



**Newsflash:**  
**Summary of Significant Financial year end activities that needs to be undertaken to ensure effective compliance with GST provisions**



## Newsflash

### Summary of Significant Financial year end activities to be undertaken to ensure effective compliance with GST provisions

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27 March 2023*

#### 1.0 Background

The Financial Year 2022-23 is nearing its end paving the way for a new financial beginning. As businesses take care of the routine annual accounting closures, let us have a summary glance at a few of the crucial year-end activities to be undertaken to meet the GST-related requirements, thereby ensuring a smooth and hassle-free transition towards FY 2023-24.

#### 2.0 Computation of GST turnover for FY 2022-23 to verify the applicability of E-invoicing, mandatory QR Code on B2C invoices and compulsory 6 digit HSN Code on tax invoices:

The periodic GST returns for the month of March 2023 would be filed in the succeeding month i.e. April 2023, however the taxpayers would have to ascertain the annual aggregate turnover for the FY 2022-23 in advance for the following prospective implications upon the FY 2023-24:

Sr. No.	Particulars	Implications
1.	<b>Applicability of E-invoicing</b>	<ul style="list-style-type: none"> <li>Taxpayers <b>crossing turnover threshold of INR 10 crores</b> in any of the preceding financial years are currently under the purview of e-invoicing.</li> <li>Thus, if the turnover has never exceeded the stated turnover limit earlier however meets the same for FY 2022-23, <b>E-invoicing would become effective April 2023</b> onwards.</li> <li>It is pertinent to note that e-invoicing is applicable only in relation to <b>B2B and export transactions</b>.</li> </ul>
2.	<b>Applicability of mandatory QR Code on tax invoices</b>	<ul style="list-style-type: none"> <li>Although e-invoicing is applicable in relation to B2B supplies and exports, a registered taxpayer whose <b>annual turnover exceeds INR 500 crores in any of the preceding years</b> is required to <b>affix QR code enabling electronic payment on the B2C invoices</b> issued by them.</li> <li>Thus, if the turnover has never exceeded the prescribed threshold earlier however does so for FY 2022-23, mandatory payment QR Code in relation to B2C invoices would become applicable <b>w.e.f. April 2023</b>.</li> </ul>

3.	<b>Applicability of 6 digit HSN Code</b>	<ul style="list-style-type: none"> <li>• HSN Code is one of the mandatory particulars required on the tax invoices issued under GST. Further, disclosure of such HSN Code up to <b>4 digits</b> level is permitted for taxpayers having annual turnover <b>up to INR 5 crores</b>, whereas <b>6 digit reporting</b> is mandated if the annual turnover for the <b>preceding year exceeds INR 5 crores</b>.</li> <li>• Thus, it becomes crucial to check if the turnover for FY 2022-23 is exceeding INR 5 crores thereby leading to a requirement of 6 digit HSN disclosure on tax invoices (also e-invoices in applicable cases) and returns being filed in Form GSTR 1.</li> </ul>
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### 3.0 Filing of Letter of Undertaking (LUT):

- Zero-rated supplies under GST i.e. **exports and/or supplies to SEZ** would be eligible without payment of IGST on **filing of Letter of Undertaking (LUT)** for a given financial year.
- Taxpayers who undertake zero-rated supplies need to **ensure filing of LUT for the FY 2023-24 within 31 March 2023** to avoid any non-compliance and grave implications at a later stage.
- It is pertinent to note that the LUT filed for FY 2022-23 would cease to be in effect from 1 April 2023, and hence filing of fresh LUT on the GST portal for FY 2023-24 is to be complied on or before 31 March 2023.

### 4.0 Four-fold annual reconciliation of:

#### a) Books vis-à-vis GST

- The provisions of GST permit the taxpayers to report rectification of any errors committed in regular filings, also additions of details of any missed invoices/credit notes as well as availment of input tax credit until the end of November of the succeeding financial year.
- Although the timelines for purposes of **reporting amendments** under GST is till **30 November of the next financial year**, however, **identifying any mismatch or lapses** and taking corrective measures in the **returns to be filed for March 2023** would lead to reduction in accruing interest liability, as well as ensure zero to minimal deviation between books and GST returns in the FY 2022-23.
- Similarly, any **input tax credit** recorded in books, however, **missed to be considered in GST** returns may be identified and availed in the month of **March 2023**, subject to mapping with auto-population in Form GSTR 2B report.

b) **GSTR 1 vis-a-vis GSTR 3B**

- Any **turnover or liability mis-reporting** identified on **comparison of GSTR 1 and GSTR 3B** is also advised to be taken into consideration during filings for March 2023, thus maintaining NIL differences amongst GSTR 1 and GSTR 3B at annual level for FY 2022-23.

c) **GSTR 1 and E-invoicing**

- Taxpayers are suggested to conduct **an annual reconciliation between IRN generated in relation to e-invoicing during FY 2022-23 and B2B/Exports reported for FY 2022-23 in GSTR 1** to check for any missed e-invoicing and perform remedial steps.

d) **GSTR 1 and E-way bill generation**

- Supplier of goods required to generate e-way bills are advised to reconcile any discrepancies observed between generation of e-way bills as against the supplies reported in GSTR 1 for the FY 2022-23.

5.0 **Review of supply of fixed assets, reimbursements, distinct and related party transactions:**

- **Transactions of supply between distinct entities i.e.** between different registered branches/locations under a common PAN are taxable under GST. Taxpayers are recommended to check for any **missed instance of recording/reporting of such liabilities** and may be given effect in returns to be filed for March 2023 thereby mitigating any interest exposure at a later stage.
- A scroll-down through the **fixed asset register** for the FY 2022-23 is critical to check for any **non-payment of liabilities on sale or disposal of capital assets** and any **pending ITC reversal** owing to such supply occurring **prior to exhaustion of prescribed useful life of 5 years**.
- It is noteworthy that reimbursements in the nature of pure agent are excluded from the value of supply and thus not chargeable to GST. However, **reimbursements other than those classifiable under pure agent** concept are **not exempted from GST**. It is again a vital checkpoint for FY 2022-23 and necessary effects be incorporated in GST returns.
- **Related party transactions** are covered under deemed supply under GST i.e. taxable even if **made without consideration**. It is essential to check for any such **pending GST liability** to be booked and reported and may be given effect in returns to be filed for March 2023.

## 6.0 Verification of ITC reversal on written off stock, distribution of goods as free samples, etc.

- The **provisions of blocked credit** under GST necessitate ITC reversal on account of goods lost, stolen, destroyed, written-off or distributed as gift or free samples.
- As stock count is an integral part of annual closure activities done by businesses, it is pertinent to check at the same time if the **GST input tax credit reversals in relation to any disposed or stolen or FOC (free of cost) goods is duly effected in GST returns**. Any deviation in ITC reversal be accounted for and implications be given in **GSTR 3B return for March 2023**, to avoid multiplying interest burden and any penal consequences for contravening the laid down ITC provisions.

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