supplies attracting forward as well as reverse charge. Therefore, only the supplies against which there is "No" or "N" in column 14 of Table 3, column 16 of Table 4, column 15 of Table 5 and column 18 of Table 6 may be considered.

5. It may be verified that the taxable value declared on account of "Outward taxable supplies (other than zero rated, nil rated and exempted)" in Table 3.1(a) of FORM GSTR-3B is not less than the net amount liable for TCS and TDS credit as per Column 6 of Table 9 of FORM GSTR-2A.

Section 51 of the CGST Act mandates deduction of tax at source in respect of supplies made to TDS deductors. Similarly, section 52 of the CGST Act requires electronic commerce operators to collect tax at source in respect of supplies made through them. The details of such TDS and TCS are furnished by the corresponding deductors and operators in their FORM GSTR-7 and FORM GSTR-8 respectively and communicated to the registered person in table 9 of FORM GSTR-2A. Besides such supplies, the registered person may have other supplies also. However, the taxable value declared on account of "Outward taxable supplies (other than zero rated, nil rated and exempted)" in Table 3.1(a) of FORM GSTR-3B cannot be less than the net amount liable for TCS and TDS credit as per Column 6 of Table 9 of FORM GSTR-2A. A discrepancy on the aforementioned count may indicate short payment of tax.

6. Liability on account of outward supplies in Table 3.1(a) and 3.1(b) of FORM GSTR-3B should be verified with the Tax liability as declared in e-way bills.

Rule 138 of the CGST Rules mandates generation of e-way bill before commencement of movement of goods of consignment value exceeding fifty thousand rupees (in relation to supply, or for reasons other than supply, or due to inward supply from unregistered person). Besides such supplies, the registered person may also have such other supplies which do not require generation of e-way bills, such as supply of services or supplies as specified in sub-rule (14) of rule 138, etc. Therefore, e-way bills capture a part of supplies made by the registered person. However, in table 3.1 of FORM GSTR-3B, the registered person is required to declare details of all outward supplies. Accordingly, liability declared in table 3.1 (a) and (b) of FORM GSTR-3B should not be less than tax liability as declared in the e-way bills.

7. Claim of ITC in respect of supplies from taxpayers whose registrations have been cancelled retrospectively.

In case of retrospective cancellation of registration of a supplier, the recipient is not entitled to claim ITC in respect of invoices or debit notes issued after the effective date of cancellation of the registration. Effective date of cancellation of registrations of the suppliers, if any, is made available in relevant tables of FORM GSTR-2A. Accordingly, it may be verified whether the registered person has availed ITC in respect of such invoices or debit notes issued by the suppliers after the effective date of cancellation of their registrations.

8. Ineligible ITC availed in respect of invoices / debit notes issued by the suppliers who have not filed their GSTR-3B returns for the relevant tax period.

FORM GSTR-2A of the registered person contains the details of "GSTR-3B filing status" of the supplier in respect of each invoice / debit note received by the registered person. Where the said status is "No", it indicates the supplier has furnished invoice details in his FORM GSTR-1, but has not furnished the return in FORM GSTR-3B for the corresponding tax period. The availment of ITC in respect of such invoices / debit notes may be checked.

9. Whether GSTR-3B of a tax period is filed after the last date of availment of ITC in respect of any invoice / debit note as per section 16(4).

In such cases, no ITC shall be availed in the return. Sub-section (4) of section 16 of CGST Act provides for availment of ITC only till the due date of furnishing of FORM GSTR-3B for the month of September following the end of FY to which such ITC pertains or furnishing of relevant Annual Return, whichever is earlier. Accordingly, if any return in FORM GSTR-3B is furnished after such time by the registered person under scrutiny, any ITC availed therein is inadmissible.

It may also be noted that vide proviso to sub-section (4) of section 16, for FY 2017-18, availment of ITC was allowed beyond the due date of furnishing of return for the month of September, 2018 till the due date of furnishing of the return in FORM GSTR-3B for the month of March, 2019 subject to the condition that the details of the said invoices / debit notes should have been furnished by the suppliers in their FORM GSTR-1 till the due date of furnishing of FORM GSTR-1 for the month of March, 2019.

10. ITC availed in respect of "Import of goods" in Table 4(A)(1) of FORM GSTR-3B may be verified with corresponding details in Table 10 and Table 11 of FORM GSTR-2A.

Wherever required, the details of such imports may also be cross-verified from ICEGATE portal.

11. Whether the registered person has made reversals of ITC in accordance with provisions of rule 42 and rule 43 of the CGST Rules.

Rule 42 of the CGST Rules provides for manner of determination of input tax credit in respect of inputs or input services and reversal thereof. Rule 43 provides for manner of determination of input tax credit in respect of capital goods and reversal thereof in certain cases. The registered person avails ITC in table 4(A) of FORM GSTR-3B and reverses in Table 4(B). It may be verified whether requisite reversals have actually been made by the said registered person.

12. Whether the registered person has paid interest liability in terms of section 50.

As per section 50 of the CGST Act a registered person is required to pay interest on delayed payment of tax. It may be verified whether interest payable as per the provisions of section 50 of the CGST Act has actually been paid by the registered person.

13. Whether the registered person has paid late fee in terms of section 47 in respect of returns/statements.

As per section 47 of the CGST Act a registered person is required to pay late fee for delayed filing of returns / statements under the Act. It may be verified whether late fee payable as per the provisions of section 47 of the CGST Act has actually been paid by the registered person.

The detailed instruction including other Annexures specifying the format for the Scrutiny Schedule, Scrutiny Register and Scrutiny Progress Report can be accessed at the following link: [Instruction No. 02/2022-GST dt. 22/03/2022](#)