GST Returns for September 2021: Zero hour!

Each taxation law and the rules made thereunder are bound by a timeline and rightly so. Unless a timeframe is provided, it may become impossible to reach the finish line. While individual timelines are given in the GST law, one crucial deadline which is common across many provisions is the September timeline. The September timeline is the time limit that has been prescribed by the GST law to rectify, complete, or correct any missing items or errors that have been committed during the previous financial year. To put it simply, for correcting or reporting any information or missing detail for the financial year 2020-21, September 2021 is the last period during which such corrections can be made or details can be furnished. Therefore, any amendments or modifications that are required to be done for the period 2020-21, the returns filed for September 2021 will be the last window.

In this blog we have highlighted five key areas which require a second glance before you file your returns for September 2021:

1. The first and foremost is availing the eligible Input Tax Credit (ITC), which might have been missed out in the relevant financial year. This includes the following:

   - GST on airline invoices, bank charges, accommodation bills, and telephone bills is mostly unclaimed as the sum is relatively small. However, it may come as a surprise when the ITC of such items is looked at cumulatively. The amount is often significant and hence should be availed before returns for September 2021 are filed.
   - The computation of eligible ITC as prescribed under rule 36(4) of CGST Rules, 2017 should be verified to check if ITC has been availed as per the said rule. It also needs to be kept in mind that for a part of the year 2020-21, the rule prescribed 110% ITC as eligible ITC being reflected in GSTR 2A/2B; however, for the remaining part, this percentage was amended to 105% as eligible credit. Therefore, computations need to be revisited in this light.
   - In case of invoices missing in GSTR 2A, an exercise to follow up with vendors needs to be initiated, if not already done. It needs to be borne in mind that if such invoices are not uploaded by the vendors before returns for September, 2021 are filed, the credit may lapse.

- ITC reversals on account of non-payment to vendors within 180 days is a commonly forgotten item. Ensure that when such vendor payments are made, the credit is reinstated in the books of accounts and availed before the September timeline.
- Any other reversals on account of the use of supplies for personal or non-business consumption should be done.

2. Complete annual reconciliations: Before filing the returns for September 2021, ensure that all the reconciliations are completed and in sync. This would include annual turnover reconciliations between financials and GST returns, ITC reconciliation between purchase register and consolidated GSTR 2A, GSTR 1 vs GSTR 3B, e-Invoices vs GSTR 1, e-Way Bill vs GSTR-1, Incoming e-Way Bill vs GSTR 2A, Form 15CA/ CB vs GST deposited under reverse charge mechanism on import of services etc.

3. Debit notes: Wherever there is a requirement of price adjustment or adjustment on account of any other reason, and debit notes are required to be issued, the same should be issued before September 2021 so that the recipient can avail ITC charged on such debit notes. Although there is no time limit to issue debit notes, the recipient would not be able to avail ITC after September 2021 for debit notes pertaining to 2020-21.

4. Credit notes: For any credit notes that are required to be issued for FY 2020-21, September 2021 would be the last period when the same can be done. Any credit notes issued post that would not entitle the taxpayer to reduce GST liability. However, the option to issue non-GST or financial credit notes will remain open to the taxpayers even after September 2021.

5. Compute interest liability, if any: Since the past year has been a pandemic year with multiple extensions in return due dates, waiver of late fees and interest waivers, a compliance tracker needs to be prepared to check if any defaults have been made. In some tax periods, the Government had provided late fees waiver, however, that did not always mean a due date extension. In such cases, if the taxpayer filed a late return, interest implications could arise. Another aspect that needs to be verified is whether time of supply provisions in all cases have been adhered to. In case of any lapse, interest liability would need to be paid.

While the above are only top five items, there are other areas which also need attention. September of the year subsequent to the financial year is the timeline that GST law offers to the taxpayers to rectify and reconcile their books and returns. Taxpayers should make the most of this opportunity and take the extra effort of reconciling and reporting any missing items. This will help the taxpayers while filing their GST annual returns and also during assessments and departmental audits. Therefore, calling September the zero hour is not an exaggeration of any sort. It is indeed the last window to set the records straight for all GST assesses.