

GST NEWSLETTER

ISSUE 28 | NOVEMBER 2020



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ARTICLE

Quarterly Return - Monthly Payment scheme

The GST department, in its efforts to simplify compliance burden of taxpayers, has decided to introduce a new system of return filing from January 2021 onwards. This is applicable to those taxpayers whose aggregate turnover in India does not exceed Rs. 5 Crores in preceding financial year and is optional to the taxpayers. This scheme is called as 'QRMP' or Quarterly Return and Monthly Payment

Here, we will familiarize you with the various aspects of quarterly returns:

Eligibility:

1. Aggregate turnover in India does not exceed Rs. 5 crores in the preceding financial year. The turnover for eligibility shall be calculated on a PAN basis and not GSTIN.
2. Any taxpayer providing 'online information and database access or retrieval services' is not covered under this.

Opting in & out of Quarterly returns:

Opting before 1st January 2021:

1. The taxpayers who are deemed to have opted for monthly or quarterly returns and those who can choose.

Taxpayers with aggregate turnover of up to 1.5 crore rupees and have filed GSTR 1 on a quarterly basis in <u>FY 2020-21</u>	Quarterly (deemed)
Taxpayers with aggregate turnover of up to 1.5 crore rupees and have filed GSTR 1 on a monthly basis in <u>FY 2020-21</u>	Monthly (deemed)
Taxpayers with aggregate turnover of more than 1.5 crore rupees and up to 5 Crores in <u>FY 2019-20</u>	Quarterly (deemed)
All other taxpayers with aggregate turnover of up to 5 crore rupees	As per their choice.

2. The taxpayers who are deemed to have opted the following schemes may opt out of the scheme between 5th December 2020 and 31st January 2021.
3. If the taxpayer has multiple GST registrations in India, then they may choose to opt for QRMP for any of the GST registrations. The opting-in is on a GSTIN level provided PAN India turnover is less than Rs. 5 Crores.

Ex: - a taxpayer has GST registrations in Karnataka, Tamil Nadu & Telangana. The aggregate turnover for the PAN i.e. from all 3 states is Rs. 4 Crores. Then the taxpayer is eligible for the QRMP scheme. But the taxpayer can choose to opt for QRMP in only Karnataka and continue the monthly scheme in the other two.

Opting after 1st January 2021:**Who can opt after 1st January 2021:**

1. Taxpayers who have obtained registrations after 1st January 2021 with turnover up to 5 Crores.
2. Taxpayers who have opted for monthly returns but want to change it to quarterly returns.
3. The opt-in can be done between 1st day of the 2nd month of the preceding quarter and last day of the 1st month of the current quarter.

Ex:- If a taxpayer has opted for monthly returns from January 2021, but wants to opt for quarterly returns after that then he can opt in

for quarterly returns only from 1st February 2021 to 30th April 2021 for the quarter April 2021 – June 2021. But he can no longer opt-in for January 2021 – March 2021 after 31st January 2021.

Conditions to opt in for this scheme:

1. The return of the preceding months that is due to be filed as on the date of opting for the scheme has been filed. This includes both GSTR 1 & GSTR 3B.
2. The selected option is to be continued till the rest of the year, unless opted out voluntarily.

Filing sales details:

Taxpayer who opts for the scheme will be required to file only quarterly returns of both GSTR 1 & GSTR 3B. However, they need to make tax liability payments on a monthly basis. The process of filing is as below:

1. The taxpayer may file the B2B invoices of a month if requested by their customers.
2. This B2B invoices will be filed through a facility called as **'Invoice Furnishing Facility' (IFF)**. This facility is available only for the first two months of every quarter.
3. This facility can be used only if the cumulative value of the B2B invoices is up to Rs. 50 lacs in a month. Any invoices beyond this value will not be accepted.

Claim of Input Tax Credit:

1. The taxpayer can claim ITC as per the books of accounts subject to the limit of ITC as per GSTR 2A plus 10%.
2. In the 1st month of the quarter, the ITC for the entire month will be considered while in the 2nd month the ITC of the 1st & 2nd month will be considered cumulatively for determining the ITC claim.

Determining the tax payable:

The taxpayer has two options for determining the tax payable in the 1st & 2nd month.

1. Self-assessment method –
 - a. Under this, the taxpayer assesses the tax payable based on their books of accounts.
 - b. Here, the tax payable will be the outward tax as per books less the ITC available.
 - c. However, if there is any under-payment of taxes in the 1st & 2nd month, then interest of 18% p.a. will be payable from the respective

month's due dates to the date of payment in the 3rd month.

2. Fixed payment method –

- Under this, the taxpayer has to pay an auto-calculated fixed amount in the 1st & 2nd month.
- The auto-calculated amount is 35% (quarterly) / 100% (monthly) of the cash paid in the GST return of the immediately preceding quarter or month respectively.
- In case of any under-payment of taxes in the 1st & 2nd month, then NO interest will be payable under this method.
- This method can be chosen only if all the returns up till the month preceding that quarter have been filed.

