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**RSM India Newsflash – Recommended
Year- End Activities from GST Perspective
& Strategic Review**



Newsflash

Recommended Year-End Activities from GST Perspective & Strategic Review

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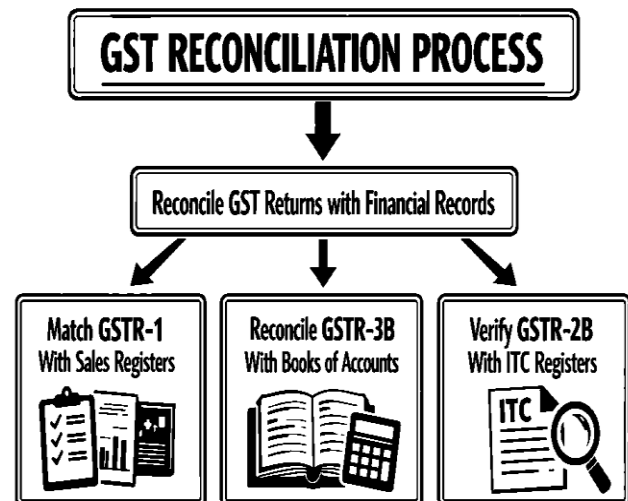
1.0 Introduction

As the financial year draws to a close, businesses must shift focus from routine compliance to a strategic and comprehensive review of their Goods and Services Tax (GST) positions. The year-end presents a critical window to identify gaps, optimize input tax credits, validate tax positions, and ensure alignment between statutory filings and financial records.

With increasing data analytics by tax authorities and heightened scrutiny, a proactive and structured year-end GST review is not merely a compliance exercise but a risk mitigation and value creation opportunity. Timely actions undertaken now can significantly reduce future litigations, unlock working capital efficiencies, and strengthen overall tax governance for the upcoming financial year.

2.0 Reconciliation of Returns and Books

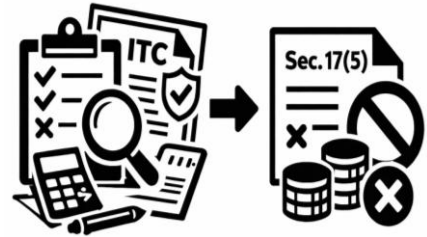
- Businesses should undertake a comprehensive reconciliation of GST returns with financial records.
- This includes reconciliation of GSTR-1 with sales registers, GSTR-3B with books of accounts, and GSTR-2B with ITC registers.
- Examine treatment of advances, credit notes, debit notes, and adjustments.
- Any discrepancies identified should be investigated and corrected through amendments in GST returns of March 2026, resulting in appropriate disclosures.



This exercise ensures the accuracy of reported turnover, tax liability, and input tax credit claims.

3.0 Input Tax Credit (ITC) Review and Optimization

- A detailed review of ITC should be conducted to ensure eligibility, proper documentation, and compliance with conditions under the CGST Act.
- Blocked credits under Section 17(5) should be identified and reversed where incorrectly claimed.
- Additionally, ensure that ITC is availed within statutory timelines by review of purchase invoices received, purchase recorded in books and auto-populated GSTR 2B reports. Timely availment is crucial to avoid permanent loss of credit and to maintain compliance with regulatory requirements.



4.0 LUT Filing – FY 2026-27

- Businesses engaged in the export of goods or services or supplies to SEZ units/developers without payment of IGST should ensure timely filing of the Letter of Undertaking (LUT) for FY 2026-27 prior to undertaking such supplies in the new financial year.
- It is important to verify eligibility conditions, ensure continuity of LUT validity, and avoid disruption in zero-rated supplies. Any delay or lapse in LUT filing may result in the requirement to pay IGST on exports, thereby impacting working capital and compliance positions.



