



## **Important changes in GST with effect from 01.01.2021**

### **New Rule 86B**

### **Restricting the input tax credit to 99% of the output tax liability (Notification 94/2020 Central Tax dated 22.12.2020)**

- The registered person shall not use the amount available in electronic credit ledger to discharge his liability towards output tax in excess of 99% of such liability
- Applicable if your taxable supply (other than exempt supply and Zero-rated supply) exceeds Rs.50 Lakhs

#### **Not applicable to:**

- the said person or the proprietor or karta or the managing director or any of its two partners, whole-time Directors, Members of Managing Committee of Associations or Board of Trustees, as the case may be, have paid more than one lakh rupees as income tax in each of the last two financial years
- the registered person has received a refund amount of more than one lakh rupees in the preceding financial year on account of unutilised input tax credit under export without payment of tax or inverted duty structure
- the registered person has discharged his liability towards output tax through the electronic cash ledger for an amount which is in excess of 1% of the total output tax liability, applied cumulatively, upto the said month in the current financial year
- the registered person is –
  - (i) Government Department; or
  - (ii) a Public Sector Undertaking; or
  - (iii) a local authority; or
  - (iv) a statutory body

### **Rule 36(4) amended to reduce ITC entitlement for invoices not furnished by supplier from 10% to 5%**

- The restriction of claim of Input Tax Credit (“ITC”) in respect of invoices/debit notes not furnished by the suppliers has now been reduced from 10% to 5% of the credit available in GSTR 2B.
- Substituted the word “furnished” in place of the word “uploaded”. So, supplier has to furnish the return than mere uploading it.
- Inserted the words “in FORM GSTR-1 or using the invoice furnishing facility” after the words, brackets and figures “by the suppliers under sub-section (1) of section 37” to align it with the Invoice Furnishing Facility (“IFF”) introduced vide Notification No. 82 /2020-Central Tax dated November 10, 2020.



## **Rule 138 CGST Rules, 2017 amended**

### **Validity of e-way bill narrowed by increasing distance from 100 km. to 200 km. per day**

- The validity of e-way bill under Rule 138(10) of the CGST Rules has been amended, according to which the e-way bill will now be valid for 1 day for every 200 km of travel, as against 100 km earlier, in cases other than Over Dimensional Cargo or multimodal shipment in which at least one leg involves transport by ship.
- For every 200 km. or part thereof thereafter, one additional day will be allowed.

## **Rule 21A CGST Rules, 2017 amended**

### **The officer can cancel the registration without giving any opportunity to be heard**

The proper officer can cancel the registration if he has reason to believe that the registered persons

- Does not conduct any business from the declared place of business or
- Issues invoices or bill without supply of goods or services or
- Anti-Profiteering violation
- Does not furnish bank account details within the time limit after registration

**The proper officer may cancel the registration without giving the said person any opportunity of being heard (will it not be unconstitutional?)**

#### **Inserted new sub-rule (2A):**

Where there is a comparison of GSTR 3B furnished by a registered person with the details of outward supplies furnished in GSTR 1 or inward supplies derived based on the details of outward supplies furnished by his suppliers in their GSTR-1 and significant differences/anomalies indicating contravention of CGST Act or Rules are discovered, the department shall now serve a notice in Form GST REG 31 to call for explanation as to why registration should not be cancelled, for which the registered person is required to submit his reply within 30 days of such notice.

Where a registration is suspended, no refund can be availed by the taxpayer under Section 54 of the CGST Act (i.e., Refund of tax) during the period of suspension of registration.



## **E-invoicing made compulsory for taxpayers exceeding Rs.100 Crores turnover**

E-invoicing made applicable to Registered Person (other than SEZ unit, Insurance Company, banking company, financial institution including non-banking financial institution, GTA, supplier of passenger transportation service, supplier of services by way of admission to exhibition of cinematograph films in multiplex screens) whose aggregate turnover in any preceding financial year from 2017-18 onwards exceeds Rs. 100 crores in respect of supply of goods or services or both or for exports.

## **Quarterly Returns Monthly Payment Scheme (QRMP)**

- Applicable only to Registered Person having aggregate turnover of up to Rs. 5 crores in the preceding financial year
- Invoice furnishing facility – for the 1<sup>st</sup> two months of the quarter GSTR-1 for the third month
- GST PMT-06 for the 1<sup>st</sup> two months of the quarter GSTR-3B for the third month
- Payment to be made in new form PMT 06 before 25<sup>th</sup> of the succeeding month.
- Two modes of payment available for first two months of the quarter Fixed Sum method and Self-assessment method
- The option to avail QRMP Scheme is GSTIN wise. Therefore, few GSTINs under one PAN can opt for the Scheme and remaining GSTINs may remain out of the Scheme.

## **GSTR 1 cannot be filed if GSTR 3B not filed**

A registered person shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1, if he has not furnished the return in FORM GSTR-3B for preceding two months if he is a monthly filer

A registered person, required to furnish return for every quarter under the proviso to sub-section (1) of section 39, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the return in FORM GSTR-3B for preceding tax period

A registered person, who is restricted from using the amount available in electronic credit ledger to discharge his liability towards tax in excess of ninety-nine per cent. of such tax liability under rule 86B, shall not be allowed to furnish the details of outward supplies of goods or services or both under section 37 in FORM GSTR-1 or using the invoice furnishing facility, if he has not furnished the return in FORM GSTR-3B for preceding tax period

**By CA Chandrasekhar Kutty**  
Partner