Payment of taxes:

- The taxpayer, opting for quarterly returns, must make the payment through form GST PMT-06 for the 1st & 2nd month of a quarter. The due date is 25th of the next month.
- The amount so paid will be considered as a deposit and will be lying in the taxpayer's electronic cash ledger. The taxpayer cannot utilize this for any other purpose other than paying that quarter's tax amount.
- The tax payment will be based on the cumulative tax payable and the cumulative ITC claimed for the 1st & 2nd month of the quarter.
- In case where the Electronic Cash ledger and Electronic Credit ledger has sufficient balances, then no deposit of tax need to be made in the 1st & 2nd month of the quarter.
- In the 3rd month, the taxpayer will be liable to file his Form GSTR 1 and Form GSTR 3B. GSTR 1 will be due by 13th of the month after the quarter and GSTR 3B will be due by 22nd of the month after the quarter in Karnataka.
- The form GSTR 1 will be auto-populated as per the IFF filed in the 1st & 2nd month and the taxpayer can also make additions to it.
- The taxpayer can then pay the quarter's tax amount by ITC if it's more than output GST or by cash along with any interest or penalty.

Excess payment of tax:

- If the taxpayer, in the 1st & 2nd month, makes an excess payment of tax by cash, then he will be eligible to claim it as a refund.

- However, he can claim the refund only after filing the GSTR 3B return of that quarter.

Miscellaneous:

- The quarterly scheme is only optional to taxpayers and they can choose not to opt for it.
- If any taxpayer exceeds the turnover of Rs. 5 Crore, calculated as per their PAN, in a given financial year, then they must voluntarily opt-out of the quarterly scheme if they have chosen it.
- They need to upload B2B invoices in IFF tool only if their customers intend to claim ITC on the same and request them to upload it. Hence, it's optional to the taxpayer.
- Once the invoices are uploaded through IFF, then the same invoices should not be uploaded in the quarterly GSTR 1 to avoid duplication.
- Any late fees payable is only for delay of filing GSTR 3B and not the monthly IFF or PMT-06.

Pros of this scheme:

- This scheme is good for taxpayers who cannot claim ITC due to the same being disallowed by law such as taxi cab rental agencies and hotels.
- The GST portal auto-calculates the tax liability payable by the taxpayer thus eliminating calculations every month.
- There is also no interest payable even if tax liability has not been disclosed for the 1st two months under fixed payment scheme.

Cons of this scheme:

- This scheme is not suitable for taxpayers who have majorly B2B transactions as there is a limit of 50 lacs sales per month that can be uploaded as B2B invoices.
- This scheme is not suitable for taxpayers who make both exempt and taxable sales as ITC reversals have to take place only on GSTR 3B i.e. once a quarter. This means taxpayers will end up paying more in the 1st two months and have to claim a refund for them.
- If self-assessment scheme is chosen then there is the risk of interest liability.

Conclusion:

The GST department has introduced this scheme in order to help taxpayers reduce their compliance burden of filing two returns every month. Under this, the taxpayer has to only pay the taxes that are auto-computed for him and file returns twice in a quarter. However, it remains to be seen how many small taxpayers will opt for this scheme and whether it's practically feasible.

CASE LAWS

Facts of the case: M/S. S.P.Y. AGRO INDUSTRIES LIMITED., VERSUS UOI – ANDHRA PRADESH HIGH COURT

The petitioner is a company in the business of manufacturing of Grain based Extra Neutral Alcohol and also bottles Indian Made Foreign Liquor. The petitioner had not filed returns for the period February 2018 to December 2018. The respondent officer issued a notice to file the returns in Form GSTR 3A within 15 days and before the time period was completed passed an order u/s 62 for payment of tax, interest and penalty of 100%. The petitioner has approached the AP HC with a Writ Petition stating that the penalty ordered is not within the power of officer.

Provisions of the law:

As Per Section 62 of the CGST Act, 2017:

1) Notwithstanding anything to the contrary contained in section 73 or section 74, where a registered person fails to furnish the return under section 39 or section 45, even after the service of a notice under section 46, the proper officer may proceed to assess the tax liability of the said person to the best of his judgment taking into account all the relevant material which is available or which he has gathered and issue an assessment order within a period of five years from the date specified under section 44 for furnishing of the annual return for the financial year to which the tax not paid relates.

(2) Where the registered person furnishes a valid return within thirty days of the service of the assessment order under sub-section (1), the said assessment order shall be deemed to have been withdrawn but the liability for payment of interest under sub-section (1) of section 50 or for payment of late fee under section 47 shall continue.”

Ruling:

The AP HC held that:

1. The officer did not wait for the statutorily provided time limit for payment of taxes before passing the assessing order.
2. The officer did not give the taxpayer an opportunity of being heard. Hence, there is violation of the principles of natural justice.

