

Pre-filled GST returns to become a norm from January 2021

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NEW DELHI : Businesses must brace for a new trend that is set to define Goods and Services Tax (GST) return filings—pre-filled forms and higher transparency requirement. Rolling out the self-policing measures that the technology driven indirect tax system is capable of is gathering pace with the GST Council on Monday clearing key changes to the return filing process.

As per the latest changes, the monthly tax returns of businesses giving summary of all transactions in form GSTR 3B will be automatically populated from the details given in the sales returns of the company as well as that of all its suppliers filed earlier in the month in form GSTR 1. These changes would be effective from 1st January 2021. For small businesses that file returns on a quarterly basis, this would come into effect from 1st April next year. To enable this shift, filing of monthly sales returns in GSTR 1 form will be mandatory by 13th day of every month. GST laws will be amended to make this new return filing procedure the default system, an official statement had said on Monday. "While auto-population of GSTR 3B will help businesses to avoid clerical errors, it will assure the government that discrepancies in the figures are minimised," said Abhishek Jain, tax partner at EY.

In another measure to ensure greater transparency and accuracy of description of items sold, businesses with sales more than ₹5 crore will have to identify the goods sold in invoices and in sales returns by a globally accepted six digit code under the harmonised system of nomenclature (HSN) used in cross-border trade. In the case of services too, a services accounting code issued by the central government has to be used. The government can notify eight digit codes on select items, the press statement said.

Also, 1 January onward, GST refunds will be transferred only to bank accounts which are validated with PAN and Aadhaar. To make a refund application, businesses can use a onetime password generated using Aadhaar. This is expected to bring more transparency into who is claiming a tax refund. The step was necessitated after investigations revealed that many firms vanish after getting a refund. Another key step to boost transparency which came into force from 1 October is e-invoicing of business to business transactions in the case of companies with more than ₹500 crore sales. The gradual unleashing of the power of technology to check tax evasion comes at a time central and state governments are facing a drastic drop in tax revenues but are unable to raise tax rates. The authorities had to go slow in stepping up the tech driven compliance boosting measures given the massive backlash from small businesses and traders in the early phase of GST implementation. The latest steps in leveraging technology to improve GST compliance coincides with similar steps on income tax side. These include capturing more transactions in form 26 AS—a tax credit statement, move towards pre-filled income tax returns and widening the coverage of taxes collected and deducted at source. From 1 October, sellers above ₹10 crore sales have to collect income tax at the rate of 0.1% (0.075% up to 31 March 2021) if the sale consideration received is above ₹50 lakh in the financial year—a step aimed at tracking transactions in the economy.

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