

# Single GST return form by year-end: Adhia

GST Council meet approves new comprehensive filing mechanism

## OUR BUREAU

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By end of this calendar year Goods and Services Tax assesses can breathe easy, as filing returns and getting the input tax credit will become easier. The GST Council, on Friday, approved a new comprehensive but simple GST returns mechanism.

After the Council meeting that was chaired by the Finance Minister Arun Jaitley, the Finance Secretary, Hasmukh Adhia, said the new system will be implemented in three phases. The transitional phase will last for six months. During this period, the present system of filing GSTR Form 1 and GSTR Form 3B will continue. At the same time GSTN, the IT backbone, will prepare the software, test and retest the same before getting it ready for implementation.

This will be followed by the second phase when a simple and single returns form will replace GSTR 1 and 3B. For assesses engaged in Business-to-Consumer (B2C) trade, the new form will have informa-

tion about total turnover while the assesses involved in Business-to-Business (B2B) trade will be required to give invoice-wise details based on four-digit HSN code. It will have uni-directional flow of invoices uploaded by the seller.

## Uploading invoices

The invoices can be uploaded on a daily basis or all in a single day. The system will calculate tax liability and input tax credit for the buyers. The credit will be paid accordingly, even verifying whether the seller has paid tax or not. Tax authorities will collect tax dues from the sellers. Barring composition scheme and zero transaction assesses, all others will have to file single return every month. These two categories will continue to file returns on quarterly basis.

Technically speaking, the input tax credit mechanism will be provisional and based on the self declarations of buyers. Adhia said during the second phase, dealers will be constantly fed with information



**Taking stock** Finance Minister Arun Jaitley chairs the 27<sup>th</sup> GST Council meeting through a video conference in New Delhi on Friday.

about gap between credit available to them as per invoices uploaded by their sellers and the provisional credit being claimed by them. If the gap is wide, then second phase will be extended. The second phase will also last for six months.

The third phase, which will begin the provisional input tax credit regime, is expected to begin by May next. Here the buyers will get credit, only if corresponding invoice has been uploaded. "The buyer can see the invoice uploaded and as soon as it is uploaded he can lock it, so that seller is not withdrawing after some time," Adhia said. Though it is

the responsibility of the sellers to pay taxes, tax authorities will use all available means to collect the same in case of default. If sellers are still untraceable, then after due process the tax credit will be reversed. The Finance Secretary clarified that reversal will be not be automatic. He also hoped the new system will prompt buyers to trade with genuine sellers.

Sandeep Chilana, Partner with Shardul Amarchand Mangaldas, a law firm, said the decision to simplify the GST return form is likely to bring buoyancy to tax collections on account of improved compliance. "The GST Council

will have to ensure that the much desired need for simplification should not push the GST eco-system back to the assessment era, requiring assessments by tax authorities for verification of credit claims by assesses," he cautioned.

Pratik Jain, Partner & Leader (Indirect Tax) with PwC, said though the consensus for fusion model was on expected lines, there are some issues. For example, "credit to businesses would be limited to the extent of invoices uploaded by the vendors. This means that invoice matching continues but needs to be done by the buyers offline," he said.