The AP HC allowed the Writ Petition and quashed the assessing order of the officer

Facts of the case: STONE INDIA VERSUS ASSISTANT COMMISSIONER (JAIPUR) - COMMISSIONER OF GST (APPEALS), JAIPUR

The appellant is engaged in the business of goods export without payment of integrated tax. Hence, the appellant is eligible for refund of un-utilized ITC. However, for the period October 2017 to December 2017 the appellant had filed the GSTR 3B incorrectly wherein, the exports were disclosed under 'taxable supplies' instead of 'zero-rated supplies' in GSTR 3B. Their GSTR 1 was filed correctly however. After applying for refund of Rs. 22,27,497, the officer rejected the refund stating the mismatch between GSTR 1 & GSTR 3B. Hence, the appellant has appealed against the rejection.

Provisions of the law:

As per Section 39(9) of the CGST Act, 2017 - Subject to the provisions of Sections 37 and 38, if any registered person after furnishing a return under sub-section (1) or sub-section (2) or sub-section (3) or sub-section (4) or sub-section (5) discovers any omission or incorrect particulars therein, other than as a result of scrutiny, audit, inspection or enforcement activity by the tax authorities, he shall rectify such omission or incorrect particulars in such form and manner as may be prescribed, subject to payment of interest under this Act.

Ruling:

The Commissioner (Appeals) held that if the appellant has committed an error while submitting FORM GSTR-3B, the steps should have been taken to rectify the same. The appellant was required to rectify such omission or incorrect particulars in the subsequent return to be furnished for the month or quarter during which such omission or incorrect particulars are occurred. Hence, the appeal is rejected and refund for the period is not allowed.

NOTIFICATIONS AND CIRCULARS FOR THE MONTH OF OCTOBER 2020

Sl. No	Subject	Notifications/Circulars No. Date of Issue
1.	Seeks to amend notification no. 41/2020-Central Tax dt. 05.05.2020 to extend due date of return under Section 44 till 31.12.2020	80/2020-Central Tax dated 28.10.2020
2.	Seeks to make the Twelfth amendment (2020) to the CGST Rules.2017.	79/2020-Central Tax dated 15.10.2020
3.	Seeks to notify the number of HSN digits required on tax invoice.	78/2020-Central Tax dated 15.10.2020
4.	Seeks to make filing of annual return under section 44 (1) of CGST Act for F.Y. 2019-20 optional for small taxpayers whose aggregate turnover is less than Rs 2 crores and who have not filed the said return before the due date.	77/2020-Central Tax dated 15.10.2020
5.	Seeks to prescribe return in FORM GSTR-3B of CGST Rules, 2017 along with due dates of furnishing the said form for October, 2020 to March, 2021.	76/2020-Central Tax dated 15.10.2020
6.	Seeks to prescribe the due date for furnishing FORM GSTR-1 by such class of registered persons having aggregate turnover of more than 1.5 crore rupees in the preceding financial year or the current financial year, for each of the months from October, 2020 to March, 2021.	75/2020-Central Tax dated 15.10.2020
7.	Seeks to prescribe the due date for furnishing FORM GSTR-1 for the quarters October, 2020 to December, 2020 and January, 2021 to March, 2021 for registered persons having aggregate turnover of up to 1.5 crore rupees in the preceding financial year or the current financial year.	74/2020-Central Tax dated 15.10.2020
8.	Seeks to notify a special procedure for taxpayers for issuance of e-Invoices in the period 01.10.2020 - 31.10.2020.	73/2020-Central Tax dated 01.10.2020
9.	To amend notification No. 12/ 2017- Central Tax (Rate) so as to exempt satellite launch services provided by ISRO, Antrix Co. Ltd and NSIL as recommended by GST Council in its 42nd meeting held on 05.10.2020.	05/2020-Central Tax (Rate) ,dt. 16-10-2020
10	Seeks to notify the number of HSN digits required on tax invoice.	06/2020-Integrated Tax, dt. 15-10-2020
11.	To amend notification No. 9/ 2017- Integrated Tax (Rate) so as to exempt satellite launch services provided by ISRO, Antrix Co. Ltd and NSIL as recommended by GST Council in its 42nd meeting held on 05.10.2020.	05/2020-Integrated Tax (Rate), dt. 16-10-2020
12.	To amend notification No. 12/ 2017- Union Territory Tax (Rate) so as to exempt satellite launch services provided by ISRO, Antrix Co. Ltd and NSIL as recommended by GST Council in its 42nd meeting held on 05.10.2020.	05/2020-Union Territory tax(rate), dt. 16-10-2020
13.	Clarification of issues relating to application of sub-rule (4) of rule 36 of the CGST Rules, 2017, cumulatively for the months of February, 2020 to August, 2020	142/12/2020-Circular No. dt-09-10-2020

DUE DATES OF GST FOR THE MONTH OF NOVEMBER 2020

NOVEMBER 2020						
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
8	9	10 *GSTR-7 & GSTR-8	11 *GSTR-1	12	13	14
15	16	17	18	19	20 *GSTR-3B/5/5A	21
22	23	24	25	26	27	28
29	30					

* For taxpayers with Annual Turnover more than Rs.1.50 Crores or who has opted for monthly return.
 * For taxpayers with Annual Turnover less than Rs. 1.50 Crores and who have opted for quarterly return.

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