

Non-filers of GST returns may face cancellation of registration

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CBIC to act tough following lower-than-expected tax mop-up

The Goods & Services Tax (GST) Administration plans to act tough with non-filers of returns and cancel their registration. It has also decided to update the progress made in this regard on a daily basis.

Filing of returns helps tax authorities to estimate the tax liability and find out how much tax has been paid. The problem here is that nearly 20 per cent of assesseees do not file their returns, which affects GST collections.

The Central Board of Indirect Taxes & Customs (CBIC) held a meeting with the Principal Chief Commissioner and Commissioner of GST & Customs on November 13. According to sources, PK Dash, Chairman, CBIC, expressed his displeasure in the progress of cancellation of registration of non-filers who have not filed GSTR 3B (showing tax payments) returns for six or more than six return periods and are liable to action under GST law.

“...the task of cancellation of registration of such non-filers of GST returns should be taken on priority basis and should be furnished by November 25,” a communication sent from the office of the Principal Chief Commissioner of GST & Central Excise, Mumbai to Principal Commissioner/Commissioner posted in its jurisdiction. It has also asked for reports to be sent on a daily basis.

Conditions for cancellation

Section 29 of the Central Goods & Services Tax (CGST) Act prescribes conditions for cancellation of registration and fulfilment of any of these will invite action. These include contravention of the provisions of the Act, a composition scheme assessee not filing returns for three consecutive tax periods, any non-composition assessee not furnished returns for a continuous period of six months, not commencing business within six month from the voluntary registration, and registration obtained by means of fraud, wilful misstatement or suppression of facts. The Act clearly provides that registration will not be cancelled without giving the person an opportunity of being heard.

According to GST Law, a registered person will have to file returns either monthly (normal supplier) or on a quarterly basis (supplier opting for composition scheme). An ISD (Input Service Distributor) will have to file monthly returns showing details of credit distributed during the particular month. A person required to deduct tax (TDS or Tax Deducted at Source) and persons required to collect tax (TCS or Tax Collected at Source) will also have to file monthly returns showing the amount deducted/collected and other specified details. A

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non-resident taxable person will also have to file returns for the period of activity undertaken.

The law is very clear here that the cancellation of registration will not affect the liability of the person to pay the tax and other dues. Every registered person whose registration is cancelled will pay an amount, by way of debit in the electronic credit ledger or electronic cash ledger, equivalent to the credit of input tax in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock or capital goods or plant and machinery on the day immediately preceding the date of such cancellation or the output tax payable on such goods, whichever is higher.