

Changes and Compliances in GSTR 9 & 9C-FY 2021-22

Introduction

The department has started issuing notices and requesting for information by comparing data disclosed in GSTR 9/9C Vs GSTR 3B. Together with this, considering the various changes in the GST law in the recent past, this article aims to provide clarity on the filing of annual returns (Form GSTR 9) and reconciliation statement (Form GSTR 9C) along with required reconciliations, best practices, advanced issues & solutions and tips as applicable for financial year (FY) 2021-22.

Due date – 31st December 2022. *The due date although extended in the past years, is not expected to be extended for FY 2021-22.*

Changes in disclosure requirements:

Form GSTR 9 – Annual Returns

1. Table 4 – Amendments, credit notes and debit notes cannot be shown as net figures in B2B, B2C, etc. now. Table 4I to 4L to be disclosed separately FY 21-22 onwards
2. Table 5 – Exempted & Nil-rated can be consolidated in 'Exempted' column. Table 5F – Non-GST to be shown separately from FY 21-22 onwards.
3. Table 17 – HSN outward details mandated from FY 2021-22 onwards. (GSTR 1 consolidated data can be used for table 17)
4. HSN disclosures to be performed at 6-digit level (when T/o > Rs. 5 crore) and 4-digit level (when T/o < Rs. 5 crore for B2B only)
5. Clarification that disclosures in GSTR 1 tables 9A, 9B & 9C must be disclosed in table 10 & 11 of GSTR 9.

The relaxations that remain from the past are as follows:

1. Table 5 – Amendments, credit notes and debit notes can be shown as net figures in table 5.

2. Table 6 – ITC bifurcation into 'inputs'/'input services' not mandatory, total value can be consolidated under 'Inputs'. From FY 2019-20 – under 'Inputs' & 'Capital Goods'.
3. Table 6 – May consolidate ITC under RCM from registered and un-registered persons under registered persons' table.
4. Table 7 – All ITC reversals may be consolidated under Table 7H, although TRAN reversals to be shown separately.
5. Part V – Reversal/Availment of ITC in previous year may not be filled (T12 & T13)
6. Table 15, 16 & 18 – Refund details, Info on inward supplies & deemed supply, HSN inward details remain optional.

Important information:

- ◆ Taxpayers need not file annual return in FORM GSTR-9/9A for FY 2021-22 if their aggregate annual turnover is up to Rs. 2 crores. (If 9 not filed, 9C not required)
- ◆ Liability as per table 4 must be considered as final liability (as per books) irrespective of liability disclosed in GSTR 3B + Form DRC-03 during the FY.
- ◆ Many place it has been mentioned 'April – September', although this must now be read as 'April-November' considering the recent extension of timelines vide NN 18/2022-CT.
- ◆ Payments to be made through Form DRC-03. Utilization of ITC as per the CGST Rules is restricted, although, it can be disputed based on interpretation arising from section 49(4) r/w Rule 86(2). Additionally, the GST portal also allows such ITC utilization.

Form GSTR 9C – Reconciliation Statements – No changes in the relaxations provided from past, i.e.,

1. Table 5B – 5N – Can consider all turnover related adjustments in Table 5O
2. Table 12B & 12C – Optional to fill such ITC details
3. Table 14 – Optional to fill expense wise ITC claim details

Note-1: Pre-requirement to 9&9C – all GSTR 1 & GSTR 3B for FY 2021-22 must be filed Note-2: From FY 2020-21 GSTR 9C need not be signed by a CA/CMA and is considered as a taxpayer

filed form itself. Therefore, Part B (Auditor Certification) and Management Representation Letter is not required.

Note-3: Form GSTR 9 & Form GSTR 9C – once filed cannot be revised.

Reconciliations required:

1. Turnover – Audited Financial Statements (AFS/Books) vs Table 5A (consider all GSTINs)
2. Table 5N Vs Table 17 – As table 17 is now mandated, this reconciliation could be an internal check mechanism.
3. Outward taxes – Liability as per Books Vs Liability as per GSTR 3B + DRC-03 (if any) [ensure RCM liability is included]
- 4.0 Outward taxes – Rate wise liability as per workings Vs Rate-wise Liability as per books
5. GSTR 1 Vs GSTR 3B (This will help update GSTR 9 easily)
6. Inward taxes – Credit as per books Vs Credit as per GSTR 3B
7. Closing balance [Cash + Credit] – Books Vs GST portal (consider all GSTINs)
8. Verify and provide for Spill over transactions of previous FY and maintain tracker for next FY
9. Identify rectification and modifications done beyond 30th November timeline. (Revised from 20th September)

Note: Perform invoice level reconciliations – A very beneficial exercise to taxpayers, which will help not only in the process of filing the annual returns but also to identify the errors and provide info to department in the future.

Best Practices & Tips:

1. Maintain 9 & 9C workings with links to all the relevant data. Avoid keyed-in workings.
2. Maintain separate details of ITC claimed, reversed, and re-claimed if the taxpayer fulfils the conditions mentioned u/s 16.

