

OSC KNOWLEDGE ARTICLE

NEW GST RETURN STRUCTURE

**INTRODUCTION:**

The 31<sup>st</sup> meeting of GST Council approved a transition plan for the implementation of the new GST return system for taxpayers. The same will be launched on a trial basis from July 2019 onwards for familiarisation, and will be implemented phase-wise from October 2019 onwards.

The GST Network had shared a prototype of the offline tool in May 2019. The Central Board of Indirect Taxes and Customs has released the proposed GST Returns forms. It is expected that the new GST returns forms - **Normal, Sahaj and Sugam**, shall be made applicable from the second quarter of Financial Year 2019-20 and for the first quarter the existing return forms, i.e., GSTR-3B and GSTR-1 would continue to apply.

**THE AMENDMENTS:**

The Ministry of Finance launch reforms in the indirect tax regime i.e. new return filing system, which will enable traders to file returns in a single format once a month instead of multiple ones. The new return system will be enabled on trial from July 1, following which it will be made mandatory from October 1. It will replace the current GSTR-3B (summary returns) and GSTR-1 (supplies return) systems.

From July, 2019, users would be able to upload invoices using the **FORM GST ANX-1** offline tool on trial basis for familiarisation. They would also be able to view and download, the inward supply of invoices using the **FORM GST ANX-2** offline tool under the trial program. The summary of inward supply invoices would also be available for view on the common portal online. They would also be able to import their purchase register in the offline tool and match it with the downloaded inward supply invoices to find mismatches from August 2019.

However, in between July to September, 2019 for three months, the new return system (ANX-1 & ANX-2 only) would be available for trial for taxpayers to make themselves familiar. This trial would have no impact at the back end on the tax liability or input tax credit of the taxpayer.

In this period, taxpayers shall continue to fulfil their compliances by filing FORM GSTR-1 and FORM GSTR-3B i.e. taxpayers would continue to file their outward supply details in FORM GSTR-1 on monthly or quarterly basis and return in FORM GSTR-3B on monthly basis. Non-filing of these returns shall attract penal provisions under the GST Act. From October, 2019 onwards, FORM GST ANX-1 shall be compulsory and FORM GSTR-1 would be replaced by FORM GST ANX-1.

Large taxpayers, with aggregate annual turnover **over Rs 5 crore** in the previous financial year, would upload their monthly **FORM GST ANX-1** from October, 2019 onwards. However, small taxpayers, with turnover **upto Rs 5 crore**, will need to file the first compulsory quarterly **FORM GST ANX-1** only in January, 2020 for the quarter October to December, 2019. Whereas Invoices can be uploaded in **FORM GST ANX-1** on a continuous basis both by large and small taxpayers from October, 2019 onwards.

On other hand, **FORM GST ANX-2** may be viewed simultaneously during this period but no action shall be allowed on such form.

For October and November, 2019, large taxpayers would continue to file FORM GSTR-3B on monthly basis. They would file their first FORM GST RET-01 for the month of December, 2019 by 20<sup>th</sup> January, 2020.

The small taxpayers would stop filing FORM GSTR-3B and would start filing **FORM GST PMT-08** from October, 2019 onwards. They would file their first **FORM GST-RET-01** for the quarter October, 2019 to December, 2019 from 20<sup>th</sup> January, 2020. From January, 2020 onwards, all taxpayers shall be filing FORM GST RET-01 and FORM GSTR-3B shall be completely phased out. The government will issue separate instructions for filing and processing of refund applications between October to December, 2019.

**PROPOSED RETURNS:**

The taxpayer firstly needs to upload details of outward supplies in **FORM GST ANX-1** and take action on the inward supplies auto-populated in **FORM GST ANX-2**. After that, the taxpayer shall file the main return in **FORM GST RET-1/2/3** in which some data will be auto-populated from FORM GST ANX-1 and FORM GST ANX-2 and some data need to be manually entered by the taxpayer.

The following returns are proposed by the GST council:

| S. No. | Name                  | Description  |
|--------|-----------------------|--|
| 1.     | FORM GST ANX-1        | Annexure of outward supplies and inward supplies attracting reverse charge |
| 2.     | FORM GST ANX-2        | Annexure of inward supplies  |
| 3.     | FORM GST RET-01/02/03 | Monthly/Quarterly return   |
| 4.     | FORM GST ANX- 1A      | Amendment to FORM GST ANX-1  |
| 5.     | FORM GST RET-1A/2A/3A | Amendment to FORM GST RET-01/02/03   |
| 6.     | FORM GST PMT-08       | Payment of Self-assessed tax   |

Taxpayers who opt to file returns on monthly or quarterly (GST RET-1) basis would be eligible to take credit of missing invoices. However, the credit of missing invoices shall not be available in case taxpayers opt to file Sahaj (GST RET-2) or Sugam (GST RET-3).

The taxpayers can switch their returns in the following manner:

- ❖ From Quarterly (Normal) to Sugam or Sahaj only once in a financial year at the beginning of any quarter,
- ❖ From Sugam to Sahaj only once in a financial year at the beginning of any quarter,
- ❖ From Sahaj to Quarterly (Normal) or Sugam more than once in a financial year at the beginning of any quarter,
- ❖ From Sugam to Quarterly (Normal) more than once in a financial year at the beginning of any quarter.

#### THINGS TO BE REMEMBER:

The new GST regime have the following issues:

- ❖ Single GST Return with the concept of Annexures
- ❖ Real-time viewing facility of invoices uploaded by the suppliers
- ❖ Amendment Returns concept introduced
- ❖ ITC allowed only on the invoice uploaded by the supplier
- ❖ No automatic reversal of ITC on missing Invoice – ratification period of 2 months available
- ❖ Filing of Nil Returns **through SMS**
- ❖ Provision to **Lock, Reject** and **Mark** the invoice as pending in monthly returns.

#### RETURN PROTOTYPE FUNCTIONALITY:

A New Return Prototype functionality has been enabled on the GST common portal.

Unlike the traditions, the Government has provided a prototype of 'New Return Forms' on the GST common portal to enable the taxpayers and consultants to experience and learn the new functionality before it goes live. The portal has also given an option wherein taxpayers can share their feedbacks. This is a good practice ever started by any Dept. before implementing a new compliance process.

Though the date of implementing the new return forms has not been confirmed, yet the Govt. may work in full swing to implement it from the second quarter of FY 2019-20. The prototype does not make any arithmetic calculations but it provides a complete walk-through of the figures reported in the return forms.

#### CONCLUSION:

The Ministry of Finance is taking the right steps to simplify GST return filing process and reduce compliance burden from business owners. However, this amendment leads to tax transparency and smoothness of tax credit across businesses, which will hopefully reduce costs for the end consumer in the long run.

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