



Bombay Chartered Accountants' Society

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**The Chairman,
GST Council, Ministry of Finance,
Government of India. North Block, New Delhi – 110001**

30th April, 2018

Re: Representation on Procedure of filing GST Returns

Respected Sir,

1. Goods and Service Tax Law is now ten months old in our Country and yet there are various implementation challenges that are being faced by the tax-payers on a regular basis. While most of these challenges are on account of technical glitches in the GSTN system (which we believe is still in the development phase and is not a full-proof system), certain fundamental changes in the Compliance procedures under the GST Law are also need of an hour.
2. The present system of filing of GST Returns as contained in section 37, 38 and 39 of the CGST Act requires filing of monthly returns in three stages by three different dates of the Month. To be specific, Form GSTR-1 is required be filed by 10th of the next month, Form GSTR-2 is required to be filed by 15th of the next month and Form GSTR-3 is required to be filed by 20th of the next month. Since the facility for filing of GSTR-2 and GSTR-3 could not be developed in the expected time, a new provision was introduced for filing of Form GSTR-3B which is in the nature of summary return. Payment of Taxes is linked to the filing of GSTR-3B. In other words, the amount paid in electronic cash ledger can be adjusted against liability only at the time of filing of Form GSTR-3B. Further, any ITC shall be reflected in electronic credit ledger, only after filing of Form GSTR-3B and adjustment of such ITC against tax liability is also required to be done while filing Form GSTR-3B.

Form GSTR-1 filing is a process independent of GSTR-3B. The entries in GSTR-1 filed by the Vendors are supposed to be made available to receivers in Form GSTR-2A and only after confirming those entries (accept/ reject / modify or enter missing entry), the assessee will be in a position to generate Form GSTR-2. The process of confirming these entries is tedious and time consuming and no effective tools are developed to undertake this reconciliation in user-friendly manner. It's for this reason, the process of matching has been postponed indefinitely. **The main problem in this approach, is that, the assessee is expected to do the lengthy process of reconciliation within just 5 days (i.e. from 11th to 15th of the next month), and unless and until his reconciliation is done, he cannot proceed to file GSTR-3.** We strongly believe that, this approach would result in delay in filing of GST returns for, successful filing of GSTR-2 would depend upon lot of things such as full availability of data in GSTR-2A to the assessee from the Department by end of 10th of next month, the quality and availability of manpower available with the assessee for undertaking invoice-wise reconciliation, the technical tools/ software made available to assessee for filing of GSTR-2A and proper functioning of GSTN portal during these 5 days. Expecting the reconciliation exercise before filing of Return is also putting a lot of pressure on the professionals and employees working on filing of such returns

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in these 5 days. In case of ISD returns (GSTR-6), this reconciliation needs to be done in just 3 days. In the absence of effective off-line tool, the assessee is required to do the matching process online and entry by entry. It's for this reason, to our best knowledge and belief very few companies have endeavored to file their GSTR-6 so far.

3. **It's therefore felt that, the Reconciliation/ Matching process at the Receiver's end should ideally be after the filing of his returns on Self-Assessment- basis. Besides, there should be a flexible and user-friendly system to rectify his claims in the Returns, as a result of Reconciliation/ Matching exercise. We strongly believe that, the present compliance system is too much rigid and inflexible. The rigidity is observed not only in the Compliance Portal developed by GSTN but also in the law of procedures.**
4. In this background, we feel that, the present law relating to compliance requires a complete overhauling and accordingly, we are enclosing herewith a concept note on Suggested Return Model. **We would also like to make it a point that, the concept of Provisional Input Tax Credit cannot be done away with, for this would lead to major financial hardship on the assessee due to cash flow problem and consequently will have disruptive impact on the business community as a whole. For this reasons the Model suggested by Mr. Nandar Nilekani on GST return filing which does not provide for Provisional ITC to the assessee cannot be regarded as an acceptable model.**

While designing the GST Return Model enclosed herewith, we have taken care, that the interest of the Revenue will be protected and at the same time, the system will be more flexible and will not put the assessee in any undue financial hardship. **In other words, both the concepts i.e. Matching Concept and Concept of Provisional ITC to the Assessee are appropriately incorporated in the Model, without doing away the simplicity part of the process.**

We hope you will find some time in going through our suggested model and give us an opportunity to explain the same before you / your representatives with the help of one practical example.

