GST

Notices to firms declaring lower sales to avoid tax

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Businesses used to under-report their turnovers and investment sizes, sometimes floating new companies and carving out part businesses to them, in order to continue to enjoy assorted benefits meant for MSMEs. This has resulted in the government enlarging the definition of such firms, a move that is also in sync with the intent to encourage start-ups and other employment-intensive units to scale up.

Now, a similar trend is under way among goods and services tax (GST) assesses. The GST administration has found that many businesses with annual turnover above ₹5 crore wrongfully declare themselves to be below that threshold in order to avail themselves of several compliance-related relaxations.

No small matter

- GST administration has found that many businesses with annual turnover above ₹5 crore wrongfully declare lower turnovers to avail compliance relief
- It has sent notices to many firms, saying their compliance deadlines would be reassessed
- For units with turnover less than ₹5 crore, last date for filing monthly return for March, April and May was relaxed; also they are exempt from interest, late fee, penalty

Continued on Page 2
Businesses hiding true size under lens, get GST notices

It has sent notices to a large number of such firms, saying that their compliance deadlines would be reassessed, based on the tax department’s own computation of their annual turnovers.

Since its inception, the GST Council has progressively eased compliance burden for smaller businesses including the requirement to file the form GSTR-1 (outward supply) only once in a quarter for those with turnover below ₹1.5 crore. Experts said that it is often attractive for businesses which may have just gone over the threshold in the previous financial year, to continue to declare themselves, as under the turnover level.

After the pandemic hit the country, the small GST taxpayers were given further relaxations. The government said that those having aggregate annual turnover less than Rs 5 crore, their last date for filing the summary monthly return GSTR-3B for months of March, April and May would be last week of June. Further, these taxpayers wouldn’t be charged any interest, late fee, and penalty.

While the current notices have been sent to mostly those who are believed to be above Rs 5 crore turnover but have declared lower numbers, government sources said a similar exercise could be in the offing, concerning the ₹1.5 crore threshold too.

“Your aggregate turnover for the financial year FY2019-20 has been computed by GST system based on returns filed in Form GSTR-3B by all registrations on the common PAN. The same has been found to be
more than Rs 5 crore where returns of FY 2019-20 filed up to July 25, 2020 have considered for the said computation,” one such notice seen by FE said.

It added that the computation would now be used by the GST system for certain validations in the system such as determining due date of return-filing and computation of late fee by the system. “You can also use the same for reporting interest on delayed payments based on self-assessment basis,” it said.

According to the GST law, aggregate turnover refers to the total value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same PAN.