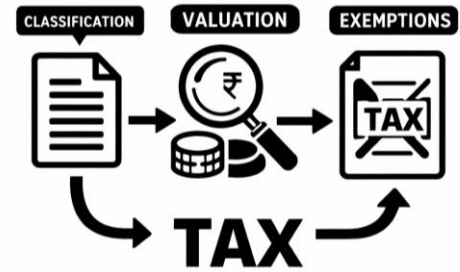
5.0 Vendor Compliance and Follow-ups

- Vendor compliance plays a critical role in ITC availability.
- Businesses should undertake a detailed review of vendor compliance to ensure that suppliers have accurately reported outward supplies in their GSTR-1 and discharged the corresponding tax liability in GSTR-3B. This includes validating whether such transactions are duly reflected in the recipient's GSTR-2B to safeguard input tax credit eligibility.
- Any discrepancies, such as non-reporting, under-reporting, or delays in filing, should be promptly identified and followed up with vendors for corrective action.



6.0 Review of Tax Positions and Litigation Exposure

- Assess key tax positions adopted during the year, including classification, valuation, and applicability of exemptions.
- Identify potential areas of litigation and evaluate provisioning requirements.
- Judicial precedents and CBIC clarifications should be reviewed to support positions taken.



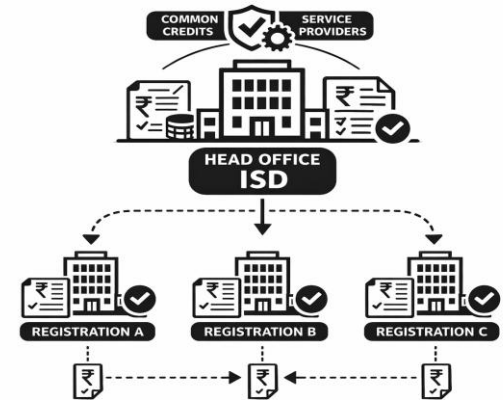
7.0 E-invoicing and E-way Bill Compliance Review

- Verify compliance with e-invoicing provisions by checking that all applicable invoices are generated with valid IRNs and are accurately reported on the Invoice Reporting Portal (IRP) in accordance with GST requirements.
- Businesses for whom e-invoicing provisions have not been applicable so far should reassess their aggregate turnover for FY 2025–26, in cases where the Rs. 5 crore threshold has exceeded during the year. Crossing this threshold would trigger mandatory compliance with e-invoicing requirements effective 1 April 2026. Accordingly, such entities should undertake timely system readiness, process alignment, and stakeholder awareness to ensure seamless transition and avoid any disruption in invoicing and reporting.
- Reconcile e-way bills with outward supply records to identify any mismatches, missing transactions, or discrepancies, and take corrective actions to ensure consistency across filings and documentation.



8.0 ISD Mechanism Review

- For entities operating with multiple GST registrations, it is critical to evaluate the design, implementation, and ongoing effectiveness of the Input Service Distributor (ISD) mechanism.
- This includes reviewing whether common input services are being appropriately identified and routed through the ISD registration, and whether credits are distributed to the respective units in a timely and compliant manner.
- Further, businesses should ensure that the allocation of common input tax credit is carried out in accordance with the prescribed distribution ratios, typically based on turnover or other relevant parameters, as per GST provisions.
- Any gaps in ISD applicability or incorrect routing of credits may lead to ineligible availment or accumulation of credits at inappropriate locations.



9.0 Documentation and Record Keeping

- Ensure that all statutory records, invoices, agreements, and supporting documents are properly maintained, organized, and readily accessible in accordance with applicable GST and regulatory requirements.
- Robust and well-structured documentation not only facilitates smooth audits and assessments but also strengthens the ability to substantiate positions and effectively respond to queries during departmental scrutiny or litigation proceedings.



10.0 Internal Controls and Process Improvements

- Assess existing GST processes and internal controls to evaluate their effectiveness, accuracy, and alignment with current regulatory requirements, including return filing, reconciliations, and documentation practices.



- Identify gaps or control weaknesses and implement appropriate automation solutions or enhanced review mechanisms to streamline processes, improve data accuracy, strengthen compliance monitoring, and reduce the risk of errors, delays, or non-compliance.

11.0 Way Forward

A well-executed year-end GST review not only ensures compliance but also strengthens tax positions and unlocks efficiencies. Based on insights derived from the year-end review, businesses should proactively plan for the upcoming financial year to address gaps and strengthen compliance frameworks. This includes implementing tax optimization strategies, enhancing internal processes, and aligning activities with the compliance calendar to ensure timely and efficient statutory adherence.

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