For Bombay Chartered Accountants' Society,

Narayan Pasari

Narayan Pasari
President

Deepak Shah

Deepak Shah
Chairman, Indirect Taxation Committee



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Concept Note on Suggested Return Model

- Types of Return/ Statements** – The Model involves filing of following Returns/ Statements.
 - Consolidated Return (Monthly/ quarterly)
 - Correction Statement cum Challan to be filed only by Suppliers – Anytime and Any number of Statements on monthly basis
 - Statement of Final ITC Mismatch cum challan –One return for a Financial Year on or before filing of Annual Return.
- Consolidated Return:** There may be Only **“One consolidates Return”** to be filed by the dealer containing the following
 - Statement of Outward Supply made during the tax period.
 - Other Information containing particulars of Provisional ITC claim, payments made under RCM. Imports etc.
 - Summary of Return (Auto generated)Broad contents of the said statement are given in Annexure 01.
- Periodicity & Due Date of Return:** The periodicity may be quarterly for the assessee having turnover not exceeding 50 Cr during preceding financial year (i.e. SMEs) and monthly for others. The return filing due date to be 20th of the next month or as the case may be month following the quarter.
- “Correction Statement cum Challan” to be filed by Supplier Assessee** – These statements are required to enable the dealers to rectify the incorrect information in the return. These statements will make the entire system flexible. Only suppliers (and not receivers) may be entitled to file “Correction Statement cum Challan”. Such Correction Statements can be filed only to rectify the entries of outward supplies made in the preceding tax periods. The correction statements shall be filed for a particular month. For Ex: for rectifying entry in the month of April 2018 & May 2018, the correction statement shall be filed for the month of April 2018 & May 2018 separately. However, there should be no limit on number of correction statements to be filed by the assessee. Thus, correction statement for the month of April 2018 may be permitted to be filed any number of times. The Correction statement may be filed any time by the assessee (SME as well as others) i.e. no specific due date or periodicity. However, No “Correction Statement cum Challan” may be permitted to be filed after 30th September of the next financial year.

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From the point of view of the supplier, the effect of correction statement on electronic cash ledger, credit ledger and liability ledger (Tax + Interest) may be made simultaneously on filing of correction statements. Further, the effect of rectification entries on tax liabilities (tax and interest payable as well as tax and interest receivable) shall be incorporated in the return for the month/ quarter in which the correction statements are filed.

However, from the point of view of Receiver Assessee, the correction statements will also be required to be processed by the department as a part of matching exercise. This should be done only after the return filed by the Supplier Assessee for the said month is processed and Purchase Statement for that month is generated. (Refer Para 7)

Since Correction Statement is a Statement cum Challan, the payment can be made either in cash or by utilizing the ITC available in Electronic Credit Leger. A record of correction statements filed by the Supplier Assessee will be available in his Login portal. Allowing the Supplier Assessee to file the multiple correction statements will eliminate the rigidity in the system and will make the system flexible. The adjustment of the correction statement in the hands of Receiver Assessee (as a part of matching exercise) may also be done periodically. This is discussed later in Para 11.

5. **“Statement of Final ITC Mismatch cum challan” to be filed by Receiver Assessee-** This statement is required for Matching of ITC credit. The receiver may be required to file a single “Statement of Final ITC Mismatch cum challan” on or before filing of annual return. This entire statement may be prepared on self-assessment basis. (This is an alternative to GSTR-2). This Statement may be prepared on the basis of ITC claimed by the Receiver Assessee in his returns filed during the financial year and the ITC claims finally matched based on Purchase Statements and Correction Statements cum challan processed by the Department. This Statement will contain comparison between (i) total Party-wise Purchases made during the year and the amount of ITC claimed as per Return (ii) total Party-wise Purchases appearing as per Department System (i.e. Processed Purchase Statements and Correction statements filed upto September of the next financial year) and the amount of ITC to the extent of mismatched amount. On such mismatched amount, the receiver may be asked to pay interest from 1st April of the next financial year till the date of payment.

[In order to ensure smooth filing of this statement, there should be no validation of amounts shown by the assessee in (ii) above and the actual amounts as per Department’s system. In fact, based on the Statement of Final Mismatch cum challan filed by the Assessee, the Department may also do the matching exercise and additional mismatch amount if any shall be intimated to the Assessee accordingly as a part of assessment & recovery procedure]



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6. **No Filing of Invoice-wise Purchase Register by the Receiver Assessee:** Receiver Assessee may not be asked to file any invoice wise purchase statement in his return at any point in time. In theory, one man's outward supplier would become other man's inward supplies. Hence, since details of outward supplies are already available with the Department, the duplication may be avoided. Instead, purchasers may be required to file only one Statement of Final Mismatch after the year end as mentioned in 4 above.
7. **Processing of Purchase Statement by the Department:** The Purchase Statement of Receiver Assessee shall be generated by Department based on the returns of outward supplies filed by the vendors. This is necessary for a matching process. The Purchase Statement so generated may contain the invoice wise purchase details related to particular receiver assessee and the same should be made available to the receiver assessee for downloading, anytime within 3 months after the end of the quarter. There will be no need for the Receiver Assessee to accept/reject/ modify the entries in the said report. This report would be only for his information purpose, so that he would take necessary steps for reconciliation.

