Tax Alert

GST

GST - Key Year End Activities

FY 2025-26

With the new financial year around the corner, it would be pertinent to ensure adherence with certain statutory compliances under the GST legislation. Here's all you need to know to stay compliant.

Document Series for FY 2025-26

Legal Provisions

As per the CGST Rules, every GST document issued by the registered person such as tax invoice, bill of supply, debit/credit note, etc. should be serially numbered, in one or multiple series and be unique for every financial year.

Actions Required

Unique and consecutively numbered series with a maximum of 16 digits comprising of alphabets, numbers, and special characters such as hyphen '-' or slash '/' to be ensured from 1 April 2025.

Letter of Undertaking (LUT)

Legal Provisions

- If a registered person seeks to export goods/services without payment of IGST, a LUT is required to be furnished as per Rule 96A of the CGST Rules.
- Vide Circular No. 8/8/2017-GST, it has been clarified that the validity of LUT is for the whole financial year in which it is tendered. Hence, the registered person is required to renew the LUT in case it is engaged in the export of goods/services without payment of tax in Form GST RFD-11.

Actions Required

- A fresh LUT for FY 2025-26 may be applied before issuing the first export invoice.
- The ARN so generated may be mentioned on all invoice(s) relating to zero-rated supplies raised from 1 April 2025 onwards.

Applicability of E-Invoicing & Vendor Verification

Legal Provisions

E-invoicing is applicable to all registered persons (except SEZ units) vis-à-vis B2B supplies and exports, where the aggregate annual turnover (PAN based) in any of the previous financial years exceeds INR 50 million.

Actions Required

- Registered persons crossing the said threshold limit should adhere to this requirement by generating the IRN/QR Code for the Tax Invoices, Debit and Credit notes issued vis-à-vis B2B supplies and exports.
- The IRN/QR Code must be mentioned on the face of the aforesaid documents.
- To mitigate any loss of Input Tax Credit (ITC) owing to invalidity of a Tax Invoice/Debit Note, it is imperative to carry out vendor verification so as to ensure that they are compliant with the E-invoicing provisions.

Revalidation of common ITC reversal for FY 2024-25

Legal Provisions

Rule 42 of the CGST Rules requires proportionate reversal of ITC as is attributable to any exempt supplies effected during the financial year.

Actions Required

- Re-computation of reversal amount/ratio based on annual data.
- If there is any short reversal, ITC should be reversed through Form GSTR-3B or discharged through Form DRC-03 before September 2025 along with interest to computed from 1 April 2025.
- Hence, it is advisable to re-compute and additionally reverse any ITC while filing Form GSTR-3B for March 2025 to avoid interest implications.
- In case of excess reversal, ITC can be re-claimed in Form GSTR-3B on or before September 2025.

Reconciliation of GST Returns vs. Books of Accounts for FY 2024-25

As good practice, it is recommended to carry out the following reconciliations at the year end to mitigate any interest and penal implications:

- Turnover disclosed in Form GSTR-1 & Form GSTR-3B.
- Supplies as per Form GSTR-1 & E-Way Bill database.
- Closing balances available in Electronic Cash Ledger and Electronic Credit Ledger as per the GSTN portal vis-à-vis the Books of Accounts as on 31 March 2025.
- IGST credit availed in Form GSTR-3B towards import of goods vis-à-vis list of BoEs as per the Indian Customs Electronic Gateway (ICEGATE) portal/appearing in Form GSTR 2B. *(GST authorities generally seek this reconciliation during audit/scrutiny)*.
- Reverse Charge Mechanism Expenses (RCM) expenses recorded in Books of Accounts vs. Liability discharged in GST returns.

Necessary corrective actions may be undertaken and given effect to GST returns of March/April 2025.

Disclosure of HSN/SAC digits in Tax Invoices

Legal Provisions

As per Rule 46 of the CGST Rules r/w Notification 78/2020-CGST, all registered persons having a turnover up to INR 50 million in the preceding financial year must mention 4-digit HSN/SAC on all B2B invoices. On the other hand, 6-digit HSN/SAC need to be mentioned by all registered persons with turnover exceeding INR 50 million.

Actions Required

Basis the turnover for FY 2024-25, necessary changes in HSN/SAC disclosures should be made from 1 April 2025 onwards.

Assessment of aggregate annual turnover

It is recommended to assess the aggregate turnover for FY 2024-25 to determine the applicability of below compliances in FY 2025-26:

- Composition Scheme,
- QRMP Scheme, and
- Adherence to Rule 86B of the CGST Rules concerning 1% cash payment of outward tax liability.

Reconciliation of turnover in GST returns vs. GST TDS/TCS

- Appropriate reconciliations should be undertaken to match the turnover disclosed in GSTR-3B vs. GSTR-7 / 8 (TDS/TCS)
- Any unclaimed GST TDS/TCS credit can be claimed subject to the confirmation with the books of accounts.

Declarations from Goods Transport Agencies (GTA)

For FY 2025-26, declarations should be collected from GTAs that opt to pay GST under the forward charge mechanism. This would mitigate any liability under RCM.

GST Amnesty Scheme 2025

Legal Provisions

- The GST Amnesty Scheme has been introduced to reduce the ongoing litigation under Section 73 of the CGST Act for FY 2017-18, 2018-19, and 2019-20. This Scheme applies to cases (except refunds) where no fraud or willful mis-statement or suppression to evade tax is involved.
- Registered persons opting for this scheme are required to withdraw the appeals (if any), discharge the full tax amount before 31 March 2025 to avail the benefit of full waiver of interest and/or penalty thereon. The amnesty application due date is 30 June 2025.

Actions Required

To ensure your organization does not miss this opportunity, we recommend taking the following actions:

- Identify the open cases under Section 73.
- Evaluate the benefits of amnesty vis-à-vis the merits of the case(s) and quantum of dispute involved.

Input Service Distributor (ISD) mechanism

Legal Provisions

From 1 April 2025, the ISD mechanism has been mandated for distribution of common input services credit among distinct multiple GSTINs of same entity, in terms of Section 20 r/w Rule 39 and Notification 16/2024-CGST.

Actions Required

With the implementation date fast approaching, it is essential to immediately undertake the following actions to ensure an efficient distribution of ITC:

- Conduct an impact analysis, including the identification of common and specific expenses.
- Obtain ISD registration to comply with statutory requirements.
- Streamline inward service procurements at locations where possible (e.g., decentralization of invoices, change of billing entity, etc.).
- Inform suppliers about the new ISD registration(s) and ensure vendor invoices are raised accordingly.
- Implement necessary system changes to facilitate compliance.

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