

# Six important changes in GST Rules w.e.f. 01.01.2021

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## INTRODUCTION

Change is the only constant in GST rules and Socrates had advised that “The secret of change is to focus all your energy, not fighting the change, but on building the new”. Therefore, as the beginning of 2021 is also effecting six important changes GST Rules having a direct impact on business. Let us all get ready for it:

### 1<sup>ST</sup>, THE CBIC PROVISIONAL CREDIT 10% REDUCED TO 5% UNDER RULE 36(4):

As per Rule 36(4) of CGST Rules claim of ITC is now reduced to only 5% of eligible credit available in GSTR2A in respect of invoices or debit notes, the details of which have been furnished by the suppliers. This claim of ITC was earlier restricted to 10% on 1<sup>st</sup> January 2020 from erstwhile 20% during the period from 09<sup>th</sup> October 2019 till 31<sup>st</sup> December 2019.

### 2<sup>ND</sup>, FURTHER NARROWING THE VALIDITY OF E-WAY BILL:

Amending Rule 138(10) the validity of E-way bill is halved, which would now be one day for a distance of 200 kms against erstwhile limit of 100 km. An additional day will be granted for every 200 km or part thereof against present limit of every 100 km.

### 3<sup>RD</sup>, NEW RULE 86B, UTILISATION OF ELECTRONIC CREDIT LEDGER FOR PAYMENT OF TAX CANNOT EXCEED 99% OF OUTPUT TAX LIABILITY IN A MONTH:

This compulsion of making payment of 1% of cash liability is a mean to curb tax evasion by way of fake invoicing. **This restriction of making 1% amount in cash will not be applicable to the following class of persons:**

- i) Income tax of more than Rs. 1 lakh has been paid by the Person or Proprietor or Karta or Managing Director or any of 2 partners or Whole Time Directors or Members of Managing Committee of Associations or Board of Trustees. In each of last 2 F.Y.s for which time limit to file income tax return under Section 139(1) has expired,
- ii) Registered person who has received refund of unutilized input tax credit of more than INR 1 lakh in preceding F.Y. under proviso to Section 54(3) on account of inverted Duty Structure and Zero-rated supplies made without payment of tax.

- iii) Registered person who has discharged output tax liability through e-cash ledger exceeding 1% of Total Output Tax Liability (applied cumulatively) up to said month in current FY.
- iv) Specific person – Government Department / PSU / Local Authority / Statutory Body.
  - 1. Commissioner or an officer authorized by him has the power to remove the above restriction.

#### **4<sup>TH</sup>, RESTRICTION ON FILING GSTR-1 THROUGH AMENDED RULE 59 W.E.F. 22.12.2020:**

In case of a tax payer of non-filing of GSTR 3B for two preceding months, his GSTR 1 shall now be blocked.

Likewise, in case of quarterly return filers, non-filing of GSTR 3B for the preceding quarter i.e. tax period, he shall not be permitted to file GSTR 1 of the subsequent quarter.

#### **5<sup>TH</sup>, AMENDMENT IN NEW REGISTRATION PROCESS VIDE RULE 8 AND 9:**

Aadhar authentication is now mandatory for GST registration along with verification of original documents uploaded with FORM REG-1 at facilitation centers.

However, the tax payer has the option of not using Aadhaar, but in such case GST registration would be given only after physical verification of the business premise, which could take upto 21 days and in case a notice is issued, even more time.

#### **6<sup>TH</sup>, RULE 21 HAS BEEN AMENDED TO INSERT NEW SCENARIOS FOR SUSPENSION OR CANCELLATION OF GST REGISTRATION W.E.F. 22.12.2020:**

- The department has power to suspend the registration if:
  - 1. A taxpayer has availed ITC contravening provisions of section 16 of the Act/Rules;
  - 2. Furnishes the details of outward supplies in FORM GSTR-1 for one or more tax periods which exceeds his outward supplies declared in GSTR 3B for the said tax periods, or acts in violation of rule 86B.

**09<sup>th</sup> January 2021**

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