Example:

Tax Period	Return filing dates of SMEs	Return filing date for Others	Purchase Statement Generation
Apr - 2018	20-07-2018	20-05-2018	30-09-2018
May - 2018		20-06-2018	30-09-2018
Jun - 2018		20-07-2018	30-09-2018
Jul - 2018	20-10-2018	20-08-2018	31-12-2018
Aug - 2018		20-09-2018	30-12-2018
Sep - 2018		20-10-2018	30-12-2018
Oct - 2018	20-01-2019	20-11-2018	31-03-2019
Nov - 2018		20-12-2018	31-03-2019
Dec - 2018		20-01-2019	31-03-2019
Jan - 2019	20-04-2019	20-02-2019	30-06-2019
Feb - 2019		20-03-2019	30-06-2019
Mar - 2019		20-04-2019	30-06-2019

If in case, any vendor does not file the return of his consolidated return containing outward supplies for the month of April 2018 to June 2018 before 30-09-2018, then the same shall be processed subsequently and considered for adjustment in return during the next Purchase Statement generation cycle.

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8. **Periodic Adjustment of Provisionally Mismatched ITC based on Purchase Statement:** Any Provisional Mismatch of ITC amount resulting into tax payable or tax credit receivable after generation of Purchase Statement (i.e. Difference between ITC claimed by Assessee in his return and Total ITC processed as per Purchase Statement) shall be adjusted periodically. The periodicity can be as follows:

Example:

Months of generation of Purchase Statement	Return in which Mismatch & Interest thereto is adjusted - SMEs	Return in which Mismatch & Interest thereto is adjusted - Others
Jul 2018 - Sep 2018	Oct 2018 - Dec 2018	Dec 2018
Oct 2018 - Dec 2018	Jan 2019 - Mar 2019	Mar 2018
Jan 2019 - Mar 2019	Apr 2019 - Jun 2019	Jun 2019
Apr 2019 - Jun 2019	Jul 2019 - Sep 2019	Sep 2019

9. **No Interest on Provisional Mismatched ITC amount:** No interest may be demanded on the Provisional Unmatched/ Mismatched amount by the Dealers. This is because, the Government will always get interest on the said amount from the vendor at the time when such vendor will file the "correction statement cum challan" (Refer example at **Para 11**).
10. **Why adjustment in ITC based on Purchase statement shall be made in the third month:** On the basis of such Purchase Statement, assessee receiver is given reasonable time of 2-3 months to take reasonable steps to peruse his vendors to rectify returns filed by such vendors for the past tax periods by filing "correction statement cum challan". As mentioned above, the vendors shall be permitted to file any number of monthly correction statement in a month.
11. **Processing of Correction Statements & Periodic Adjustment on Monthly basis:** Similar to the returns, the monthly Correction Statement Cum Challan filed by the Assessee Suppliers may also be processed by the department, periodically ideally monthly and shall be made available for download to the Receiver Assessee. However, correction statement for a particular month shall be processed only after the Purchase Statement for that month is generated by the Department based on the return filed by the same supplier assessee. Any adjustment in the claim of ITC (positive or negative) thereon shall be done either monthly / quarterly depending upon the periodicity for filing of returns.



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Example

Month in which Correction Statement is Processed	Return of Adjustment for SME	Return of Adjustments for Others
Apr 2018	Jul 2018 to Sep 2018	May 2018
May 2018		June 2018
Jun 2018		July 2018
July 2018	Oct 2018 to Dec 2018	Aug 2018
Aug 2018		Sep 2018
Sep 2018		Oct 2018

On such rectifications, the interest shall be payable / receivable by the Vendor from the due date of return for a tax period in which the invoice to be corrected was reported in Original return by him till the date of filing of correction statement cum challan by such vendor.

Example:

From the Point of View of Vendor Assessee.

Date of filing of Correction Statement	Month of Rectification	Effect Of rectification	Status of Tax	Month of Invoice	Interest Start Date	Interest End Date	Status of Interest
30-05-18	May-18	100	Payable	Apr-18	20-05-18	30-05-18	Payable
05-06-18	Jun-18	-200	Receivable	Apr-18	20-05-18	05-06-18	Receivable
10-07-18	Jul-18	300	Payable	May-18	20-06-18	10-07-18	Payable
15-08-18	Aug-18	-400	Receivable	May-18	20-06-18	15-08-18	Receivable



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From Point of view of Receiver Assessee.

