

# Draft business processes for returns

October 23, 2015

## In brief

After releasing the reports of the Joint Committee on business processes for GST relating to GST registration, payment and refund, the Government has now released the report on business processes for returns. We have summarised below the key proposals of the report on business processes for returns.

## In detail

### Business processes for GST returns

**PwC Comments:** The proposed returns in the GST regime are quite detailed in nature, with emphasis on cross-matching of data submitted by various assesseees. This would result in higher level of system checks and reduce possibilities of

revenue leakages. However, the process is dependent on accurate submission of the data by all taxpayers in the specified format (e.g. details of quantity-wise information in the annual return or the reconciliation between financial statements and the returns filed for the year), which may be a challenging proposition for tax-payers. Additionally, the return does

not seem to provide for a separate disclosure of intra-entity transactions.

The proposed process of filing a minimum of three returns in a month would significantly increase the compliance burden for service providers, who are presently filing only one return on a half yearly basis.

### Key features of the report of committee on Business Process for GST returns

- Common e-return to be filed for CGST, SGST, IGST and Additional Tax.
- The nature of the returns and the periodicity of the return are as under:

Sr. No.	Return	For	Due date	To be filed by
1	GSTR 1	Outward supplies made by taxpayer (other than compounding taxpayer and ISD)	10 <sup>th</sup> of the next month	All regular tax payers and casual/ non-resident tax payers
2	GSTR 2	Inward supplies received by a taxpayer (other than a compounding taxpayer and ISD)	15 <sup>th</sup> of the next month	All regular tax payers and casual/ non-resident tax payers

Sr. No.	Return	For	Due date	To be filed by
3	GSTR 3	Monthly return (other than compounding taxpayer and ISD)	20 <sup>th</sup> of the next month	All regular tax payers and casual/ non-resident tax payers
4	GSTR 4	Quarterly return for compounding taxpayer	18 <sup>th</sup> of the month next to quarter	Compounding taxpayers
5	GSTR 5	Periodic return by Non-resident foreign taxpayer	Last day of registration	Non-resident tax payers
6	GSTR 6	Return for Input Service Distributor (ISD)	15 <sup>th</sup> of the next month	
7	GSTR 7	Return for Tax Deducted at Source	10 <sup>th</sup> of the next month	
8	GSTR 8	Annual Return	By 31 <sup>st</sup> December of next FY	All regular tax payers (Simple annual return to be filed by compounding taxpayer – format not notified)

### Key features of GSTR 1

- Invoice-wise details for all B2B supplies and inter-State B2C supplies (option to file summary of State-wise supplies for inter-State B2C supplies for invoices below Rs.2,50,000 per invoice available instead of submission of all the invoice-wise details). In case of intra-State B2C supplies, consolidated supply details to be uploaded
  - Invoice- wise details to include HSN code of the goods/ Accounting code for services. In case of multiple products in one invoice having different tax rate/ HSN code, line-wise information to be submitted separately for each tax rate/ HSN code
  - Supply information to also have details relating to place of supply
  - Details relating to supplies attracting reverse charge also to be submitted
  - Details relating to advance and its adjustment, exports as

well as revisions in relation to outward supply invoices pertaining to previous tax periods to be submitted

- Invoice-wise details may be allowed to be uploaded periodically (daily, weekly etc)
- Invoice-wise details have to be uploaded for all B2B supplies and inter-State B2C supplies (option to file summary of State-wise supplies for inter-State B2C supplies for invoices below Rs. 2,50,000 per invoice)

### Key features of GSTR 2

- Invoice-wise details of all the inward supplies have to be submitted in this form. The form will be auto-populated on the basis of data submitted by supplier in GSTR 1. The taxpayer may modify the data and can add invoices not uploaded by the supplier, if the taxpayer has the invoices in his possession and has also received goods/ services
- Details of import of goods and services to be separately disclosed

- The taxpayer has to make selection of invoice-level details in the ITC ledger maintained separately on the GSTN for determining eligibility of ITC
- Separate disclosures have to be made for revisions in relation to inward supply invoices for previous tax periods
- Separate tables for effecting modifications/ correcting errors in the previous returns
- Separate disclosures to be made for NIL rated, exempted and non-GST inward supplies

### Key features of GSTR 3

- This is the monthly return which all regular taxpayers would need to submit. A majority of the data would be auto populated on the basis of data submitted in the returns of other vendors/ customers, etc.
- The return would capture all details of turnover and aggregate-level inward and outward supply information and tax liability calculation under the CGST, SGST, IGST and additional tax and

credits. The return would also capture details of payment of tax liability and other payments

#### *Key features of GSTR 4*

- This would need to be submitted by taxpayers opting for compounding.
- These taxpayers will be required to indicate the total value of supply made during the relevant period and tax payment details, along with the invoice-wise purchase information.
- These taxpayers will also need to submit details of imports of goods and services

#### *Key features of GSTR 5*

- This is the return which non-resident foreign taxpayers would need to submit

#### *Key features of GSTR 6*

- This return would need to be submitted by an input service distributor
- The return would include the invoice-level supply information on which ITC is claimed, and details of invoices issued for distribution of credit

#### *Key features of GSTR 7*

- This return would need to be submitted by a taxpayer who is deducting GST at source

#### *Key features of GSTR 8*

- This is the annual return

needed to be submitted by taxpayers. This is intended to give a “360 degree” view of the transactions of the taxpayer. The statement would also provide a reconciliation of the returns with the audited financial statements of the taxpayer

- The return would provide for the reconciliation of the monthly tax payments, and would allow the taxpayer to correct any short reporting, etc.
- The return would also capture details of pending arrears and refund claims
- The gross profit and loss as per annual return has to be tallied with the gross profit and loss as per the profit and loss account of the taxpayer. The return has to be accompanied by an audited copy of the taxpayer’s annual accounts
- A separate reconciliation statement, duly certified by a Chartered Accountant, has also to be filed by taxpayers who are required to get their accounts audited under section 44AB of the Income Tax Act

#### ***Other significant details***

- Returns have to be filed electronically by the taxpayer or tax return preparer, or at the Facilitation Center
- Revision of return is not permitted

- GSTN will maintain ledgers of ITC claim, cash payment and liability of the assessee online.
- All unreported invoices of the previous tax period have to be reflected in the return for the month in which they are proposed to be included
- Debit note/ credit note details will have provisions to record original invoice data to enable its linkage with the original invoice
- In case the tax is not paid, the return may be allowed to be uploaded, but the data uploaded would not be considered for matching of data, inter-Government fund transfer, etc., unless the tax is paid
- GSTN will maintain ledgers of ITC claim cash payment and liability of the assessee online.

#### ***Let’s talk***

For a deeper discussion of how this issue might affect your business, please contact:

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