3. In case of amendments, outward register to be maintained with original values, so that it will be helpful while table 4 & 5 of GSTR 9.

4. Invoice level GSTR 2B Vs ITC as per books reconciliation is to be performed for Table 8 disclosure in GSTR-9.

5. Credits as per books – unclaimed due to non-matching with GSTR 2A/2B. Pass as expense in books of accounts of FY 2022-23 and verify option of recovery from continuing vendors.

6. Providing a “Annual GST – Management Report” which may consist of the following:

- ◆ Folder with final workings and filed Form GSTR 1, 3B, GSTR 9 & 9C for the FY.
- ◆ Reconciliations for the FY – Outward, Inward & RCM – birds eye view
- ◆ Reasons for variances and action taken (summarily)
- ◆ Where additional liability was noticed – summary details + payment documentation
- ◆ Suggestions on internal accounting/processes/reporting going forward

Note: Fill both forms together, verify accuracy, make pending payments, then proceed to file.

Advanced Issues & Solutions

1. **Liability of past year paid in current year** – would be disclosed in table 10 of past year GSTR 9. In the current year GSTR 9, it should not be disclosed again, and reason for variance in tax payable vs paid in table 9 in the current year must be maintained for posterity.

2. **Credit Note disclosures** – The wordings in table 4 of GSTR 9 is confusing as the heading is transactions for the year, whereas, CN raised against invoices above leads to an interpretation where CNs raised in the next financial year (within timelines) could be considered. In our view, CNs raised in next financial years must be disclosed in such period as it is not a transaction of the previous financial year.

3. **Table 6M utility** – Table 6B & 6H are considered for auto-populating data in table 8 for GSTR 2B reconciliation. This may include ITC of tax periods relating to previous period. Therefore, table 6B can consider data for the year only, and table 6M can consider previous year related ITC claimed in current year for easy disclosure and also Table 8 reconciliations.

4. **Tackling Deferred ITC ledgers** – After the restriction on ITC claim based on GSTR 2B reflection, many eligible ITC may not have been claimed and maintained in deferred ledgers. The disclosures for the same must be considered in Table 13 of GSTR 9 to the extent claimed in 1st Apr- 30th Nov 22 period. In GSTR 9C – Table 12A to include entire ITC as per books, table 12C can be matched with GSTR 9 table 13 figures. Similarly additional disclosures in the next financial year would be in table 6B/6M of GSTR 9, and Table 12B of GSTR 9C.

5. **Table 8C Vs Table 13 in GSTR 9** – The reasons for differences would be: Table 13 consists of ITC on imports & inward supplies liable to reverse charge which must not be disclosed in 8C. Also, goods/services in transit would need to be disclosed in table 8C but not in table 13. (those invoiced earlier, but goods/services received in next tax period)

6. **Table 8D analysis** – Issues may arise where GSTR 2A/2B is low than ITC claimed in GSTR 3B. Rule 36(4) not having an authorizing section in the GST Act is a disputable view. Although from January 2022 onwards, GSTR 2B matching has been made mandatory. Taxpayers are suggested to ensure ITC claimed is in accordance with valid tax invoice, eligibility conditions and reflection in GSTR 2B going forward.

7. **Table 8K analysis** – ITC to be lapsed does not specifically mean that such ITC will be reduced from electronic credit ledger directly. This is only an indication to the dept. of the extent of ITC available on record to assessee but unclaimed.

8. **Negative ITC in table 4C of GSTR 3B** – The negative ITC (meaning tax liability) in table 4C of Form GSTR 3B will ensure in table 9-GSTR 9 such amount is considered in tax paid although such values would not reflect automatically and therefore, it may need to be added in table 7H and also in table 9 (tax payable) to ensure reconciliation. This would also impact similar disclosures in table 9 of GSTR 9C.

9. **Table 7E vs Table 9 of GSTR 9C** – Although this is not a mandated reconciliation, this check ensures that the taxable value as per books (considered rate wise) matches to the taxable value as reconciled in the previous tables. Ensure that table 9 of GSTR 9C is filled only as per books irrespective of disclosure in GSTR 3B or GSTR 9.

10. **Interest computation** – After 5 years we have now obtained clarity on applicability of interest which applies on delay in payment of tax liability all effective retrospectively from 1st July 2017, i.e.,

- a. Output liability – @ 18% p.a. – For liability of the month is shown in the month – net liability, if not gross liability irrespective of ITC balance availability (disputable view)

b. RCM liability – @18% p.a. – Always gross basis as payable in cash.

c. ITC – @18% p.a. – Only when ITC 'wrongly availed and utilized' exceeds the balance remains in electronic credit ledger.

d. Note, in GST there is no interest on interest. The interest clock freezes once relevant taxes are discharged.

Conclusion

The activity of filing Form GSTR 9 & 9C now has more importance as it is expected to show the final values (with corrections if any) for a financial year. The department is also using this as a document for scrutiny. Therefore, putting in place procedures to ensure accurate data capture and reporting is imperative.