Month of Invoice	Month of Correction statement filed by the Vendor	Month in which Purchase Statement is generated	Month in which Correction Statement is Processed	Effect Of rectification	Status of ITC claimed
Apr-18	May-18	Jun -18	Jun -18	100	Receivable
Apr-18	Jun-18	Jun -18	Jul -18	-200	Payable
May-18	Jul-18	Sep -18	Sep -18*	300	Receivable
May-18	Aug-18	Sep -18	Sept -18	-400	Payable

*although correction statement is filed in July 2018, and processed from supplier's tax liability purpose in Aug 2018, since the Purchases Statement based on the month of May 2018 for matching purpose, is generated on Sep 2018, correction statement for the month of May 2018 is also processed in Sep 2018.

Since no interest is recovered from the receiver as explained in **Para 9 above**, no adjustment is required for the same.

The benefit of the above approach from Government point of view is that, there is no loss to the revenue as the government first receives the tax payable from the vendor along with interest at the time of filing of correction statement cum challan and then pass on the corresponding credit of Tax only to the receivers. Besides, since correction statements are processed for matching purpose, only after the Purchase Statement for that particular month is generated, the credit matched based on correction statement is credited back to Receiver assessee only after first debiting his account for the said mismatched ITC based on Purchase Statements.

The benefit of the above approach from Assessee's point of view is that, any ITC debited to him on the basis of Purchase statement to the extent of mismatched amount, is refunded back to him on a regular basis. This protects him from undue financial burden.



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12. Interest payable on Final ITC Mismatch Figure by Receiver Assessee: Interest shall be applicable only on the Final Mismatch Amount, which shall be determined by the Receiver Assessee on self-assessment basis after the month of September following the financial year to which the Final Mismatch figures pertain. The Final Mismatch figure shall be the result of following:

- Amount of ITC claimed by the ITC in periodic consolidated returns.
- Amount of ITC adjustment as per Purchase Statements made by the Department and made available to the Assessee receiver. (Vendor-wise, month-wise, invoice wise details will be available to receiver assessee)
- Amount of ITC adjustment as per Correction statements processed by the Department and made available to the Assessee receiver. (Vendor-wise, month-wise, invoice wise details will be available to receiver assessee).

On the final Mismatch figure interest may be demanded from the date of Month following the first day of the next financial year (i.e. 1st April) till the date of payment of Final Mismatched Amount. Following are the benefits of this approach

- The assessee will be entitled to the provisional credit and hence there will be no undue financial burden on the assessee.
- The Government will receive interest on delayed payment of tax from Suppliers in case of temporary or provisional mismatch of ITC.
- The Government may also receive interest on shortfall in the payment of tax by the receiver due to reduction in the claim of ITC after ascertaining the final mismatch from the end of financial year till the date of payment.

Payment of such Amount and interest thereon shall be made by Assessee Receiver by filing a Statement of Final Mismatch cum challan on or before filing of annual return.

The formats of Consolidates Return, The Correction Statement Cum-Challan, The Statement of Final ITC Mismatch cum challan, The Purchase Statement etc can be designed mutually.



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Annexure -01 Broad Contents of Consolidated monthly / quarterly return.

a) Statement of Outward Supply made during the tax period.

- This would broadly include Table 4 (B2B), Table 5 (B2CIL), Table 6 (Exports) , Table 7(B2C), Table 8 (Exempted), Table 9 (DN/CN- B2B), Table 10 (DN/CN-B2C) Table 11 (Advances), Table 13
- Table 12 - HSN-wise summary may be made optional
- Any rectification of invoices issued for the preceding financial year resulting into payment of tax liability, but which are not rectified through correction statements filed upto September next to the financial year to which the invoice sought to be corrected relates.

b) Other Information Containing particulars of payments made under RCM and

- This would broadly include Provisional Claim of ITC made by Dealer on Self-Assessment basis.
- Inward supplies on which tax is payable under RCM (same as Table 4)
- Imports (same as Table 5)
- Corrections related to past tax periods in respect of liability payable under RCM/Imports.
- Liability on account of Mismatched ITC pertaining to preceding financial year to the extent not included in "Statement of Final ITC Mismatch cum challan"
- Other Significant details as may be required

c) Summary of Return (Auto generated):

- This would be an auto generated statement showing summary of (a) and (b) and details of liability payable for a tax period.
- It would be broadly on the lines of GSTR-3B.
- It shall additionally include Table showing Adjustment based on Purchase Statement generated by the Department.
- It shall also include Table showing Adjustment based on rectification statements filed by the Supplier.
- It shall also include Table showing Adjustment based on Statement of Final Mismatch filed by the Receiver.
