GST

No returns' overhaul; ITC loopholes to be plugged

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THE GOODS AND Services Tax (GST) Council is likely to shelve the plan announced last year to usher in a new format of tax returns and continue with the existing system, with some improvements and modifications to plug loopholes.

A GoM, headed by Bihar deputy chief minister Sushil Modi, met last week and agreed on linking GSTR-1 (outward sales return) and GSTR-3B (monthly summary return), and introducing GSTR-2B document which would provide exact input tax credit (ITC) details to the taxpayers, according to a source.

The group also decided to allow quarterly filing of GSTR-3B for taxpayers below ₹5-crore turnover threshold, which could be introduced by November.

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The relaxation for filing GSTR-1 returns once in a quarter is already available to smaller taxpayers.

The linking of two returns — GSTR-1 and GSTR-3B — will eventually lead to auto-population of GSTR-3B from GSTR-1. This would reduce the liability and ITC mismatch currently reported, and the functionality is expected to come online by the end of this month.

Further, the GST Network (GSTN) will deploy GSTR-2B this month, a document which would be auto-populated with details of ITC available to taxpayers. The data would be extracted from GSTR-1 filed by the counter-party-suppliers of a particular taxpayer. This would ensure that the assessee knows the exact amount of credit to claim in GSTR-3B return.

A tax official said GSTR-2B is also expected to help the department effectively implement its policy of restricting credit availability to those taxpayers whose suppliers fail to upload invoices for the purchases otherwise claimed by the assessee for availing ITC.

"GST taxpayers have been using the current system of GSTR-3B and GSTR-1 returns for three years now and so it was considered appropriate to continue with the same broad system, instead of overhauling it with 'Sahaj' and 'Sugam' returns proposed earlier," the source said.

Nandan Nilekani, chairman of Infosys had proposed these returns to the GST Council in July, 2018. The GSTN, for which Infosys is the designated IT service provider, released the formats for these return about a year later.

However, the source quoted above said as the development of these simplified returns progressed, it was felt by the GoM that the two return formats had become similar to GSTR-1,2,3 system in complexity. These returns were deployed at the time of GST launch in July, 2017 but had to be junked within months for being cumbersome.

It was argued by the constituents of GoM that already deployed improvements in the existing system along with changes in the pipeline was a much less disruptive path to strengthen the return system. So far, improvements like allowing Nil return filers as much as 20% of the total GST taxpayer base of 1.2 crore through SMS for monthly return, enhancement of GSTR-2A (which provides details of purchases made by a taxpayer and can be cross-referenced with GSTR-1) have been deployed.

Along with other proposed improvements and introduction of e-invoicing for taxpayers above `500 crore turnover from October 1, the return filing system is expected to be more efficient. E-invoicing has been billed as a 'game changer' by the tax department as the system would bring about auto-creation of returns in real time for all B2B businesses eventually.